



March 2025

India's Economy Rebounds Strongly in Q3FY25; GDP Growth Hits 6.2%



India's Economy Estimated to Grow at 6.5% in FY25

India's GDP growth in the third quarter (Q3) of the financial year 2024-25 showed a significant recovery, showcasing the country's economic resilience amidst global uncertainties.

- **GDP Growth Rate for Q3 FY2024-25:** The Indian economy saw a rebound in growth with GDP growing by 6.2% in Q3 FY2024-25 (October-December), accelerating from 5.4% in the previous quarter driven by increased rural consumption and higher government spending, though it was lower than the 9.5% growth in the same quarter of the previous year
- **GDP Growth Rate for FY 2024-25:** The Second Advance Estimates project India's real GDP to grow by 6.5% in FY 2024-25. This marks a slight increase from the 6.4% growth rate projected in the First Advance Estimates released in January 2025
 - However, this growth rate is significantly lower than the 9.2% recorded in FY 2023-24, which was the highest in the past 12 years, excluding the post-pandemic surge of 9.7% in FY 2021-22
 - This growth rate still stands slightly below the Reserve Bank of India's projection of 6.8%. Nonetheless, India remained one of the fastest-growing major economies globally during the quarter, showcasing economic resilience
 - The upcoming fourth quarter of FY25 will be pivotal in achieving the projected annual growth rate of 6.5% for FY 2024-25
- **Nominal GDP Growth for FY 2024-25:** Nominal GDP is expected to witness a growth rate of 9.9% in FY 2024-25, up from 9.6% in FY 2023-24, reflecting a stable economic momentum despite inflationary pressures
- The GDP growth was boosted by robust rural demand and increased government spending. However, the economy still faces challenges and is projected to grow at a slower pace compared to previous years, despite the improvement
- **Gross Value Added (GVA):** Real GVA is projected to grow by 6.4% in FY 2024-25, compared to an 8.6% growth in FY 2023-24
- **Q4FY25 Expected to See Further Boost:** India's economy is expected to experience a significant boost in Q4FY25 due to sustained government spending, increased capital expenditure, and a surge in consumption during festive events like the Maha-Kumbh festival and wedding season
 - The Indian government has increased fiscal spending on infrastructure and developmental projects, aiming to provide long-term economic stability and boost growth in Q4FY25. The Maha-Kumbh festival and wedding season are expected to drive a temporary surge in consumer demand, contributing positively to GDP growth. The RBI has implemented measures to support economic growth, including rate cuts, liquidity provisions, and regulatory adjustments, aiming to enhance credit availability and foster a favourable credit environment, particularly for Micro, Small, and Medium Enterprises (MSMEs)

Revised Estimates for Previous Years:

- **FY 2023-24 GDP Growth:**
 - **Revised GDP Growth:** The NSO has revised the real GDP growth rate for 2023-24 sharply upwards to 9.2% from an earlier estimate of 8.2%, marking one of the highest growth rates in 12 years, excluding the post-pandemic year of 2021-22

BWR VIEW

India's GDP growth in Q3 FY 2024-25 was 6.2%, indicating a moderate recovery, driven by increased government spending and improved rural consumption. Further, strategic government spending, strong agricultural output, and a recovering industrial sector supported the growth, but addressing urban demand sluggishness and global trade uncertainties is crucial. However, this growth falls short of the 8.6% recorded in the same quarter last year

The government revised its full-year growth forecast slightly to 6.5%, but challenges like global trade uncertainties and modest urban demand may impact future growth prospects

The economy faces challenges like global trade risks and policy support, and the 6.5% full-year growth projection indicates a slowdown from previous years, requiring further economic reforms and stimulus measures.

