

**Q3 FY24 GDP GROWTH LIKELY AT 6.8% ON AN UNCHANGED BASE:
COULD HIT 7% ON THE BACK OF LIKELY DOWNWARD REVISIONS
IN Q3 FY23 ESTIMATES**

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The likelihood of the global economy exhibiting stronger than expected growth in 2024 has brightened in recent months, with risks broadly balanced. Accordingly, the IMF upgraded its global growth forecast to 3.1% in 2024 and 3.2% in 2025 in its Jan'24 World Economic Outlook. On the flip side though, both UK and Japan slipping into recession warrants return to drawing board, situation exacerbated by Bundesbank hinting at stress factors driving beleaguered German economy. The joining chorus of countries from diverse localities (primarily EU) reflects the divergent fault lines economies from AEs to EMs are embracing as they come out of pandemic era Quantitative Easing and wrack caused by spiraling prices on consumers in last two years.

Global complexity also further gets clouded with the marked slowdown in China facing deflationary concerns now, a fallout of property bubble amidst overhang of debt among local governments that has slowed bank lending (despite cuts in key rates of late to spruce demand) and industrial enterprises profits dropping YoY, coupled with surging joblessness. The waning might of the mainland that has been battling tech and strategic isolation at world stage does not augur well for industrial and commodity demands for a world order limping back to normalcy in the short run at least.

As a counter narrative to the global gloom, consumer confidence has strengthened further in India, driven chiefly by optimism about the general economic situation and employment conditions. Various enterprise surveys also point towards strong business optimism.

The CLI Index (a basket of 41 leading indicators which includes parameters from almost all the sectors) based on monthly data shows a slight moderation in economic activity in Q3. Factoring the slight decline in economic activity in Q3 FY24, we estimate **GDP should grow in the range of 6.7-6.9%** with a GVA growth of 6.6%. Our estimates are corroborated with the in-house developed SBI-ANN (Artificial Neural Network) model, with 30 high frequency indicators. ANN has been trained for the quarterly GDP data from 2011Q4 to 2020Q4 and the in-sample forecast performance of the model in the training period has been precise.

Corporate India has continued its robust performance buoyed by incrementally accelerating consumption patterns across urban-rural landscape. Corporate results, as recorded from around 4000 listed entities, for Q3FY24, shows robust growth of more than 30% in both EBIDTA and PAT, while top line grew by around 7% as compared to Q3FY23. Further, listed entities reported improvement in margin, as reflected in results of around 3000 listed entities ex BFSI, with EBIDTA margin of 14.95%, on aggregate basis, during Q3 FY24 as compared to around 12% during the same period previous year.

Corporate GVA, as measured by EBIDTA plus employee expenses reported a strong growth of around 26% in Q3FY24 as compared to Q3FY23.

As per First Advance Estimates, the estimated production of major Kharif crops for 2023-24 is 148.5 MMT, which is a decline of ~4.6% from FY23. While, the sowing season for rabi crops concluded on 23 Feb, indicate a slight increase in overall acreage compared to the previous year. However, concerns arose over the sown area under cereals, which saw a decline of 6.5% from the previous year.

While agriculture may see some moderation if the rabi output does not offset the kharif shortfall, value added in agriculture will decline. The inland fish production has shown a rapid growth from 2014-15 to 2022-23. and reached to 131.13 lakh tonnes in 2022-23. The share of Fisheries sector constitutes about 1.07 % of the total national GVA and 6.86 % of Agricultural GVA. So, this might support the Agri & Allied sector growth in FY24.

GDP GROWTH & OUTLOOK: Q3 FY24

- ◆ The likelihood of the global economy exhibiting stronger than expected growth in 2024 has brightened in recent months, with risks broadly balanced. Faster disinflation continued fiscal support and improvements in productivity are expected to buffer against geopolitical tensions and supply disruptions. Accordingly, the IMF upgraded its global growth forecast to 3.1% in 2024 and 3.2% in 2025 in its Jan'24 World Economic Outlook.
- ◆ In India, consumer confidence strengthened further, driven especially by optimism about the general economic situation and employment conditions. Various enterprise surveys also point towards strong business optimism.
- ◆ **GDP Growth as per SBI composite leading indicator (CLI):** The CLI Index (a basket of 41 leading indicators which includes parameters from almost all the sectors) based on monthly data shows a slight moderation in economic activity in Q3. The slight decline in economic activity in Q3 FY24 indicate GDP may grow in the range of 6.7-6.9%.

