RBI rejigs quarterly GDP growth forecasts for FY25

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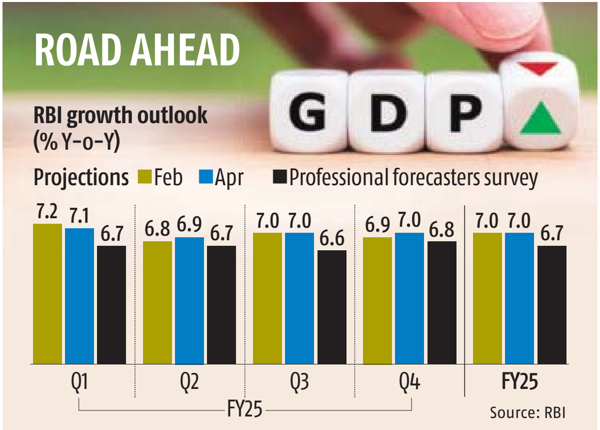
The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) on Friday rejigged the quarterly gross domestic product (GDP) growth estimates for FY25 while keeping the full-year projection unchanged at 7 per cent.

In its latest bi-monthly monetary policy statement, the MPC pared growth forecast for the first quarter of FY25 to 7.1 per cent from 7.2 per cent.

It raised growth projections to 6.9 per cent (from 6.8 per cent) and 7 per cent (from 6.9 per cent) for the second and fourth quarters, respectively. For the third quarter, RBI's growth forecast remained unchanged at 7 per cent.



"The change in numbers differs from our expectations, as we expect transient factors to restrict GDP to a moderate 5.5-5.9 per cent in H1 (April-September) of FY25, followed by a sharp improvement to 7.1-7.2 per cent in H2 (October-March).

They would benefit from factors such as a back-ended government capital spending after the Budget and the monsoon, a likely pick-up in private sector investment, healthier rural demand if the monsoon turns out to be favourable, and some improvement in exports," said Aditi Nayar, chief economist, head — research & outreach, ICRA. The RBI expects growth to be supported by consumption and private sector capex while normal monsoon this year is expected to support rural demand.

"With rural demand catching up, consumption is expected to support economic growth in 2024-25. Urban consumption stayed buoyant as evident from various indicators. The resilience in cement production, together with strong growth in steel consumption and production and import of capital goods augur well for the investment cycle to gain further traction," RBI Governor Shaktikanta Das said in his statement.

The governor said the prospects of investment activity remain bright owing to an upturn in the private capex cycle becoming steadily broad-based.

Also, persisting and robust government capital expenditure, healthy balance sheets of banks and corporates, rising capacity utilisation and strengthening business optimism are also positives.