

## Q3FY24 GDP growth at 8.4% beats expectations

India's Q3FY24 real GDP growth came in at a strong 8.4%, significantly above market expectations (Consensus: 6.6%). This, with upward revisions in the previous two quarters (40bps each, 8.2% in 9MFY24), now leads to the Second Advance Estimate (SAE) of 7.6% in FY24, up 30bps from the First Advance Estimate (FAE). GDP growth for FY23 has been revised downwards by 20bps to 7%, but off a 70bps upward revision in FY22 growth to 9.8%, translating into an average growth of 8.1% in the last three years. A robust expansion in investments, aided by strong Government capex and housing demand, more than made up for weak private consumption in FY24. In fact, barring COVID-led contraction in FY21, private consumption growth at 3% in FY24 was the lowest in last 21 years. By economic activity, Gross Value Added (GVA) growth for Q3 and FY24 are pegged at 6.5% and 6.9% respectively, broadly in line with market expectations. The divergence between GDP and GVA is a consequence of better tax collections and lower subsidy payout. The growth was led by Industry (+10.4% in Q3/+9% in FY24) and Services (+7% in Q3/+7.5% in FY24), while Agri remained weak (-0.8% in Q3, +0.7% in FY24—the lowest in eight years).

Interestingly, nominal GDP in absolute terms has been revised downwards by 1.1% and 0.9% in FY23 and FY24 respectively, with FY24 nominal GDP growth now pegged at 9.1% (vs. 8.9% in FAE). This is owing to a negative deflator in Industry, reflecting the impact of a sharp drop in commodity prices. In fact, change in deflator of -1.1% in Industry in FY24 is the lowest in last 68 years.

A significant positive surprise in real GDP growth in Q3 and FY24 is partly led by higher net taxes and weak deflator. Consumption demand has remained muted, as also reflected from moderating imports growth. That said, the revival in investments is gaining strength, and should get further support from higher Government capex next year, even as a durable recovery remains contingent on a broad-based pick-up in consumption demand and private investments. Key downside risks to the growth outlook include continued weakness in rural demand, slowing global growth and persistent supply disruptions due to geopolitical tensions.

- **Q3FY24 real GDP growth at 8.4% surprised positively; GVA growth in-line with expectations:** India's real GDP growth came in 8.4% YoY in Q3FY24, beating the consensus estimate by a wide margin (Consensus: 6.6%). The GVA growth at 6.5% was broadly in line with expectations. The divergence between the two is led by higher tax collections (+12.5% YoY in 9MFY24) and lower subsidy payout (-21% YoY in 9MFY24). With a 40bps upward revision in Q1 and Q2 GDP growth to 8.2% and 8.1% respectively, real GDP growth for the first three quarters of FY24 now stands at 8.2%. GVA growth, on the other hand, stands adjusted at 7.5%, after upward revision in Q1 growth forecast to 8.2% (+40bps) and Q2 to 7.7% (+30bps).
- **Investment-led growth; consumption muted:** The GDP growth in Q3 was primarily led by Investments, even as consumption—both private and Government—remained muted. Gross Fixed Capital Formation (GFCF)—a barometer of investments in the economy—registered a strong growth of 10.6% in Q3, marking a 10%+ growth for the second quarter in a row, translating into a growth of 10.2% in the first three quarters. This was primarily led by strong Government capex (+37.5% YoY in 9MFY24), robust housing demand (As reflected from higher sales and price appreciation) and reviving private capex (As reflected from a strong 16% YoY growth in outstanding credit in Industry and Services combined). Private Final Consumption Expenditure (PFCE) growth, on the other hand, remained muted at 3.5% YoY in Q3 (+2.4% YoY in Q2FY24), with downward revisions in the previous two quarters, reflecting the impact of weak rural demand due to uneven monsoon. Government Final Consumption Expenditure (GFCE), on the other hand, fell by 3.2% YoY in Q3FY24. Notably, the share of GFCE in overall real GDP at 7.8% in Q3 is the lowest in last 31 quarters. On the external front, both exports and imports growth slowed down to 3.4% and 8.3% YoY respectively.

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*GDP growth in Q3FY24 came in a strong 8.4% YoY, beating market expectations by a wide margin.*

