

Macro Insights

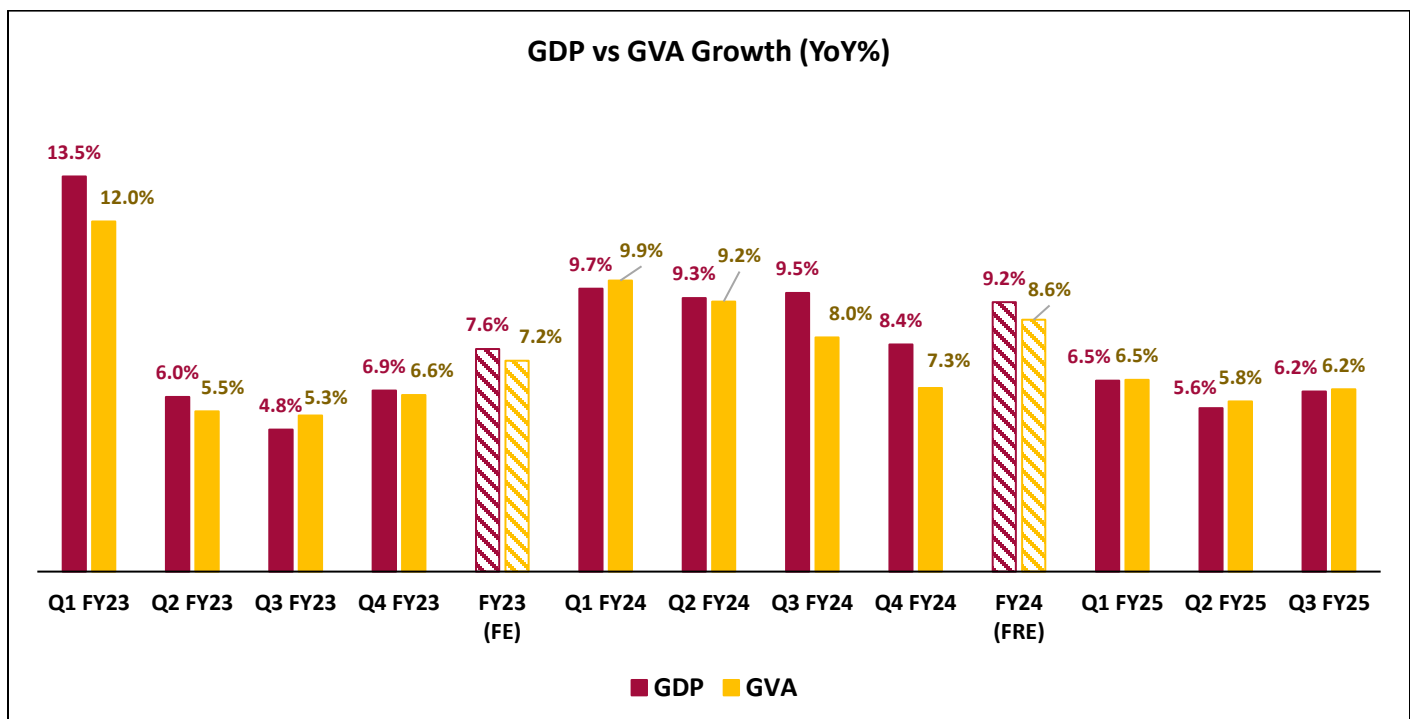
1st March, 2024

GDP growth rises to 6.2%

GDP for Q3 FY25 grew by 6.2%, increasing from 5.6% growth recorded in the previous quarter (Q2 FY25), but lower than 9.5% in Q3 FY24. Also, GVA in Q3 FY25 grew by 6.2% as compared to a growth of 5.8% in the previous quarter (Q2 FY25) and a growth of 8.0% in Q3 FY24.

Highlights

- ☞ The faster growth of India's Gross Domestic Product (GDP) to 6.2% during Q3 FY 2024-25 was supported by improvement in rural consumption following a good monsoon and pick up in government spending.
- ☞ However, growth is still lower than 9.5 per cent growth in the same period last year.
- ☞ Real GDP has been estimated to grow by 6.5% in FY 2024-25, revised upwards from First Advance Estimates.
- ☞ Gross Value Added (GVA) – which is GDP minus net taxes – grew at 6.2% in Q3 FY 2024-25.



