Govt to take steps for better GDP growth in H2FY25: DEA secy

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The government is likely to take fresh measures to ensure that economic growth in the second half (October–March) of FY25 is much better than the seven-quarter low growth of 5.4 per cent in the July–September period, economic affairs secretary Ajay Seth indicated on Monday.

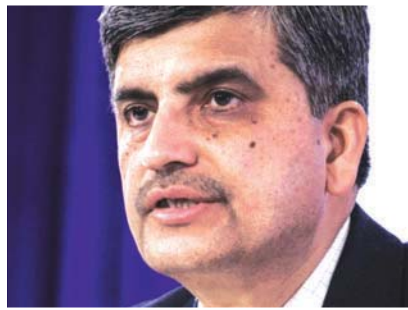
"Gross domestic product (GDP) numbers are lower than our potential but not alarming. Action is well on the way to make sure that in the second half of the current financial year, GDP growth rate is much better," Seth told reporters, without elaborating on the measures the government is contemplating.

The government is expected to push capital expenditure (capex), which has reached only 42 per cent of the full-year FY25 target by the end of October.

Finance Minister Nirmala Sitharaman, in a written reply to a question in Parliament on Monday, said if a recommendation for a reduction in goods and services tax (GST) rates is made by the GST Council, the cost of insurance to policyholders is expected to come down due to the reduction in GST. "The matter of review of GST rates on life and health insurance is pending before the GoM," she added.

Lower growth in urban wages is cited as one of the reasons for slower consumption growth in the economy.

Seth said several high-frequency indicators in October are pointing towards a revival in economic activities. "Quarterly estimates are revised upward when full data is available. In the third quarter and fourth quarter, growth is expected to be much higher," he added.



Economic Affairs Secretary Ajay Seth said that growth was expected to be much higher in the third and fourth quarter

The ministry expects GDP growth to remain within the range of 6.5–7 per cent in FY25. Most forecasting agencies have cut their growth forecast for FY25 to 6–6.5 per cent from closer to 7 per cent earlier.

UBS has revised its GDP growth forecast for FY25 to 6.3 per cent compared to 6.7 per cent estimated previously. The financial services firm expects a cyclical recovery in H2 FY25, driven by festive and wedding season demand, improved rural sentiment, and likely improvement in overall government spending.

"Considering slowing domestic economic activity, we think the government should refrain from pursuing a counter-cyclical fiscal policy and rather support domestic demand," said Tanvee Gupta Jain, economist at UBS Chief India.