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- **Industry and Services drove GVA growth:** GVA growth in Q3 was primarily led by Industry and Services, even as Agriculture sector growth remained muted. The Industry GVA grew by a strong 10.4% YoY in Q3, led by a broad-based acceleration. Manufacturing GVA growth at 11.6% in Q3 follows a robust 14.4% YoY growth in the previous quarter (revised up by 50bps). Construction GVA registered a strong 9.5% YoY growth, partly attributed to strong real estate demand, translating into an average YoY growth of 10.4% in the last seven quarters. Electricity, Water Services and Other Utilities grew by a similar 9% YoY, while Mining registered a growth of 7.5%. Services sector also remained resilient, recording a YoY growth of 7% in Q3, implying a growth of 7.8% in the first three quarters on top of a 11% growth in the same period last year. Within Services, Trade, Hotels & Transport grew by 6.7%, Financial Services by 7% and Public Administration & Defence by 7.5%. Notably, Core GVA growth—ex Agriculture and Public Administration, Defence & Other Services—stood at a strong 8.4% YoY, translating into an 8.7% growth in the first three quarters.
- **Second Advance Estimate for FY24 revised up to 7.6%:** With significant upward revisions in the first two quarters, real GDP growth for FY24 has been revised upwards by 30bps to 7.6%, translating into an implied growth of 6.4% in Q4. This, however, came on the back of a 20bps downward revision in FY23 GDP growth to 7.0%. Notably, revision in FY22 real GDP growth has been starker, having seen a 70bps upward revision to 9.8%. Investments (GFCF), with a 10.2% growth, have remained the strongest growth driver of the economy this year. In fact, GFCF as a share of GDP stood at a 11-year high of 34% in FY24. Barring the COVID-induced contraction in FY21, private consumption growth at 3% in FY24 was the lowest in last 21 years. Interestingly, contribution from Discrepancies to FY24 GDP growth at 55% is the highest in last 15 years. Real GVA growth, however, has been kept unchanged at 6.9% in FY24, with upward revision in Industry growth (+1.1pp to 9%) making up for a downward revision in Agri and Services growth. This, when seen in conjunction with upgrades in the first two quarters, signal a deceleration in growth momentum in the last quarter, strikingly so in Industry.
- **Nominal GDP value revised lower:** Interestingly, nominal GDP in absolute terms has been revised downwards by 1.1% and 0.9% in FY23 and FY24 respectively. This makes the FY24 nominal GDP growth look optically better at 9.1% (vs. 8.9% in FAE). This downward revision in the nominal GDP value is owing to a negative deflator in Industry, reflecting the impact of a sharp drop in commodity prices. In fact, change in deflator of -1.1% in Industry in FY24 is the lowest in last 68 years.
- **Growth outlook robust but risks persist:** A significant positive surprise in real GDP growth in Q3 and FY24 is partly led by higher net taxes and weak deflator. Consumption demand has remained muted, as reflected from weak private consumption and moderating imports growth. That said, the revival in investments is gaining strength, and should get further support from higher Government capex next year, even as a durable recovery remains contingent on a broad-based pick-up in consumption demand and private investments. A normal monsoon this year and Government support ahead of elections should provide some impetus to rural demand. Key downside risks to the growth outlook include slower-than-expected recovery in rural demand, slowing global growth and persistent supply disruptions due to geopolitical tensions.

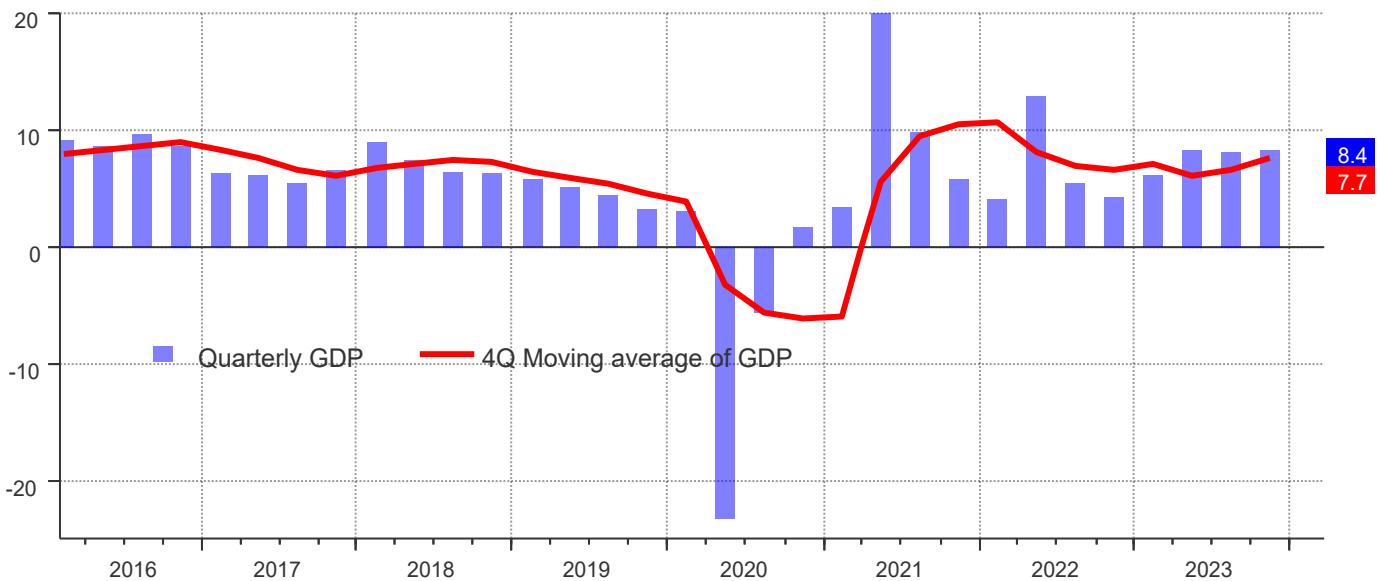
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*The SAE for FY24 GDP growth has been revised up by 30bps to 7.6%; FY23 revised lower by 20bps to 7.0% and FY22 revised higher by 70bps to 9.8%.*

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*Real GVA growth for FY24, however, has been kept unchanged at 6.9%.*

