

Real GDP growth at four-quarter high in 4QFY25

FY25 growth at 6.5%; lowest in four years

- Real GDP growth came in higher than expected at 7.4% in 4QFY25 (highest in four quarters) vs. 7.3%/6.4% in 4QFY24/3QFY25 (*Exhibit 1*). The number is higher than the market consensus of 6.8% and our expectation of 6.7%. The acceleration in GDP growth was led by robust growth in real fixed investments and a higher contribution of net exports to real GDP growth. As per our estimates, private consumption growth remained weak.
- Real fixed investments grew at a six-quarter high rate of 9.4% in 4QFY25 vs. a growth of 6.0%/5.2% in 4QFY24/3QFY25. Additionally, net exports added 3.7pp to real GDP growth in 4QFY25, highest in 19 quarters. However, a higher contribution of net exports was due to a contraction in imports (-12.7% in 4QFY25 vs. +11.4% in 4QFY24) and not due to higher export growth (+3.9% in 4QFY25 vs. 7.7% in 4QFY24), which is not a positive development. On the contrary, private consumption grew at a five-quarter low pace of 6%, and government consumption contracted 1.8% in 4QFY25, which was the worst in 17 quarters (*Exhibits 2, 3, 4*).
- For FY25, real GDP growth stood at a four-year low of 6.5% (in line with our expectations) vs. 9.2% in FY24. The annual growth number is slightly higher than the market consensus of 6.3%. For FY25, private consumption growth saw some improvement (7.2% in FY25 vs. 5.6% in FY24), while real investments (up 7.1% in FY25 vs. 8.8% in FY24, lowest growth in last four years) and government consumption (up 2.3% in FY25 vs. 8.1% in FY24, lowest growth in last three years) dragged down real GDP growth. Notably, net exports added 2.3pp to real GDP growth in FY25 (vs. a subtraction of 2.8pp) on the back of a contraction in imports (-2.3% in FY25 vs. 13.8% in FY24, worst growth in last five years) (*Exhibit 9*).
- India's investment rate stood at 33.6% of GDP in 4QFY25, lower than 34.1% of GDP in 4QFY24 but higher than 30.4% of GDP in 3QFY25. India's net imports came in slightly lower at 0.5% of GDP in 4QFY25 vs. 0.8% in 4QFY24 (*Exhibit 8*). Consequently, implied gross domestic savings (GDS) stood at 33.1% of GDP in 4QFY25, similar to 33.2% of GDP in 4QFY24. It also means that implied GDS stood at 30.6% of GDP in FY25, lower than 31.3% of GDP in FY24.
- Real GVA, the basis of GDP estimates, grew 6.8% YoY in 4QFY25 (highest in four quarters) vs. 7.3%/6.5% in 4QFY24/3QFY25. The sharp difference between real GDP and real GVA growth was on account of robust growth in net indirect taxes (12.7% in 4QFY25) on the back of lower subsidies (*Exhibit 5*). The acceleration in real GVA growth was led by higher growth in agriculture (5.4% in 4QFY25 vs. 0.9% in 4QFY24) and robust services sector growth (7.3% in 4QFY25 vs. 7.8% in 4QFY24), which was partly offset by lower industrial sector growth, which fell to a three-quarter low of 6.5% in 4QFY25 vs. 9.5% in 4QFY24 (*Exhibits 6 and 7*).
- A closer look at the GVA numbers reveals that agriculture growth remained robust at 5.4% in 4QFY25 vs. 0.9% in 4QFY24. This was on account of higher rabi sowing for the same period. Within the industrial sector, mining growth rose to a three-quarter high of 2.5% in 4QFY25 vs. 0.8% in 4QFY24. Additionally, the construction sector posted solid growth of 10.8% in 4QFY25 vs. 8.7% growth in 4QFY24 given the pickup in steel and cement output. On the other hand, in line with our expectations, manufacturing growth softened to 4.8% in 4QFY25 from 11.3% in 4QFY24. Even electricity growth moderated to 5.4% in 4QFY25 from 8.8% in 4QFY24. Within services, trade and hospitality saw steady growth of 6% in 4QFY25 vs. 6.2% in 4QFY24 on account of Mahakumbh. Financial services sector grew 7.8%, while public admin sector saw similar growth as last year at 8.7% in 4QFY25.
- For FY25, real GVA growth moderated to 6.4% (lowest in four years) from 8.6% in FY24. Agriculture sector witnessed strong growth of 4.6% in FY25 vs. 2.7% in FY24, supported by record food-grain production. Within the industrial sector, growth for mining and manufacturing decelerated to 2.7% and 4.5%, respectively, in FY25 (vs. 3.2% and 12.3% in FY24). On the other hand, construction growth remained robust at 9.4% in FY25 (vs. 10.4% in FY24). Services sector growth moderated to 7.2% in FY25 from 9% in FY24 (*Exhibit 9*).
- Nominal GDP grew 10.8% YoY in 4QFY25 (highest in four quarters), implying 9.8% growth in FY25 vs. 12% in FY24.
- Overall, we expect real GDP growth at ~6.2-6.4% in FY26, supported by robust agriculture sector growth given the forecast of above-normal monsoon by the IMD. This augurs well for the rural sector and inflation outlook. Moreover, factors such as lower inflation and an easing monetary cycle are expected to support growth in FY26. However, there are risks to these projections from the growing uncertainty around tariffs imposed by the Trump administration.

