

## Q4/FY24 GDP growth at 7.8%/8.2% surprises positively

India's Q4FY24 real GDP growth came in at 7.8% YoY, significantly above market expectations (Consensus: 6.7%) and much higher than the implied GDP growth of 6.4% as per the second advance estimate (SAE). This leads to a GDP growth of 8.2% for the full year vs. SAE of 7.4%, up from 7% in FY23, marking the third year in a row to report a 7%+ growth. The positive surprise in the quarter gone by was primarily led by better-than-expected private consumption, and exports performance. For the full year, GDP growth was led by a strong expansion in investments, even as consumption—both private and public—saw some moderation in growth. By economic activity, Gross Value Added (GVA) growth for Q4 and FY24 are pegged at 6.3% and 7.2% respectively, supported by robust growth in the manufacturing and construction sectors, and resilience in the services sector, partly offset by muted agriculture growth. The GDP-GVA wedge in FY24—the highest in 14 years—was owing to higher tax collections and lower subsidy payout. The nominal GDP growth for FY24 stood at 9.6%, higher than the SAE of 9.1%. The change in deflator at 1.3% in FY24 was the lowest in the last 48 years, primarily led by negative deflator in Industry—the first time in 68 years, reflecting the impact of a sharp drop in commodity prices during the year.

Amidst a challenging global environment, the FY24 GDP print exhibited resilience of the Indian economy, with India remaining the fastest growing large economy in the world. The high frequency indicators point to the economic momentum sustaining in the current fiscal, with an expected normal monsoon providing a boost to the ongoing recovery in rural demand. This, along with a steady urban demand, should translate into revival in overall private consumption. Investment activity is likely to gain further strength, supported by strong Government capex, with healthy balance sheets of corporates and banks, providing a conducive environment for a revival in private capex. That said, a durable recovery in investments remains contingent on a broad-based recovery in private consumption. Headwinds from lingering geopolitical tensions, slowing global growth and extreme weather events, however, pose risks to the outlook.

- Q4FY24 real GDP growth at 7.8% surprised positively...**: India's real GDP growth for Q4FY24 came in at 7.8% YoY (vs. 6.2% in Q4FY23), beating the consensus estimate (Consensus: 6.7%) and the CSO's SAE of 6.4% by a wide margin. This was on account of noticeable improvement in consumption and investment activity. The GVA growth for Q4FY24 stood at 6.3% YoY vs. 6% YoY in the corresponding quarter last year, primarily on account impressive performance in the Industry and Services segments, partly offset by a tepid growth in the Agriculture sector. The GVA-GDP wedge continued in Q4FY24, attributed to higher tax collections and lower subsidy payout but has moderated to some extent from the previous quarter.
- ...Leading to a 60bps upward revision in FY24 GDP growth to 8.2%:** Thanks to an 8%+ GDP growth in the first three quarters, and a 140bps higher growth in Q4 vs. the SAE, real GDP growth for FY24 came in at a strong 8.2%, surpassing the SAE by 60bps. This marked the third year in a row to witness a 7%+ GDP growth, translating into an average growth of 8.2% for the last three years, primarily attributed to expansion in investments. The GVA growth for the year stood at 7.2%, led by strong growth in Manufacturing and Construction and steady performance of the Services sector, partly offset by muted Agriculture growth.
- Investments drove GDP growth in FY24:** Private consumption registered a growth of 4% YoY in Q4FY24 compared with 1.5% YoY in Q4FY23, reflective of steady urban demand and revival in the rural demand. This, in absolute terms, is 3% higher than the implied figure for the quarter based on the second advance estimate. That said, private consumption growth for the full year at 4% is the lowest in the last 21 years barring the pandemic-induced contraction in FY21. Gross fixed capital formation (GFCF)—the barometer of investment levels in the economy—grew by 6.5% YoY in Q4FY24, sizeably higher than 3.8% YoY in the corresponding quarter

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*Real GDP growth in Q4FY24 came in a strong 7.8% YoY, beating expectations by a wide margin.*

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*The provisional estimate for FY24 GDP growth has been revised up by ~60bps to 8.2%.*

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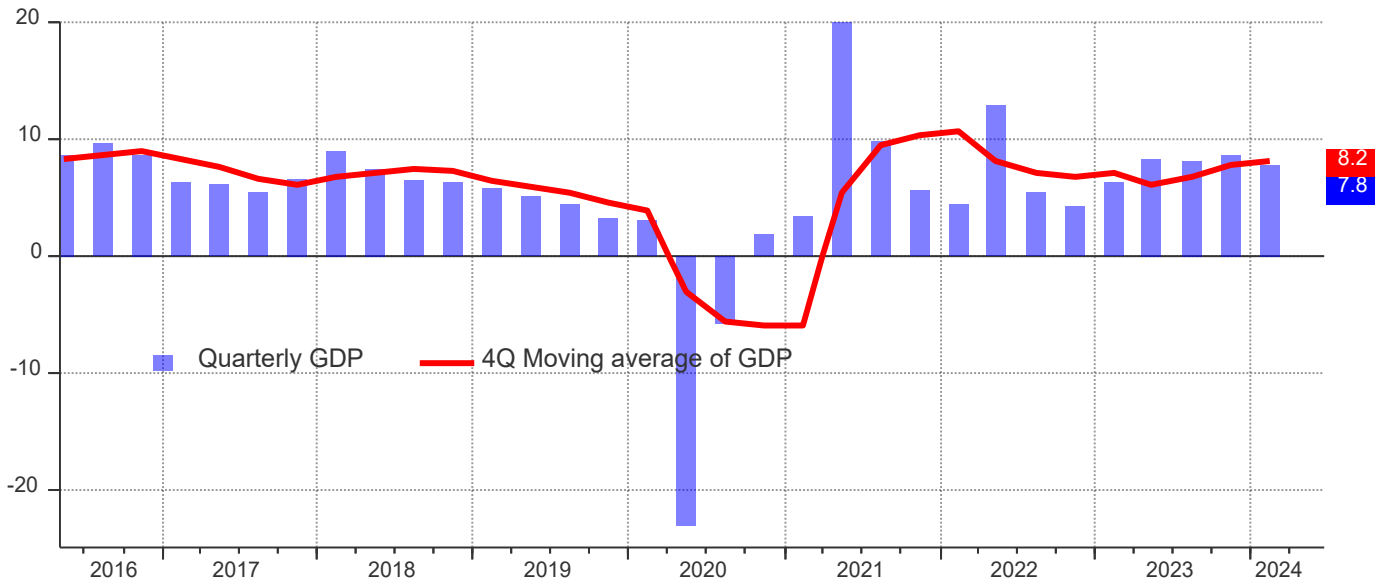
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*Real GVA growth for FY24 came in at 7.2% compared with 6.7% in FY23.*