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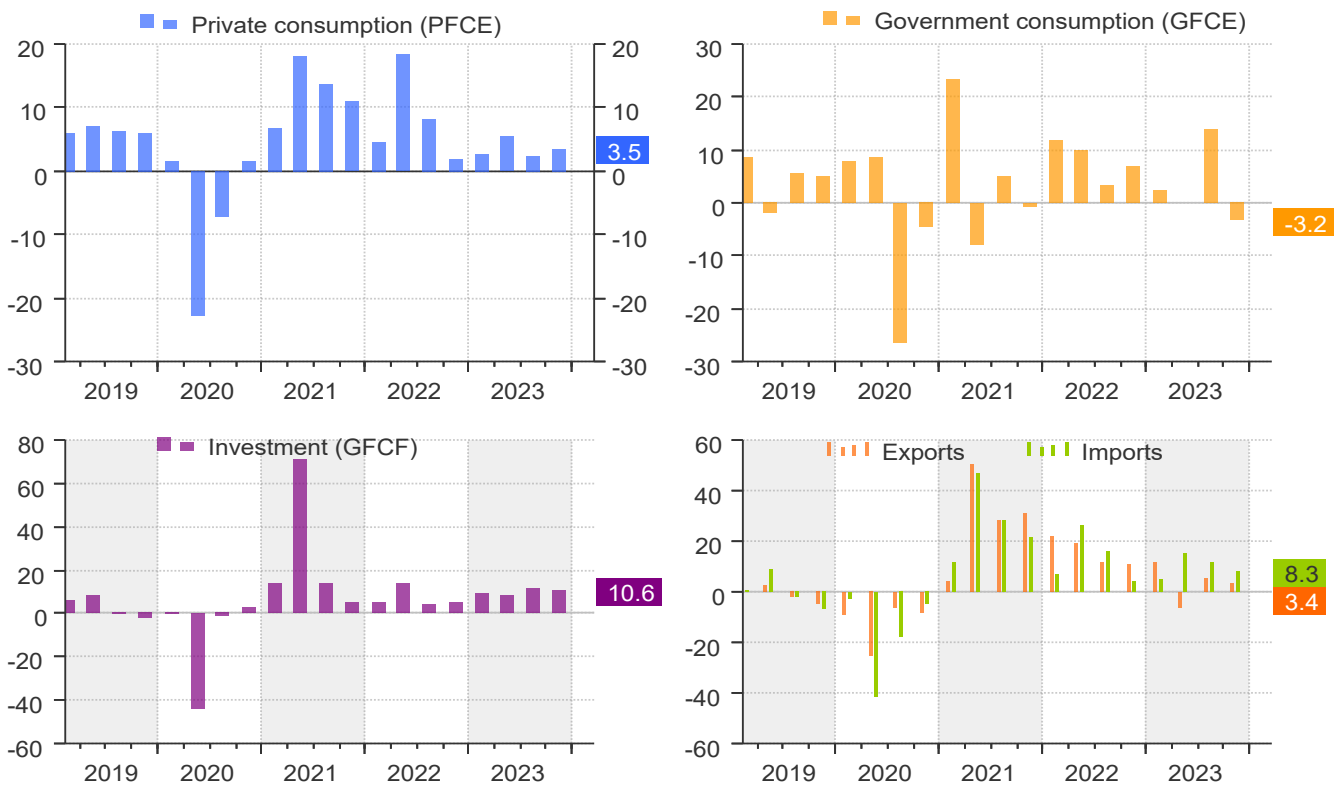
**Figure 1: India quarterly GDP growth trend**


Source: Refinitiv Datastream, NSE EPR.

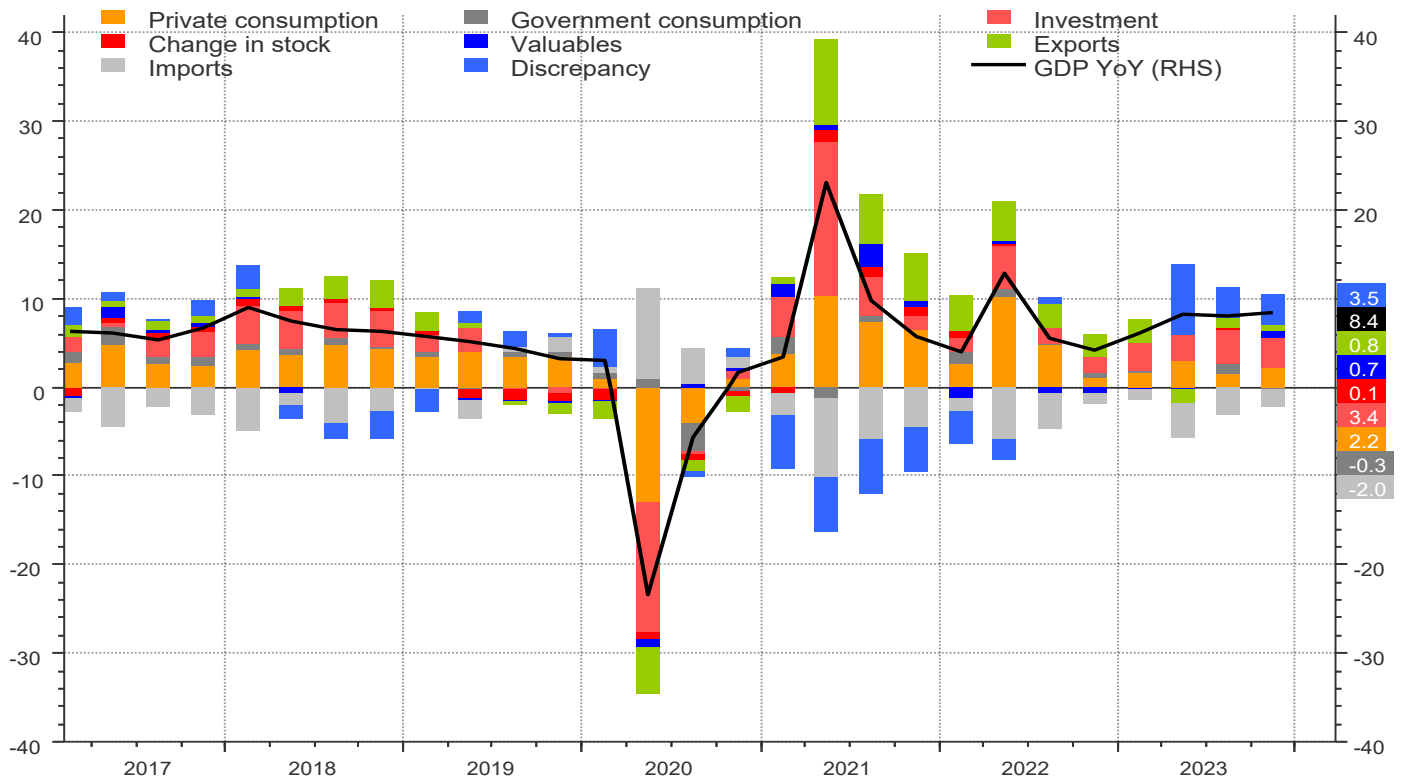
**Table 1: Quarterly GDP growth trend (2011-12=100) (%YoY)**