Exhibit 1: Real GDP growth at four-quarter high of 7.4% YoY in 4QFY25...

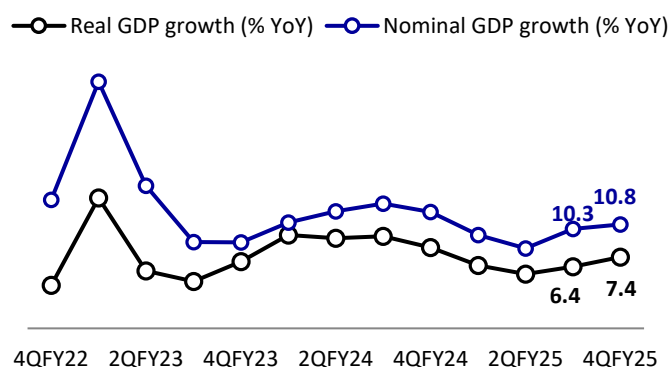


Exhibit 2: ...led by higher contribution of net exports and robust growth in fixed investments

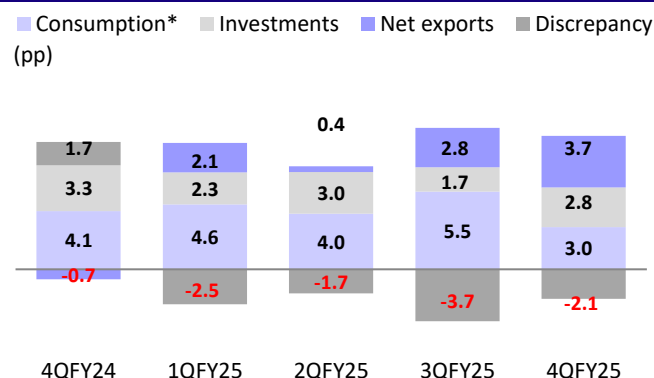


Exhibit 3: Investment remained strong, while private consumption remained weak

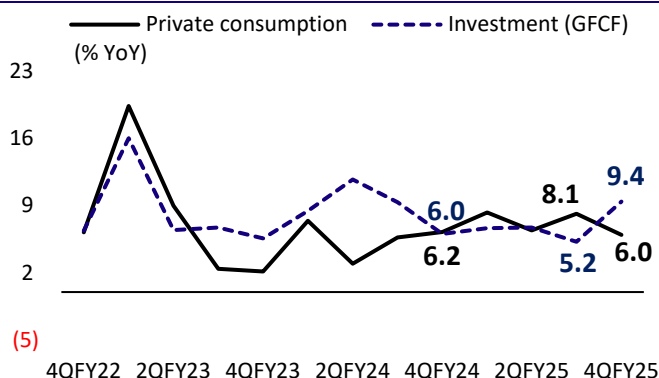


Exhibit 4: Imports contracted, while exports saw weak growth, leading to higher contribution of net exports

