

Q1FY25 GDP growth slows to a five-quarter low of 6.7%

India's first quarter GDP growth for FY25 decelerated to a five-quarter low of 6.7% YoY from 7.8% in Q4FY24, albeit off a high base (8.2% YoY in Q1FY24). This was broadly in line with the consensus estimate but 40 bps lower than the RBI's estimate of 7.1% YoY. This noticeable decline was primarily led by reduced government spending in the wake of election season spending constraints, even as robust growth in consumption and investment activity, manifested by various high-frequency indicators and solid services exports, capped the downside. Investment rate in the economy surged to a 47-quarter high of 34.9%, reflective of revival in the private capex cycle, conducive business environment and sustained improvement in capacity utilisation. Import growth (4.4% YoY) was discernibly lower on the back of subdued non-petroleum imports. By economic activity, GVA growth moderated to 6.8% YoY (vs. 8.3% in Q1FY24) led by muted Agriculture output (weather-related disruptions) and moderation in growth of Trade, Hotels, Transport, Storage & Communications and Financial Services, Real Estate & Business Services. That said, upbeat industrial activity, coupled with a robust eight-quarter high growth in Public Administration, Defence & Other Services (9.5% YoY), limited the overall deceleration in the GVA growth.

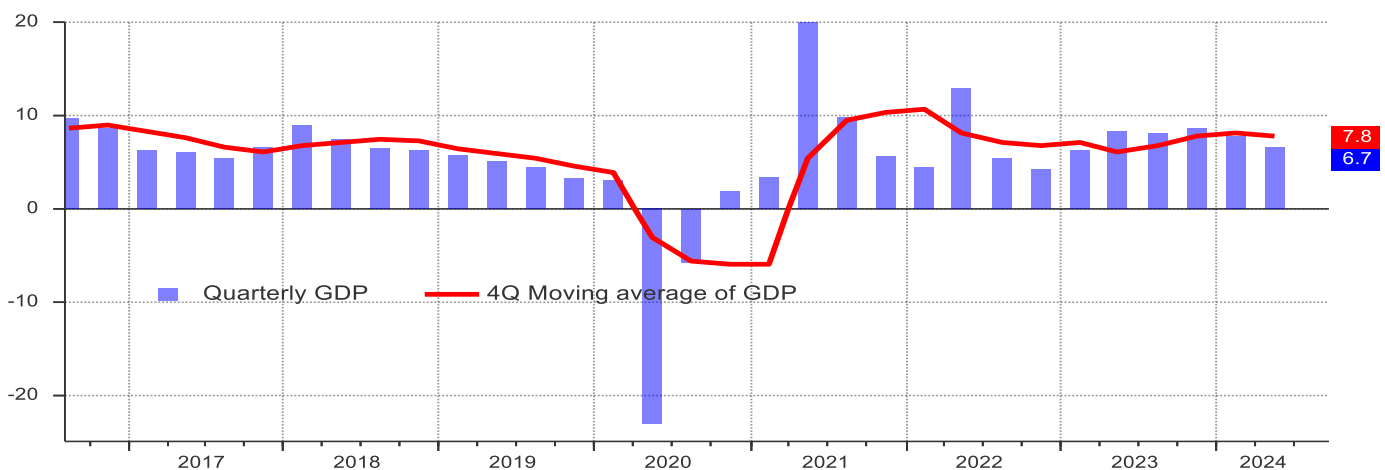
Economic growth is likely to remain steady, aided by a revival in rural demand amid normal monsoon, sustained urban demand ahead of the festive season, and increase in government spending post elections. Further, improvement in capacity utilisation and healthy balance sheets of corporates and banks provide a conducive environment for a steady recovery in the private capex cycle, signs of which are visible in strong credit expansion. Headwinds from geopolitical tensions, tepid growth in agriculture production and its concomitant impact on inflation and rural incomes, and volatility in international commodity prices could pose risks to the growth outlook.

