

**WHEN 8% BECOMES THE NEW NORMAL: DECODING THE NEW  
NORMALS OF A GDP ON SWING**

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**The third quarter GDP numbers jolted the psyche and cognitive framework of most in markets, while sweeping some by a pleasant surprise. Clearly, right policy prisms and perspectives can trump irrational expectations bordering fault lines.**

Defying all estimates, India's economy grew by 8.4% in Q3 FY24 after exhibiting more than 8% growth in the preceding two quarters. The buoyancy in indirect tax mop-up (32% yoy growth i.e. Rs 3.9 lakh crore), gap between GDP and GVA growth widened. For FY24 GDP growth is expected to increase by 7.6% and GVA growth by 6.9%. **Based on the FY24, 7.6% GDP growth, we estimate Q4 GDP growth at 5.9%, which we believe is an understatement. Thus it is most likely that FY24 GDP growth could be within striking distance of 8%.**

Sharp revisions (both upward and downward) in both previous yearly as also quarterly numbers have meant FY22 and FY24 numbers have been revised upwards by 64 bps and 26 bps, respectively while For the current fiscal, both Q1 & Q2 numbers have been revised upwards by 40 bps and 44 bps, respectively uplifting YTD GDP growth above 8% mark. Colloquially, due to downward revision in FY23 GDP numbers (by 25 bps), the fiscal deficit of FY24 as % of GDP will now be revised upwards to 5.9% from 5.8% of GDP. For FY25 there will be no significant change in fiscal deficit due to revisions.

Drilling down, all sectors under Manufacturing and Services had a stellar show, duly helped by small base of previous period as industry (10.4%), Manufacturing (11.6%) and Electricity, Gas, Water Supply & Other Utility services and construction sector (9%) propelled industry while services jumped above 7%. Agriculture, suffering from vagaries beyond control declined by -0.8% in Q3. Annually, GDP deflator exhibited huge deceleration from 6.8% in FY23 to 1.4% in FY24. While in Q3 GDP deflator increased mildly to 1.7% as compared to 1.5% in Q2 FY24.

With the Government's efforts to ensure quality of life for all citizens and stopped leakage of benefits through DBT, **for the first time the per capita GDP at current prices crossed Rs 2 lakh mark in FY24, with decadal CAGR growth of 8.9%. In constant prices too, per capita GDP has increased to Rs 1.24 lakh in FY24. It is interesting to note that in post-pandemic period (FY24 over FY22), there is a huge jump in per capita GDP (Rs 38,257 at current prices).**

**The investment and savings data for the past decade reveals interesting points (All numbers are as a percentage of GDP). Gross capital formation (GCF) by the government touched a high of 4.1% in FY23, up from 3.6% in FY20. This also had a domino effect on private sector investment that jumped from 11% to 11.9% over the same period. In fact, the trends in GCF to Gross Output ratio or the plough back of funds for creation of fresh capacity shows that for public administration the ratio attained fresh peak in FY23 at 47.6% owing to the emphasis on capital expenditure in recent budgets. At the aggregate level, gross capital formation is supposed to have crossed 33.7% in FY24, the highest level since FY19.**

**In FY23, gross savings is at 30.2%, and is supposed to cross 32.3% in FY24, the highest since FY14. The household savings increased sharply during the pandemic period on account of sharp accretion in financial savings such as deposits. While household financial savings have since then moderated from 15.4% in FY23 to 11% in FY21. Savings in physical assets have grown sharply to 12.9% in FY23 from 10.8% in FY21.**

Prima facie, a careful analysis shows that Incremental Capital Output ratio (ICOR), which measures additional unit of capital (investment) needed to produce additional unit of output, has been improving. ICOR which was 7.5 in FY12 is now only 4.4 in FY23. Clearly, only half of capital is now needed for next unit of output.