	FY22				FY23				FY24		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Gross Domestic Product (GDP)</b>	<b>23.0</b>	<b>9.7</b>	<b>5.7</b>	<b>4.0</b>	<b>12.8</b>	<b>5.5</b>	<b>4.3</b>	<b>6.1</b>	<b>8.2</b>	<b>8.1</b>	<b>8.4</b>
Private Consumption (PFCE)	18.0	13.6	11.0	4.7	18.5	8.2	1.8	2.8	5.3	2.4	3.5
Government Consumption (GFCE)	-8.0	5.0	-0.6	11.8	9.8	3.4	7.1	2.3	-0.1	13.8	-3.2
Gross Capital Formation (GCF)	78.2	24.0	9.4	3.0	14.9	2.4	2.8	7.8	7.5	10.6	12.2
Gross Fixed Capital Formation (GFCF)	71.0	14.1	4.8	4.9	13.9	4.7	5.0	8.9	8.5	11.6	10.6
Exports	50.0	28.5	31.1	22.4	19.1	11.7	10.9	11.9	-6.5	5.3	3.4
Imports	46.9	28.5	21.4	6.7	26.1	16.1	4.1	4.9	15.3	11.9	8.3
<b>Gross Value Added (GVA)</b>	<b>21.6</b>	<b>9.8</b>	<b>5.2</b>	<b>3.9</b>	<b>11.3</b>	<b>5.0</b>	<b>4.8</b>	<b>6.5</b>	<b>8.2</b>	<b>7.7</b>	<b>6.5</b>
<b>Agriculture</b>	<b>4.5</b>	<b>5.9</b>	<b>3.0</b>	<b>4.1</b>	<b>2.7</b>	<b>2.3</b>	<b>5.2</b>	<b>5.5</b>	<b>3.5</b>	<b>1.6</b>	<b>-0.8</b>
<b>Industry</b>	<b>53.0</b>	<b>8.5</b>	<b>3.0</b>	<b>2.3</b>	<b>6.8</b>	<b>-2.4</b>	<b>0.6</b>	<b>6.3</b>	<b>6.0</b>	<b>13.6</b>	<b>10.4</b>
Mining and Quarrying	11.3	10.4	5.3	2.3	6.6	-4.1	1.4	4.3	7.1	11.1	7.5
Manufacturing	50.4	5.7	0.3	0.6	2.2	-7.2	-4.8	4.5	5.0	14.4	11.6
Electricity	17.0	11.5	6.6	6.7	15.6	6.4	8.7	6.9	3.2	10.5	9.0
Construction	99.6	14.7	7.3	4.9	14.7	6.9	9.5	10.4	8.5	13.5	9.5
<b>Services</b>	<b>12.9</b>	<b>11.5</b>	<b>7.4</b>	<b>4.9</b>	<b>16.7</b>	<b>9.8</b>	<b>7.2</b>	<b>6.9</b>	<b>10.7</b>	<b>6.0</b>	<b>7.0</b>
Trade, Hotels, Trans., Storage, Comm.	44.0	15.2	8.9	5.0	22.1	13.2	9.2	9.1	9.7	4.5	6.7
Fin. Svcs, Real Estate & Business Svcs.	3.5	7.6	5.3	4.6	10.5	8.7	7.7	7.1	12.6	6.2	7.0
Public Admin., Defence & Other Svcs.	4.1	14.6	8.6	5.2	23.6	7.3	3.5	3.1	8.2	7.7	7.5