The fourth quarter of FY 2024-25 will be crucial for India to meet its projected 6.5% GDP growth, and the high nominal GDP growth may influence the Reserve Bank of India's monetary policy decisions

India's economic growth is expected to moderate in FY 2024-25 due to challenges in certain sectors and ongoing inflationary pressures. The revised GDP estimates highlight the need for robust data quality to support policy decisions

The projected 6.5% growth is partly due to global uncertainties and domestic issues like inflation and manufacturing and mining sector-specific issues. The Second Advance Estimates for FY 2024-25 predict a moderate economic growth of 6.5%, with construction and services contributing significantly. However, challenges in manufacturing and mining sectors and data quality concerns require careful economic management and policy interventions

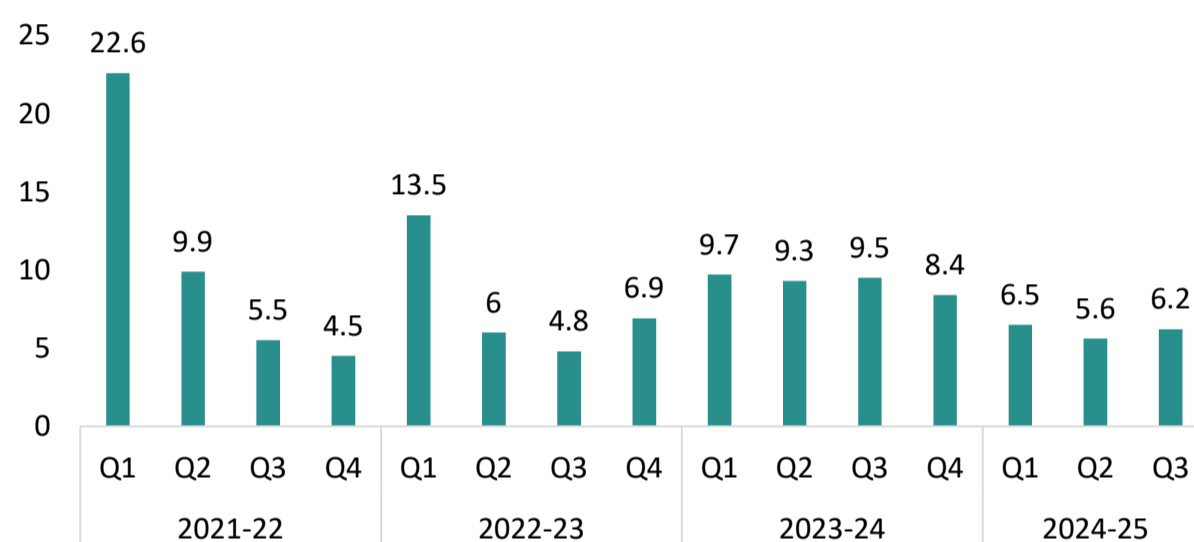
- This growth was driven by double-digit expansions in key sectors: 'Manufacturing' sector, 'Construction' sector and 'Financial, Real Estate & Professional Services' sector

- **FY 2022-23 GDP Growth:**

- The final GDP growth has been revised downwards by 20 basis points to 7.6%
- The growth was mainly driven by double-digit growth rates in the Trade, Hotels, Transport, Communication & Services related to Broadcasting sector (12.3%), Financial, Real Estate & Professional Services sector (10.8%), and Electricity, Gas, Water Supply & Other Utility Services sector (10.8%)

Quarterly Real GDP Estimates (Y-o-Y Growth Rates) (%)

India's Real GDP Shows Uptick; Real GDP Expands by 6.2% in Q3FY25



Source: Ministry of Statistics and Programme Implementation, Government of India

Key Drivers of Q3 FY25 GDP Growth:

Several key factors contributed to the GDP growth observed in Q3FY25:

1. **Government Expenditure:** There was a notable increase in government spending during the quarter (Q3FY25), which played a crucial role in stimulating economic activities. Data showed the government's spending increased by 8.3% in Q3FY25, a significant increase from the previous quarter's 3.8% growth, notably boosting economic activity in infrastructure development and public services. This uptick played a crucial role in bolstering economic activity during this period
2. **Private Consumption:** Private consumer spending grew by 6.9% year-on-year in Q3FY25, driven by improved rural demand, moderated food prices, and festive season purchases
 - Private consumption surged due to increased consumer confidence and disposable incomes, partly influenced by government tax relief measures
 - Private Final Consumption Expenditure (PFCE) is projected to grow by 7.6% in FY25, up from 5.6% in FY 2023-24, indicating a recovery in consumer spending, indicating a resurgence in consumer demand
3. **Agricultural Sector:** The agricultural sector experienced a 5.6% growth in Q3FY25, boosted by a robust Kharif crop output during the favourable monsoon season, which improved rural incomes and consumption
 - A robust Kharif crop output contributed positively to rural consumption, further supporting overall economic growth

4. **Industrial and Manufacturing Sectors:** The manufacturing sector experienced a 3.5% growth in Q3 FY25, a slight improvement from the 2.2% growth recorded in the previous quarter, indicating a gradual recovery in industrial activity, bolstered by increased domestic and international demand
 - However, Mining sector grew by just 1.4%. Despite growth, manufacturing and mining sectors performed poorly, contributing to a slower overall industrial growth
 - In Q3 of FY 2024-25, these sectors faced challenges, leading to a slower growth rate compared to previous quarters
5. **Rural Demand:** A favourable monsoon season significantly increased agricultural output, boosting rural incomes and consumption, thus enhancing overall economic growth
6. **Urban Consumption:** The festive season during Q3 FY25 saw a surge in urban demand, particularly in consumer-focused sectors, indicating improved consumer sentiment and spending in urban areas
7. **Gross Capital Formation:** Gross capital formation remained steady at 5.7% Y-o-Y, similar to the previous quarter. Capital formation maintained its pace, which is crucial for long-term economic expansion

Sectoral Analysis

1. Services Sector

- The services sector experienced resilience, particularly in trade, hotels, transport, and communication services, with urban demand improving due to the festive season and easing inflationary pressures, leading to increased consumer spending on services
- Service sector (Tertiary Sector) accelerated to 7.4%, driven by public administration, defence, and other services like education and health

2. Construction and Infrastructure

- Government capital expenditure led to increased construction and infrastructure activities, generating employment and stimulating industries like cement and steel. Construction growth decreased slightly to 7% in Q3FY25 from 8.7% in the previous quarter, indicating a slight deceleration in infrastructure development
- The Construction sector is projected to grow by 8.6% in FY 2024-25, while Financial, Real Estate & Professional Services is expected to grow by 7.2%

3. Export Performance

- Exports experienced a significant turnaround, exhibiting robust performance in both merchandise and services sectors, which positively impacted the overall economic outlook

4. Monetary Policy and Inflation

- In response to the evolving economic landscape, the RBI imposed a rate cut in February 2025, the first in five years, to support growth amid easing inflation to 4.3% in January

5. Fiscal Deficit

- India's fiscal deficit for April-January reached ₹11.70 lakh crore, exceeding the revised FY 2025 target by 74.5%, largely due to increased government spending for economic stimulation

6. **Gross Value Added (GVA),** a stable economic indicator, increased by 6.2% in Q3 FY25 from 5.6% in the previous quarter