**Such reducing ICOR in the current years reflects a relative increasing efficiency of capital. The talk on ICOR becomes relevant and shows that the economy is on a sound footing. Even if investment and savings stay at the same level in FY25, with a declining ICOR, India could comfortably grow at 8% in FY25.**

## GDP GREW BY WHOPPING 8.4% IN Q3 FY24

- Defying all estimates, India's economy grew by 8.4% in Q3 FY24 after exhibited more than 8% growth in the preceding two quarters. Due to Rs 3.9 lakh crore net indirect taxes (32% y-o-y growth), there is wide gap between GDP and GVA growth and GVA increased by only 6.5% in Q3. For FY24 GDP growth is expected to increase by 7.6% and GVA growth by 6.9%. **Based on the FY24 7.6% GDP growth, Q4 GDP growth is derived at 5.9%.**
- Both yearly and quarterly past growth numbers have been revised. Real GDP growth for FY22 and FY24 have been revised upwards by 64 bps and 26 bps, respectively. There are large revisions in the quarterly number of FY22. While GDP growth of Q1 FY22 has been revised upwards by whopping 146 bps, the Q2, Q3 and Q4 FY22 have been revised upwards by more than 40 bps. Conversely, the quarterly number of FY23 (Q1 to Q3) revised downwards in the range of 20 -74 bps. For the current fiscal, both Q1 & Q2 numbers have been revised upwards by 40 bps and 44 bps, respectively leading GDP growth to more than 8% mark.
- Due to downward revision in FY23 GDP numbers (by 25 bps), the fiscal deficit of FY24 as % of GDP will now be revised downwards to 5.8% from 5.9% of GDP. For FY25 there will be no significant change in fiscal deficit due to revisions.
- Agriculture:** The Agriculture & Allied activities is the only sector which declined by -0.8% in Q3. This is the first decline since Q4 FY19. For FY24, agriculture is expected to grow by merely 0.7% as compared to 4.7% in FY23. In the last decade, the share of allied activities in Agriculture has increased from 35% in FY12 (Livestock: 22%) to 46% in FY23 (Livestock: 30%).
- Industry:** This is the star performer and grew by 10.4% in Q3 FY24 compared to a very low base of 0.6% in Q3 FY23. Manufacturing grew by 11.6% in Q3 (on negative base of Q3 FY23), while both Electricity, Gas, Water Supply & Other Utility services and construction sector grew by more than 9% in Q3 FY24.
- Services:** In services, both 'Financial, Insurance, Real Estate & Professional Services' and 'Public Administration, Defence and Other Services' increased by more than 7%. Overall, the sector grew by 7.0% in Q3.
- Annually, GDP deflator exhibited huge deceleration from 6.8% in FY23 to 1.4% in FY24. While in Q3 GDP deflator increased mildly to 1.7% as compared to 1.5% in Q2 FY24.

Sectors	FY21 (3RE)	FY22 (2RE)	FY23					FY24				
			Q1	Q2	Q3	Q4	Annual (1RE)	Q1	Q2	Q3	Q4(P)	Annual (2AE)
Agriculture	4.0	4.6	2.7	2.3	5.2	7.6	4.7	3.5	1.6	-0.8	-0.6	0.7
Industry	-0.4	12.2	6.8	-2.4	0.6	3.4	2.1	6.0	13.6	10.4	6.7	9.0
Mining & quarrying	-8.2	6.3	6.6	-4.1	1.4	2.9	1.9	7.1	11.1	7.5	7.4	8.1
Manufacturing	3.1	10.0	2.2	-7.2	-4.8	0.9	-2.2	5.0	14.4	11.6	3.9	8.5
Electricity, gas, water supply & other utility services	-4.2	10.3	15.6	6.4	8.7	7.3	9.4	3.2	10.5	9.0	7.6	7.5
Construction	-4.6	19.9	14.7	6.9	9.5	7.4	9.4	8.5	13.5	9.5	11.3	10.7
Services	-8.4	9.2	16.7	9.8	7.2	7.2	10.0	10.7	6.0	7.0	6.5	7.5
Trade, hotels, transport, communication & services related to broadcasting	-19.9	15.2	22.1	13.2	9.2	7.0	12.0	9.7	4.5	6.7	5.5	6.5
Financial, real estate & professional service	1.9	5.7	10.5	8.7	7.7	9.2	9.1	12.6	6.2	7.0	6.8	8.2
Public administration, defence and Other Services	-7.6	7.5	23.6	7.3	3.5	4.7	8.9	8.2	7.7	7.5	7.6	7.7
Total GVA at Basic Price	-4.1	9.4	11.3	5.0	4.8	6.0	6.7	8.2	7.7	6.5	5.4	6.9
GDP	-5.8	9.7	12.8	5.5	4.3	6.2	7.0	8.2	8.1	8.4	5.9	7.6