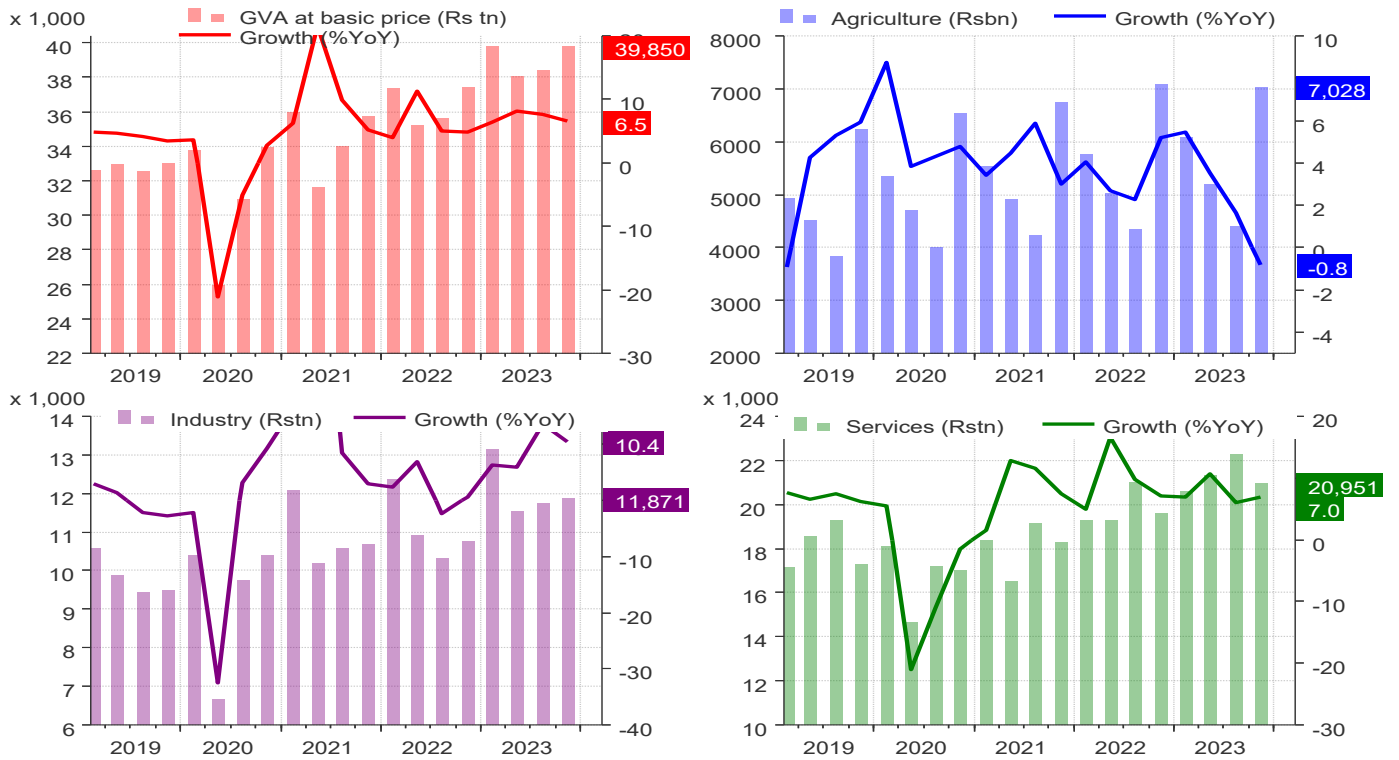
Source: CSO, NSE EPR.

**Figure 2: Quarterly GDP growth by expenditure (%YoY)**


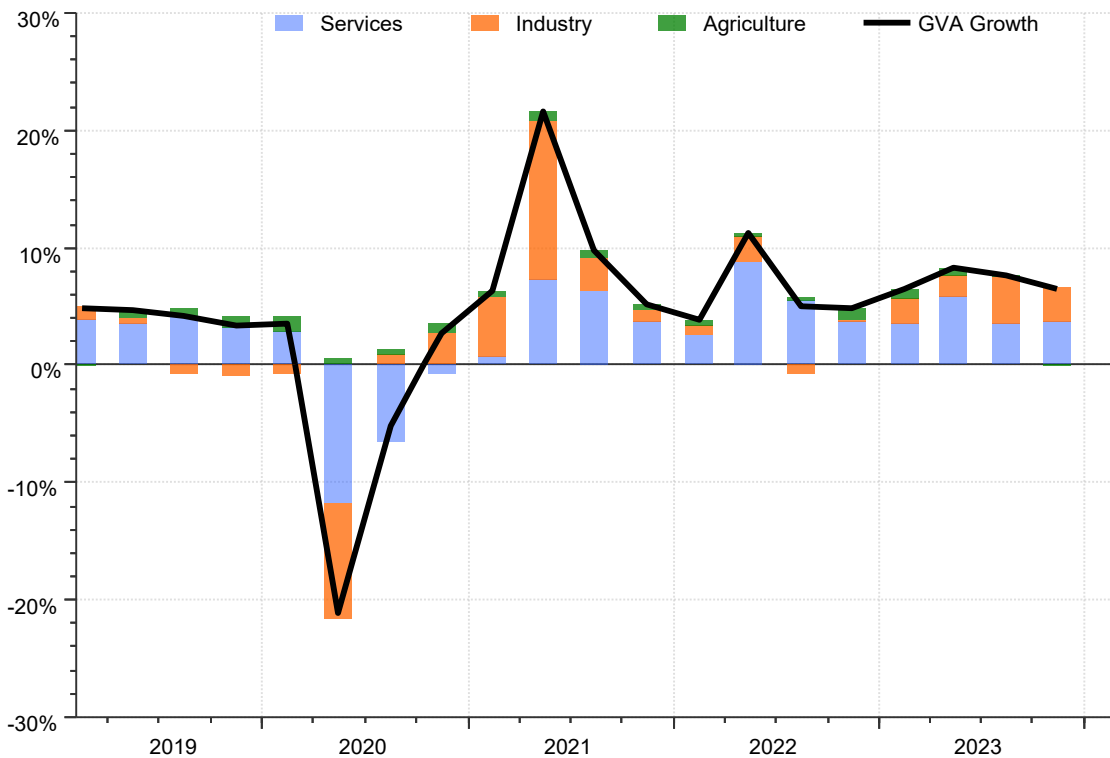
Source: Refinitiv Datastream, NSE EPR.