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last year, but lower than the 9.7% growth in the previous quarter. The moderation in the YoY growth in investments is partly attributed to lower government capex spending, coupled with postponement of project start dates, ahead of the General elections. The GFCF growth for FY24, however, came in at a strong 9% vs. 6.6% in the previous year, with investment rate (GFCF as a share of GDP) at 33.2% being the highest in the last 12 years. Exports growth also improved to 8.1% YoY in Q4FY24 from 3.4% in the previous quarter, reflective of improvement in global demand and higher services exports. This, in absolute terms, is 4.4% higher than the second advance estimate for the fourth quarter, even as the full year growth moderated to a three-year low of 2.6%, leading to the net export deficit widening to four-year high levels. Government final consumption expenditure (GFCE) registered a tepid growth of 0.9% YoY in Q4FY24, albeit off a high base (+13.9% in Q4FY23) but moderated sharply to 2.5% in FY24.

- **GVA growth led by Industry and Services:** The GVA growth in Q4FY24 was led by a strong 8.4% YoY growth in Industry, even as it moderated from double-digit growth in the previous two quarters, and a steady 6.7% expansion in Services, partly offset by a muted 0.6% growth in Agriculture. Within Industry, growth was primarily led by Manufacturing (+8.9%) and Construction (+8.7%). While a low base effect and improved profitability of manufacturing companies, supported the robust expansion in Manufacturing GVA, strong housing demand and Government capex provided a boost to Construction GVA. In fact, Construction growth averaged at about 10% in the last eight quarters. Within Services, strong growth in financial, real estate & business services and public administration, defence & other services was partly offset by moderation in GVA growth for trade, hotels, transport, storage and communication. In FY24, a strong 9.5% growth in Industry (vs. 2.1% in FY23) more than made up for moderation in Services growth to 7.6% (vs. 10% in FY23) and a lacklustre growth of 1.4% in Agriculture—the lowest in last nine years.
- **Nominal GDP growth at 9.6% in FY24; deflator at 48-year lows:** The nominal GDP in FY24 grew by 9.6%, ~50 bps higher than the second advance estimates, with the Q4FY24 number coming in at 9.9% YoY, marginally lower than the 10.4% YoY in the previous quarter. The gap between nominal GDP growth and real GDP growth widened from 1.8 pp in Q3FY24 to 2.1 pp in Q4FY24, owing to the recent uptick in wholesale price inflation, weighing on the deflator calculation. That said, the change in deflator at 1.3% in FY24 was the lowest in the last 48 years, primarily led by negative deflator in Industry—the first time in 68 years, reflecting the impact of a sharp drop in commodity prices during the year.
- **Buoyant growth outlook but risks persist:** The high frequency indicators point to the economic momentum sustaining in the current fiscal. A steady urban demand, coupled with continued revival in rural demand amid expectations of a normal monsoon, bodes well for private consumption. Investment has remained a strong growth driver over the last couple of years and is likely to gain further strength, supported by strong Government capex. Further, healthy balance sheets of corporates and banks, coupled with an anticipated decline in cost of funds, provide a conducive environment for a revival in private capex. That said, a durable recovery in investments remains contingent on a broad-based recovery in private consumption. Headwinds from lingering geopolitical tensions, slowing global growth and extreme weather events, however, pose risks to the outlook.