Source: NSO & SBI Research, P is estimated from Annual FY24 estimate

Period		GVA			GDP		
		Old	New	Change in bps	Old	New	Change in bps
FY21	Annual	-4.2	-4.1	4	-5.8	-5.8	5
FY22	Q1	20.2	23.0	276	21.6	23.0	146
	Q2	9.3	9.7	41	9.1	9.7	62
	Q3	4.7	5.7	98	5.2	5.7	53
	Q4	3.9	4.4	46	4.0	4.4	41
	Annual	8.8	9.4	57	9.1	9.7	64
FY23	Q1	11.9	11.3	-61	13.1	12.8	-27
	Q2	5.4	5.0	-38	6.2	5.5	-74
	Q3	4.7	4.8	10	4.5	4.3	-20
	Q4	6.5	6.0	-45	6.1	6.2	12
	Annual	7.0	6.7	-32	7.2	7.0	-25
FY24	Q1	7.8	8.2	40	7.8	8.2	40
	Q2	7.4	7.7	26	7.6	8.1	44
	Q3	-	6.5	-	-	8.4	-
	Q4 (P)	-	5.4	-	-	5.9	-
	Annual	6.9	6.9	2	7.3	7.6	26

Source: NSO & SBI Research, old(FY24-Annual) was released on 05.01.2024

Sectors	FY21 (3RE)	FY22 (2RE)	FY23 (1RE)	FY24				
				Q1	Q2	Q3	Q4(P)	Annual (2AE)
Agriculture	5.8	5.7	4.5	0.7	6.2	4.7	4.2	4.0
Industry	1.3	11.6	6.9	-1.6	-1.4	-0.7	-0.6	-1.1
Mining & quarrying	-1.1	27.6	10.4	-5.2	1.0	-1.0	-0.1	-1.4
Manufacturing	0.5	10.1	6.6	-2.7	-2.1	-0.9	-1.0	-1.7
Electricity, gas, water supply & other utility services	3.9	4.6	-4.4	10.1	-1.0	-4.5	-2.3	0.3
Construction	3.4	12.6	8.4	-2.1	-0.5	0.9	-0.5	-0.6
Services	3.1	8.7	7.6	0.6	2.2	2.5	2.3	1.9
Trade, hotels, transport, communication & services related to broadcasting	2.8	11.5	7.2	-2.2	-0.1	0.7	0.6	-0.1
Financial, real estate & professional service	1.8	9.1	9.0	0.1	1.5	2.1	1.8	1.3
Public administration, defence and Other Services	4.9	5.2	6.0	5.2	5.9	5.3	5.0	5.3
Total GVA at Basic Price	3.4	8.6	6.8	0.0	1.5	1.7	1.5	1.2
GDP	4.8	8.4	6.7	0.2	1.4	1.6	2.1	1.4

Source: NSO & SBI Research, P is estimated from Annual FY24 estimate

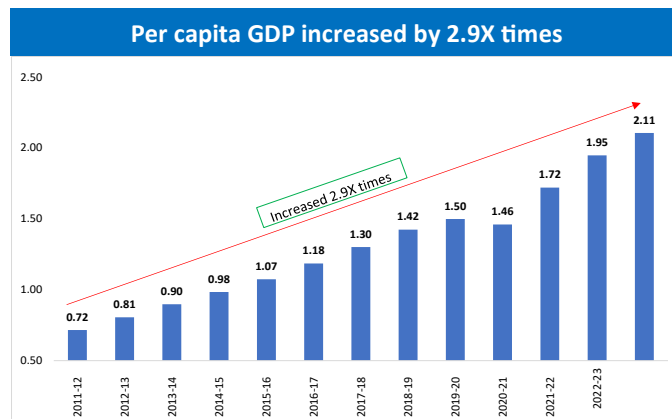
- With the Government's efforts to ensure quality of life for all citizens and stopped leakage of benefits through DBT, **for the first time the per capita GDP at current prices crossed Rs 2 lakh mark in FY24**, with decadal CAGR growth of 8.9%. In constant prices too per capita GDP has increased to Rs 1.24 lakh in FY24. It is interesting to note that in post-pandemic period (FY24 over FY22), there is a huge jump in per capita GDP (Rs 38,257 at current prices).

