

Macro Insights

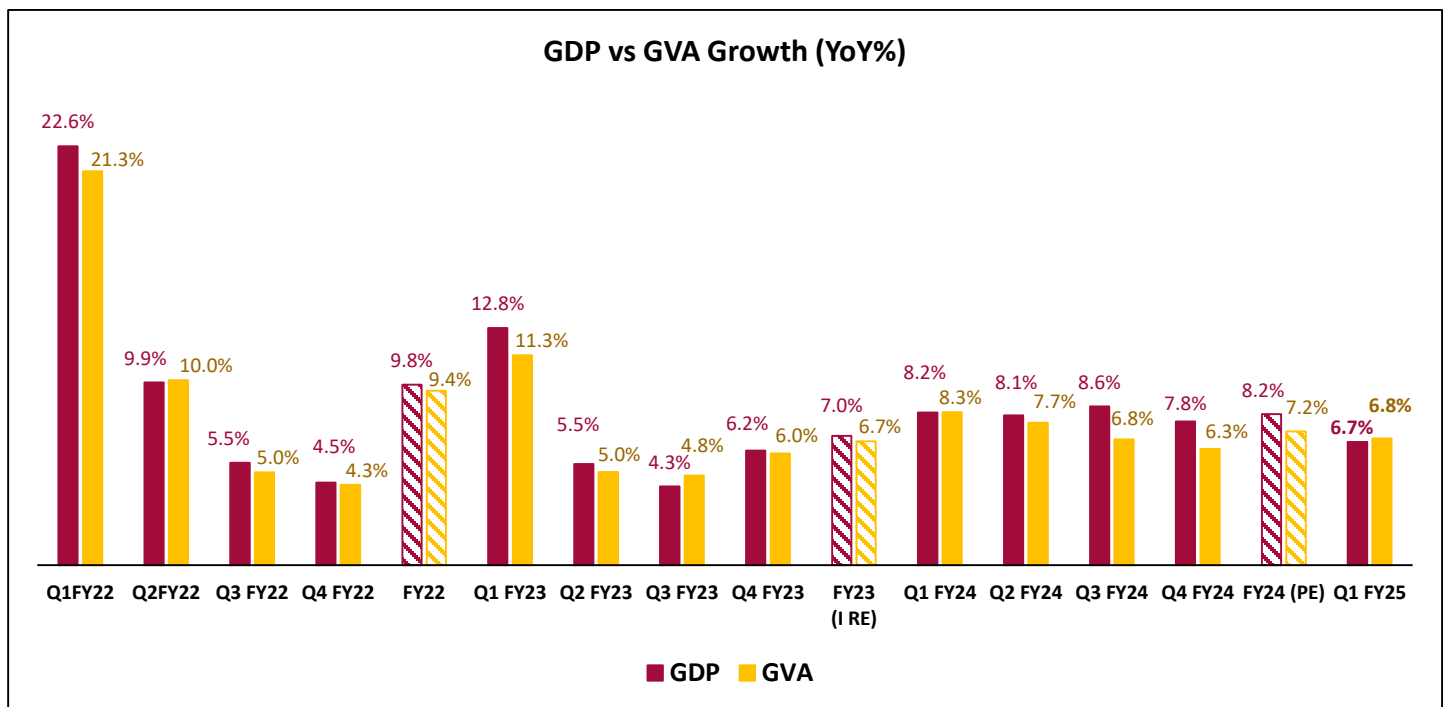
30th August, 2024

GDP growth moderates to 6.7%

GDP for Q1 FY25 grew by 6.7% as compared to a growth of 7.8% in the previous quarter (Q4 FY24) and a growth of 8.2% in Q1 FY24. Also, GVA in Q1 FY25 grew by 6.8% as compared to a growth of 6.3% in the previous quarter (Q4 FY24) and a growth of 8.3% in Q1 FY24.