SBI ANN MODEL

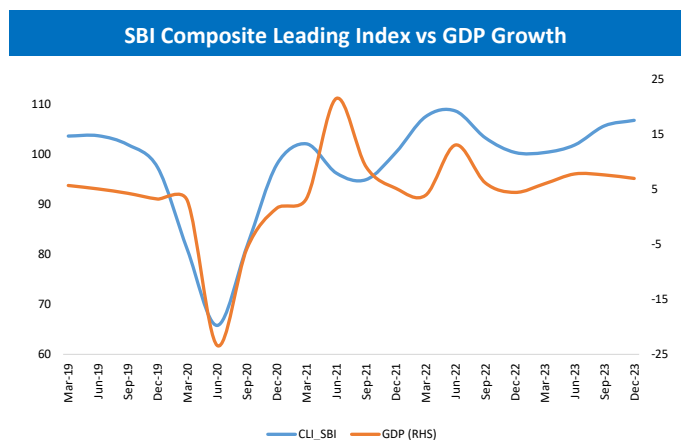
- ◆ SBI Artificial Neural Network (ANN) model which reflect the behavior of human brain, allows computer programs to recognize patterns and solve problem with machine learning.
- ◆ An Artificial neural network is a computational network based on biological neural networks that construct the structure of the human brain. Similar to a human brain has neurons interconnected to each other, artificial neural networks also have neurons that are linked to each other in various layers of the networks. These neurons are known as nodes.
- ◆ ANN comprises of Node layers containing of an Input layer, hidden layers, and an output layer. Each individual node is composed of input data, weights, a bias (threshold) and an output. ANNs rely on training data to learn and improve their accuracy over time.
- ◆ Once input layer is determined and weights are assigned, all inputs are multiplied with their respective weights and then summed , afterward the output is passed through an activation function , which determines the output. If that output exceeds a given threshold, it activates the node passing data to the next layer in the network, thereby making output of one node becoming the input of next node.

FY24 Real GDP Projections		
	SBI	RBI/NSO
Q3 P	6.8	7.0%
Q4 P	6.8	7.0%
Annual P	7.3	7.3%

Source: RBI; SBI Research

Mapping of Leading Indicators with GDP Growth			
Year	Quarter	% of indicators showing acceleration	GDP Growth (%)
FY20	Q1 FY20	41	5.1
	Q2 FY20	35	4.3
	Q3 FY20	34	3.3
	Q4 FY20	39	2.9
FY21	Q1 FY21	19	-23.4
	Q2 FY21	29	-5.7
	Q3 FY21	50	1.6
	Q4 FY21	59	3.4
FY22	Q1 FY22	75	21.6
	Q2 FY22	70	9.1
	Q3 FY22	61	5.2
	Q4 FY22	61	4.0
FY23	Q1 FY23	88	13.1
	Q2 FY23	76	6.2
	Q3 FY23	69	4.5
	Q4 FY23	70	6.1
FY24	Q1 FY24	70	7.8
	Q2 FY24	78	7.6
	Q3 FY24	73	6.8

Source: SBI Research



Source: SBI Research

$$\sum_{i=1}^n w_i x_i + bias = w_1 x_1 + w_2 x_2 + w_3 x_3 + bias$$

$$Output = \begin{cases} 1 & \text{if } \sum_{i=1}^n w_i x_i + bias \geq 0 \\ 0 & \text{if } \sum_{i=1}^n w_i x_i + bias < 0 \end{cases}$$