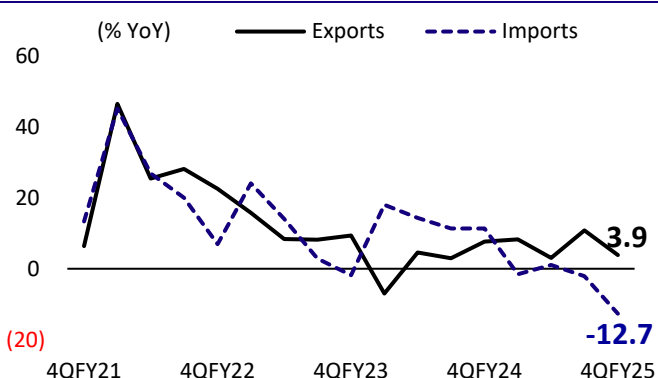


Exhibit 5: Real GVA growth at 6.8% YoY in 4QFY25...

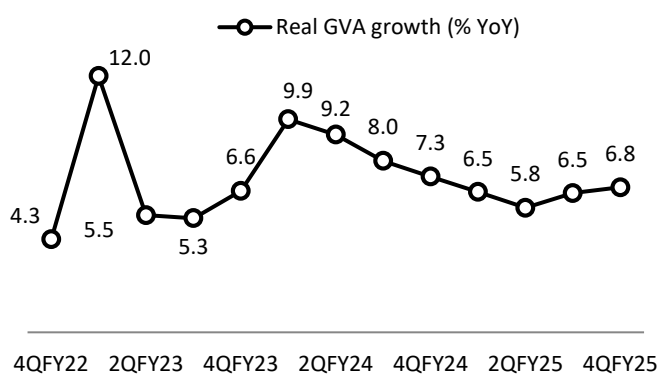
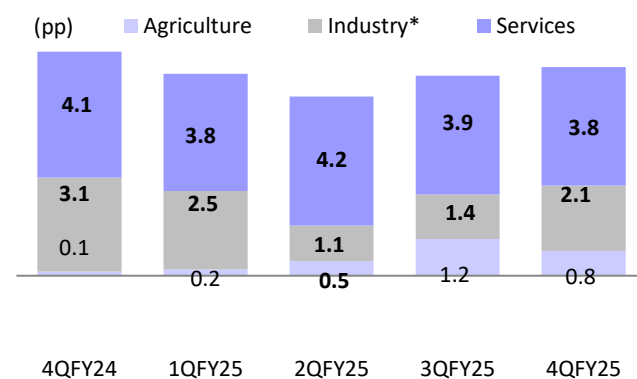


Exhibit 6: ...led by the agriculture and services sectors



* Including construction sector

Exhibit 7: Services and agriculture sector growth remained strong, while industry growth decelerated