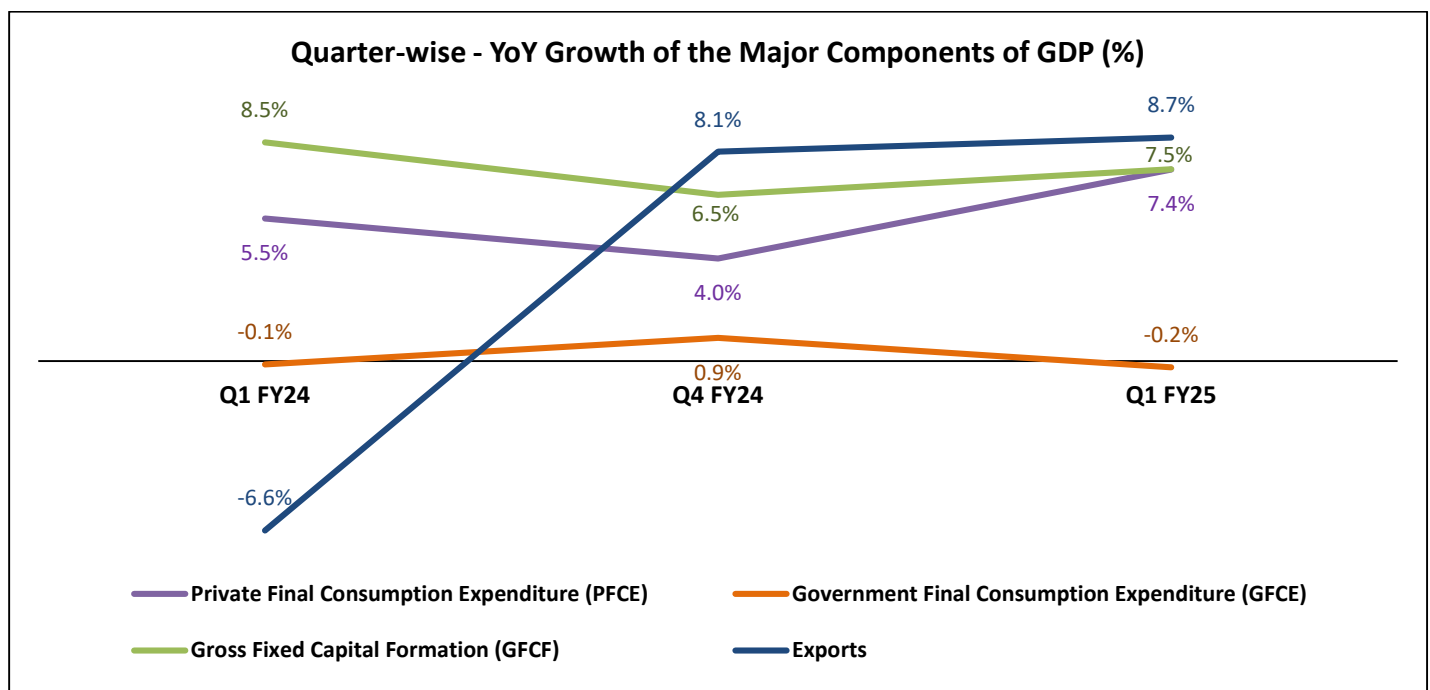
Highlights

- ☞ The moderation of India's Gross Domestic Product (GDP) to 6.7% during Q1 FY 2024-25 may be attributed to the high base effect, adverse weather conditions and restrictions on activities during the general elections.
- ☞ However, Gross Value Added (GVA) – which is GDP minus net taxes - growth in Q1 FY 2024-25 was pegged higher at 6.8 per cent.
- ☞ The growth was mainly driven by the Industry Sector.
- ☞ Despite India's GDP growth hitting a five-quarter low, India still remains the fastest-growing major economy in the world.



