GDP likely to grow at 6.5% in FY25, FY26: EY

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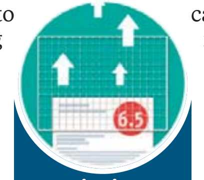
India's economy is likely to grow by 6.5 per cent in the current (FY25) and the next financial year (FY26), an EY report said, attributing lower than anticipated expansion in the September quarter to fall in private consumption expenditure and gross fixed capital formation.

Real GDP growth eased to a seven-quarter low of 5.4 per cent in July-September — the second quarter of the current financial year.

This was compared to 6.7 per cent in the preceding quarter.

This was primarily because two domestic demand components — private final consumption expenditure and gross fixed capital formation — together accounted for a fall of 1.5 percentage points.



Says rise in govt investment expenditure remained negative in H1FY25

"One outstanding feature of demand is the slowdown in investment, as reflected in the growth of gross fixed capital formation. This growth is estimated at 5.4 per cent in Q2FY25, which is a six-quarter low. Apart from the fact that private investment demand has not picked up, there was a contraction in government of India's investment expenditure growth, which has remained negative at -15.4 per cent in first half of FY25," the report said.

It continued to be negative even in October 2024 at -8.4 per cent, implying that in the first seven months government's investment expenditure growth has remained negative at -14.7 per cent. "In fact, to meet the budgeted target of capital expenditure growth of 17.1 per cent over CGA actuals for FY24, we now require a growth of 60.5 per cent in the remaining five months of FY25." The EY Economy Watch December 2024 forecasts India's real GDP growth at 6.5 per cent for FY25 and FY26.

It also highlights the importance of reforming India's fiscal responsibility framework to achieve the *Viksit Bharat* vision by 2047-48.