GVA growth estimates at Basic Prices for FY Q3 2024-25 (October-December) (at 2011- 12 Prices)							
Industry		Percentage (%) Change Over Previous Year					
		2023-24			2024-25		
		Q1	Q2	Q3	Q1	Q2	Q3
1	Primary Sector	5.5	3.7	1.8	2.4	3.6	5.2
1.1	Agriculture, Livestock, Forestry and Fishing	5.7	3.7	1.5	1.7	4.1	5.6
1.2	Mining and Quarrying	4.1	4.1	4.7	6.8	-0.3	1.4
2	Secondary Sector	7.6	15.8	12.4	8.5	4.0	4.8
2.1	Manufacturing	7.3	17.0	14.0	7.5	2.1	3.5
2.2	Electricity, Gas, Water Supply and Other Utility Services	4.1	11.7	10.1	10.2	3.0	5.1
2.3	Construction	9.2	14.6	10.0	10.1	8.7	7.0
3	Tertiary Sector	12.5	7.5	8.3	6.8	7.2	7.4
3.1	Trade, Hotels, Transport, Communication and Services related to Broadcasting	11.0	5.4	8.0	5.4	6.1	6.7
3.2	Financial, Real Estate and Professional Services	15.0	8.3	8.4	6.6	7.2	7.2
3.3	Public Administration, Defence and Other Services	9.3	8.9	8.4	9.0	8.8	8.8
GVA at Basic Prices		9.9	9.2	8.0	6.5	5.8	6.2
Net Taxes		5.9	10.7	28.6	6.1	2.9	5.4
GDP		9.7	9.3	9.5	6.5	5.6	6.2

Source: Ministry of Statistics and Programme Implementation, Government of India

Challenges and Risks

Despite the positive growth trajectory, certain challenges persist:

1. Urban Demand:

- Urban consumption remains subdued due to rising inequality and wealth concentration, which poses a risk to sustained economic growth

2. Global Trade Uncertainties:

- Potential U.S. trade tariffs under a new administration could potentially exacerbate India's export vulnerabilities
- India's export sector may be affected by ongoing trade tensions and geopolitical developments, which pose potential risks to external demand and trade dynamics

3. Investment Climate:

- Private sector investment intentions are increasing, but sustained momentum is crucial for long-term growth

Implications for Future Economic Policies

The Q3 FY 2025 GDP performance offers several insights for shaping future economic policies:

- **Investment in Infrastructure:** Government spending on infrastructure investment is crucial for maintaining economic momentum, creating jobs, and stimulating private sector investment
- **Monetary Policy:** The Reserve Bank of India (RBI) may maintain an accommodative stance to support growth, especially in the light of slowdown in the manufacturing sector
- **Fiscal Policy:** Emphasis on capital expenditure, particularly in infrastructure, can stimulate job creation and boost economic activities

- **Agricultural Support:** Policies supporting agricultural growth, like irrigation projects and crop insurance, can boost rural demand and economic stability
 - Policies should ensure timely and adequate support for the agricultural sector, including investments in irrigation and technology
- **Manufacturing and Industrial Policies:** Addressing challenges in the manufacturing sector through incentives and support for SMEs can revitalize this sector
- **Manufacturing Revival:** The revival of manufacturing can be enhanced through policies that promote business ease, tax incentives, and export promotion
- **Trade Policies:** Strategic trade policies are needed to diversify export markets and enhance competitiveness. Implementing measures to reduce income inequality and support vulnerable populations can ensure inclusive growth
- **Fiscal Discipline:** Maintaining fiscal discipline while increasing public expenditure in strategic sectors can lead to sustainable growth without compromising fiscal health