Components of GDP

- Growth in Private Final Consumption Expenditure, which constitutes the highest share in GDP, rebounded and grew by 7.4 per cent in Q1 FY25 as against 4.0 per cent in the previous quarter and 5.5 per cent in Q1 FY24.
- Government Final Consumption Expenditure dipped in the negative zone to -0.2 per cent in the first quarter of FY25, contrasting with the 0.9 per cent growth in the previous quarter.
- The growth in Gross Fixed Capital Formation, which denotes investment in the economy, improved from the previous quarter to 7.5 per cent.
- Exports registered a robust growth of 8.7 per cent in Q1 FY25 as against a growth of 8.1 per cent in Q4 FY24 and -6.6 per cent in Q1 FY24.

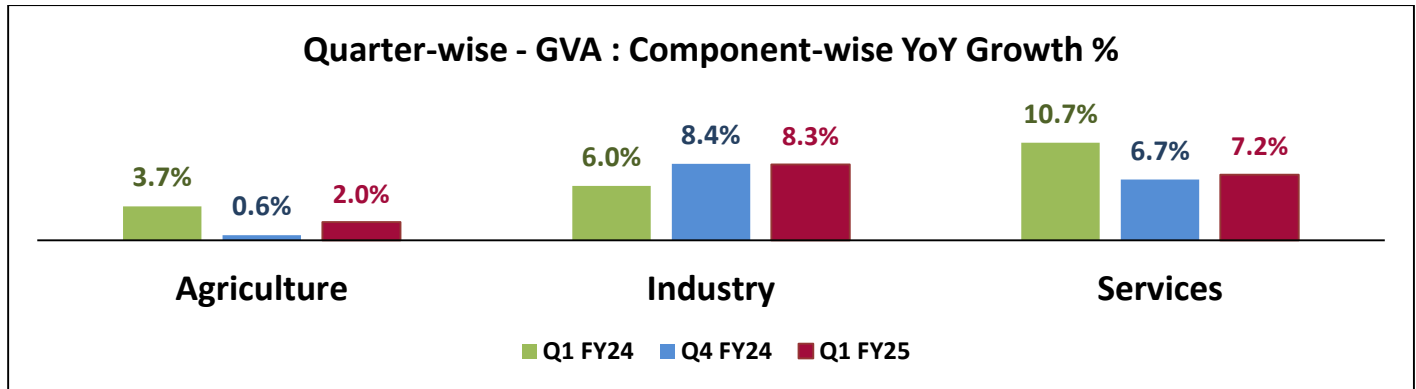


Change of the Major Component's Share in GDP

- Share of Private Final Consumption Expenditure increased from 55.9 per cent in Q1 FY24 to 56.3 per cent in Q1 FY25.
- Share of Gross Fixed Capital Formation improved marginally from 34.6 per cent in Q1 FY24 to 34.8 per cent in Q1 FY25.
- On the contrary, share of Government Final Consumption Expenditure declined by 70 bps, from 10.2 per cent in Q1 FY24 to 9.5 per cent in Q1 FY25, on account of the restrictions on activities during the general elections.
- While share of Exports improved by 40 bps, share of imports declined by 60 bps, when compared to the first quarter of FY25 over the same quarter a year ago.

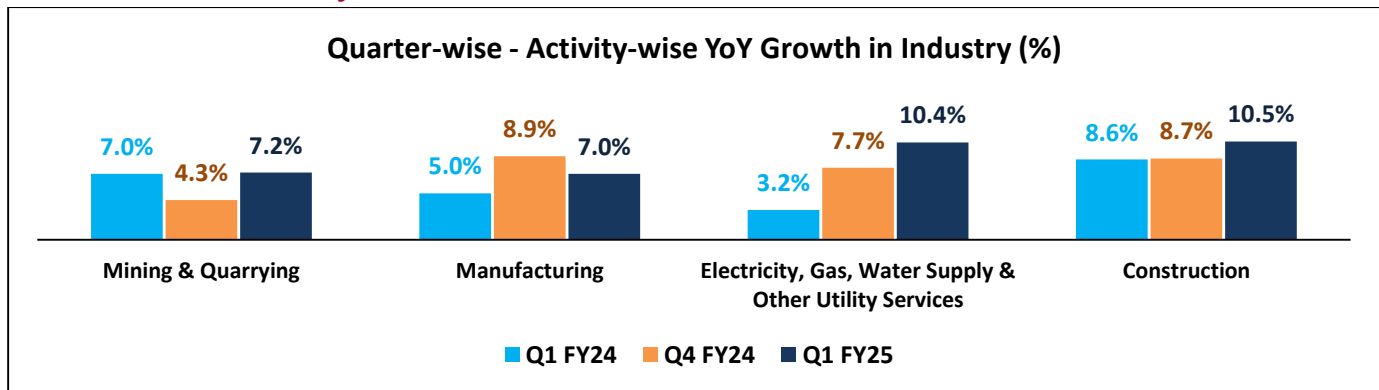
(Details in Annexure, Table 1)