- **Q1FY25 GDP growth moderated to 6.7%...:** India's GDP growth declined to a five-quarter low of 6.7% YoY in Q1FY25 from 7.8% YoY in the previous quarter and 8.2% YoY in Q1FY24, marking the first sub-7% reading in the last five quarters. This was broadly in line with consensus estimate (6.9%, Source: Reuters) and 40 bps lower than RBI's estimate of 7.1%. In addition to an unfavourable base effect, this noticeable fall is primarily attributed to lacklustre government spending, especially capital expenditure, considering the election season. That said, private consumption growth accelerated to a seven-quarter high, reflecting a better-than-expected recovery in rural consumption and resilient urban demand for discretionary products and services. Nominal GDP growth for Q1FY25 came in marginally lower at 9.7% YoY as against 9.9% YoY in the previous quarter.
- **...led by lower government expenditure:** Government expenditure—that constitutes around 10% of GDP—declined by 0.2% YoY in Q1 FY25 (19% QoQ), thanks to a tepid increase in revenue expenditure during the quarter. On the other hand, private consumption expenditure, which accounts for ~57% of the GDP, grew by a seven-quarter high pace of 7.5% YoY, led by sustained urban demand, and reviving rural demand, as visible in several high frequency indicators (two-wheeler sales up 19.8% YoY; three-wheeler sales: 8.2% YoY). Gross Fixed Capital Formation—a barometer of investments in the economy—grew by a strong 7.5% YoY in Q1, reflecting a revival in the private capex cycle and strong real estate demand, partly offset by muted capital spending by the Government during the election quarter. Investment activity, as measured by GFCF as a share of GDP (constant prices), rose to a 47-quarter high of 34.9%, in line with an increase in RBI's capacity utilisation rate, which also rose to multi-quarter high. Export growth rose to a five-quarter high of 8.7% YoY, led by services exports (quarterly average: 10.5% YoY), aided by better-than-expected recovery in global economy. Imports, on the other hand, registered a muted growth of 4.4% YoY—the lowest in the last five quarters, thanks to a subdued increase in the non-petroleum imports.

GDP growth in Q1FY25 declined to a five-quarter low of 6.7% vs. 8.2% YoY in Q1FY24.

- GVA growth moderated led by agriculture and services:** Real GVA growth fell to 6.8% YoY in Q1FY25 as against 8.3% YoY in the corresponding period last year led by lacklustre agriculture activity and moderation in services growth. That said, upbeat industrial activity led by manufacturing, electricity and construction, capped the downside to some extent. The slowdown in agriculture (2% YoY) can be ascribed to weather vagaries which weighed on agriculture production. The growth in manufacturing has been impressive at 7% YoY reflecting an improvement in volume growth and capacity utilisation. Electricity production was robust on the back of heatwave like climatic conditions, driving higher electricity usage by households. Construction growth also came in at a robust 10.5% in Q1, reflected in higher steel consumption (15% YoY) and solid housing demand. The growth in Trade, Hotels, Transport & Communication fell sharply to 5.7% YoY (vs. 9.7% YoY in Q1FY24), reflecting tepid growth in cargo and passenger traffic. On similar lines, Financial Services, Real Estate & Business Services expanded at a slower pace (7.1% YoY vs. 12.6% YoY in Q1FY24). The growth in Public Administration, Defence and Other Services, however, accelerated to an eight-quarter high of 9.5% YoY.
- Growth to remain steady in the near term:** Economic growth is likely to remain steady, aided by a revival in rural demand amid normal monsoon, sustained urban demand ahead of the festive season, and increase in government spending post elections. Further, improvement in capacity utilisation and healthy balance sheets of corporates and banks provide a conducive environment for a steady recovery in the private capex cycle, signs of which are visible in strong credit expansion. Headwinds from geopolitical tensions, tepid growth in agriculture production and its concomitant impact on inflation and rural incomes, and volatility in international commodity prices could pose risks to the growth outlook.