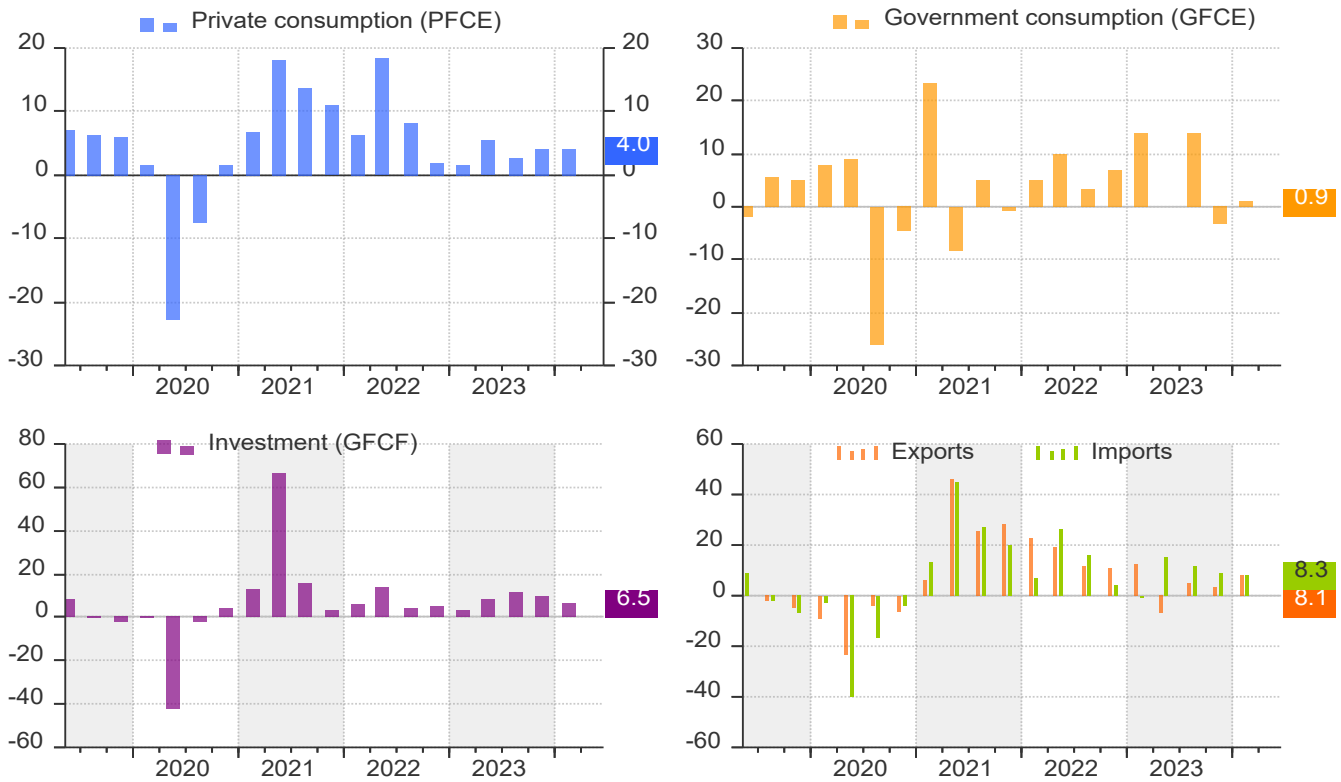
**Figure 1: India quarterly GDP growth trend**


Source: LSEG Datastream, NSE EPR.

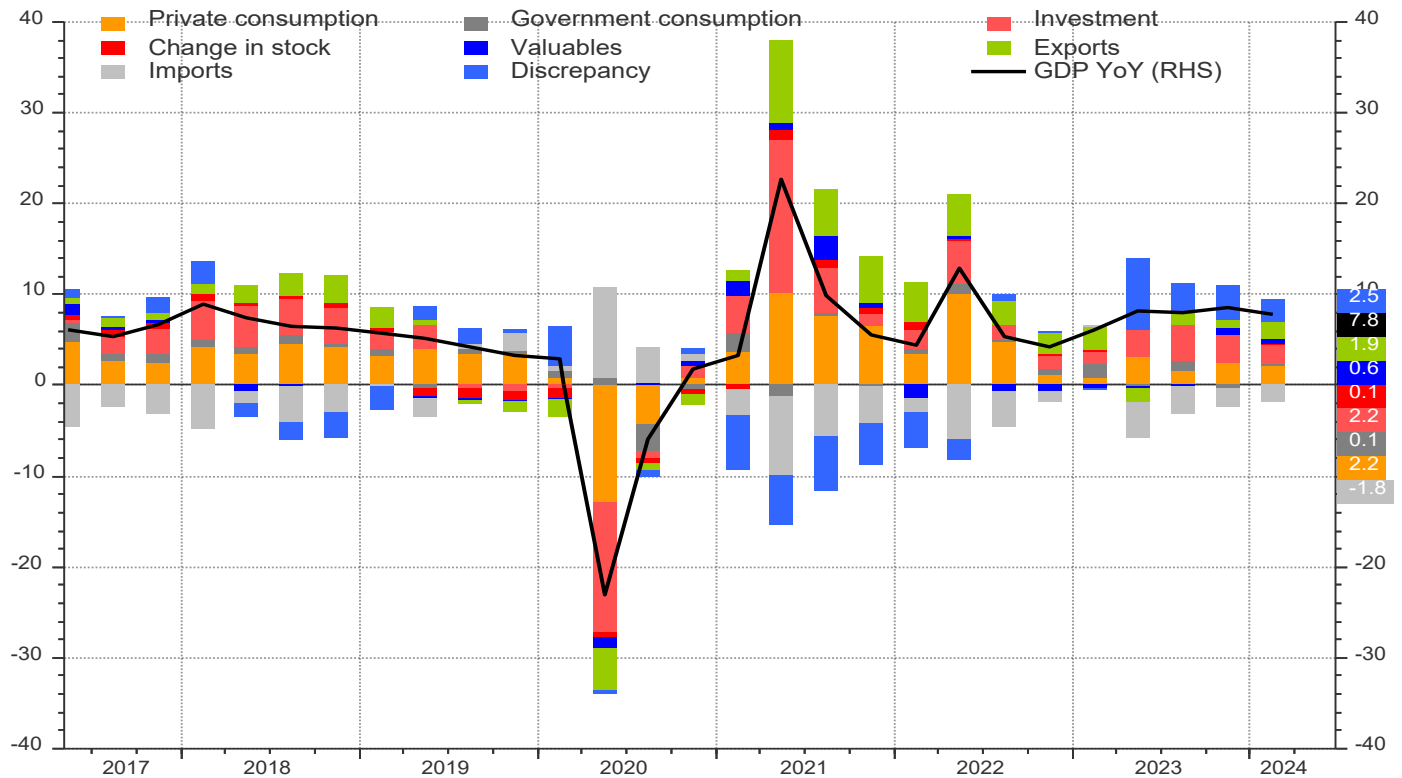
**Table 1: Quarterly GDP growth trend (2011-12=100) (%YoY)**