#### SEASONALLY ADJUSTED SERIES SHOWS MODEST SEQUENTIAL IMPROVEMENT

- Real GDP growth improved to 4.4% qoq in Q3 FY24. However, the seasonally adjusted real GDP growth series shows modest improvement in economic momentum, with growth at 0.8% qoq in Q3 FY24 compared to 0.7% qoq in Q3 FY23 and -0.2% qoq in Q2 FY24. Notably, sa real qoq growth has always been much lower than the real qoq growth in Q3s.

#### PRIVATE FINAL CONSUMPTION EXPENDITURE GROWTH HAS SLOWED DOWN: IS IT BECOMING MORE BROAD-BASED AT THE BOTTOM OF THE PYRAMID?

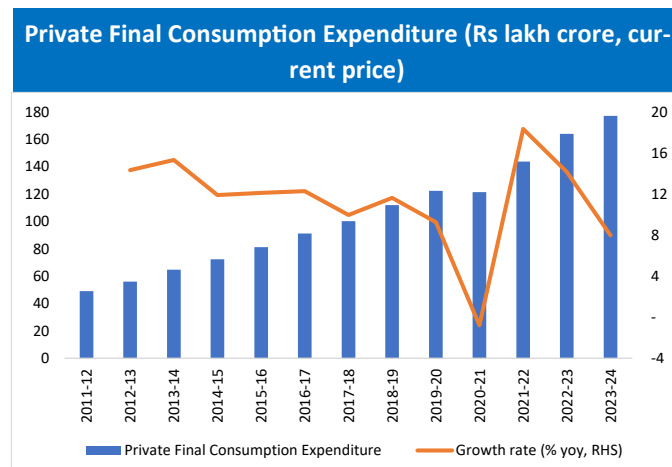
- PFCE for Q3 FY24 increased by 9.6% to Rs 47.9 lakh crore compared to Rs 43.1 lakh crore in Q2 FY24. Private final consumption expenditure is expected to increase to Rs 177.3 lakh crore in FY24, with the yearly growth moderating to 8.0%.
- At constant price PFCE grew by only 3.5% in Q3 FY24 to Rs 25.6 lakh crore and the whole year PFCE growth is expected to come at 3.0%. Per capita PFCE also shows reduced momentum with growth reducing from 10.6% in FY22 to 5.7% in FY23 and further to 2.1% in FY24.
- Item wise data reveals share of food and non-alcoholic beverages which account for highest share in PFCE has declined in FY23 to below 30%. Transport which comes next has witnessed an increase in its share to 17.3%, highest since FY12. Further nominal trends in their share reveals that share of health in PFCE has remained same in the last three years, while share of Housing, Water, Electricity, Gas and Other Fuels dipped further down.
- Historical data clearly shows that clothing and footwear, transport, furnishings, household equipment, recreation and culture and restaurants and hotels which suffered in the covid period with their share in PFCE declining to their lowest levels in FY21 have now recovered to their pre-Covid levels.