Figure 1: India quarterly GDP growth trend

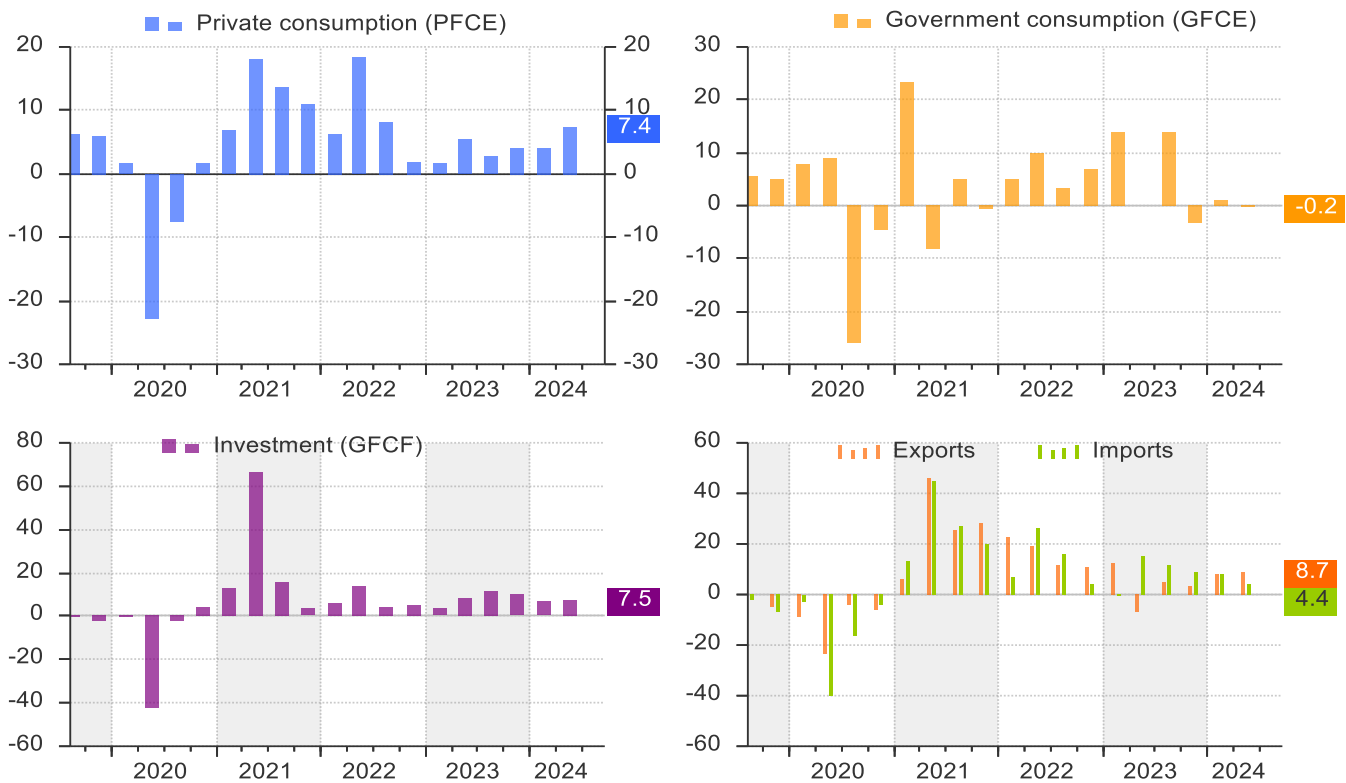


Source: Refinitiv Datastream, NSE EPR.

Table 1: Quarterly GDP growth trend (2011-12=100) (%YoY)