**Figure 3: India GDP sector share of growth (%)**


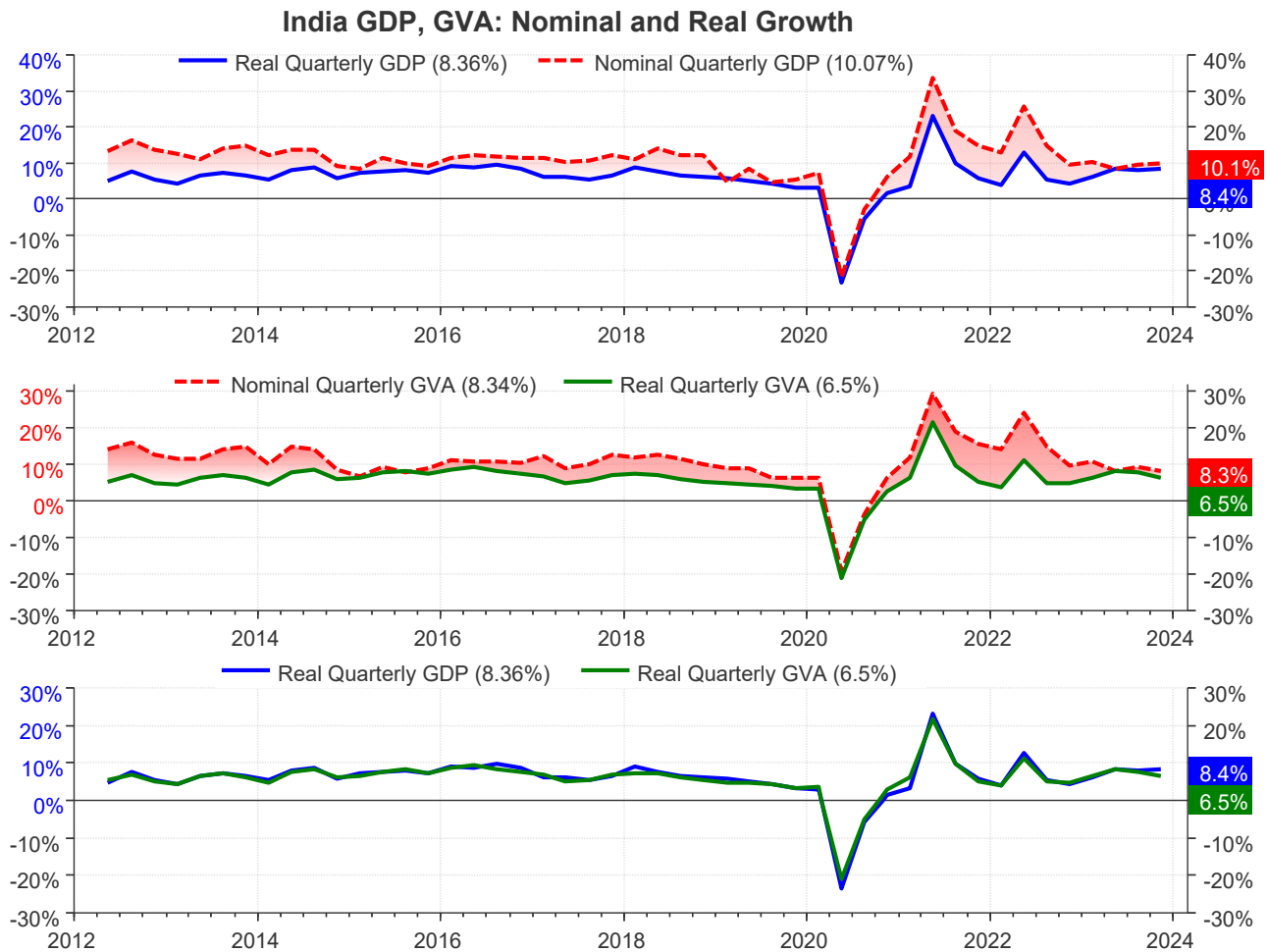
Source: Refinitiv Datastream, NSE EPR.

**Figure 4: Gross value added (GVA) across sectors**


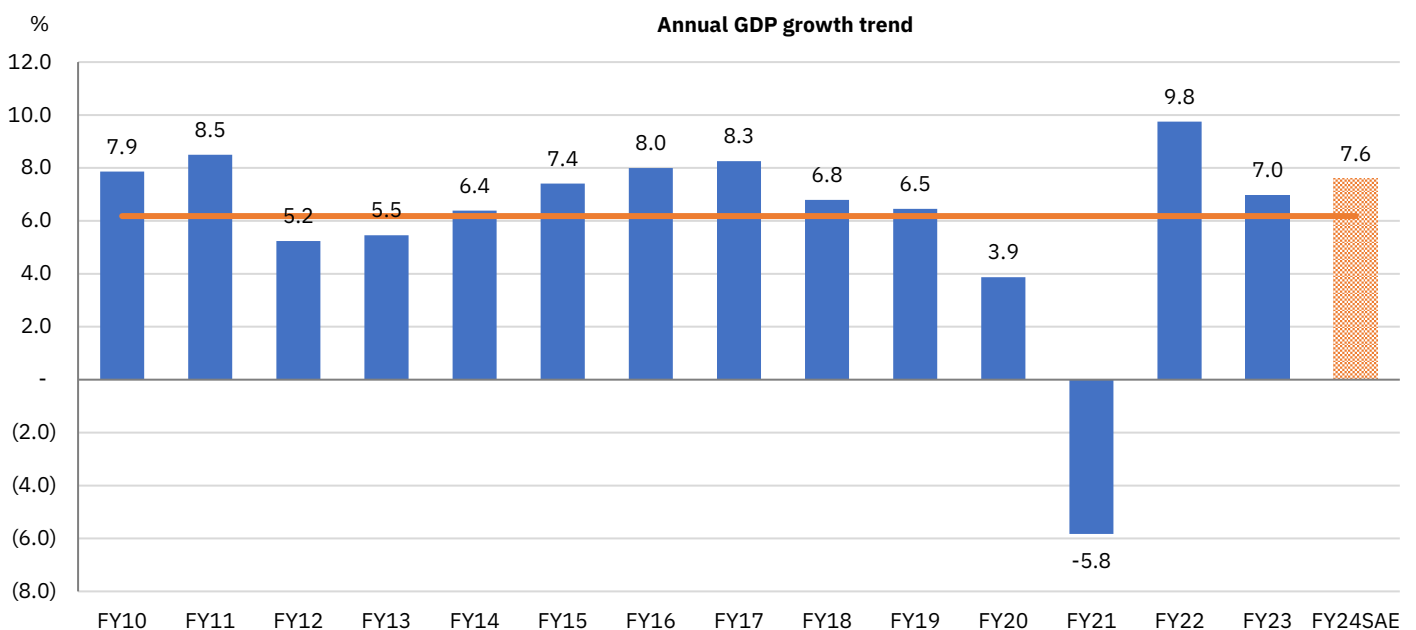
Source: Refinitiv Datastream, NSE EPR.

