

Economists upbeat on FY25 GDP growth

Day after Q3 numbers surpassed expectations, analysts raise growth forecast for the next financial year

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A day after India's gross domestic product (GDP) data for the third quarter of FY24 significantly surprised on the upside, several analysts have sharply raised their growth projections for the next financial year (FY25).

State Bank of India (SBI), in its latest report released on Friday, projected the Indian economy to grow at 8 per cent in FY25.

This is higher than the Reserve Bank of India's (RBI's) projection of 7 per cent.

SBI made the upward projection as the incremental capital output ratio (ICOR), which measures additional unit of investment needed to produce additional unit of output, fell to 4.4 per cent in FY24 from 7.5 per cent in FY12. This reflects more productive utilisation, and relative increasing efficiency of capital.

"At the same level of investment and savings in FY25 but with a declining ICOR, India could grow at 8 per cent in FY25," SBI noted in its report.

Similarly, Bank of Baroda chief economist Madan Sabnavis said revival in private investment and broadening of consumption in the coming financial year is expected to drive the GDP growth to 7.8 per cent. This estimate is up from his earlier estimate of 6.8 per cent.

Meanwhile, Citibank raised its growth forecast to 6.8 per cent for FY25 from 6.5 per cent while Motilal Oswal revised its growth estimate to a range of 5.5-6 per cent from 5.4 per

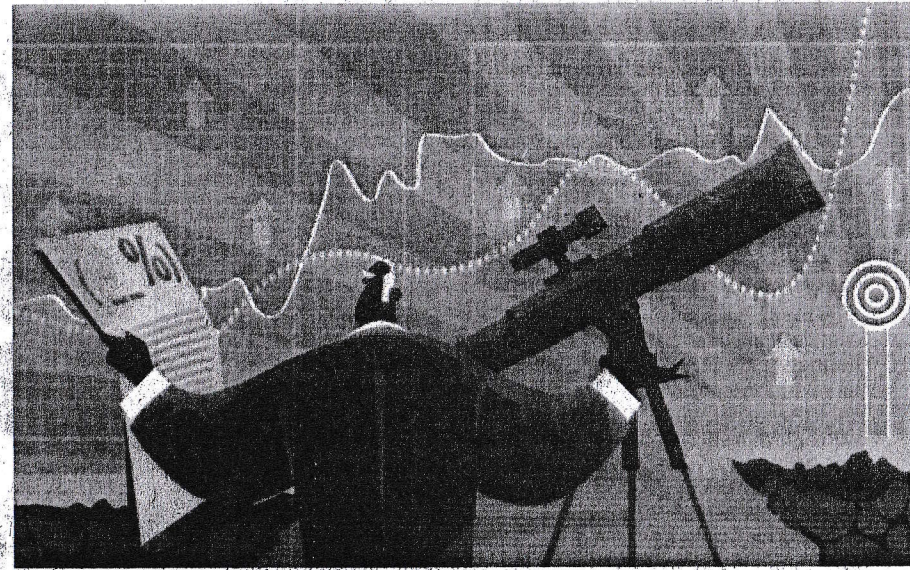


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cent estimated earlier for the next financial year. "Our broad view of a modest slowdown in FY25 growth from external headwinds and somewhat restrictive fiscal and monetary policy continues.

However, we now expect FY25 GDP growth at 6.8 per cent and a gross value added (GVA) growth of 6.5 per cent," said Citibank in a statement.

This optimism among analysts stems from the official National Statistical Office (NSO)

data released on Thursday. It showed that GDP rose by 8.4 per cent in Q3 from a year ago and estimated FY24 GDP growth at 7.6 per cent.

"After a strong GDP print in the past three financial years, we expect some moderation in growth next financial year. The transmission of past rate hikes by the Reserve Bank of India (RBI) to the broader lending rates continues. Rising borrowing costs and regulatory measures to clamp down risky lending could moderate domestic demand next financial

POSITIVE OUTLOOK

Growth estimates for FY25 (%)

■ Earlier
■ Revised

Citi Bank	6.5	Earlier
	6.8	Revised
SBI	7.0	Earlier
	8.0	Revised
Motilal	5.4	Earlier
	5.5-6.0	Revised
Elara Capital	7.0	Earlier
	7.0	Revised
Quant Eco Research	6.1-6.3	Earlier
	6.5-6.7	Revised
Bank of Baroda	6.75-6.8	Earlier
	7.8	Revised

Source: BS Research

year," said CRISIL in a statement.

QuantEco, in a statement, said upside in FY24 GDP is likely to impart an added statistical downside to FY25 GDP growth number than envisaged earlier.

"The lagged transmission of past cumulative rate hikes by RBI, along with regulatory measures to curtail the pace of unsecured retail lending, would mean urban consumption (of both goods and services) seeing a tapering in buoyancy in FY25," it added.