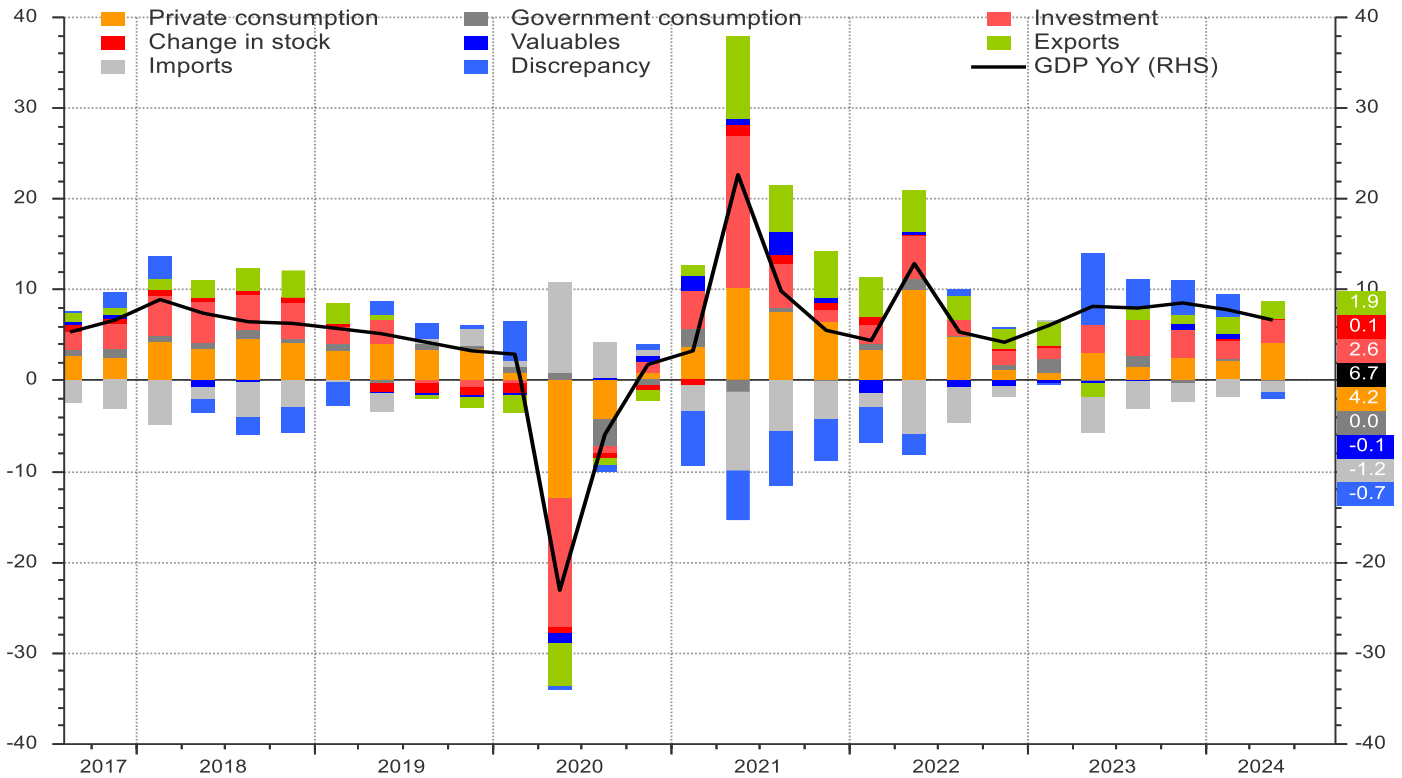
	FY23				FY24				FY25
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Gross Domestic Product (GDP)	12.8	5.5	4.3	6.2	8.2	8.1	8.6	7.8	6.7
Private Consumption (PFCE)	18.5	8.1	1.8	1.5	5.6	2.6	4.0	4.0	7.5
Government Consumption (GFCE)	9.8	3.4	7.1	13.9	-0.1	14.0	-3.2	0.9	-0.2
Gross Capital Formation (GCF)	14.9	2.5	2.8	3.3	7.5	10.7	11.5	8.0	7.1
Gross Fixed Capital Formation (GFCF)	13.9	4.7	5.1	3.8	8.5	11.7	9.7	6.5	7.5
Exports	19.1	11.7	10.9	12.4	-6.6	5.1	3.4	8.1	8.7
Imports	26.1	16.1	4.1	-0.4	15.2	11.6	8.7	8.3	4.4
Gross Value Added (GVA)	11.3	5.0	4.8	6.0	8.3	7.7	6.8	6.3	6.8
Agriculture	2.7	2.3	5.2	7.6	3.7	1.7	0.4	0.6	2.0
Industry	6.8	-2.4	0.6	3.4	6.0	13.6	10.5	8.4	8.3
Mining and Quarrying	6.6	-4.1	1.4	2.9	7.0	11.1	7.5	4.3	7.2
Manufacturing	2.2	-7.2	-4.8	0.9	5.0	14.3	11.5	8.9	7.0
Electricity	15.6	6.4	8.7	7.3	3.2	10.5	9.0	7.7	10.4
Construction	14.7	6.9	9.5	7.4	8.6	13.6	9.6	8.7	10.5
Services	16.7	9.8	7.2	7.2	10.7	6.0	7.1	6.7	7.2
Trade, Hotels, Trans., Storage, Comm.	22.1	13.2	9.2	7.0	9.7	4.5	6.9	5.1	5.7
Fin. Svcs, Real Estate & Business Svcs.	10.5	8.7	7.7	9.2	12.6	6.2	7.0	7.6	7.1
Public Administration, Defence & Other Svcs.	23.6	7.3	3.5	4.7	8.3	7.7	7.5	7.8	9.5

Source: CSO, NSE EPR.