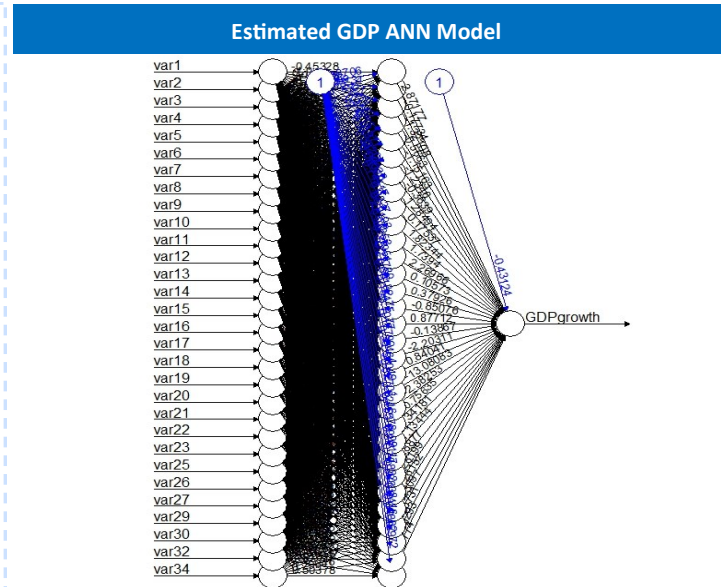
- ◆ We have developed a ANN model with 30 high frequency indicators. ANN has been trained for the quarterly GDP data from 2011Q4 to 2020Q4. The in-sample forecast performance of the model in the training period has been precise.
- ◆ On the basis of the ANN model, we forecast that the quarterly GDP growth for the Q3 FY24 would be at 6.7-6.9%.

CORPORATE RESULTS - Q3 FY24

- ◆ Corporate results, as recorded from around 4000 listed entities, for Q3FY24 shows robust growth of more than 30% in both EBIDTA and PAT, while top line grew by around 7% as compared to Q3FY23 .
- ◆ Further, listed entities reported improvement in margin, as reflected in results of around 3000 listed entities ex BFSI, with EBIDTA margin of 14.95%, on aggregate basis, in Q3 FY24 as compared to around 12% during the same period previous year.
- ◆ Corporate GVA, as measured by EBIDTA plus employee expenses reported a growth of around 26% in Q3FY24 as compared to Q3FY23 (see table).

AGRICULTURE GVA

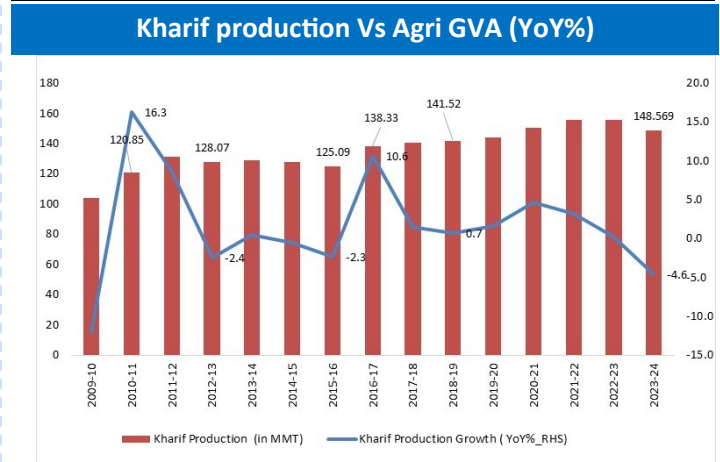
- ◆ As per First Advance Estimates, the estimated production of major Kharif crops for 2023-24 is 148.5 MMT, which is a decline of -4.6% from FY23.
- ◆ While, the sowing season for rabi crops concluded on 23 Feb, indicate a slight increase in overall acreage compared to the previous year. However, concerns arose over the sown area under cereals, which saw a decline of 6.5% from the previous year.
- ◆ Agriculture may see some moderation if the rabi output does not offset the kharif shortfall, value added in agriculture will decline.
- ◆ The inland fish production has shown a rapid growth from 2014-15 to 2022-23. and reached to 131.13 lakh tonnes in 2022-23. The share of Fisheries sector constitutes about 1.07 % of the total national GVA and 6.86 % of Agricultural GVA. So, this might support the Agri & Allied sector growth in FY24.



Source: SBI Research

Corporate GVA		
Qtr.	No of Companies	Growth (%)
Q1FY23	3856	31.35
Q2FY23	3853	-1.78
Q3FY23	3899	11.23
Q4FY23	3908	20.12
Q1FY24	3958	28.62
Q2FY24	3904	46.79
Q3FY24	3959	26.28

Source: SBI Research; CLIne; listed entities; GVA as measured by EBIDTA + Employee expenses



Source: SBI Research

Rabi Crops Sown area (Lakh Ha)			
	as on 23 Feb 24		
	2024	2023	% YoY
Coarse Cereals	1.2	1.3	-6.5
Rice	20	18	8.5
Pulses	1.3	1.2	8.1
Oilseeds	1.9	1.9	-1.5
All Crops	24.4	22.8	6.7

Source: NFSM, SBI Research

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