	FY22				FY23				FY24			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Gross Domestic Product (GDP)</b>	<b>22.6</b>	<b>9.9</b>	<b>5.5</b>	<b>4.5</b>	<b>12.8</b>	<b>5.5</b>	<b>4.3</b>	<b>6.2</b>	<b>8.2</b>	<b>8.1</b>	<b>8.6</b>	<b>7.8</b>
Private Consumption (PFCE)	18.0	13.7	11.0	6.2	18.5	8.2	1.8	1.5	5.6	2.6	4.0	4.0
Government Consumption (GFCE)	-8.2	4.9	-0.7	5.0	9.8	3.4	7.1	13.9	-0.1	14.0	-3.2	0.9
Gross Capital Formation (GCF)	73.1	24.8	7.8	4.6	14.9	2.5	2.8	3.3	7.5	10.7	11.5	8.0
Gross Fixed Capital Formation (GFCF)	66.5	15.3	3.6	6.4	13.9	4.7	5.0	3.8	8.5	11.7	9.7	6.5
Exports	46.5	25.4	28.1	22.6	19.1	11.7	10.9	12.4	-6.6	5.0	3.4	8.1
Imports	45.1	26.8	20.0	6.9	26.1	16.1	4.1	-0.4	15.2	11.6	8.7	8.3
<b>Gross Value Added (GVA)</b>	<b>21.3</b>	<b>10.0</b>	<b>5.0</b>	<b>4.3</b>	<b>11.3</b>	<b>5.0</b>	<b>4.8</b>	<b>6.0</b>	<b>8.3</b>	<b>7.7</b>	<b>6.8</b>	<b>6.3</b>
<b>Agriculture</b>	<b>4.6</b>	<b>5.9</b>	<b>3.2</b>	<b>5.5</b>	<b>2.7</b>	<b>2.3</b>	<b>5.2</b>	<b>7.6</b>	<b>3.7</b>	<b>1.7</b>	<b>0.4</b>	<b>0.6</b>
<b>Industry</b>	<b>50.8</b>	<b>8.8</b>	<b>2.0</b>	<b>2.3</b>	<b>6.8</b>	<b>-2.4</b>	<b>0.6</b>	<b>3.4</b>	<b>6.0</b>	<b>13.6</b>	<b>10.5</b>	<b>8.4</b>
Mining and Quarrying	11.5	10.5	4.6	1.0	6.6	-4.1	1.4	2.9	7.0	11.1	7.5	4.3
Manufacturing	50.1	5.5	0.2	-0.3	2.2	-7.2	-4.8	0.9	5.0	14.3	11.5	8.9
Electricity	16.8	11.3	6.4	7.2	15.6	6.4	8.7	7.3	3.2	10.5	9.0	7.7
Construction	87.0	16.4	4.2	7.0	14.7	6.9	9.5	7.4	8.6	13.6	9.6	8.7
<b>Services</b>	<b>13.0</b>	<b>11.6</b>	<b>7.6</b>	<b>5.3</b>	<b>16.7</b>	<b>9.8</b>	<b>7.2</b>	<b>7.2</b>	<b>10.7</b>	<b>6.0</b>	<b>7.1</b>	<b>6.7</b>
Trade, Hotels, Trans., Storage, Comm.	44.2	15.5	9.2	6.2	22.1	13.2	9.2	7.0	9.7	4.5	7.0	5.1
Fin. Svcs, Real Estate & Business Svcs.	3.7	7.8	5.5	5.8	10.5	8.7	7.7	9.2	12.6	6.2	7.0	7.6
Public Admin., Defence & Other Svcs.	4.0	14.5	8.6	3.2	23.6	7.3	3.5	4.7	8.3	7.7	7.5	7.8

Source: CSO, NSE EPR.

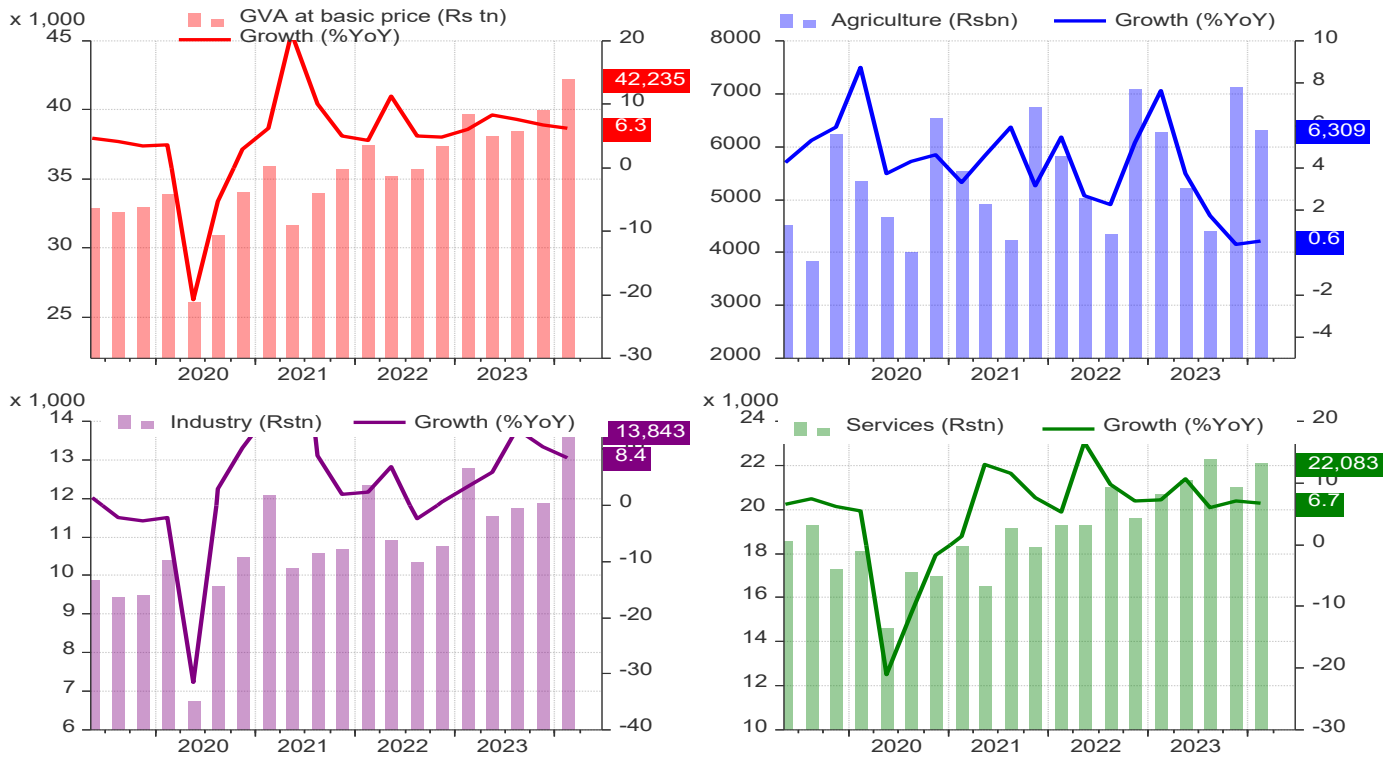
**Figure 2: Quarterly GDP growth by expenditure (%YoY)**


