

## **Q4 FY24 GDP GROWTH AT 7.4%: FY24 GDP GROWTH LIKELY TO TOUCH 8%**

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The seismic shifts and undercurrents plaguing the global economy often precipitate in myriad forms, taking a toll on the growth appetite and wherewithal of even the most resilient jurisdictions. The narratives woven around rather subdued growth forecast in the Q4 FY24 for India from select quarters seems to be more of fanning the vagaries of chequered global growth.

Global growth, as a respite, remains resilient, with easing inflationary pressures and tight employment conditions globally reinforcing optimism in spite of geopolitical and extreme weather event risks likely to metamorphose into turbulent headwinds going forward. The IMF in its latest world economic outlook (WEO April 2024), raised global growth forecast for 2024 to 3.2%, 10 bps higher than its January 2024 update and expected the global economy to grow at the same pace in 2025, a respite from its earlier gloomy predictions.

Global headline inflation is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and further to 4.5% in 2025 (IMF estimate), with AEs returning to their inflation targets sooner than EMDEs. This could buoy expectations of a pivot sooner than later for select Central Banks, in particular the ECB who are in dire need to reinvigorate growth for the block amidst its falling competitiveness vis-à-vis US.

RBI has estimated Q4 FY24 Real GDP growth to be 7.3%, Q1 FY25 at 7.5% and full year FY25 is expected to grow at 7.0%.

**The in-house developed SBI Artificial Neural Network (ANN) model with 30 high frequency indicators points to the quarterly GDP growth for the Q4 FY24 to have a reading of 7.4%.**

Leading indicators show a secular growth trend across urban / rural landscape though the incremental growth in rural economy is picking up faster. The % of indicators showing acceleration remained above 80 since Jan'24, with urban indicators showing marked improvement in recent months. Passenger vehicle sales, airport passenger traffic, GST collection, credit card transactions, petroleum consumption and toll collection are all indicating improving urban economic momentum. The rural economy, on the other hand, is picking up with % of indicators showing acceleration increasing to 75 in Mar'24 compared to 56 (60) in Feb'24 (Jan'24). Diesel consumption and two-wheeler sales are showing uptick in rural economic momentum.

Further, as a harbinger of good times, 'above normal' monsoon augurs well for rural economy by boosting domestic supplies of pulses, oilseeds and cereals. As per the India Meteorological Department (IMD), La Nina is expected to develop during the latter half of the 2024 monsoon season while Indian Ocean Dipole (IOD) is expected to be positive, both of which indicate a good monsoon on the anvil.

Corporate India continued to report strong numbers though some pressure on profitability surfaced to the fore after long quarterly spells of balance sheet strengthening. Around 2,400 listed entities of Indian Inc. reported top line growth of 9% in Q4 FY24 while EBIDTA grew by around 21%, as compared to almost flat top line in all previous quarters of FY24. However, PAT growth declined to around 12% from 42% in the previous two quarters on yoy basis.

Corporate GVA grew by around 18% in Q4 FY24 as compared to 20% in Q4 FY23 and 26% in Q3 FY24. During Q4 FY24 EBIDTA growth reduced marginally to 21% from 26% in the previous quarter. Sectors such as Banking, Automobile, Capital Goods, Consumer Durables, Pharma etc. have reported excellent numbers during the quarter ended March'24.

**GDP GROWTH & OUTLOOK: Q4 FY24**

- ◆ Global growth remains resilient, with easing inflationary pressures and tight employment conditions in spite of geopolitical and extreme weather event risks. The IMF in its latest world economic outlook (WEO April 2024), raised global growth forecast for 2024 to 3.2%, 10 bps higher than its January 2024 update and expected the global economy to grow at the same pace in 2025.
- ◆ Global headline inflation is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and further to 4.5% in 2025 (IMF estimate), with AEs returning to their inflation targets sooner than EMDEs.
- ◆ RBI has estimated Q4FY24 Real GDP growth would be 7.3%, Q1 FY25 at 7.3% and full year FY25 is expected to grow at 7.0%.
- ◆ **GDP Growth as per SBI composite leading indicator (CLI):** The CLI Index (a basket of 43 leading indicators which includes parameters from almost all the sectors) based on monthly data indicate a sharp jump in acceleration to 83% in Q4FY24 from 73% in Q3FY24.