Components of GDP

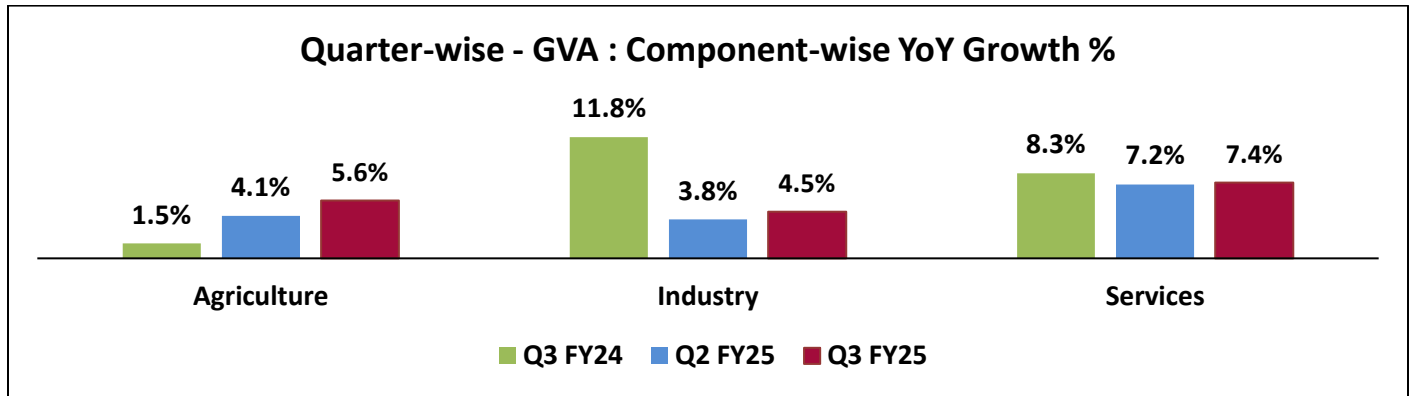
- Growth in Private Final Consumption Expenditure, which constitutes the highest share in GDP, grew by 6.9 per cent in Q3 FY25 as against 5.9 per cent in the previous quarter and 5.7 per cent in Q3 FY24.
- Government Final Consumption Expenditure increased to 8.3 per cent in Q3 FY25, marking a significant uptick from 3.8 per cent in Q2 FY25 and 2.3 per cent in the same quarter of the previous fiscal year.
- The growth in Gross Fixed Capital Formation, which denotes investment in the economy, remained broadly in line with previous quarter at 5.7 per cent in Q3 FY25 as against a growth of 9.3 per cent in Q3 FY24.
- Exports witnessed robust growth of 10.4 per cent growth in Q3 FY25 as against growth of 2.5 per cent in Q2 FY25 and 3.0 per cent in Q3 FY24.

Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	Q3 2022-23	Q3 2023-24	Q3 2024-25
Private Final Consumption Expenditure (PFCE)	2.4%	5.7%	6.9%
Government Final Consumption Expenditure (GFCE)	2.5%	2.3%	8.3%
Gross Fixed Capital Formation (GFCF)	6.7%	9.3%	5.7%
Change in Stocks	21.1%	55.8%	3.5%
Valuables	-36.6%	54.7%	-6.5%
Exports	8.2%	3.0%	10.4%
(Less) Imports	2.9%	11.3%	-1.1%
Discrepancies	-	-	-
GDP	4.8%	9.5%	6.2%

Change of the Share of Major Components in GDP

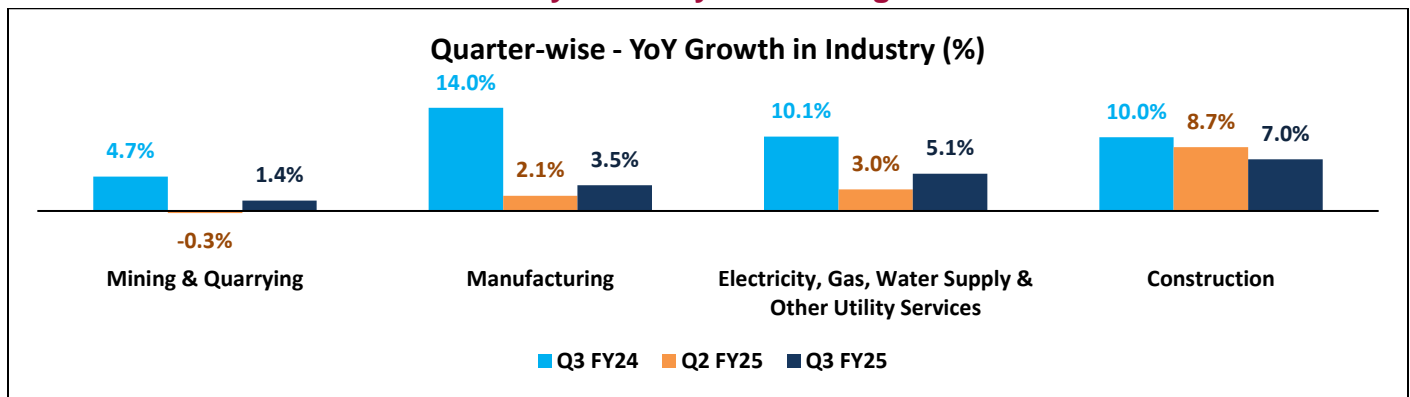
Item	Share in GDP (%)		
	Q3 2022-23	Q3 2023-24	Q3 2024-25
Private Final Consumption Expenditure (PFCE)	61.3	59.2	59.6
Government Final Consumption Expenditure (GFCE)	8.3	7.8	7.9
Gross Fixed Capital Formation (GFCF)	32.1	32.1	31.9
Change in Stocks	1.1	1.6	1.6
Valuables	1.2	1.7	1.5
Exports	22.6	21.2	22.1
(Less) Imports	23.6	24.0	22.3
Discrepancies	-3.1	0.4	-2.2
GDP	100.0	100.0	100.0

