GDP growth likely at 6.3-6.5% in Q3

GREEN SHOOTS. Consumption and government capex expected to help growth rate cross 6 per cent

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The Indian economy is likely to have recovered in the October-December quarter (Q3) of FY25 between 6.3 per cent and 6.5 per cent. However, a research firm sees growth at 5.8 per cent. The government will release the data on Friday.

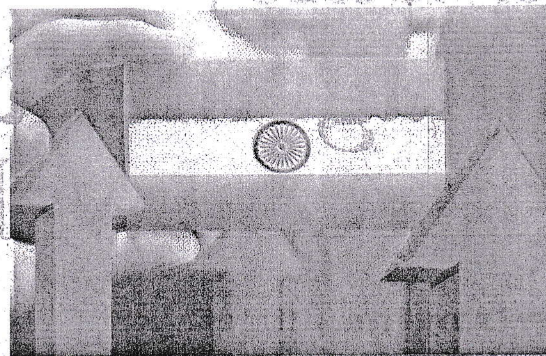
Economic growth, measured in terms of GDP, was 8.6 per cent in Q3 of FY24. Since then, it is on a declining path and slipped to 5.4 per cent in the July-September quarter (Q2) of the current fiscal, which was the lowest second-quarter growth. A key reason for low growth was the slowdown in consumption, especially in the urban areas.

The government now believes that there are some green shoots. Consumption has improved. At the same time, government expenditure, more in terms of capital expenditure, has seen a rise. All these are expected to have an impact on growth numbers, and it is expected to cross 6 per cent. Officials expect that it could touch 6.5 per cent.

"As per our model, real GDP growth for Q3 FY25 is expected at 6.3 per cent. Globally, India remains the world's fastest-growing major economy despite the recent moderation," Care Edge said in a note.

In its report, DBS Group research said that a catch-up in government capex spending, passage of idiosyncratic factors including unfavourable weather, better kharif crop output, festive demand and better production numbers are few of the factors which should lift Q3FY25 output.

"This is counterweighed by an absence of pick-up in corporate profitability and service sector activity, signaled by slowing credit growth and moderation in GST collections," it said.



RECOVERY SIGNS. The Indian economy has likely grown from 5.4 per cent growth recorded during Q2

DIFFERENT TAKE

However, foreign firm Nomura has a slightly different take. "We expect GDP growth to disappoint in Q3 FY25 at 5.8 per cent, albeit up from 5.4 per cent in Q2 FY25, with GVA growth likely to rise to 6 per cent from 5.6 per cent," the agency said.

Further, it expects consumption and government spending to improve, stable investments and a negative contribution from net exports.

On the supply side, it expects agriculture growth to remain strong, industrial growth to improve mildly, stable growth in construction and "financial services, real estate and professional services", and underwhelming trends in the "trade, hotels, transportation and communication" sector.

Early data for January reveal some green shoots, but the growth landscape still looks mixed.

"Our medium-term Nomura India Composite Leading Index still points to an ongoing cyclical growth slowdown. We forecast GDP growth of 6 per cent in FY25 and 5.9 per cent in FY26," it said.

It believes that policies have become counter-cyclical to tackle the slowdown. On monetary policy, "we continue to expect 75 bps of additional cuts, more than consensus (25-50 bps more), to a terminal rate of 5.5 per cent by end-2025, with the next cut in April," Nomura said.