Source: LSEG Datastream, NSE EPR.

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


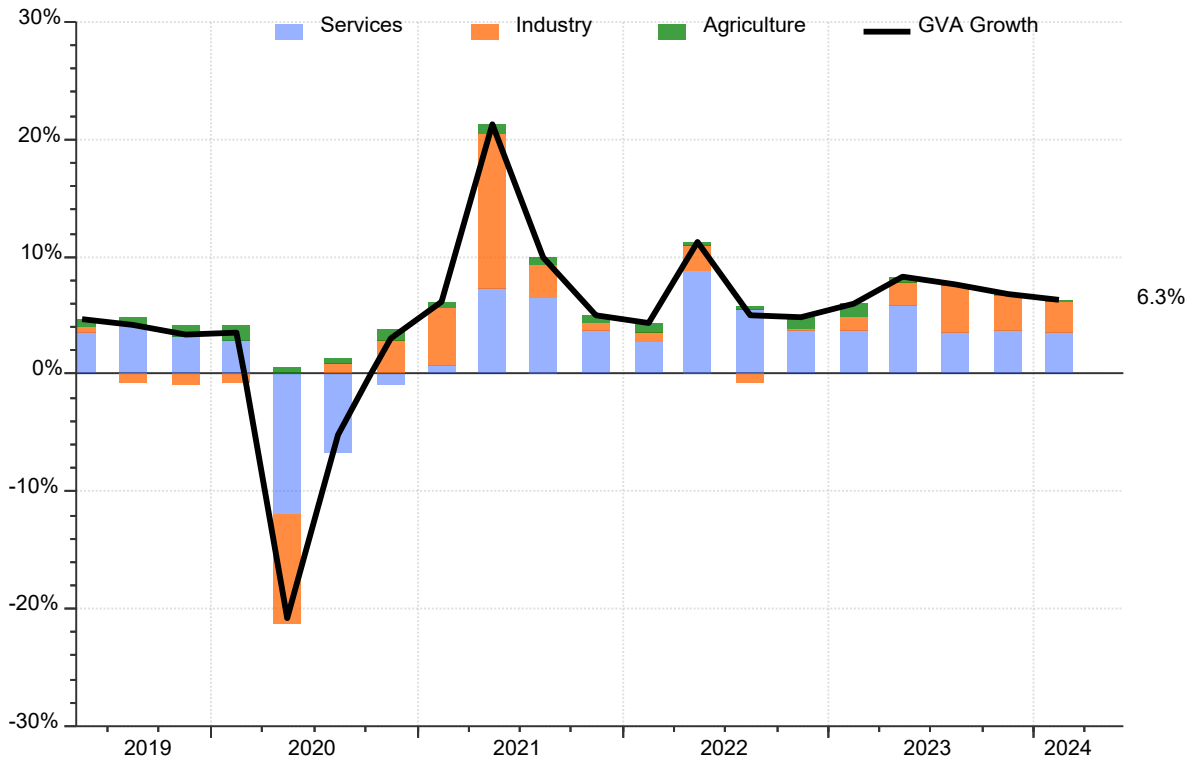
Source: LSEG Datastream, NSE EPR.