Figure 2: Quarterly GDP growth by expenditure (%YoY)


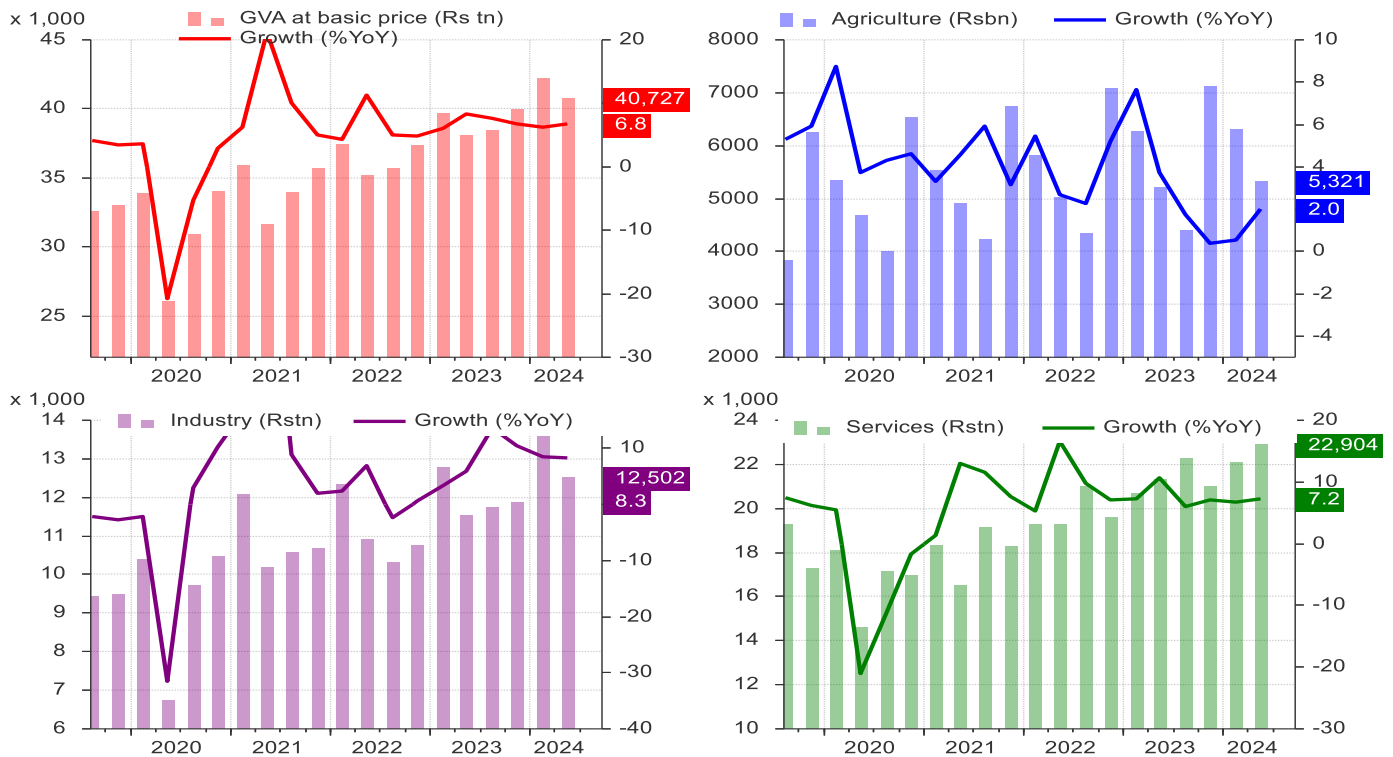
Source: Refinitiv Datastream, NSE EPR.