Components of GVA

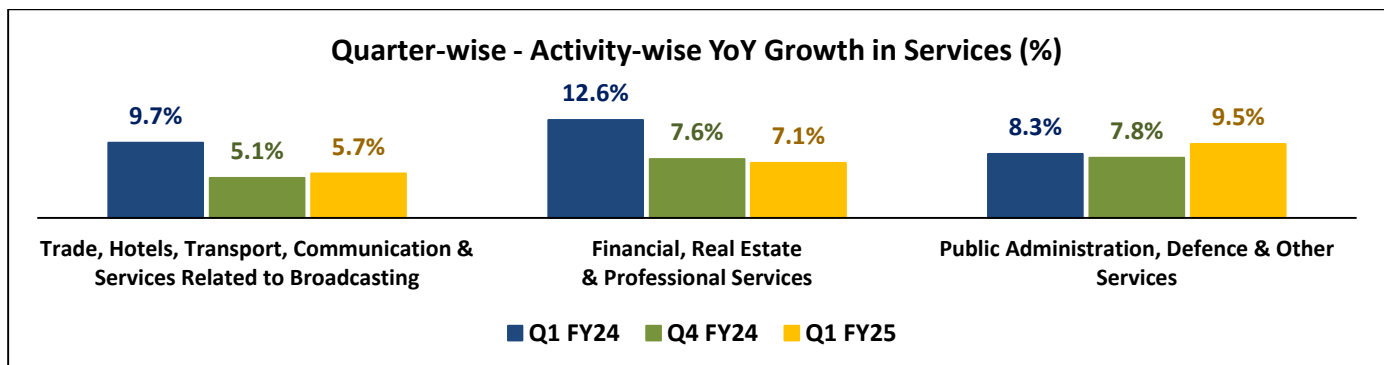


- The GVA growth in the Agriculture sector increased by 2 per cent in the first quarter of FY25 compared to 0.6 per cent in the previous quarter. The sector however grew by 3.7% in Q1 FY24.
- The growth in the Industry Sector was robust in Q4 FY24 and Q1 FY25 as well, growing above 8 per cent in both the quarters.
- The growth rate of Services sector at 7.2 per cent in Q1 FY25, is higher than the growth of 6.7 per cent in the previous quarter, but lower than the growth of 10.7 per cent in Q1 FY24.

Closer look at Industry and Services



- The Manufacturing industry, a major part of the industry sector, grew by 7 per cent in Q1 FY25 as compared to a growth of 8.9 per cent in Q4 FY24 and 5 per cent in Q1 FY24.
- Mining & Quarrying, Construction Industry and the ‘Electricity, gas, water supply and other utility services’ witnessed healthy growth of 7.2 per cent, 10.5 per cent and 10.4 per cent respectively in Q1 FY25.



- Growth of 'Trade, Hotel, Transport, Communication & Services related to broadcasting' and 'Financial, Real Estate & Professional Services' was slower in Q1 FY25 when compared to Q1 FY24.
- However, 'Public Administration, Defence & Other Services' showcased a growth of 9.5 per cent in Q1 FY25, higher than both the previous quarter and the same quarter a year ago.