**Figure 5: India GVA sector share of growth (%)**


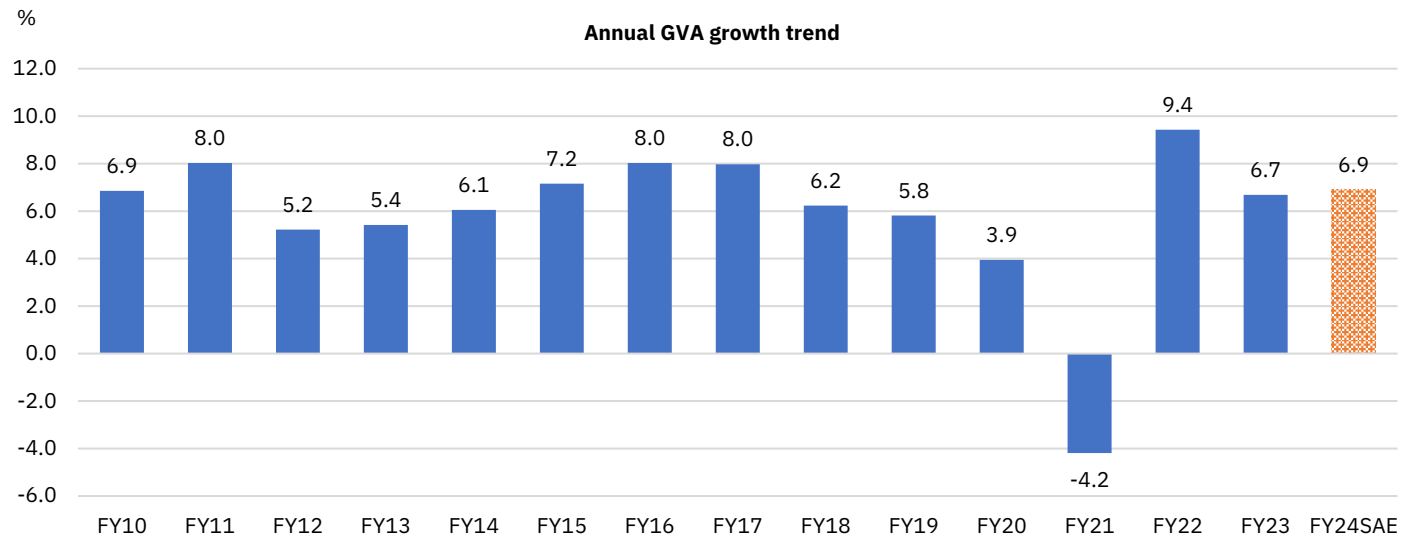
Source: Refinitiv Datastream, NSE EPR.

**Figure 6: Quarterly trend of nominal vs. real GDP and GVA growth**


Source: Refinitiv Datastream, NSE EPR.

**Figure 7: Annual real GDP growth trend**


Source: CSO, CMIE Economic Outlook, NSE EPR. SAE = Second Advance Estimate.

**Figure 8: Annual real GDP growth trend**


Source: CSO, CMIE Economic Outlook, NSE EPR. SAE = Second Advance Estimate.

**Table 2: Annual real GDP and GVA growth trend (% YoY)**

	FY20	FY21	FY22	FY23	FY24SAE	Implied Q4FY24
<b>Gross Domestic Product (GDP)</b>	<b>3.9</b>	<b>-5.8</b>	<b>9.8</b>	<b>7.0</b>	<b>7.6</b>	<b>6.4</b>
Private Consumption (PFCE)	5.2	-5.2	11.6	6.8	3.0	1.1
Government Consumption (GFCE)	3.9	-0.9	0.1	9.0	3.0	7.4
Gross Capital Formation (GCF)	-2.6	-7.9	21.8	5.5	10.2	7.2
Gross Fixed Capital Formation (GFCF)	1.1	-7.3	17.8	6.6	10.2	5.7
Exports of goods & services	16.1	-38.8	-51.5	-52.7	517.8	6.6
Imports of goods & services	-3.4	-9.1	32.7	13.4	1.5	4.2
<b>Gross Value Added (GVA)</b>	<b>3.9</b>	<b>-4.2</b>	<b>9.4</b>	<b>6.7</b>	<b>6.9</b>	<b>5.3</b>
<b>Agriculture</b>	6.2	4.1	4.5	4.7	0.7	2.7
<b>Industry</b>	-1.4	-0.9	12.7	2.1	9.0	3.7
Mining and Quarrying	-3.0	-8.6	6.7	1.9	8.1	5.6
Manufacturing	-3.0	2.9	10.1	-2.2	8.5	-0.4
Electricity	2.3	-4.3	10.5	9.4	7.5	8.7
Construction	1.6	-5.7	21.3	9.4	10.7	9.8
<b>Services</b>	<b>6.4</b>	<b>-8.2</b>	<b>9.0</b>	<b>10.0</b>	<b>7.5</b>	<b>7.1</b>
Trade, Hotels, Transport, Storage, Comm.	6.0	-19.7	14.9	12.0	6.5	4.4
Fin. Svcs, Real Estate & Business Svcs.	6.8	2.1	5.5	9.1	8.2	9.9
Public Administration, Defence & Other Svcs.	6.6	-7.6	7.6	8.9	7.7	7.2

Source: CSO, CMIE Economic Outlook, NSE EPR. SAE = Second Advance Estimate.

