

Expect real GDP growth at ~5.7% YoY in 3QFY25

Real GVA growth could improve to 6.1-6.3%

- India's real GDP grew by an unexpected 5.4% YoY in [2QFY25](#), compared to the market expectation of 6.5%, RBI's projection of 6.7%, and our forecast of 6.2%. Naturally, the market participants were surprised and revised their GDP growth projections for FY25 and FY26.
- **Various growth forecasts for 3QFY25 and 2HFY25:** The [RBI](#) reduced its growth forecasts, though it still projects real GDP to grow 6.8% YoY in 3QFY25 (down from 7.4% projected in Oct'24), according to the Monetary Policy Committee (MPC) meeting of Dec'24¹. The [Economic Survey 2024-25](#) pegs FY25 real GDP growth at 6.4%, and the market consensus – according to Bloomberg² – is 6.4% YoY in 3Q and 6.3% for the full-year FY25 (down from 6.7%/6.9% in Oct'24). It means that with 6% YoY real GDP growth in 1HFY25, the RBI is projecting growth of ~7% YoY in 2H, the Economic Survey sees it at around 6.8%, and the market consensus is close to 6.5%. We, at MOFSL, had [predicted](#) a growth of 6.1% in FY25 in Sep'24, which was [revised down](#) slightly to 5.8% after 2QFY25 data was published by the Government. We also expected that real GDP growth would remain muted at 5.4% in 3Q, the same as in 2QFY25.
- **We expect real GDP growth at ~5.7% in 3Q; real GVA growth could pick-up and reach 6.1-6.3%:** Now that almost all high-frequency data³ related to 3QFY25 is available (*Exhibit 1*), we update our 3QFY25 forecast. We have slightly revised up our 3QFY25 growth projection. While real GVA growth could pick up to 6.1-6.3% YoY in 3Q from 5.6% in 2Q, real GDP growth could remain below 6% for the second consecutive quarter in 3QFY25 (*Exhibit 2*). This would broadly be due to very weak growth in net indirect taxes because of a very unfavorable base effect (*Exhibit 3*). This is in line with our in-house [economic activity index \(EAI\)](#) published early this month for 3QFY25.
- **Sub-6% real GDP growth to reignite concerns:** Weak GDP growth must be analyzed in conjunction with an improvement in real GVA growth. However, a real GDP growth of sub-6% would be another big setback for the economy and the financial markets. Real GDP growth projections would again be revised downwards. Questions and doubts will be raised over the corporate earnings cycle. Pressure could build on the INR against the USD, and the demand for quick and sharp rate cuts by the RBI will intensify.
- **A 6.0-6.5% growth in 3Q could soothe the markets:** In contrast, a real GDP growth of 6.0-6.5% in 3Q would ease market sentiments, helping to overcome the forgettable 2QFY25 growth data. Official growth projections will still be cut, and it will likely make the 3QFY25 data more like a non-event. This would also help participants realize that very high economic growth in FY24 was exceptional and help orient their expectations to a moderate level.
- **Real GDP growth of above 6.5% in 3Q to reset expectations positively:** Anything above 6.5% in 3QFY25 would confirm that the 2QFY25 dip was actually a one-off, and we will revise our forecasts upward though high official projections will be retained for FY25. If so, financial markets will surely cheer the strong growth, confirming India's place as the fastest-growing economy amid the uncertain global economic outlook.

¹The RBI did not publish GDP growth projections for 3QFY25 or FY25 in the recent monetary policy in Feb'25

²Bloomberg (BMBG) consensus taken on 20th Feb'25

³These are the monthly indicators used by the CSO to estimate quarterly GDP/GVA data; included in Annexure B of [official data releases](#).

