# FY25 GDP growth may hit 4-year low of 6.4%

**WORRISOME.** Dragged by slowdown in all industry, services segments; lower capex causes concern

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India's growth is expected to hit a four-year low of 6.4 per cent this fiscal year (FY25). It marked a sharp decline from the 8.2 per cent growth recorded in FY24, according to the first advance estimate released by the government on Tuesday.

The estimation of lower growth is on the back of a slowdown in all segments of industry and services.

The estimate for FY25 is lower than the RBI's revised outlook of 6.6 per cent and the Finance Ministry's own projection of 6.5 per cent in its monthly economic review.

Despite the slowdown in real GDP growth and the nominal GDP growth almost stagnant, per capita nominal GDP is expected to increase significantly in FY25, by ₹35,000 more than FY23.

### FARM SECTOR TO DO WELL

The farm sector is expected to perform better, with growth pegged at 3.8 per cent during the current fiscal against 1.4 per cent in the previous year.

However, industrial growth is expected to dip to 6.2 per cent as against 9.5 per cent and the service sector is likely to grow by 7.2 per cent as against 7.6 per cent.

According to D K Srivastava, Chief Policy Advisor at EY India, the first advance estimate shows a nominal GDP (the total value of all goods and services produced in a country over a period of time, calculated using current market prices) growth of 9.7 per cent.

It is lower than 10.5 per cent for nominal GDP growth as per the 2024-25 Union Budget presented in July 2024. "Compared to the budgeted magnitude of nominal GDP, the shortfall in nominal GDP as per the first advance estimate would amount to about ₹2.26 lakh crore. This would translate to a lower gross tax revenue (GTR) for the government of ₹2.32 lakh crore at the budgeted GTR buoyancy of 1.03. However, a part of this shortfall may be made up by a rise in buoyancy," Srivastava said. The key concern is lower growth in investment, which is estimated to moderate to 6.4 per cent of GDP in FY25 from 9 per cent in the previous year. The expected pick-up during the second half has apparently not happened.

Rajnai Sinha, Chief Economist with CARE, said investment growth in H2 (October-March) is estimated to remain around the same as H1. This means private investment is not picking up meaningfully.

### Economic growth

(in %)

| Sector | FY23 (1st revised estimates) | FY24 (Provisional estimates) | FY25 | | |
|---|---|---|---|---|---|
| | | | FY25 (IAE) | H1 | H2* |
| Agriculture, forestry, fishing | 4.7 | 1.4 | 3.8 | 2.7 | 4.5 |
| Industry | 2.1 | 9.5 | 6.2 | 6 | 6.5 |
| Services | 10 | 7.6 | 7.2 | 7.1 | 7.3 |
| GVA at basic prices | 6.7 | 7.2 | 6.4 | 6.2 | 6.6 |
| GDP | 7 | 8.2 | 6.4 | 6 | 6.7 |

Source: NSO, SBI Research; *SBI calculation based on AE

### GROWTH MOMENTUM

The big question is about the growth momentum in the next fiscal year.

Aditi Nayar, Chief Economist with ICRA, said GDP growth in FY26 will be influenced by global and domestic uncertainties, amidst considerable base effect. "Benefiting from an anticipated capex push in the upcoming Budget, we project the GDP growth at 6.5 per cent in FY26," she said.

A research report by HDFC Bank said, "We expect GDP growth to rise to 6.7 per cent in FY26 from 6.4 per cent in FY25, driven by recovery in consumer demand as food inflation moderates, the RBI delivers rate cuts and a healthy agriculture performance boosts rural incomes."