Source: SBI Research

Expenditure Growth Rates (YoY%) at Current Prices												
Particulars	FY21 (3RE)	FY22 (2RE)	FY23				Annual (1RE)	FY24				
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4(P)	Annual (2AE)
Total final consumption expen	0.0	16.6	28.3	16.7	8.8	7.9	14.5	6.9	8.2	-100.0	7.8	7.8
Private final consumption expenditure	-0.8	18.4	30.0	17.5	8.2	5.5	14.2	7.7	6.5	9.6	8.0	8.0
Government final consumption expenditure	4.1	7.4	19.8	11.7	13.5	19.9	16.6	2.7	19.2	0.9	6.7	7.0
Gross fixed capital formation	-5.5	29.2	32.8	18.4	14.8	11.8	18.7	8.6	12.8	12.2	11.0	11.1
Change in Stocks	-80.5	711.3	41.6	25.1	24.1	28.6	29.6	1.1	10.9	9.5	1.8	5.6
Valuables	39.4	41.8	65.4	-13.0	-32.9	-17.2	-12.8	-12.0	5.1	76.7	42.0	23.4
Exports	-1.1	36.1	36.1	25.0	18.5	18.0	23.8	-0.6	3.6	4.2	4.3	2.9
Less Imports	-11.3	49.7	52.5	37.3	17.1	10.1	27.2	-4.5	-6.4	0.8	0.8	-2.4
Discrepancies	-316.3	12.1	-86.8	-69.5	-98.9	-68.2	36.6	-127.5	551.0	-29065	-57.5	148.9
GDP	-1.4	19.0	25.5	15.0	9.4	9.2	14.2	8.5	9.6	10.1	8.1	9.1

Source: NSO & SBI Research, P is estimated from Annual FY24 estimate



Source: SBI Research

Share in Private Final Consumption Expenditure at Current Prices (%)					
Item	2018-19	2019-20	2020-21	2021-22	2022-23
Food and non-alcoholic beverages	28.4	28.8	32.1	30.0	29.5
Alcoholic beverages, tobacco and narcotics	2.4	2.4	2.5	2.1	2.0
Clothing and footwear	6.3	5.9	5.3	6.2	5.4
Housing, water, electricity, gas and other fuels	13.9	13.5	14.3	13.7	13.1
Furnishings, household equipment and routine household maintenance	3.0	2.9	2.7	3.0	3.1
Health	4.6	4.8	5.1	5.1	5.1
Transport	16.7	16.8	14.5	16.6	17.3
Communication	2.5	2.4	2.4	2.5	2.5
Recreation and culture	0.9	0.8	0.7	0.8	0.9
Education	4.5	4.5	4.5	4.3	4.5
Restaurants and Hotels	2.1	2.1	1.0	1.3	2.0
Miscellaneous goods and services	14.8	15.1	14.9	14.3	14.8

Source: SBI Research, MOSPI

## MPCE AND PFCE COMPARISON

- Rural nominal MPCE has increased from Rs 1430 in 2011-12 to Rs 3773 in 2022-23, with a CAGR of 9.2%, which is lower than 13.8% increase in 2011-12 over 2004-05. For urban nominal MPCE growth has reduced to 8.5% in 2022-23 over 2011-12, compared to 13.2% growth in 2011-12 over 2004-05. However, when we look at the nominal average monthly PFCE it is Rs 9896 (which is 1.5 times the urban MPCE and 2.6 times rural MPCE), which is 10.3% higher than the level in 2011-12, compared to 13.0% growth in nominal PFCE in 2011-12 over 2004-05.

## TRENDS IN GROSS CAPITAL FORMATION

- The decadal trends in gross capital formation by sector over the last decade (FY13 to FY23) shows some interesting trends. The capital formation in services have improved sharply but in manufacturing, mining electricity and construction the growth has been not commensurate.
- The four sectors account for 32% in the total capital formation and cover sectors that are labour intensive in manufacturing.
- The trends in capital formation from the plough back side that is share of the gross output that is reinvested has also shown similar trends with four critical sectors witnessing decline in FY23.
- The broader decadal trends in capital formation till FY23 will carry itself in SAE FY24. The growth of 10.2% will be government led on account of Budget thrust to capital expenditure.

## CONSUMPTION PUZZLE

- The high GDP growth coupled with drag on the private consumption is a puzzling aspect. The real per capita PFCE has grown by 2.1% in FY24, more than halving from its growth in previous year. The expenditure side GDP in FY24 is also indicating slow growth in private consumption.
- In part the slowdown in consumption has its origins in the stagnation of value add in textile, other manufacturing, metal products and exports that are labour intensive.

