GDP growth hits 7-quarter low of 5.4%

MANUFACTURING SECTOR BEHIND SOMBRE Q2 SHOWING, SERVICES STUTTER

ASIT RANJAN MISHRA
New Delhi, 29 November

India's economic growth slowed more sharply than anticipated in the July-September period of FY25, dropping to a seven-quarter low of 5.4 per cent, surprising analysts who had projected growth to hover around 6.5 per cent in the quarter.

The deceleration in growth momentum, driven by an industrial slowdown and a moderation in investment demand, has raised concerns among analysts.

These factors suggest the current forecast of around 7 per cent growth for FY25 may need to be revised downwards. If this trend continues, it could lead to a reassessment of the economic outlook by forecasting agencies.

As a result of this weaker-than-expected growth, there could be a higher probability of a policy rate cut by the Reserve Bank of India during its Monetary Policy Committee meeting in February.

The data released by the National Statistical Office on Friday showed gross value added (GVA) grew at 5.6 per cent as the net taxes growth declined to a seven-quarter low of 2.7 per cent in Q2 of FY25. The difference between the gross domestic product (GDP) and GVA is net taxes.

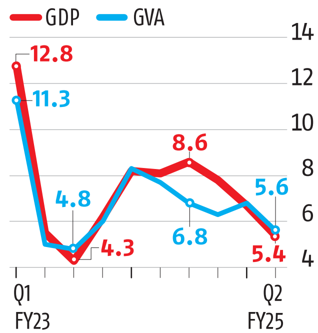
Dharmakirti Joshi, chief economist at CRISIL, said he expects elevated interest rates and fiscal consolidation to weigh on GDP growth in the current financial year.

"Rural demand is expected to drive improvement in consumption. The impact of healthy kharif production, coupled with gains from the festival season, is expected to increase demand in the second half. However, slowing credit growth is expected to weigh, particularly on urban demand," he added.

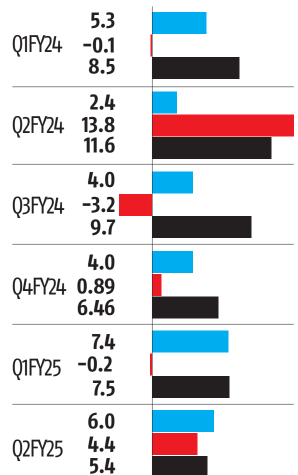
Turn to Page 7

SLOWDOWN PROMPTS CALLS FOR POLICY RATE CUTS IN FEBRUARY

Productivity metric tumbles

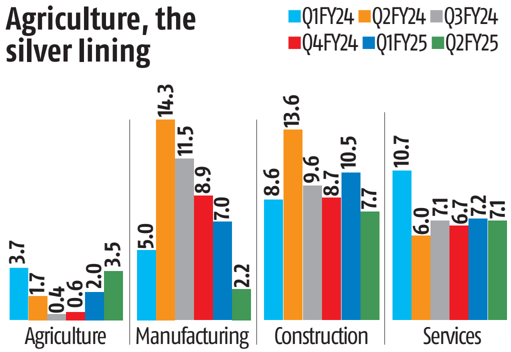


Govt expenditure picks up steam

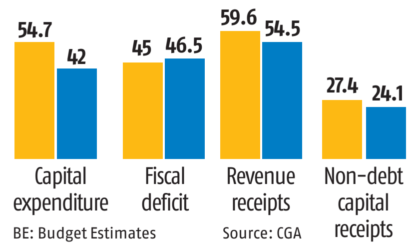


PFCE: Private final consumption expenditure
GFCE: Government final consumption expenditure
GFCF: Gross fixed capital formation
Source: Mospi

Agriculture, the silver lining



ON THE FISCAL FRONT...



BE: Budget Estimates
Source: CGA

Capex contracted, revex gained pace in Oct: CGA data

RUCHIKA CHITRAVANSHI
New Delhi, 29 November

Persistent contraction in central government's capex for the third month in a row in October even while revenue expenditure picked up pace during the month may limit the support of government expenditure to a sluggish economy in the December quarter, unless the trend reverses.

According to the data released by the Controller General of Accounts (CGA) on Friday, capex in October contracted 8.4 per cent while revenue expenditure, excluding interest payments, rose 41.9 per cent during the month.

During April-October period, capex contracted 14.7 per cent while revenue expenditure grew 8.6 per cent, leading to the total expenditure expanding 3.3 per cent.

Turn to Page 7

PAGE 4

GDP NUMBERS DISAPPOINTING BUT NOT ALARMING: CEA

India's second quarter GDP growth rate of 5.4 per cent was disappointing but there was no reason for alarm since there were many bright spots in the economy, India's Chief Economic Advisor, V Anantha Nageswaran said on Friday.

Construction sector growth remains a drag at 7.7%

Nominal GDP growth in the second quarter and the first half of FY25 amounts to only 8 per cent and 8.9 per cent respectively. "If this trend persists, even the growth of the government's gross tax revenue may be adversely affected," DK Srivastava, chief policy advisor, EY India said.

During the first half (April-September) of this financial year, the gross domestic product (GDP) grew by 6 per cent compared to 8.2 per cent during the same period a year ago.

Madan Sabnavis, chief economist, Bank of Baroda said he sees steady GDP growth in the second half (October-March) of FY25.

"Consumption is already recovering with festival rural spending and wedding season. The government will expedite budget spending and hence growth will be picking up. Investment shows positive signs as intentions are higher than last year post-July. We expect growth for the year to average 6.6-6.8 per cent in FY25," he added.

The slowdown in the September quarter was led by the manufacturing sector, which registered only 2.2 per cent growth along with electricity, which grew 3.3 per cent in the quarter. The labour- intensive construction sector also decelerated, growing at 7.7 per cent in the September quarter compared to 10.5 per cent in the preceding quarter.

The services sector also marginally slowed down in Q2 at 7.1 per cent, compared to 7.2 per cent in the preceding quarter. Among its three components, trade, hotels, transport, communication services (6 per cent) picked up pace sequentially while financial, real estate, and professional services (6.7 per cent) and public administration, defence, and other services (9.2 per cent) slowed down in the September quarter compared to the preceding quarter.

During the September quarter, agricultural growth (3.5 per cent) stood out with growth firming up to a five-quarter high at 3.5 per cent compared to 2 per cent in the preceding quarter as kharif sowing ended well. Mining and quarrying (-0.1 per cent) contracted due to unseasonal rains.

From the demand side, private spending, as represented by private final consumption expenditure, decelerated to 6 per cent despite favourable base while government final consumption expenditure picked up pace (4.4 per cent) after an election-led slump in June quarter.