GDP Grew 7.8% in First Quarter

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Why in news?

- Growth in India’s Gross Domestic Product (GDP) and the Gross Value Added (GVA) in the economy sped to 7.8% in the first quarter of this year.
- This was revealed by the estimates released by the National Statistical Office (NSO).

What’s in today’s article?

- **Why in news?**
- **What is National Statistical Office (NSO)?**
- **Key Economic Terminologies:**
- **News Summary: GDP grew 7.8% in first quarter?**

National Statistical Office(NSO)

- **About**
    - The Ministry of Statistics and Programme Implementation has two wings, one relating to Statistics and the other Programme Implementation.
    - The **Statistics Wing called the National Statistical Office(NSO).**
    - **NSO** consists of the Central Statistical Office (CSO), the Computer centre and the National Sample Survey Office (NSSO).
- **Function:**
    - Releases quarterly GDP data on the last working day of the second month after the reporting quarter;
    - Releases the Index of Industrial Production (IIP) every month in the form of quick estimates;
    - Organizes and conducts periodic all-India Economic Censuses;
    - Maintains liaison with international statistical organizations, such as, the United Nations Statistical Division (UNSD), the Economic and Social Commission for Asia and the Pacific (ESCAP) etc.;
    - Prepares national accounts as well as publishes annual estimates of national product, government and private consumption expenditure, capital formation, savings, estimates of capital stock and consumption of fixed capital

Key Economic Terminologies:

- GDP and GVA are the two main ways to ascertain the country's economic performance that **measures national income.**
- **GDP:**
    - The GDP is a monetary measure of **all final products and services** (those purchased by the final user) produced in a country over a certain period.
    - The GDP accomplishes this **by adding total expenditures** in the economy, examining who spent how much, thus, measuring the economy's overall "**demand**."
- **4 key engines of GDP growth: (GDP = C + I + G + NX)**
    - **Consumption (C)/**Private Final Consumption Expenditure (PFCE)**:** The biggest engine is consumption demand from private individuals.
    - **Investment (I)/**Gross Fixed Capital Formation (GFCF)**:** The second-biggest engine is the investment demand generated by private sector businesses.
    - **Government (G)/**Government Final Consumption Expenditure (GFCE)**:** The third engine (~11%) is the demand for goods and services generated by the government.
    - Net Exports (NX) = Exports minus imports.
- **Gross value added (GVA):**
    - It calculates the same national income from the **supply side**, by adding up all the value added (value of output minus the value of its intermediary inputs) across different sectors.
    - This value added is shared among the primary factors of production, labour and capital.
    - By looking at the GVA growth one can understand **which sector of the economy is robust and which is struggling.**
- **How are GDP and GVA related?**

  - GDP = (GVA) + (Taxes earned by the government) — (Subsidies provided by the government).
  - If the taxes > subsidies it provides, the GDP will be higher than GVA.

News Summary: GDP grew 7.8% in first quarter

- **GDP growth rate**
  - India's GDP clocked a growth rate of 7.8 per cent in the April-June quarter of FY24.
    - GDP growth stood at 6.1% in the January to March 2023 quarter and at 13.1% in the first quarter of 2022-23.
  - At 7.8 per cent, India remains the fastest-growing major economy as China's GDP growth in the April-June quarter was 6.3 per cent.
  - **Real GDP** 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.
    - Real GDP is a measure of the total value of goods and services produced in a country during a specific period, adjusted for changes in the price level.
    - Real GDP = (Price level in the base year) x (Quantity of goods and services produced in the current year).
  - Meanwhile, India's nominal GDP in Q1FY24 showed a **growth rate of 8 per cent** as compared to 27.7 percent in Q1 FY2022-23.
    - Nominal GDP is the total value of goods and services produced in a country during a specific period, typically a year or a quarter, **measured in current market prices**.
    - Nominal GDP = (Price level in the current year) x (Quantity of goods and services produced in the current year).
- **Sector-wise growth**
  - **Manufacturing GVA** grew for the second quarter in a row, with the pace of growth picking up slightly to 4.7% in Q1 of 2023-24, from 4.5% in the previous quarter.
  - Agriculture, Forestry and Fishing GVA grew 3.5% between April to June.
  - It was the Services sectors that recorded the sharpest surge.
    - Financial, Real Estate and Professional Services GVA grew 12.2% in Q1.
    - GVA from Trade, Hotels, Transport, Communication and Services related to broadcasting rose 9.2%.
    - GVA from Public Administration, Defence and Other Services, as well as the employment-intensive Construction sector rose 7.9% each.
    - GVA from Electricity, Gas, Water Supply and Other services grew just 2.9%, while Mining and Quarrying GVA grew 5.8%.
- **Moderate growth ahead**
  - India's growth rate is expected to moderate in the coming quarters. This is due to:
    - the effect of the El Nino on the monsoon;
    - weakness in mining output;
    - sluggish exports, and

- a possible slowing in the momentum of government capex as Lok Sabha elections approach.

Q1) What is Real GDP?

Real GDP is a measure of the total value of goods and services produced in a country during a specific period, adjusted for changes in the price level. Real GDP = (Price level in the base year) x (Quantity of goods and services produced in the current year).

Q2) What is Nominal GDP?

Nominal GDP is the total value of goods and services produced in a country during a specific period, typically a year or a quarter, **measured in current market prices**. Nominal GDP = (Price level in the current year) x (Quantity of goods and services produced in the current year).

Source: GDP grew 7.8% in first quarter | Ministry of Statistics and Programme Implementation | Indian Express