Figure 3: India GDP sector share of growth (%)

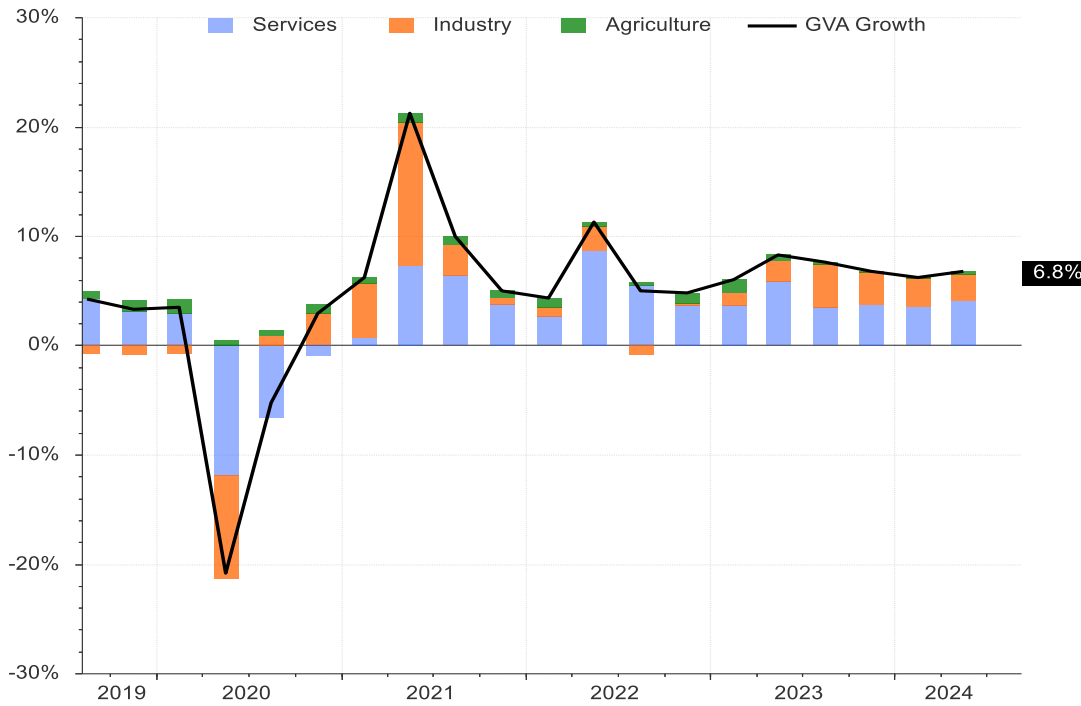


Source: Refinitiv Datastream, NSE EPR.

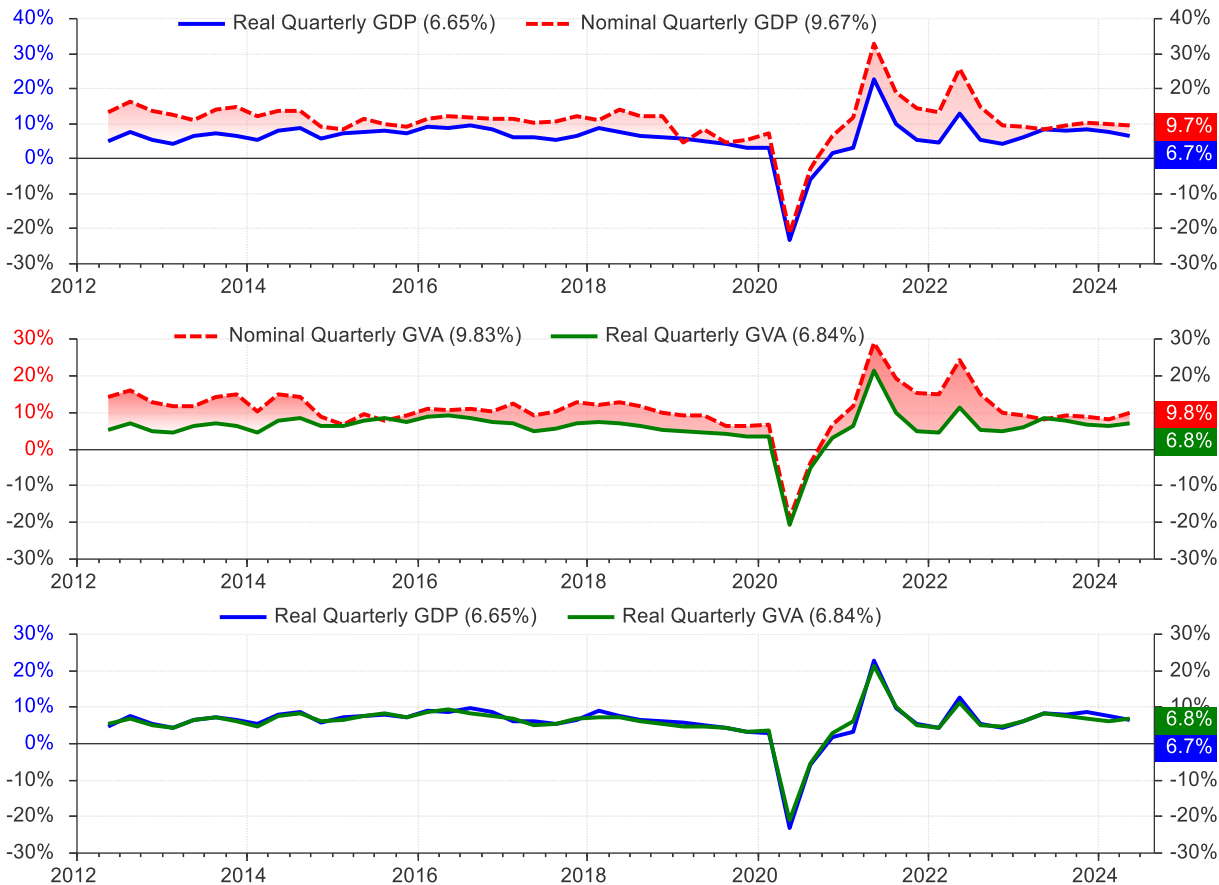
Figure 4: Gross value added (GVA) across sectors