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

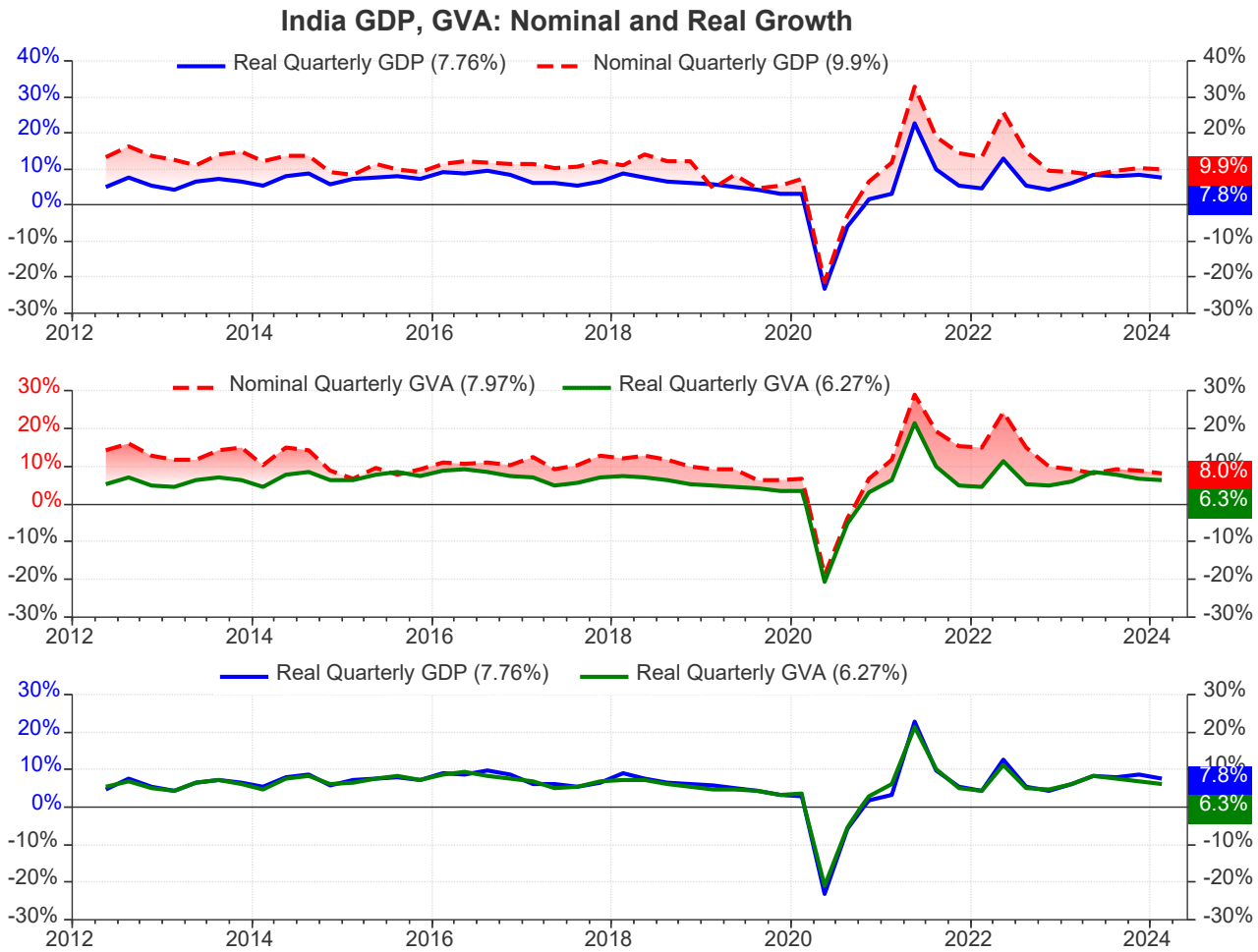


Source: LSEG Datastream, NSE EPR.

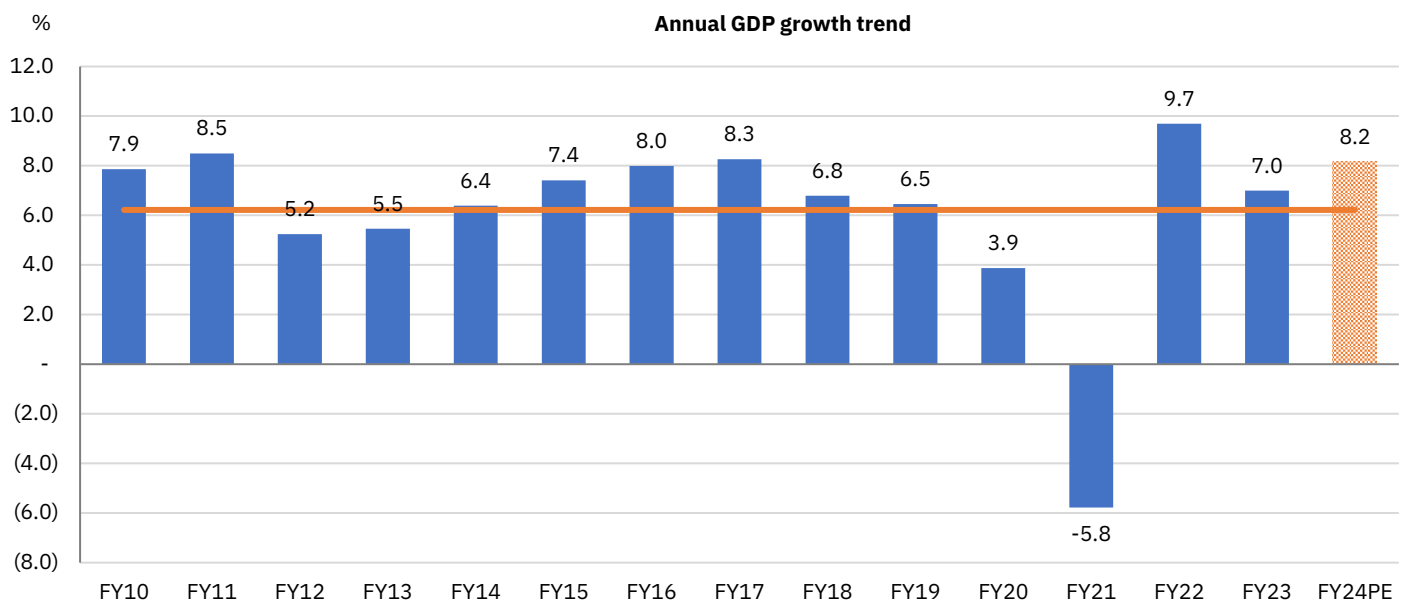
**Figure 5: India GVA sector share of growth (%)**