Nominal MPCE & PFCE (Rs)					
	FY05	FY12	FY23	CAGR (FY23/ FY12)%	CAGR (FY12/ FY05)%
Rural Nominal MPCE	579	1430	3773	9.2%	13.8%
Urban Nominal MPCE	1105	2630	6459	8.5%	13.2%
Nominal monthly Per capita PFCE	1423	3354	9896	10.3%	13.0%

Gross Capital Formation by Sectors (y-o-y trends in real prices)					
	FY19	FY20	FY21	FY22	FY23
Agriculture, forestry and fishing	8.9	2.1	16.9	8.4	17.7
Mining and quarrying	6.5	-18.1	13.1	13.4	-0.2
Manufacturing	7.2	-4.4	-4.2	33.5	-5.4
Electricity, gas, water supply and other utility services	25.7	-5.9	-18.3	18.5	0.3
Construction	45.6	-8.2	17.6	-7.3	-2.9
Trade, repair, hotels and restaurants	1.9	-9.4	-27.0	56.5	19.0
Transport, storage, communication & services related to broadcasting	16.6	-12.0	-39.3	50.0	11.8
Financial services	-20.1	20.0	-1.7	-6.0	9.2
Real estate, ownership of dwelling and professional services	13.3	3.3	-7.6	11.9	10.8
Public administration and defence	5.1	8.0	3.0	2.1	13.7
Other Services	0.7	15.0	-10.3	34.2	3.8
<b>Total</b>	<b>12.0</b>	<b>-2.1</b>	<b>-8.7</b>	<b>20.6</b>	<b>6.9</b>

Gross Capital Formation to Output Ratio in real prices					
	FY19	FY20	FY21	FY22	FY23
Agriculture, forestry and fishing	12.3	11.9	13.3	13.9	15.6
Mining and quarrying	13.8	11.5	14.1	15.2	14.1
Manufacturing	7.9	7.6	7.5	8.4	7.4
Electricity, gas, water supply and other utility services	43.5	39.9	33.2	35.5	33.3
Construction	14.6	13.1	16.2	12.4	11.0
Trade, repair, hotels and restaurants	19.4	16.4	15.3	21.1	21.5
Transport, storage, communication & services related to broadcasting	33.1	28.7	22.4	27.6	27.1
Financial services	3.8	4.4	4.1	3.8	3.9
Real estate, ownership of dwelling and professional services	37.1	35.4	33.0	33.3	32.8
Public administration and defence	42.5	43.3	45.4	44.4	47.6
Other Services	24.0	26.2	27.0	32.2	30.0

Gross Capital Formation by Institutions (y-o-y trends in real prices)					
	FY19	FY20	FY21	FY22	FY23
Public non-financial corporations	22.1	-10.7	-12.0	14.7	6.5
Private non-financial corporations	6.8	8.9	-9.2	17.7	6.4
Public Financial Corporations	-5.6	-15.3	14.2	-20.8	23.0
Private financial corporations	74.4	6.3	29.5	-26.0	6.6
General government	2.9	5.3	6.5	1.4	15.3
Household sector	14.3	-3.2	-8.8	25.4	4.2

## RECOVERY IN HOUSEHOLD SAVINGS ON THE BACK OF JUMP IN SAVINGS IN PHYSICAL ASSETS

- Both the gross domestic saving and investment is estimated to increase from 29.1% and 28.2% respectively in FY21 to 32.3% and 33.7% in FY24. The savings rate has attained its lowest in COVID year of 2020-21 on account large dissaving in public sector to cushion the crisis.
- On a nominal basis, the growth rate of gross savings after attaining peak in 2017-18 has secularly declined. The decline set in pre-COVID period and pandemic only facilitated its stagnation. The household savings increased sharply during the COVID-19 period on account of sharp accretion in financial savings such as deposits. **In the Household sector, savings in physical assets has grown sharply although gross financial savings dipped. Private Sector saving has also been on consistent growth. General Government savings which has been on consistent decline till the pandemic have recovered sharply in FY22 and FY23. Public Sector Savings which declined in the FY 21 have recovered strongly.**
- The household sector in the national accounts is a catch-all term that includes, apart from individuals, all non-government, non-corporate enterprises like farm and non-farm businesses, unincorporated establishments such as sole proprietorships and partnerships and non-profit institutions like charitable trusts, religious endowments and educational institutions. To a large extent, therefore, it will reflect conditions in the informal sector, in the millions of small farms and shops and micro businesses across the country. The investment in household sector has been increasing since FY21.