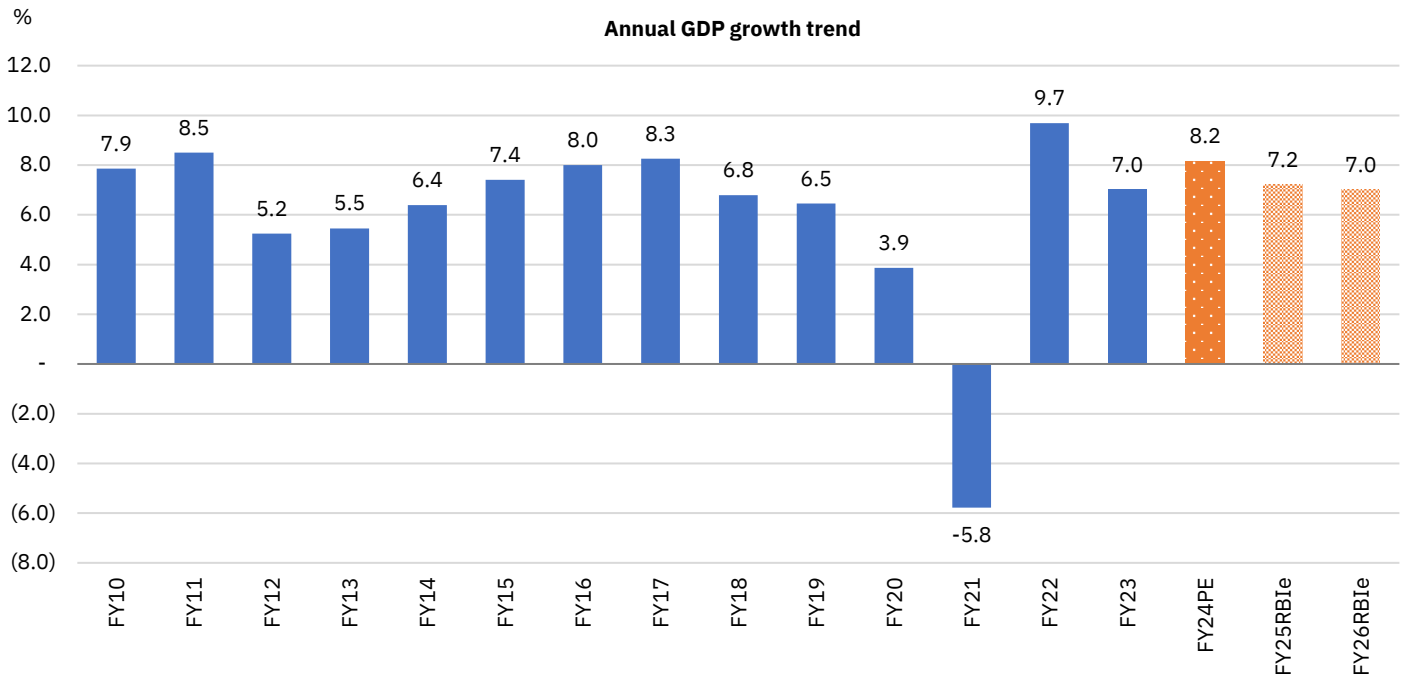
Source: Refinitiv Datastream, NSE EPR.