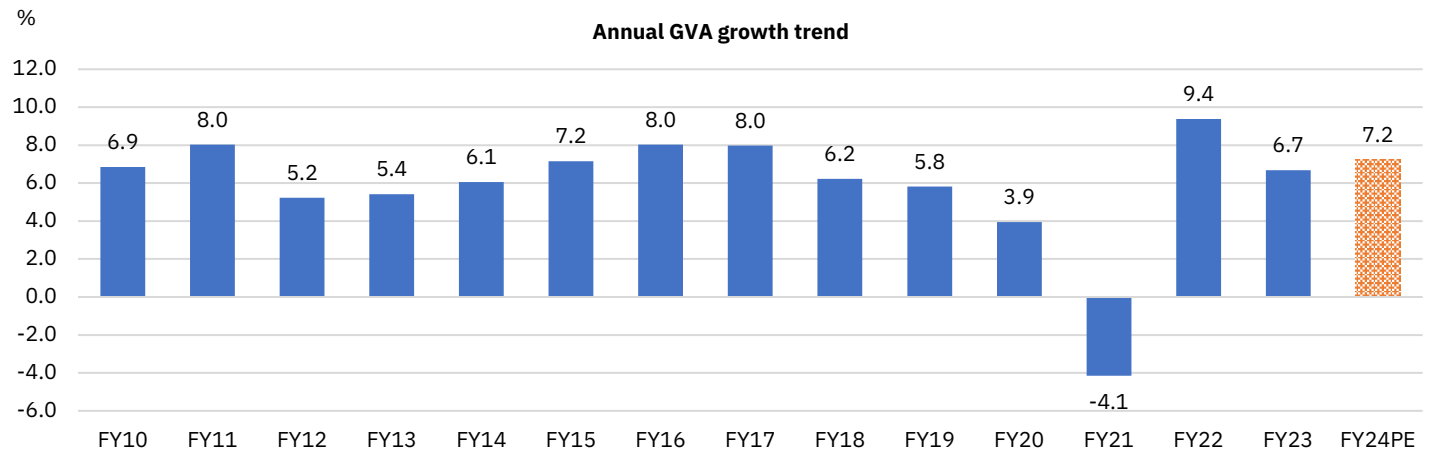
Source: LSEG Datastream, NSE EPR.

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


Source: LSEG Datastream, NSE EPR.

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


Source: CSO, CMIE Economic Outlook, NSE EPR. PE = Provisional Estimate.

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


Source: CSO, CMIE Economic Outlook, NSE EPR. PE = Provisional Estimate.

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

	FY20	FY21	FY22	FY23	FY24PE
<b>Gross Domestic Product (GDP)</b>	<b>3.9</b>	<b>-5.8</b>	<b>9.7</b>	<b>7.0</b>	<b>8.2</b>
Private Consumption (PFCE)	5.2	-5.3	11.7	6.8	4.0
Government Consumption (GFCE)	3.9	-0.8	0	9.0	2.5
Gross Capital Formation (GCF)	-2.6	-7.4	21.1	5.5	9.4
Gross Fixed Capital Formation (GFCF)	1.1	-7.1	17.5	6.6	9.0
Exports of goods & services	-3.4	-7	29.6	13.4	2.6
Imports of goods & services	-0.8	-12.6	22.1	10.6	10.9
<b>Gross Value Added (GVA)</b>	<b>3.9</b>	<b>-4.2</b>	<b>9.4</b>	<b>6.7</b>	<b>7.2</b>
<b>Agriculture</b>	6.2	4.0	4.6	4.7	1.4
<b>Industry</b>	-1.4	-0.4	12.2	2.1	9.5
Mining and Quarrying	-3.0	-8.2	6.3	1.9	7.1
Manufacturing	-3.0	3.1	10.0	-2.2	9.9
Electricity	2.3	-4.2	10.3	9.4	7.5
Construction	1.6	-4.6	19.9	9.4	9.9
<b>Services</b>	<b>6.4</b>	<b>-8.4</b>	<b>9.2</b>	<b>10.0</b>	<b>7.6</b>
Trade, Hotels, Transport, Storage, Comm.	6.0	-19.9	15.2	12.0	6.4
Fin. Svcs, Real Estate & Business Svcs.	6.8	1.9	5.7	9.1	8.4
Public Administration, Defence & Other Svcs.	6.6	-7.6	7.5	8.9	7.8

Source: CSO, CMIE Economic Outlook, NSE EPR. PE = Provisional Estimate.

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

%	FY22		FY23		FY24	
	Old	New	Old	New	Old (SAE)	New (PE)
<b>Gross Domestic Product (GDP)</b>	<b>9.8</b>	<b>9.7</b>	<b>7.0</b>	<b>7.0</b>	<b>7.6</b>	<b>8.2</b>
Private Consumption	11.6	11.7	6.8	6.8	3.0	4.0
Government Consumption	0.1	0	9.0	9.0	3.0	2.5
Gross capital formation	21.8	21.1	5.5	5.5	10.2	9.4
Gross Fixed Capital Formation	17.8	17.5	6.6	6.6	10.2	9.0
Exports of goods & services	32.7	29.6	13.4	13.4	1.5	2.6
Imports of goods & services	23.6	22.1	10.6	10.6	10.9	10.9
<b>Gross Value Added (GVA)</b>	<b>9.4</b>	<b>9.4</b>	<b>6.7</b>	<b>6.7</b>	<b>6.9</b>	<b>7.2</b>
Agriculture	4.5	4.6	4.7	4.7	0.7	1.1
Industry	12.7	12.2	2.1	2.1	9.0	9.5
Mining and Quarrying	6.7	6.3	1.9	1.9	8.1	7.1
Manufacturing	10.1	10.0	-2.2	-2.2	8.5	9.9
Electricity	10.5	10.3	9.4	9.4	7.5	7.5
Construction	21.3	19.9	9.4	9.4	10.7	9.9
Services	9.0	9.2	10.0	10.0	7.5	7.6
Trade, Hotels, Transport, Storage, Comm.	14.9	15.2	12.0	12.0	6.5	6.4
Fin. Svcs, Real Estate & Business Svcs.	5.5	5.7	9.1	9.1	8.2	8.4
Public Admin, defence & Other Svcs.	7.6	7.5	8.9	8.9	7.7	7.8

Source: CSO, CMIE Economic Outlook, NSE EPR. PE = Provisional Estimate.

