GDP growth likely improved to 6.3% in Q3FY25: FE poll

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INDIA'S ECONOMY LIKELY grew at 6.3% in October-December, up from 5.4% in July-September, mainly due to a broad-based pick-up in economic activity, the median of 16 estimates by economists showed.

If the Q3FY25 growth comes in at 6.3%, GDP will have to grow by 7-7.3% in Q4 to average 6.4% for the full financial year. In Q1 and Q2, GDP grew by 6.7% and 5.4%, respectively. Economists say the lacklustre growth in Q2 was mainly due to manufacturing activity growing at a snail's pace (2.2%), which has recovered substantially in the December quarter.

"Manufacturing should see a big pick-up in Q3, which would be leading the growth during the quarter," said Upasna Bhardwaj, chief economist, Kotak Mahindra Bank. In Q2FY25, manufacturing had grown merely 2.2%, at a six-quarter low.

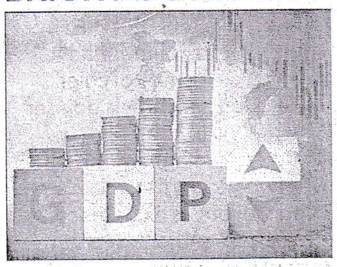
"We've seen relatively better corporate earnings data in Q3 as against Q2, and most high-frequency indicators have shown an improvement," Bhardwaj added.

The Reserve Bank of India (RBI) bulletin for February noted that high frequency indicators show the economy is on a "path of recovery" during H2FY25 from the "loss of momentum" witnessed in the first half. "Pick-up in tractor sales growth, and fuel consumption, and sustained growth in air passenger traffic also point to a recovery in overall momentum. Rural demand continues to hold up, buoyed by increasing farm incomes," said the bulletin.

Moreover, according to SBI Research, about 3,500 companies witnessed GVA growth 9.55% in Q3FY25 as against 6.65% in Q2. SBI Research expects the economy to grow 6.2-6.3% in Q3FY25, based on its "nowcasting model", which tracks data of 36 high frequency indicators.

SBI said that capex is showing improvement in October-December with the majority of the states' capex as percentage of Budget Estimate (BE) being lower in FY25 on date, "but embracing a momentum in Q3FY25 which augurs well for future developments".

BRIGHT OUTLOOK



Growth projections (in %)