Components of GVA

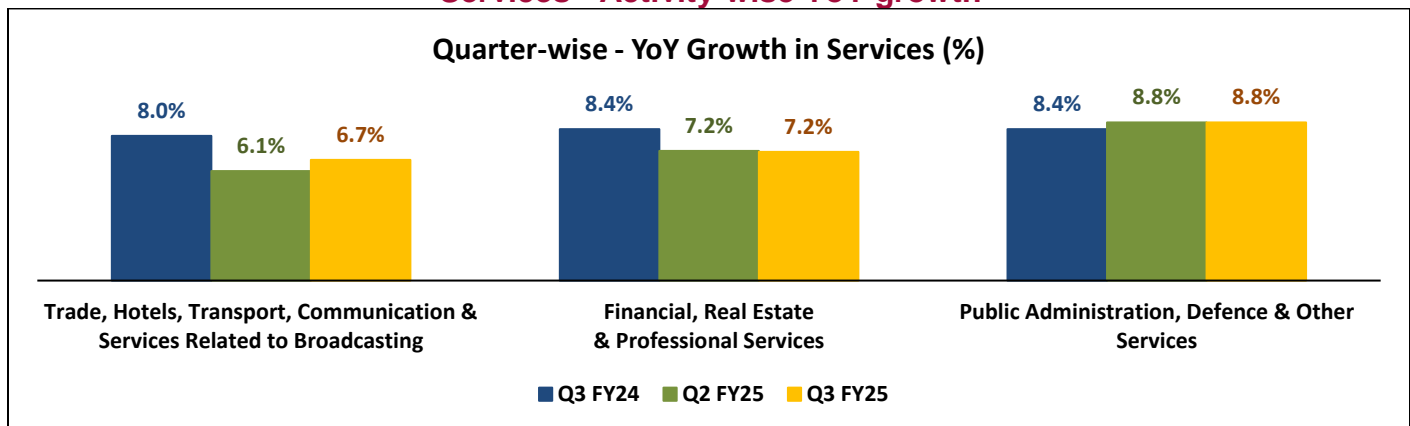


- The GVA growth in the Agriculture sector continued to increase to 5.6 per cent in the third quarter of FY25 compared to 4.1 per cent in the previous quarter and 1.5 per cent in Q3 FY24 supported by favourable monsoon conditions.
- The growth in the Industry Sector stood at 4.5 per cent in Q3 FY25, recovering from 3.8 per cent in the previous quarter, but significantly slowing from 11.8 per cent recorded in Q3 FY24.
- The growth rate of Services sector also registered a marginal increase to 7.4 per cent in Q3 FY25 from 7.2 per cent in the previous quarter. However, the growth was still lower than the 8.3 per cent recorded in the same period last fiscal.

Industry - Activity-wise YoY growth



Services - Activity-wise YoY growth



Views

- The growth rate for GDP was broadly **in line with market expectations**, coming in at 6.2 per cent for Q3 FY25. This increase came after GDP fell to a seven quarter low of 5.6 per cent in Q2 FY25. However, this was below RBI's projection of 6.8% in the December meeting of the Monetary Policy Committee.
- The acceleration was supported by **stronger rural consumption, aided by a favourable monsoon, and increased government expenditure**.
- The growth in **Agriculture & Allied sector** (5.6% in Q3 FY25) witnessed a recovery from the 1.5% growth recorded in the same period last year, supported by robust kharif output.
- Meanwhile, the **manufacturing sector growth** slowed down significantly to 3.5% in the current quarter compared to 14% in Q3 FY24. The construction sector grew at 7% YoY, marking a decrease from the 10% growth seen in the previous year.
- After a slowdown in the first quarter, owing to general elections, Government Expenditure picked up significantly in the third quarter of FY24-25.
- Private Consumption has staged a recovery owing to improvement in rural demand following a softening of food prices and increased spending during the festive season.
- Going forward, the Indian economy is on track to achieve the 6.5% growth for the full year FY24-25, supported by strong domestic demand. However, external risks continue to exist particularly regarding changes in global trade dynamics.

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