### CORE GVA

- Q3FY25 GVA grew at 6.5% but Core GVA grew at 8.4% reflecting strength of the core sectors of economy. Nominal Core GVA grew at 8.9%. Core GVA deflator was at 0.5% only.

## Savings & Investment Rate



Source: SBI Research

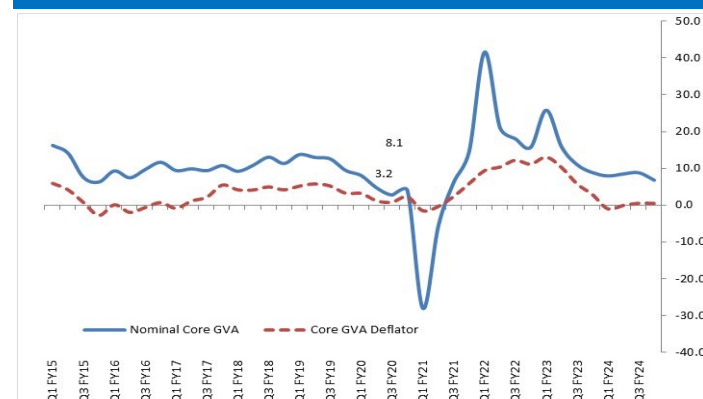
Year	Gross Savings (% GDP)-Institutions						
	GDS	Consolidated Public sector	of which, Public Sector	General Government	Consolidated Private Sector	of which Household Sector	Private Corporations
	A (B+C)	B (B1+B2)	B1	B2	C (C1+C2)	C1	C2
2011-12	34.6	1.5	3.4	-1.8	33.1	23.6	9.5
2012-13	33.9	1.4	3.0	-1.6	32.5	22.5	10.0
2013-14	32.1	1.0	2.6	-1.5	31.1	20.3	10.7
2014-15	32.2	1.0	2.4	-1.4	31.2	19.6	11.7
2015-16	31.1	1.2	2.4	-1.2	29.9	18.0	11.9
2016-17	31.3	1.7	2.5	-0.8	29.6	18.1	11.5
2017-18	32.1	1.6	2.8	-1.2	30.5	19.3	11.2
2018-19	31.7	0.9	2.3	-1.4	30.9	20.3	10.5
2019-20	29.6	0.2	3.0	-2.8	29.3	19.1	10.2
2020-21	29.1	-4.1	2.6	-6.7	33.2	22.7	10.5
2021-22	31.2	-0.1	2.8	-3.0	31.3	20.1	11.2
2022-23	30.2	0.6	2.9	-2.3	29.6	18.4	11.2

Source: SBI Research

Year	Gross Capital Formation (% GDP)-Institutions							
	GCF	Consolidated Public sector	of which, Public Sector	General Government	Consolidated Private Sector	of which Household Sector	Private Corporations	values and adjustment factor from flow of funds
	A (B+C+D)	B (B1+B2)	B1	B2	C (C1+C2)	C1	C2	D
2011-12	39.0	7.5	4.0	3.5	29.2	15.9	13.3	2.3
2012-13	38.7	7.2	3.8	3.4	28.4	14.7	13.6	3.1
2013-14	33.8	7.1	3.5	3.5	25.5	12.6	12.9	1.2
2014-15	33.5	7.1	3.6	3.5	25.5	12.1	13.4	0.9
2015-16	32.1	7.6	3.9	3.6	23.1	9.6	13.5	1.5
2016-17	32.0	7.2	3.4	3.8	21.9	10.4	11.6	2.9
2017-18	33.9	6.8	3.2	3.6	22.7	11.4	11.3	4.3
2018-19	33.8	7.3	3.7	3.6	23.9	12.2	11.6	2.7
2019-20	30.4	6.9	3.3	3.6	22.2	11.2	11.0	1.2
2020-21	28.2	6.7	2.9	3.9	20.8	10.8	10.0	0.7
2021-22	32.4	6.5	2.8	3.8	23.9	12.6	11.4	1.9
2022-23	32.2	7.0	2.9	4.1	24.8	12.9	11.9	0.4

