Economic growth in April-June quarter estimated at 6.6-7.1%

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The Indian economy is likely to have slowed down between 6.6 and 7.1 per cent during the April-June quarter of 2024-25 (FY25), various agencies have estimated. The government will release the numbers on Friday.

The economy grew by 8.2 per cent during the April-June quarter (Q1) and 7.8 per cent during the January-March quarter (Q4) of fiscal year 2023-24 (FY24). Lower growth on yearly sequential basis is most likely on account of a dip in manufacturing growth.

Earlier, this month, the Reserve Bank of India-led Monetary Policy Committee (MPC) cut the growth estimate for the first quarter by 20 basis points to 7.1 per cent, citing headwinds from softer corporate profitability, government expenditure and output from core industries. However, the RBI maintained the growth forecast for full fiscal at 7.2 per cent.

KEY FACTORS

In a note, economists at HDFC Bank said they expect GDP growth at 6.6 per cent during the first quarter. "Slowdown in GDP growth is likely to be led by moderation in manufacturing growth and government investment," the note said. Manufacturing growth is expected to slowdown to 6.6 per cent in QI FY25 from 8.9 per cent of Q4 FY24. While PMI manufacturing continued to exhibit strength, corporate results showed a slowdown in profit growth amid an increase in input cost pressures.

"Gross Fixed Capital Formation is likely to slow down in Q1 reflecting a moderation in government capital expenditure that were slow to pick up due to elections. Other investment indicators such as IIP capital goods, infrastructure goods also moderated in Q1 FY25 as compared to the previous quarter," it said.

In its research report, SBI forecast GDP growth for the first quarter to be in the range of 7-7.1 per cent with a downward bias. However, GVA was predicted to be below 7.0 per cent and in the range of 6.7-6.8 per cent, it said.

Talking about manufacturing sector, the report highlighted that the indicators of corporate performance in first quarter point to moderation in sales growth of manufacturing companies in both nominal and real terms, although excluding the petroleum sector, a better outturn emerges.

Meanwhile, there could be some positive news for the farm sector because after a lacklustre performance in June, South West monsoon picked up from early July, closing the deficit.

As of August 25, the cumulative rainfall was 5 per cent above the LPA as against 7 per cent below the LPA during the same period last year. Consequently, as on August 20, the total kharif sown area stood at 103.1 million hectares (94 per cent of full season normal area), which is 2 per cent higher than the corresponding period last year. "We expect agricultural growth to rebound to 4.5-5 per cent in FY25 adding around 30 bps over RBI forecast," the report said.

Global firm Moody's Ratings has raised India's growth projection for calendar year 2024 and 2025 to 7.2 and 6.8 per cent respectively.

Earlier, the projection was 6.8 per cent 6.4 per cent for 2025. "... we recognise potentially higher forecasts if the cyclical momentum, especially for private consumption, gains more traction," the firm said its latest Global Macro Outlook. Further, it said the economy expanded 7.8 per cent year-over-year in the first quarter of 2024 despite the persistence of tight monetary policy and demonstrated progress on fiscal consolidation.