Figure 5: India GVA sector share of growth (%)


Source: Refinitiv Datastream, NSE EPR.

Figure 6: Quarterly trend of nominal vs. real GDP and GVA growth
India GDP, GVA: Nominal and Real Growth


Source: Refinitiv Datastream, NSE EPR.

Figure 7: Annual real GDP growth trend


Source: CSO, CMIE Economic Outlook, NSE EPR. PE = Provisional Estimate; RBIe = RBI Estimate.

Table 2: Annual real GDP growth trend (% YoY)

	FY20	FY21	FY22	FY23	FY24
Gross Domestic Product (GDP)	6.3	-5.8	9.7	7.0	8.2
Private Consumption (PFCE)	5.2	-5.3	11.7	6.8	4.0
Government Consumption (GFCE)	4.0	-0.8	0.0	9.0	2.5
Gross Capital Formation (GCF)	-2.6	-7.4	21.1	5.5	9.4
Gross Fixed Capital Formation (GFCF)	1.2	-7.1	17.5	6.6	9.0
Exports of goods & services	-3.4	-7.0	29.6	13.4	2.6
Imports of goods & services	-0.8	-12.6	22.1	10.6	10.9
Gross Value Added (GVA)	3.9	-4.2	9.4	6.7	7.2
Agriculture	6.2	4.0	4.6	4.7	1.4
Industry	-1.4	-0.4	12.2	2.1	9.5
Mining and Quarrying	-3.0	-8.2	6.3	1.9	7.1
Manufacturing	-3.0	3.1	10.0	-2.2	9.9
Electricity	2.3	-4.2	10.3	9.4	7.5
Construction	1.6	-4.6	19.9	9.4	9.9
Services	6.4	-8.4	9.2	10.0	7.6
Trade, Hotels, Transport, Storage, Comm.	6.0	-19.9	15.2	12.0	6.4
Fin. Svcs, Real Estate & Business Svcs.	6.8	1.9	5.7	9.1	8.4
Public Administration, Defence & Other Svcs.	6.6	-7.6	7.5	8.9	7.8

Source: CSO, NSE EPR.

Economic Policy & Research

Tirthankar Patnaik, PhD	tpatnaik@nse.co.in	+91-22-26598149
Purna Singhvi, CFA	psinghvi@nse.co.in	+91-22-26598316
Ashiana Salian	asalian@nse.co.in	+91-22-26598163
Prosenjit Pal	ppal@nse.co.in	+91-22-26598163
Sushant Hede	shede@nse.co.in	+91-22-26598237
Anand Prajapati	aprajapati@nse.co.in	+91-22-26598163
Sounak Ghosh	sounakg.@nse.co.in	+91-22-26598163
Gautam Sodani	gsodani@nse.co.in	
Sumiti Manchanda	smanchanda@nse.co.in	

We gratefully appreciate the contribution of Abhijay Nair, Shantanu Sharma, Mihir Raravikar, Dhruvi Shah, Ranjeet Singh and Shashidharan Sharma (Research Associates) to this publication.

Disclaimer

This report is intended solely for information purposes. This report is under no circumstances intended to be used or considered as financial or investment advice, a recommendation or an offer to sell, or a solicitation of any offer to buy any securities or other form of financial asset. The Report has been prepared on best effort basis, relying upon information obtained from various sources, but we do not guarantee the completeness, accuracy, timeliness or projections of future conditions provided herein from the use of the said information. In no event, NSE, or any of its officers, directors, employees, affiliates or other agents are responsible for any loss or damage arising out of this report. All investments are subject to risk, which should be considered prior to making any investment decisions. Consult your personal investment advisers before making an investment decision.