Source: SBI Research

## Nominal Core GVA growth (%)



Source: SBI Research

### INDIA CAN GROW AT 8% IN FY25

- ◆ Incremental Capital Output ratio (ICOR), which measures additional unit of capital (investment) needed to produce additional unit of output, has remained historically at 4.5%.
- ◆ ICOR has declined from 7.5% in FY12 to 4.4% in FY24, reflecting more productive utilization, and relative increasing efficiency of capital.
- ◆ **At the same level of investment and savings in FY25 but with a declining ICOR, India could grow at 8% in FY25.**

### TRAJECTORY OF \$6 TRILLION ECONOMY

- ◆ While there is along journey to achieve 5 trillion dollar economy, but, India is projected to achieve \$6 trillion Economy in this decade itself.
- ◆ India in 2023 is 5th largest economy of the world with Nominal GDP of USD 3.7 trillion. India is expected to achieve \$4 trillion economy in the 2024 / FY25 itself with expected size of the economy of \$4.1 trillion.

Incremental Capital Output Ratio (ICOR)				
FY	Real GDP Growth%	Investment Rate (% of	Gross Savings/ GDP	ICOR
FY12	5.2	39.0	34.6	7.5
FY13	5.5	38.7	33.9	7.1
FY14	6.4	33.8	32.1	5.3
FY15	7.4	33.5	32.2	4.5
FY16	8.0	32.1	31.1	4.0
FY17	8.3	32.0	31.3	3.9
FY18	6.8	33.9	32.1	5.0
FY19	6.5	33.8	31.7	5.2
FY20	3.9	30.4	29.6	7.8
FY21	-5.8	28.2	29.1	-4.8
FY22	9.7	32.4	31.2	3.3
FY23	7.0	32.2	30.2	4.6
FY24	7.6	33.7	32.3	4.4

Source: SBI Research, FY 23 and FY24 Savings and investment ratio are SBI estimates

Is 8% growth the new normal?			
FY	Gross Savings/ GDP	ICOR	Potential Output
FY25	33.5	4.2	8.0%

Source: SBI Research

Top 10 Economies, Nominal GDP (\$ Bn)							
2023				2024 (P) (4 Trillion Economy)			
Rank	Country	Nominal GDP (\$ bn)	Share (%)	Rank	Country	Nominal GDP (\$ bn)	Share (%)
1	USA	26950	25.8	1	USA	27967	25.5
2	China	17701	16.9	2	China	18560	16.9
3	Germany	4430	4.2	3	Germany	4701	4.3
4	Japan	4231	4.0	4	Japan	4286	3.9
5	India	3732	3.6	5	India	4105	3.7
6	UK	3332	3.2	6	UK	3588	3.3
7	France	3049	2.9	7	France	3183	2.9
8	Italy	2186	2.1	8	Italy	2284	2.1
9	Brazil	2127	2.0	9	Brazil	2265	2.1
10	Canada	2118	2.0	10	Canada	2239	2.0
2026 (P) (4th largest Economy)				2027 (P) (5 Trillion and Third Largest Economy)			
Rank	Country	Nominal GDP (\$ bn)	Share (%)	Rank	Country	Nominal GDP (\$ bn)	Share (%)
1	USA	30224	24.9	1	USA	31429	24.7
2	China	21060	17.3	2	China	22291	17.5
3	Germany	5182	4.3	3	India	5427	4.3
4	India	4952	4.1	4	Germany	5328	4.2
5	Japan	4710	3.9	5	Japan	4873	3.8
6	UK	4083	3.4	6	UK	4334	3.4
7	France	3439	2.8	7	France	3537	2.8
8	Brazil	2477	2.0	8	Brazil	2632	2.1
9	Canada	2474	2.0	9	Canada	2584	2.0
10	Italy	2443	2.0	10	Italy	2509	2.0

Source: IMF, SBI research # India is Expected to reach 6 Trillion Economy in 2028/29

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