Second Advance Estimates Project India's real GDP growth at 6.5% for FY 2024-25

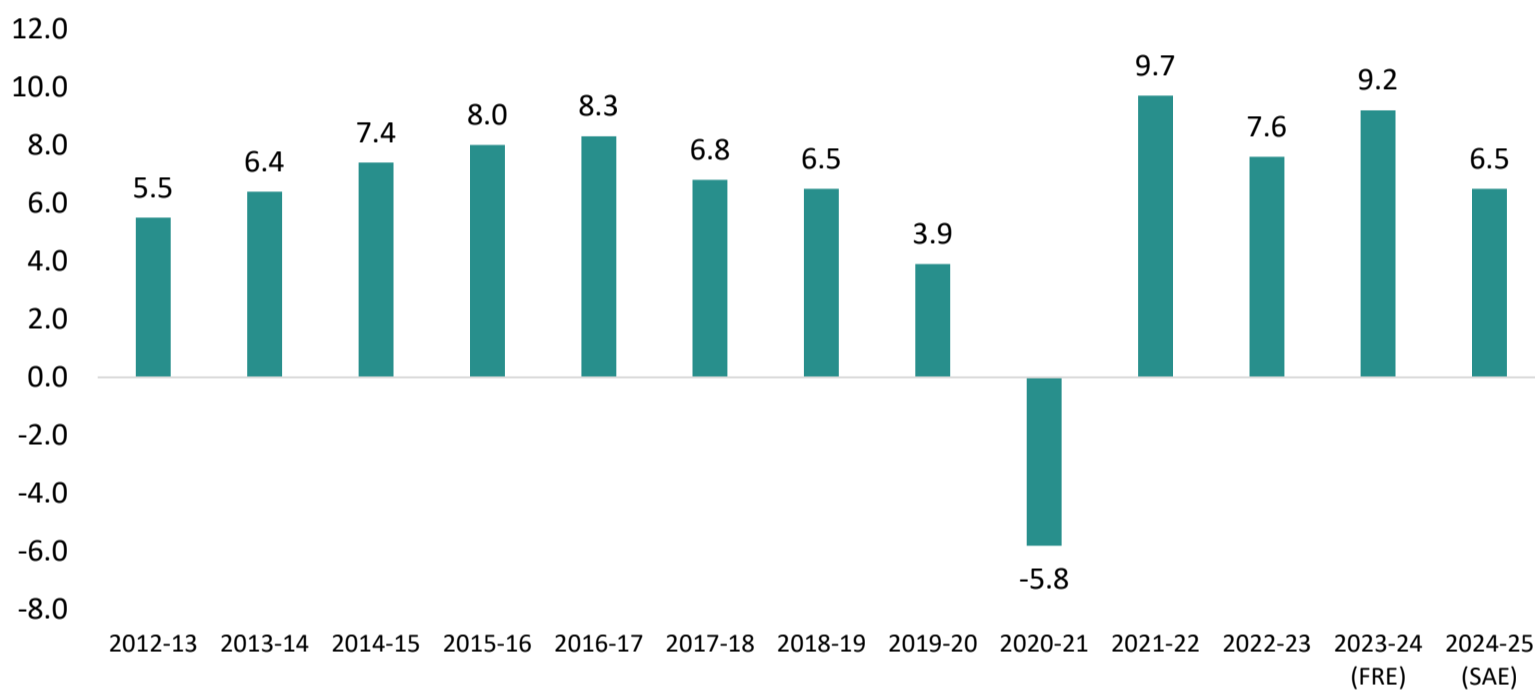
Second Advance Estimates of Annual GDP for FY 2024-25 and its Expenditure Components (at 2011-12 Prices) (₹ Crore)						
	Item	2022-23 (FE)	2023-24 (FRE)	2024-25 (SAE)	Percentage Change Over Previous Year	
					2023-24	2024-25
Domestic Product						
1	GVA at Basic Prices	1,48,78,028	1,61,51,477	1,71,79,842	8.6	6.4
2	Net Taxes on Products	12,86,885	14,99,114	16,15,253	16.5	7.7
3	Gross Domestic Product (GDP)	1,61,64,913	1,76,50,591	1,87,95,095	9.2	6.5
4	Net Domestic Product (NDP)	1,40,76,950	1,54,21,624	1,64,24,210	9.6	6.5
Expenditure Components						
5	Private Final Consumption Expenditure (PFCE)	93,84,943	99,06,774	1,06,61,785	5.6	7.6
6	Government Final Consumption Expenditure (GFCE)	15,43,991	16,69,675	17,32,611	8.1	3.8
7	Gross Fixed Capital Formation (GFCF)	54,37,725	59,15,288	62,78,171	8.8	6.1
8	Changes in Stocks (CIS)	1,99,177	3,05,610	3,18,839	53.4	4.3
9	Valuables	2,35,146	2,69,106	2,71,782	14.4	1.0
10	Exports	37,43,310	38,25,494	40,97,742	2.2	7.1
11	Imports	38,59,869	43,90,614	43,41,194	13.8	-1.1
12	Discrepancies	-5,19,510	1,49,257	-2,24,641	0.8	-1.2
13	GDP	1,61,64,913	1,76,50,591	1,87,95,095	9.2	6.5

