

Economy sprints in final qtr of FY25

Beating expectations, GDP expands 7.4% in Q4 to meet annual growth estimates of 6.5%

ASIT RANJAN MISHRA
New Delhi, 30 May

India's economic growth rebounded to a four-quarter high of 7.4 per cent in the January-March period of 2024-25 (FY25), aligning with the annual growth estimate of 6.5 per cent, according to provisional estimates of gross domestic product (GDP) released by the National Statistics Office (NSO).

The final-quarter performance outpaced expectations, beating both the Reserve Bank of India's (RBI's) forecast of 7.2 per cent and a Reuters poll of economists that had projected 6.7 per cent growth.

Nominal GDP for the full financial year rose 9.8 per cent to ₹330.7 trillion, slightly above the ₹324.1 trillion estimated in the Union Budget. This boost helped the government perform marginally better on fiscal deficit, which stood at 4.77 per cent of GDP in FY25, against the revised estimate of 4.84 per cent.

Gross value added (GVA) grew at a slower rate than GDP — at 6.8 per cent — in the March quarter, widening the gap between GDP and GVA due to a surge in net taxes (taxes minus subsidies), as government subsidy payouts contracted during



“THERE WERE CONCERNS EARLIER THAT INDUSTRIES WERE NOT INVESTING ENOUGH AND THAT CAPACITIES WERE NOT GROWING. BUT I'M GLAD TO SEE THAT INDIA'S MANUFACTURING ACTIVITY HAS PERFORMED WELL IN THE FOURTH QUARTER”

Nirmala Sitharaman
Union Finance Minister

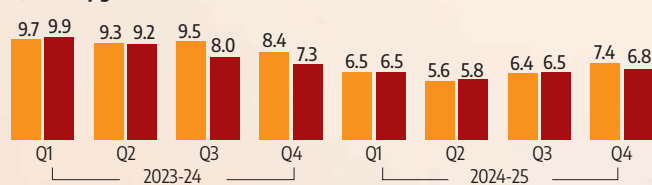
the period.

Now, economists believe uncertainty because of the tariff war triggered by US President Donald Trump's policies and weak urban demand will shape India's FY26 growth outlook, even as further policy rate cuts by the RBI will support economic recovery.

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GROWTH MATTERS

Quarterly growth

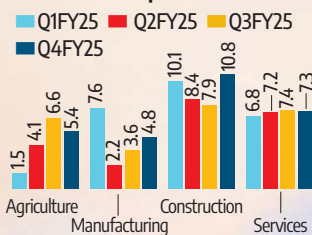


Spending stumbles; investment picks up

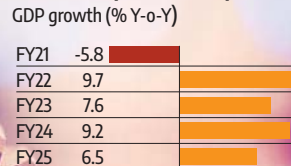
FY25	Q1	Q2	Q3	Q4
Private spending (PFCE)	8.3	6.4	8.1	6
Govt spending (GFCE)	-0.3	4.3	9.3	-1.8
Investment (GFCF)	6.7	6.7	5.2	9.4

PFCE: Private final consumption expenditure
GFCE: Government final consumption expenditure
GFCF: Gross fixed capital formation

Construction tops the charts



Weakest expansion in 4 years



Source: MoSPI

Consumption picks up in FY25 on rural demand

SHIVA RAJORA
New Delhi, 30 May

Growth in the private final consumption expenditure (PFCE), which is taken as a proxy for consumption demand in the economy, outpaced gross domestic product (GDP) growth in 2024-25 (FY25), even as the consumption demand slowed to a five-quarter low in the fourth quarter (Q4) of the financial year.

According to the latest data released by the National Statistics Office (NSO) on Friday, PFCE grew at 7.2 per cent in FY25, up from 5.6 per cent in FY24. As a share of nominal GDP, it stood at 61.4 per cent, up from 60.2 per cent in FY24.

Addressing the customary press conference, Chief Economic Advisor V Anantha Nageswaran said that the share of consumption in GDP in FY25 has risen to the highest levels since FY05 (61.5 per cent).

The rebound

PFCE growth (% Y-o-Y)

Fiscal Year	PFCE growth (%)
FY21	-6
FY22	11.4
FY23	7.9
FY24	5.6
FY25	7.2

Source: NSO

says that consumption growth outpaced GDP, primarily driven by robust rural demand supported by a strong agricultural sector. “A sharp catchup in investment growth in the last quarter also brought annual investment growth above GDP growth,” Joshi said.

Rajani Sinha, chief economist, CareEdge Ratings, says that private consumption remained healthy and rural demand is expected to be supported by favourable agricultural output and easing inflation, while the outlook for urban demand

Govt spending contracted by 1.8% in Q4

Sinha further said, “The strength in rural demand is expected to continue on the back of favourable prospects for monsoon, healthy reservoir levels, and upbeat agricultural output. However, the softness in urban demand continues to be an area of concern.” Data also showed that the gross fixed capital formation (GFCF), which is taken as a proxy for investment demand in the economy, rose to a six-quarter high of 9.4 per

cent in Q4. As a share of nominal GDP, it rose to 31 per cent in Q4 from 27.4 per cent in Q3.

However, government spending, as represented by government final consumption expenditure (GFCE), contracted by -1.8 per cent to touch a three-quarter low in Q4 due to the base effect and fiscal consolidation. As a share of nominal GDP, it grew to 11.1 per cent in Q4 from 8.7 per cent in Q3.