Exhibit 1: Summary of key monthly indicators used in estimating quarterly GDP

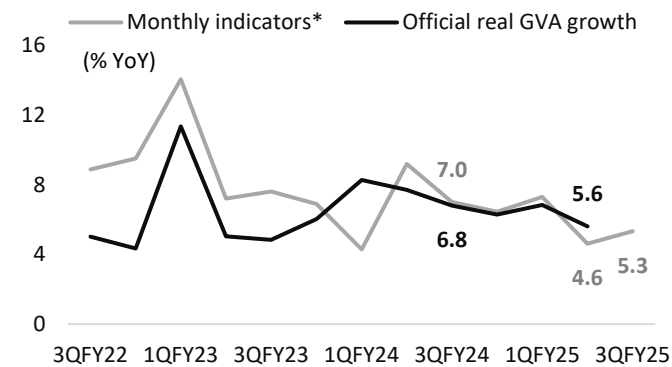
% YoY	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Dec-23	Oct-24	Nov-24	Dec-24
1. Production of coal	13.0	10.2	10.8	0.5	6.8	10.8	7.8	7.5	5.3
2. Production of crude oil	0.0	3.4	-0.7	-3.4	-2.1	-1.0	-4.8	-2.1	0.6
3. Production of cement	5.1	7.6	0.4	3.2	6.5	3.8	3.1	13.5	4.0
4. Consumption of Steel	14.7	10.4	15.0	12.0	7.8	14.8	12.7	12.3	11.4
5. Telephone subscribers	1.7	2.3	2.7	0.8	0.0	1.7	0.5	0.1	0.0
6. CVs sales	2.4	0.6	3.3	-4.3	-2.3	-4.9	0.6	-1.0	4.1
7. Cargo at major sea ports	10.2	2.9	3.9	6.2	-1.7	5.0	3.7	2.6	2.7
8. Cargo at airports	9.8	18.4	13.9	16.1	10.8	10.8	14.5	9.7	8.0
9. Air passenger	10.8	7.3	7.4	7.8	11.1	9.9	9.8	13.2	10.5
10. Rail - Freight traffic	6.4	8.4	3.0	1.9	1.4	6.4	1.5	1.2	1.4
11. Bank deposits	13.0	13.3	10.9	10.2	9.7	13.0	11.4	11.1	9.7
12. Bank credit	19.6	19.8	17.1	12.4	11.0	19.6	11.8	11.1	11.0
13. Core revex	-7.5	-5.2	-1.5	7.2	11.2	-5.2	47.1	-12.2	1.3
14. Exports of G&S	4.0	5.5	9.1	4.3	11.4	1.9	20.4	4.9	9.2
15. Imports of G&S	0.4	3.9	9.5	5.4	10.8	-4.6	4.9	19.5	9.0
16. IIP: Mining	8.2	4.9	7.9	-0.1	1.8	5.2	0.9	1.9	2.6
17. IIP: Mfg	5.4	4.8	4.3	3.3	4.3	4.6	4.4	5.5	3.0
18. IIP: Electricity	9.0	7.3	10.8	1.4	4.1	1.2	2.0	4.4	6.2
19. IIP: Metallic minerals	6.8	-3.1	8.7	2.1	-1.5	0.1	-4.5	-2.1	1.9
Monthly indicators*	7.0	6.5	7.2	4.6	5.3	4.9	7.8	5.3	5.4
Official real GVA growth	6.8	6.3	6.8	5.6	6.2#

*Simple average of all 19 indicators

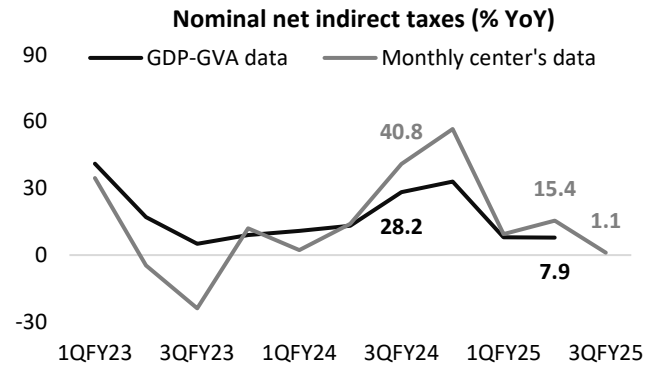
#MOFSL forecast

Source: Ministry of Finance (MoF), RBI, Various national sources, CEIC, MOFSL

	Worse than previous month/quarter and a year ago
	Worse than the previous month/quarter but better than a year ago
	Better than the previous month/quarter but worse than a year ago
	Better than previous month/quarter and a year ago

Exhibit 2: Monthly indicators suggest some improvement in economic activity in 3QFY25

*Simple average of all 19 monthly indicators

Exhibit 3: Weak growth for net indirect taxes (NIT) in 3QFY25

Source: Various national sources, Central Statistics Office (CSO), RBI, MoF, CEIC, MOFSL

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