**Table 3: Revisions in real GDP and GVA growth for the last three years**

%	FY22		FY23		FY24SAE	
	Old	New	Old	New	Old	New
<b>Gross Domestic Product (GDP)</b>	<b>9.1</b>	<b>9.8</b>	<b>7.2</b>	<b>7.0</b>	<b>7.3</b>	<b>7.6</b>
Private Consumption	11.2	11.6	7.5	6.8	4.4	3.0
Government Consumption	6.6	0.1	0.1	9.0	4.1	3.0
Gross capital formation	17.9	21.8	9.6	5.5	9.3	10.2
Gross Fixed Capital Formation	14.6	17.8	11.4	6.6	10.3	10.2
Net trade of goods & services	-39.6	-51.5	79.7	-52.7	144.2	517.8
Exports of goods & services	29.3	32.7	13.6	13.4	1.4	1.5
Imports of goods & services	21.8	23.6	17.1	10.6	13.2	10.9
<b>Gross Value Added (GVA)</b>	<b>8.8</b>	<b>9.4</b>	<b>7.0</b>	<b>6.7</b>	<b>6.9</b>	<b>6.9</b>
Agriculture	3.5	4.5	4.0	4.7	1.8	0.7
Industry	11.6	12.7	4.4	2.1	7.9	9.0
Mining and Quarrying	7.1	6.7	4.6	1.9	8.1	8.1
Manufacturing	11.1	10.1	1.3	-2.2	6.5	8.5
Electricity	9.9	10.5	9.0	9.4	8.3	7.5
Construction	14.8	21.3	10.0	9.4	10.7	10.7
Services	8.8	9.0	9.5	10.0	7.7	7.5
Trade, Hotels, Transport, Storage, Comm.	13.8	14.9	14.0	12.0	6.3	6.5
Fin. Svcs, Real Estate & Business Svcs.	4.7	5.5	7.1	9.1	8.9	8.2
Public Admin, defence & Other Svcs.	9.7	7.6	7.2	8.9	7.7	7.7

Source: CSO, CMIE Economic Outlook, NSE EPR. SAE = Second Advance Estimate.

**Table 4: Revisions in real GDP and GVA growth for the first six quarters**

%	Q1 FY23		Q2 FY23		Q3 FY23		Q4 FY23		Q1 FY24		Q2 FY24	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Gross Domestic Product (GDP)</b>	<b>13.1</b>	<b>12.8</b>	<b>6.2</b>	<b>5.5</b>	<b>4.5</b>	<b>4.3</b>	<b>6.1</b>	<b>6.1</b>	<b>7.8</b>	<b>8.2</b>	<b>7.6</b>	<b>8.1</b>
Private Consumption	19.8	18.5	8.3	8.2	2.2	1.8	2.8	2.8	6.0	5.3	3.1	2.4
Government Consumption	1.8	9.8	-4.1	3.4	-0.6	7.1	2.3	2.3	-0.7	-0.1	12.4	13.8
Gross capital formation	20.8	14.9	6.5	2.4	5.2	2.8	7.8	7.8	7.1	7.5	9.9	10.6
Gross Fixed Capital Formation	20.4	13.9	9.6	4.7	8.0	5.0	8.9	8.9	8.0	8.5	11.0	11.6
Net trade of goods & services	-653.1	-193.2	216.8	117.2	6.8	-65.8	-90.4	-90.4	199.0	884.9	95.0	89.1
Exports of goods & services	19.6	19.1	12.2	11.7	11.1	10.9	11.9	11.9	-7.7	-6.5	4.3	5.3
Imports of goods & services	33.6	26.1	23.1	16.1	10.7	4.1	4.9	4.9	10.1	15.3	16.7	11.9
<b>Gross Value Added (GVA)</b>	<b>11.9</b>	<b>11.3</b>	<b>5.4</b>	<b>5.0</b>	<b>4.7</b>	<b>4.8</b>	<b>6.5</b>	<b>6.5</b>	<b>7.8</b>	<b>8.2</b>	<b>7.4</b>	<b>7.7</b>
Agriculture	2.4	2.7	2.5	2.3	4.7	5.2	5.5	5.5	3.5	3.5	1.2	1.6
Industry	9.4	6.8	-0.5	-2.4	2.3	0.6	6.3	6.3	5.5	6.0	13.2	13.6
Mining and Quarrying	9.5	6.6	-0.1	-4.1	4.1	1.4	4.3	4.3	5.8	7.1	10.0	11.1
Manufacturing	6.1	2.2	-3.8	-7.2	-1.4	-4.8	4.5	4.5	4.7	5.0	13.9	14.4
Electricity	14.9	15.6	6.0	6.4	8.2	8.7	6.9	6.9	2.9	3.2	10.1	10.5
Construction	16.0	14.7	5.7	6.9	8.3	9.5	10.4	10.4	7.9	8.5	13.3	13.5
Services	16.3	16.7	9.4	9.8	6.1	7.2	6.9	6.9	10.3	10.7	5.8	6.0
Trade, Hotels, Transport, Storage	25.7	22.1	15.6	13.2	9.6	9.2	9.1	9.1	9.2	9.7	4.3	4.5
Fin. Svcs, Real Estate, Business Svcs.	8.5	10.5	7.1	8.7	5.7	7.7	7.1	7.1	12.2	12.6	6.0	6.2
Public Admin, Defence, Other Svcs.	21.3	23.6	5.6	7.3	2.0	3.5	3.1	3.1	7.9	8.2	7.6	7.7

Source: CSO, CMIE Economic Outlook, NSE EPR.



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