(Details in Annexure, Table 2)

Views

- The easing of GDP growth in Q1 FY25 **was on expected lines, however the magnitude of the moderation was higher** than the expectations and RBI's projection of 7.1 per cent.
- With the growth of above 6.5 per cent, and remaining the fastest growing major economy, **easing of GDP is not a concern for the economy**. The data also emphasizes the country's **capacity to maintain its economic momentum, despite high base effects** from previous years.
- The significant **gap between GVA and GDP**, which was witnessed in the last three quarters, **shrank in Q1 FY25**.
- **Several sectors**, especially 'Construction', 'Electricity, gas, water supply and other utility services' and 'Public Administration, Defence & Other Services' **emerged as key drivers of this growth, pointing to a favorable trajectory in the coming quarters**.
- The notable **increase in private consumption also presents a positive outlook** for the economy.
- Even though the growth in Agriculture was tepid, **the recent abundant rainfall is poised to revitalize the farm sector**.
- As per the announcement of the latest Monetary Policy Committee (MPC), RBI had projected the Real GDP growth for 2024-25 at 7.2 per cent. Hence, **RBI is expected to give more thrust on growth in the upcoming MPC**.
- **Going forward, the full year GDP is expected to be around 7 per cent with a positive bias, aided by strong growth across key sectors, increased foreign investments, continued expansion in domestic activities, rural demand and government spending**.

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ANNEXURE

Table-1: GDP (at Constant Prices) for Q1 FY25 (Apr-Jun)

Item	Expenditures of Gross Domestic Product (Rs Cr)		Share in GDP (%)		% YoY Growth		
	Q1 2023-24	Q1 2024-25	Q1 2023-24	Q1 2024-25	Q1 2022-23	Q1 2023-24	Q1 2024-25
Private Final Consumption Expenditure (PFCE)	2286468	2456777	55.9	56.3	18.5%	5.5%	7.4%
Government Final Consumption Expenditure (GFCE)	415961	414945	10.2	9.5	9.8%	-0.1%	-0.2%
Gross Fixed Capital Formation (GFCF)	1414918	1520625	34.6	34.8	13.9%	8.5%	7.5%
Change in Stocks	45182	47712	1.1	1.1	19.7%	1.2%	5.6%
Valuables	27991	24796	0.7	0.6	58.4%	-21.0%	-11.4%
Exports	873875	949854	21.4	21.8	19.1%	-6.6%	8.7%
(Less) Imports	1105210	1153943	27.0	26.4	26.1%	15.2%	4.4%
Discrepancies	132299	102967	3.2	2.4	-	-	-
GDP	4091484	4363733	100.0	100.0	12.8%	8.2%	6.7%

Table-2: Real GVA at basic prices for Q1 FY25 (Apr-Jun)

SN	Industry	Gross Value Added (Rs Cr)		Growth (%)		
		Q1 2023-24	Q1 2024-25	Q1 2022-23	Q1 2023-24	Q1 2024-25
1	Agriculture, Forestry & Fishing	521648	532092	2.7%	3.7%	2.0%
	Agriculture	521648	532092	2.7%	3.7%	2.0%
2	Mining & Quarrying	85551	91691	6.6%	7.0%	7.2%
3	Manufacturing	639709	684792	2.2%	5.0%	7.0%
4	Electricity, Gas, Water Supply & Other Utility Services	94034	103805	15.6%	3.2%	10.4%
5	Construction	334754	369927	14.7%	8.6%	10.5%
	Industry	1154048	1250215	6.8%	6.0%	8.3%
6	Trade, Hotel, Transport, Communication & Services related to broadcasting	645039	681942	22.1%	9.7%	5.7%
7	Financial, Insurance, Real Estate & Professional Services	1017115	1089219	10.5%	12.6%	7.1%
8	Public Administration, Defence & Other Services	474148	519267	23.6%	8.3%	9.5%
	Services	2136302	2290428	16.7%	10.7%	7.2%
	GVA at Basic Price	3811998	4072735	11.3%	8.3%	6.8%

*GVA + taxes on products - subsidies on products = GDP