

India's April-June GDP grows by 7.8%, highest in four quarters

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Aug 31, 2023 06:46 PM IST



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(Representative Photo)

India's resilient economy remained on track in the first quarter (April-June) of the current financial year, led by services and public investment, official data released on Thursday showed.

Gross domestic product (GDP) growth accelerated to a four-quarter high of 7.8% from a year ago, up from 6.1% in the previous quarter (Jan-March FY23), according to the latest estimates.

However, on an annualised basis, growth in the first quarter of the current financial year was slower than the corresponding three months in the last financial year (2022-23), which stood at 13.1%. To be sure, higher growth in quarter one of 2022-23 was due to base effect, following a sharp pick-up as the economy recovered from the Covid-induced recession.

Thursday's GDP readings showed India remains one of the fastest growing economies, especially with China's recovery stumbling.

GDP is the broadest measure of economic growth and denotes the value of all goods and services produced in an economy.

Earlier, the State Bank of India (SBI), the country's largest lender, had estimated economic activity to expand 8.3% in the first quarter, while ICRA, a credit ratings agency, had forecast India's growth to be 8.5%. The Reserve Bank of India's (RBI) six-member monetary policy committee had estimated Q1 growth to be 8%.

"Real GDP or GDP at Constant (2011-12) Prices in Q1 2023-24 is estimated to attain a level of ₹ 40.37 lakh crore, as against ₹ 37.44 lakh crore in Q1 2022-23," a statement from the statistical office said.

Gross value added, which strips out indirect tax and subsidies, grew 7.8% higher than 6.5% in the previous quarter (Jan-March 2022-23).

The GDP expansion came off the back of a sequential pickup in the pace of growth of economic activity in financial services, which grew 12.2%. Manufacturing grew a modest 4.7% but higher than the preceding quarter's 4.1%.

All economic activities of the services sector performed well during the first quarter of 2023-24. Trade, hotel, transport, communication saw a growth of 9.2%.

Economists, however, warned that an strengthening El Nino has enhanced risks to economic expansion and could cause inflation to rise further. El Nino is a weather pattern marked by a rise in Pacific Ocean temperatures whose effects ripple around the globe.

In India, an El Nino is associated with drier summers and drought, which could lower food output and raise inflation. Consumer prices rose to a 15-month high of 7.44% in July, higher than the Reserve Bank of India (RBI)'s tolerable limit of 6%. July's consumer price index accelerated on the back of high food prices, which stood at 11%.

The RBI has raised its benchmark repo rate by 250 basis points (bps) since May last year, and economists expect it to leave the rate unchanged for the rest of 2023 as it waits to see the impact of earlier hikes. One basis point is one-hundredth of a percentage point.

Private consumption, reflected in private final consumption expenditure grew 2.8% in Q4 FY23. Investments, as reflected by gross fixed capital formation, grew 8.9%, while government final consumption expenditure grew 2.3%.

According to economists, Asia's third-largest economy needs to grow by '7% and 8%' a year and build a strong manufacturing base to create jobs for millions of workers. Currently, 45% of India's workforce is employed in the farm sector, which contributes just 18% to the economy.