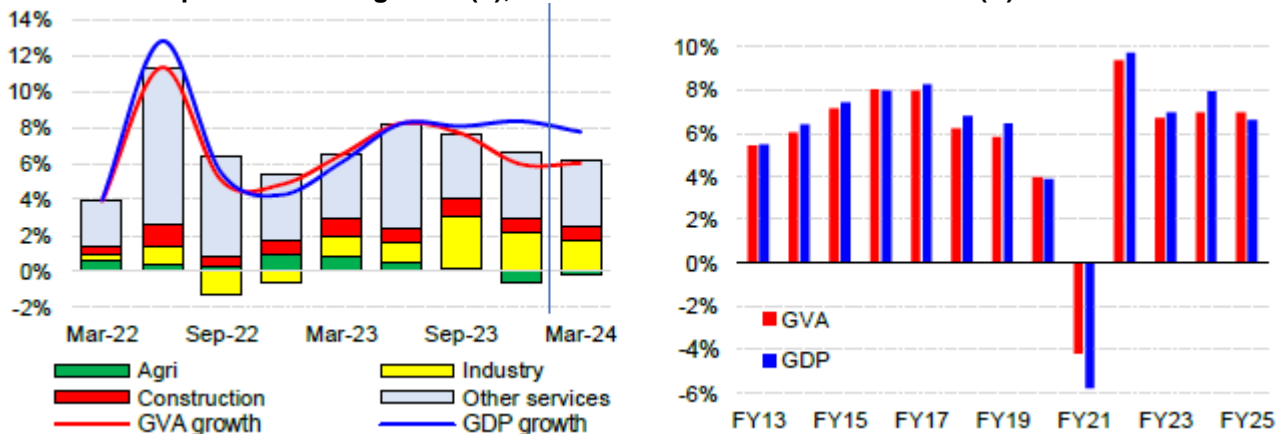


India Economics GDP Preview

India FY24 GDP to print at 8.0% YoY, quirks included.

India Q4 GVA growth is likely to print around 6% with contraction seen in agriculture estimates and slowing seen in manufacturing and construction high-frequency indicators. However, an expanding indirect tax-subsidy wedge will likely drive GDP growth to 7.8%, with a continued, albeit somewhat milder, skew to capex. Annual GVA is likely to print around 7.0%, with the indirect tax-subsidy wedge taking GDP growth to 8% for the first time since FY17. For FY25, we expect GVA growth to chug along at around 7.0%, but fading of the wedge effect will likely suppress GDP growth optically to around 6.6%.

Exhibit: Breakup of India GDP growth (L), and historical GVA/GDP differences (R)



Source: Axis Bank Business and Economic Research

India Q4 GVA growth likely at 6.0%, GDP growth at 7.8%

Q4 GVA growth is likely to print around 6%, with contraction in agriculture seen in ministry advance estimates, Reported results and IIP prints also point to slower growth in mining and manufacturing, while electricity growth has also softened as seen in available data. Prints for services will likely be mixed, with construction slowing on consumption of steel despite stronger brick and cement output, while trade+ is likely to slow with e-way bills as well as hotel sector data. Finance+ is likely to do well tracking prints for banking, insurance and real estate. The numbers translate to another strong print for GDP, considering the indirect tax-product subsidy wedge, though with somewhat milder growth in investment seen in IIP and imports of capital goods. Services exports will likely see net trade act as a boost to growth.

Annual GVA at 7.0%, GDP at 8.0% for the first time since FY17

Taking quarterly numbers together shows annual GVA growth, with strength seen through the year in mining, manufacturing and construction more than offsetting agriculture contraction. Ex construction, services will likely see some slowdown mirroring softer consumption trends and the fading of the low base from FY22. Drop in subsidies on an annual basis brings FY24 GDP growth to around 8.0% - the first time since FY17 – with a strong skew to capex coupled with weaker growth in consumption – though earlier imports of capital goods, valuables and industrial inputs will likely keep net exports a drag, matching part of the improvement in capital formation.

Growth to chug along at ~7% in FY25, but GDP print likely lower

We expect GVA growth in FY25 to chug along at around 7.0%, with recovery in agriculture, slowdown in industry (with the boost from the negative deflator fading) and steady momentum in construction and other services. However, the indirect tax-subsidy wedge will likely not improve further in the year, leading reported GDP growth to come back towards around 6.6% - this is a reversion of the same quirk in FY24. GDP numbers will likely show a continued skew towards investment, but the state of consumption, in line with predictions of a better monsoon, will be watched for impacts on import demand.

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