**LEADING INDICATORS SHOW RURAL ECONOMY PICKING UP; 'ABOVE NORMAL' MONSOON AUGURS WELL FOR RURAL ECONOMY**

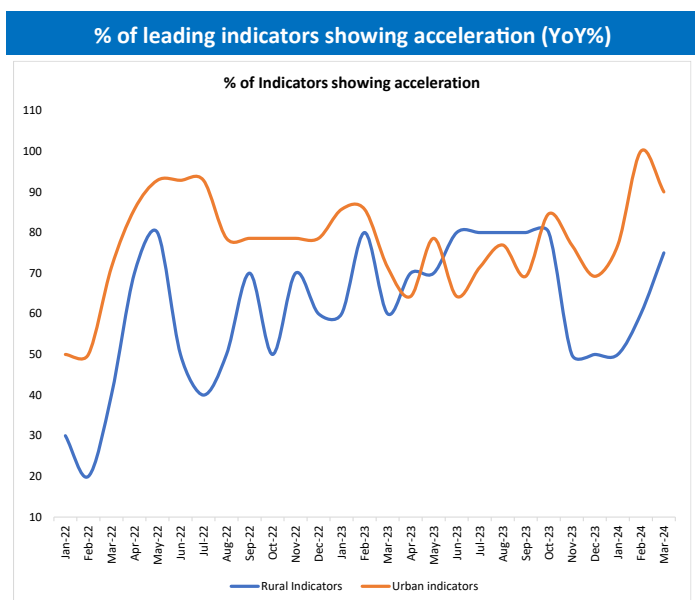
- ◆ The % of indicators showing acceleration remained above 80 since Jan'24, with urban indicators showing marked improvement in recent months.
- ◆ Passenger vehicle sales, airport passenger traffic, GST collection, credit card transactions, petroleum consumption and toll collection are all indicating improving urban economic momentum.
- ◆ Even the rural economy is picking up with % of indicators showing acceleration increasing to 75 in Mar'24 compared to 56 (60) in Feb'24 (Jan'24).
- ◆ Diesel consumption and two-wheeler sales are showing uptick in rural economic momentum.
- ◆ Looking ahead, as per the India Meteorological Department (IMD) La Nina is expected to develop during the latter half of the 2024 monsoon season while Indian Ocean Dipole (IOD) is expected to be positive, both of which indicate good monsoon. The forecast of 'above normal' monsoon this year augurs well for the rural economy by boosting domestic supplies of pulses, oilseeds and cereals.

Real GDP Projections		
	SBI	RBI/NSO
FY24 Q4 P	7.4%	7.3% (RBI) 5.9% (NSO as per AE)
<b>FY24 P</b>	<b>8.0%</b>	<b>7.6% (NSO)</b>
<b>FY25 P</b>	<b>7.5%-8.0%</b>	<b>7.0% (RBI)</b>

Source: RBI; SBI Research

Mapping of Leading Indicators with GDP Growth			
Year	Quarter	GDP Growth (%)	% of indicators showing acceleration
FY21	Q1 FY21	-23.1	19
	Q2 FY21	-5.8	29
	Q3 FY21	1.8	50
	Q4 FY21	3.3	59
FY22	Q1 FY22	22.6	75
	Q2 FY22	9.9	70
	Q3 FY22	5.5	61
	Q4 FY22	4.5	61
FY23	Q1 FY23	12.8	88
	Q2 FY23	5.5	76
	Q3 FY23	4.3	69
	Q4 FY23	6.2	70
FY24	Q1 FY24	8.2	70
	Q2 FY24	8.1	78
	Q3 FY24	8.4	73
	Q4 FY24	7.4	83

Source: SBI Research



**SBI ANN NOWCASTING 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.
- ◆ 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.

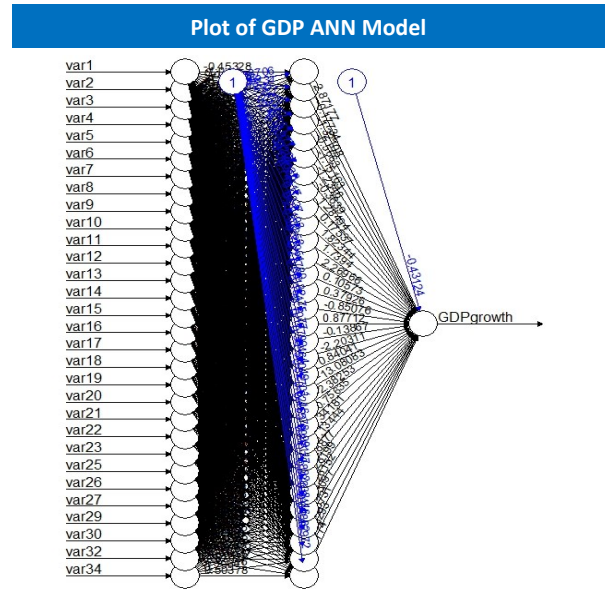
$$\sum_{i=1}^n w_i x_i + bias = w_1 x_1 + w_2 x_2 + w_3 x_3 + bias$$

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

- ◆ We have developed a ANN model with 30 high frequency indicators. ANN has been trained for the quarterly GDP data from 2011: Q4 to 2020: Q4. 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 Q4 FY24 would be at 7.4%-7.6%.

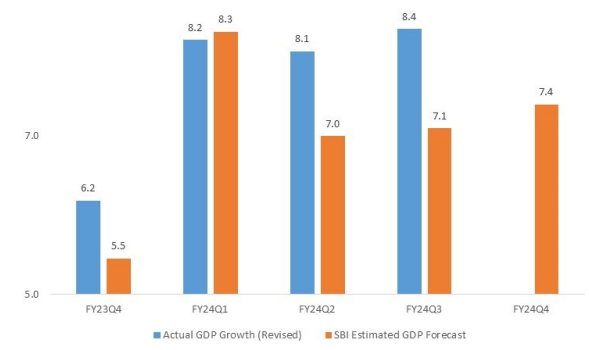
**Q4FY24 RESULT REPORTED IMPROVEMENT IN REVENUE GROWTH**

- ◆ Indian Inc. in Q4 FY24, around 2,400 listed entities, reported top line growth of 9% while EBIDTA grew by around 21%, as compared to almost flat top line in all previous quarters in current financial year. However, PAT growth declined to around 12% from 42% in the previous two quarters on yoy basis.
- ◆ Corporate GVA grew by around 18% in Q4FY24 as compared to 20% in Q4FY23 and 26% in Q3FY24. During Q4FY24 EBIDTA growth reduced marginally to 21% from 26% in the previous quarter. Sectors such as Banking, Automobile, Capital Goods, Consumer Durables, Pharma etc. have reported excellent numbers during the quarter ended March'24.



Source: SBI Research

**FY24 Quarterly Out-Sample Forecast**



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
Q4FY24	2411	18.20

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

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