

ON AN OPTIMISTIC NOTE

India's growth momentum to continue in Q1 of FY26: CEA

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India's 2024-25 (FY25) gross domestic product (GDP) growth print at 6.5 per cent shows that the country still outshines many of the larger and key economies of the world and is expected to grow between 6.3 and 6.8 per cent driven private consumption, rural rebound, and resilient services exports, Chief Economic Advisor to the government, V Anantha Nageswaran said on Friday.

Urban consumption picks up on the back of better capital formation, hiring, and compensation then India could achieve a growth rate at the higher end of this range in FY26. The income tax relief announced in the Budget for FY26 will help in boosting consumption and that high-frequency indicators for April 2025 show strong industrial and commercial activity, he added.

"It's important to understand that globally, it is a growth scarce environment. In spite of the rising uncertainties due to geopolitical



conflicts and trade tensions, which predate 2025, India is actually holding up its growth numbers better

than many advanced economies," the CEA said.

On the prospects for FY26, Nageswaran said, the momentum of the economy picked up in the fourth quarter of FY25 is continuing in the first quarter as reflected by the high-frequency data. "Interest rate moderation by the RBI and tax relief provided by the government are going to boost overall consumption. Capital formation by the private sector is also expected to pick up as capacity utilisation levels are high."

On private sector investments,

the CEA said, that it was not as if the Indian private sector capex has not been growing, but the growth rates have been on the slower side. "Given that India has a large domestic economy, the private sector can definitely invest more. But how much it will ramp up in this current environment is difficult to say," he said.

Nageswaran also said the external environment poses no funding risk for India but there was need to increase FDI in terms of becoming part of the global supply chain and China plus one strategy.