

Economists divided on FY25 growth outlook

KR Srivats
New Delhi

Economists have differing views on the extent of India's economic recovery in the second half of FY25, even though they largely agree that growth will better the first half as projected in the CSO's first advance estimate.

The Central Statistical Office (CSO) on Tuesday pegged the advance GDP growth estimate for FY25 at 6.4 per cent. With GDP growth in the first six months at 6 per cent, the second half will need to achieve a robust 6.8 per cent to meet the full-year target, economists said.

VARIED EXPECTATIONS

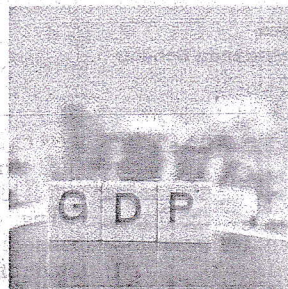
While some economists are optimistic that the final GDP figure for FY25 will exceed the CSO's 6.4 per cent estimate, others remain sceptical, citing subdued urban demand and a slower-than-expected recovery in rural consumption and private investments.

Anubhuti Sahay, Head of India Economic Research at Standard Chartered Bank, expressed caution about achieving the required second-half growth.

"For 6.4 per cent GDP growth in FY25, H2 growth has to rebound to 6.8 per cent, which we view as ambitious. Our forecast places H2 growth closer to 6.4 per cent — better than the first half's 6 per cent but not as robust as suggested by the CSO," she said.

In contrast, Madan Sabnavis, Chief Economist at Bank of Baroda, projected higher growth.

"Advance estimates are extrapolated from H1 data, which reflected weak private investments and urban consumption stress. These factors have since turned around, as seen in Q3. CMIE data on new private invest-



ment announcements indicate rapid growth, suggesting that the CSO's numbers are conservative. Final GDP growth could exceed 6.4 per cent, potentially aligning with the RBI's estimate of 6.6 per cent," Sabnavis said.

Rumki Mazumdar, Economist at Deloitte India, maintained an optimistic outlook, forecasting GDP growth of 6.5-6.8 per cent for FY25. "Festive demand and other factors not captured in the CSO estimates will push growth beyond 6.4 per cent. Achieving 6.8 per cent growth in H2 is not ambitious," she said.

Mazumdar added that stronger Q3 and Q4 growth, driven by a recovery in consumption, festive spending and improved private investments, could push GDP closer to 6.7 per cent in 2024-25.

Mazumdar also highlighted that uncertainties weighing on H1 growth, such as weak capex execution, are now diminishing. "Private investments are expected to strengthen in Q4, with no significant reason for delays. Agriculture has performed better, which should improve rural consumption."

CAUTIOUS OPTIMISM

While some economists believe the CSO's estimate of 6.4 per cent reflects cautious optimism, others argue that achieving even this target will require a substantial rebound in H2. The divergence in views underscores the interplay of challenges and opportunities as India navigates its growth trajectory.