Source: Ministry of Statistics and Programme Implementation, Government of India

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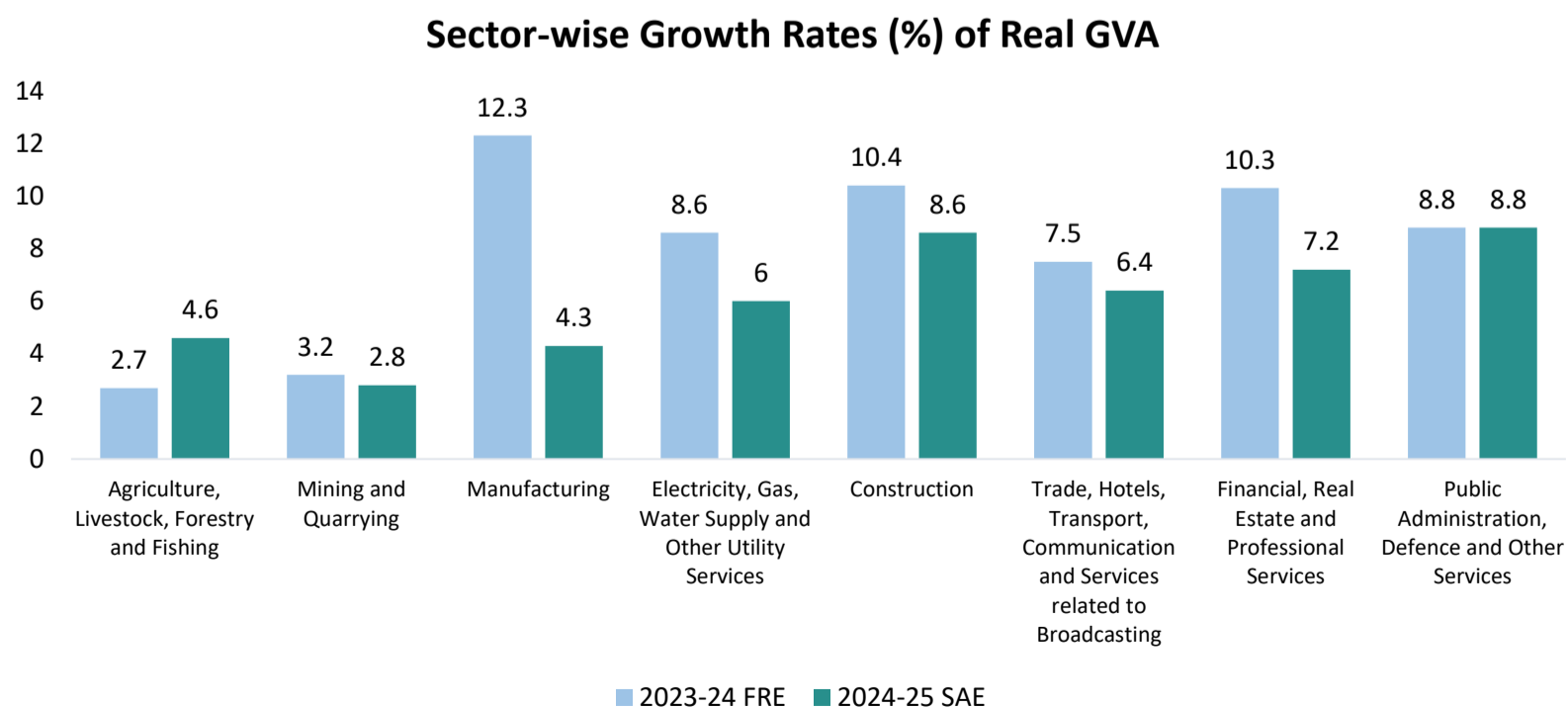
Source: Ministry of Statistics and Programme Implementation, Government of India