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

%	Q2 FY23		Q3 FY23		Q4 FY23		Q1 FY24		Q2 FY24		Q3 FY24	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
<b>Gross Domestic Product (GDP)</b>	<b>5.5</b>	<b>5.5</b>	<b>4.3</b>	<b>4.3</b>	<b>6.1</b>	<b>6.2</b>	<b>8.2</b>	<b>8.2</b>	<b>8.1</b>	<b>8.1</b>	<b>8.4</b>	<b>8.6</b>
Private Consumption	8.2	8.2	1.8	1.8	2.8	1.5	5.3	5.6	2.4	2.6	3.5	4.0
Government Consumption	3.4	3.4	7.1	7.1	2.3	13.9	-0.1	-0.1	13.8	14.0	-3.2	-3.2
Gross capital formation	2.4	2.5	2.8	2.8	7.8	3.3	7.5	7.5	10.6	10.7	12.2	11.5
Gross Fixed Capital Formation	4.7	4.7	5.0	5.0	8.9	3.8	8.5	8.5	11.6	11.6	10.6	9.7
Exports of goods & services	11.7	11.7	10.9	10.9	11.9	12.4	-6.5	-6.6	5.3	5.0	3.4	3.4
Imports of goods & services	16.1	16.1	4.1	4.1	4.9	-0.4	15.3	15.2	11.9	11.6	8.3	8.7
<b>Gross Value Added (GVA)</b>	<b>5.0</b>	<b>5.0</b>	<b>4.8</b>	<b>4.8</b>	<b>6.5</b>	<b>6.0</b>	<b>8.2</b>	<b>8.3</b>	<b>7.7</b>	<b>7.7</b>	<b>6.5</b>	<b>6.8</b>
Agriculture	2.3	2.3	5.2	5.2	5.5	7.6	3.5	3.7	1.6	1.7	-0.8	0.4
Industry	-2.4	-2.4	0.6	0.6	6.3	3.4	6.0	6.0	13.6	13.6	10.4	10.5
Mining and Quarrying	-4.1	-4.1	1.4	1.4	4.3	2.9	7.1	7.0	11.1	11.1	7.5	7.5
Manufacturing	-7.2	-7.2	-4.8	-4.8	4.5	0.9	5.0	5.0	14.4	14.3	11.6	11.5
Electricity	6.4	6.4	8.7	8.7	6.9	7.3	3.2	3.2	10.5	10.5	9.0	9.0
Construction	6.9	6.9	9.5	9.5	10.4	7.4	8.5	8.6	13.5	13.6	9.5	9.6
Services	9.8	9.8	7.2	7.2	6.9	7.2	10.7	10.7	6.0	6.0	7.0	7.1
Trade, Hotels, Transport, Storage	13.2	13.2	9.2	9.2	9.1	7.0	9.7	9.7	4.5	4.5	6.7	7.0
Fin. Svcs, Real Estate, Business Svcs.	8.7	8.7	7.7	7.7	7.1	9.2	12.6	12.6	6.2	6.2	7.0	7.0
Public Admin, Defence, Other Svcs.	7.3	7.3	3.5	3.5	3.1	4.7	8.2	8.3	7.7	7.7	7.5	7.5

Source: CSO, CMIE Economic Outlook, NSE EPR.



**Economic Policy & Research**

Tirthankar Patnaik, PhD	<a href="mailto:tpatnaik@nse.co.in">tpatnaik@nse.co.in</a>	+91-22-26598149
Prerna Singhvi, CFA	<a href="mailto:psinghvi@nse.co.in">psinghvi@nse.co.in</a>	+91-22-26598316
Ashiana Salian	<a href="mailto:asalian@nse.co.in">asalian@nse.co.in</a>	+91-22-26598163
Prosenjit Pal	<a href="mailto:ppal@nse.co.in">ppal@nse.co.in</a>	+91-22-26598163
Sushant Hede	<a href="mailto:shede@nse.co.in">shede@nse.co.in</a>	+91-22-26598237
Ansh Tayal	<a href="mailto:atayal@nse.co.in">atayal@nse.co.in</a>	+91-22-26598163
Anand Prajapati	<a href="mailto:aprajapati@nse.co.in">aprajapati@nse.co.in</a>	+91-22-26598163
Shuvam Das	<a href="mailto:shuvamd@nse.co.in">shuvamd@nse.co.in</a>	+91-22-26598163
Gautam Sodani	<a href="mailto:gsodani@nse.co.in">gsodani@nse.co.in</a>	
Sumiti Manchanda	<a href="mailto:smanchanda@nse.co.in">smanchanda@nse.co.in</a>	
Abhijay Nair	<a href="mailto:consultant_anair@nse.co.in">consultant_anair@nse.co.in</a>	
Shantanu Sharma	<a href="mailto:consultant_shantanus@nse.co.in">consultant_shantanus@nse.co.in</a>	

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