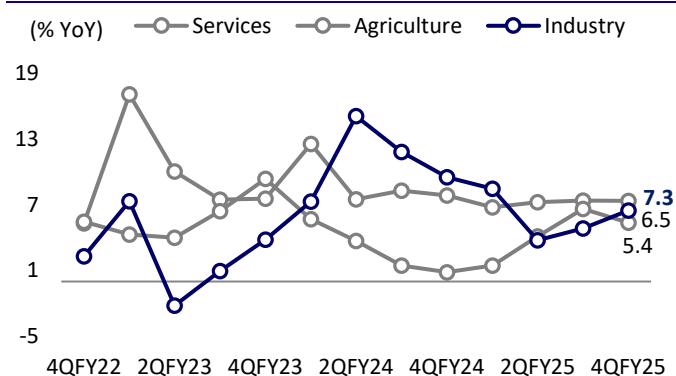


Exhibit 8: Domestic savings at 33.1% of GDP in 4QFY25 vs. 33.2% in 4QFY24

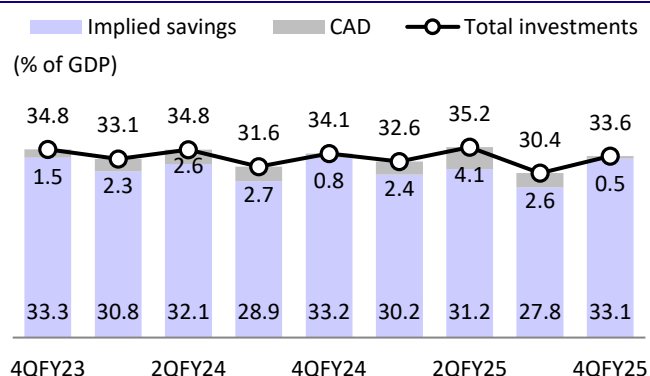


Exhibit 11: Details of components of real GDP/GVA growth

	% YoY								
	FY22	FY23	FY24	FY25	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Gross domestic product (GDP) and its components									
Private cons exp (PCE)	11.7	7.5	5.6	7.2	6.2	8.3	6.4	8.1	6.0
Govt cons exp (GCE)	0.0	4.3	8.1	2.3	6.6	(0.3)	4.3	9.3	(1.8)
Gross Cap For (GCF)	21.1	7.6	10.5	6.7	9.1	6.2	7.7	4.9	7.8
Gross Fixed Cap For	17.5	8.4	8.8	7.1	6.0	6.7	6.7	5.2	9.4
Inventories	525.4	24.3	53.4	4.5	52.0	7.5	2.1	3.5	4.8
Valuables	32.5	(16.9)	14.4	0.6	63.1	(23.1)	25.8	(0.5)	(29.8)
Net exports					...	...	...	...	...
Exports	29.6	10.3	2.2	6.3	7.7	8.3	3.0	10.8	3.9
Imports	22.1	8.9	13.8	(3.7)	11.4	(1.6)	1.0	(2.1)	(12.7)
Discrepancies	(386.9)	4.3	(128.7)	(295.7)	...	...	...	...	...
GDP at market price	9.7	7.6	9.2	6.5	8.4	6.5	5.6	6.4	7.4
Gross value-added (GVA) and its components									
Agriculture etc.	4.6	6.3	2.7	4.6	0.9	1.5	4.1	6.6	5.4
Industry	12.2	2.5	10.8	5.9	9.5	8.5	3.8	4.8	6.5
Mining & quarrying	6.3	3.4	3.2	2.7	0.8	6.6	(0.4)	1.3	2.5
Manufacturing	10.0	(1.7)	12.3	4.5	11.3	7.6	2.2	3.6	4.8
Electricity	10.3	10.8	8.6	5.9	8.8	10.2	3.0	5.1	5.4
Construction	19.9	9.1	10.4	9.4	8.7	10.1	8.4	7.9	10.8
Services	9.2	10.3	9.0	7.2	7.8	6.8	7.2	7.4	7.3
Trade, hotels etc.	15.2	12.3	7.5	6.1	6.2	5.4	6.1	6.7	6.0
Finance, insurance etc	5.7	10.8	10.3	7.2	9.0	6.6	7.2	7.1	7.8
Social & personal services	7.5	6.7	8.8	8.9	8.7	9.0	8.9	8.9	8.7
GVA at basic prices	9.4	7.2	8.6	6.4	7.3	6.5	5.8	6.5	6.8

Source: Central Statistics Office (CSO), CEIC, MOFSL

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