Annual GDP Growth Rates at Constant Prices (% Y-o-Y)

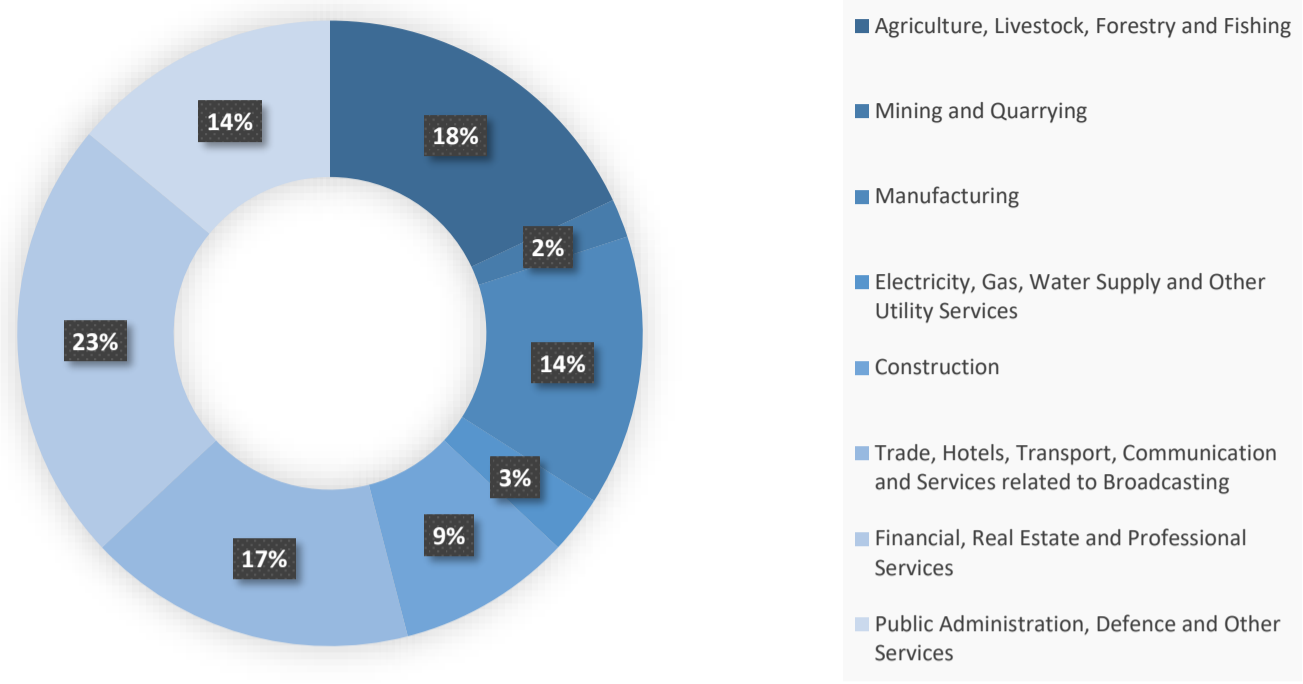


Source: Ministry of Statistics and Programme Implementation, Government of India

Agriculture Sector Outperforms Other sectors; Construction Sector Continues to Grow; and Financial Services Maintain Momentum; Trade and Services show positive Trend



Sectoral Composition of Nominal GVA in FY 2024-25



Source: Ministry of Statistics and Programme Implementation, Government of India

* Views are personal

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