NATIONAL STATISTICS OFFICE RELEASES FIRST ADVANCE ESTIMATES

# FY25 GDP growth may slip to four-year low of 6.4%

## Falls short of RBI estimate; better showing in agri and manufacturing expected in H2

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New Delhi, 7 January

Growth in the Indian economy is estimated to slow to a four-year low of 6.4 per cent in FY25, falling short of the Reserve Bank of India's (RBI's) projection of 6.6 per cent, according to the First Advance Estimates of the National Statistics Office (NSO). The figures were released on Tuesday.

This assumes improved performance in agriculture and manufacturing during the second half of the financial year (October-March) compared to 6 per cent growth in the first half (H1) of FY25.

In FY24, gross domestic product (GDP) had grown at 8.2 per cent.

The First Advance Estimates of GDP have incorporated the industrial production data of an additional month (October) as well as some lead indicators until November and December, implicitly assuming 6.7 per cent GDP growth in the second half (H2) this financial year.

Estimated growth in gross value added (GVA) for FY25 is 6.4 per cent, the same as GDP growth, implying that indirect taxes and subsidies may balance each other out.

Sakshi Gupta, principal economist at HDFC Bank, said high-frequency indicators for the December quarter broadly aligned with the NSO's estimates.

"Some improvement in consumer demand, combined with a rise in government spending, is likely to support growth in the second half of FY25," she added.

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**EDIT: Growth concerns**
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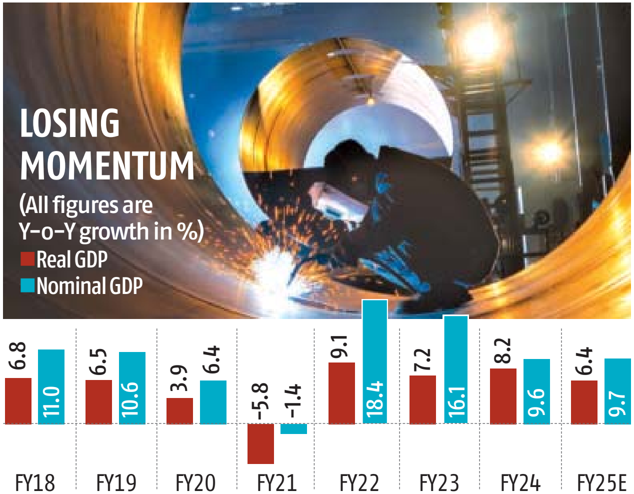


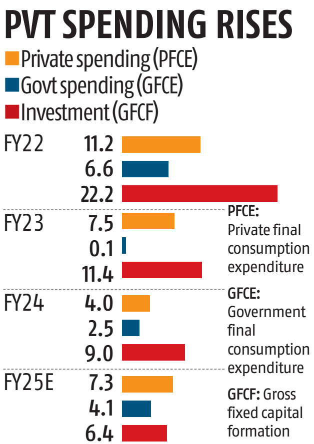


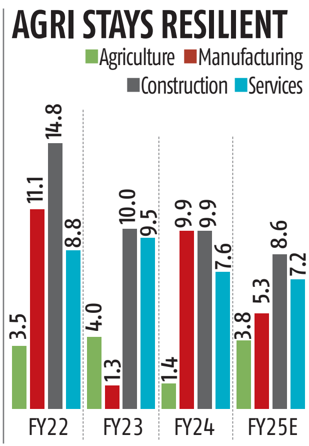


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**NSO sees higher consumption, lower capex growth in FY25**

**Driven by a slowdown in government capital expenditure and sluggish private investments,** growth in infrastructure investment is expected to moderate in the current financial year against FY24.

**FISCAL DEFICIT TARGET IN REACH DESPITE LOWER ESTIMATE**

**FARM SECTOR HOLDS OUT AMID HEADWINDS**

# NSO estimates FY25 nominal growth at 9.7%

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However, Gupta said the latest data did not change her view that the RBI was more likely to keep rates on hold in its February policy and start the rate-cut cycle in April next year.

"The inflation rate for December is expected to print above 5 per cent. Moreover, global uncertainties, along with the incoming Trump presidency, have put depreciation pressure on the rupee. The US Fed is likely to stay on hold in its upcoming January meeting, which could further raise US yields and further pressure the rupee. Given the global backdrop, elevated inflation prints, combined with some signs of recovery in economic activity in H2 FY25, the RBI can tilt on the side of caution," she added.

The NSO has estimated nominal GDP growth at 9.7 per cent for FY25, lower than the 10.5 per cent assumed in the Budget. Though this should make it difficult for the government to achieve the fiscal deficit target of 4.9 per cent, sluggish capex may lead to substantial savings for the government, keeping it on the path of fiscal consolidation. The profile of sectoral growth shows the statistics department assumes expansion in agriculture and manufacturing to pick up pace in H2. While agriculture in H1 grew 2.7 per cent, for FY25 it is estimated at 3.8 per cent because healthy reservoir levels and favourable soil moisture conditions are expected to support rabi cultivation.

Manufacturing grew 4.5 per cent during H1 while the NSO assumes it to grow 5.3 per cent for FY25. However, construction, which is labour-intensive, is expected to slow in H2, with 8.6 per cent assumed growth for FY25 compared to 9.1 per cent growth in H1.

The services sector is projected to marginally pick up pace in H2 with growth estimated at 7.2 per cent in FY25 compared to 7.1 per cent in H1 of the financial year. Details on the expenditure side of GDP reveal the NSO assumes private spending as well as government spending growing faster in H2 than in H1. For FY25, NSO has estimated private final consumption expenditure to grow 7.3 per cent compared to 6.7 per cent in H1 while government final consumption expenditure is assumed to grow 4.1 per cent in FY25 compared to 2 per cent in H1.

However, investment demand, represented by gross fixed capital formation, is assumed to grow 6.4 per cent in FY25 signalling that private investment is not picking up meaningfully.

Rajani Sinha, chief economist at CareEdge, expects the economy to grow 6.7 per cent in FY26, anticipating that healthy agricultural growth and likely easing in food inflation would boost consumption in coming months.