

THE ECONOMIC TIMES

Economists see Q2 GDP growth at median 6.45%

Nov 23, 2022, 05:51 AM IST



India's economy likely grew 6.2-7.2% in the September quarter from a year earlier, according to a survey of economists, lifted by a pick-up in services and government capital spending as well as high pre-festive season production.

The median of the 10 economists' forecasts for the quarter was 6.45%. Gross domestic product (GDP) grew 13.5% in the first quarter of FY23, boosted by the low base a year ago. Thewaning base effect - 8.4% growth in the second quarter of FY22 - would have pushed down the July-September number this year. The official national income data for the second quarter will be released on November 30.

"Domestic demand likely assumed a bigger role in boosting growth in the second quarter, just as exports lost momentum," said Radhika Rao, executive director and senior economist at DBS Group Research. "Base effects will nonetheless moderate headline growth from double-digit pace in the quarter before."

Q2 GDP OUTLOOK (%)	
India Ratings	7.2
Bank of Baroda	6.5
DBS	6.5
Crisil	6.5
Icra	6.5
Barclays	6.4
HDFC	6.3
QuantEco	6.3
Kotak Mahindra	6.2
CareEdge	6.2

GDP
FACTORS AT PLAY

Services strengthen; manufacturing and exports seen slowing

High pre-festive season output, govt capital spend may lift growth

Rising interest rates, high inflation, waning base effect could weigh on growth

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Rebound led by Hotels, Transport

DBS has estimated 6.5% growth in the September quarter.

The Reserve Bank of India (RBI) has pegged it at 6.1-6.3%.

"If this is realised, India is on course for a growth rate of about 7% in 2022-23," the central bank said in its latest monthly economic review released last week.

Most high-frequency indicators, including retail credit growth, vehicle sales, freight traffic and goods and services tax (GST) collections, have signalled better demand dynamics in the quarter, which also benefited from pre-festive inventory stocking.

India Ratings sees 7.2% growth in the quarter, the highest in the ET survey.

"Some amount of production and inventory build-up happened but that was confined to consumer durables mostly. It is the capex push by the government that is intact, along with normalcy in services due to Covid waning," said Sunil Kumar Sinha, principal economist, India Ratings.

Barclays said that resilient domestic backdrop and pent-up demand continued to prop up India's growth, especially in the tertiary sector, even as external headwinds rose through the quarter.

"The growth in the second quarter is expected to be supported by a rebound in the services sector led by the segment related to trade, hotels, transport and communications," said Rajani Sinha, chief economist, CareEdge.