GDP growth in Q1 likely to have moderated

Slowdown in key drivers due to LS polls and high base effect: Analysts

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Growth in gross domestic product (GDP) is likely to have moderated in the June quarter this financial year owing to a slowdown in key drivers because of the Lok Sabha elections and a high base effect, according to analysts.

This comes in the wake of the Indian economy experiencing strong growth rates of above 7.5 per cent in all four quarters in FY24.

The Reserve Bank of India (RBI) has predicted 7.1 per cent growth for Q1FY25.

The National Statistical Office (NSO) will release the Q1 growth numbers on Friday.

Rajani Sinha, chief economist, CARE Ratings, said GDP growth in Q1 was projected to slide to 6.9 per cent.

"The agricultural sector will feel the pinch of lower reservoir levels from last year's poor monsoon and heat waves affecting productivity. Rabi production is estimated at 155.2 million tonnes, slightly below the 157.8 million tons recorded the previous year," she added.

Besides, manufacturing growth is likely to slow as indicated by moderation in the index of industrial production data (5.1 per cent) along with growth compression in construction, as seen in deceleration in cement production (0.6 per cent).

PEER COMPARISON

Q1 growth projections (%)

India Ratings	7.5
Bank of Baroda	7.3
CRISIL	6.8
IDFC Bank	6.5
Acuité Ratings	6.4
ICRA Ratings	6.0

Source: BS Research Bureau

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Gaura Sengupta, chief economist, IDFC Bank, said the Q1 growth estimate was tracking sequentially lower due to moderation seen in manufacturing and government expenditure along with listed companies' results revealing a slowdown in profit growth with a pickup in input costs.

"We expect GDP to grow 6.5 per cent during the quarter," she added.

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Manufacturing growth may have slowed in Q1

Echoing similar views, Aditi Nayar, chief economist, ICRA Ratings, said Q1 saw a temporary lull in activity in some sectors related to the parliamentary elections and sluggish government capex. "The heat wave affected footfalls in various services sectors, even as it provided a significant boost to electricity demand. On balance, we foresee transient moderation in gross value added (GVA) and GDP growth in Q1 to 5.7 per cent and 6.0 per cent, respectively," she added.

Proxy indicators like two-wheeler sales (20.7 per cent), passenger vehicles (2.8 per cent), and the consumption of petrol and diesel (3.2 per cent) have shown sequential deceleration during the quarter.

However, domestic passenger aviation has seen slight acceleration (5.5 per cent). "On expenditure, the decline in the RBI's consumer confidence data and slowing passenger vehicle sales raise concern about consumption demand. Also, the contraction in capex, influenced by election-related curbs, will further impede GDP growth," Sinha said. However, Paras Jasrai, senior economic analyst, India Ratings, said the economy would outpace the RBI's estimate and grow 7.5 per cent in Q1 as industrial GVA was likely to be higher than Q1 FY24.