



INDIA: FY25 & Q4FY25 GDP UPDATE

A SOLID Q4 CAPS OFF STABLE GROWTH IN FY25

30 MAY 2025

Real GDP grows by 6.5% y/y in FY25 as per PE, slightly higher than market consensus on jubilant private consumption and resurgent government capex

Growth was presaged on healthy PFCE, which surged by 7.2%, well above 5.6% growth seen in FY24. This is in line with indicators which showed buoyancy in airport footfalls, services PMI, and UPI transaction volume in FY25. Growth went beyond just one engine, with a continuation in GFCF growth on a high base auguring well for the economy, especially in light of underperformance in 9MFY25 and moderation in private capex intent. Growth in GFCE sharply slowed down to 2.3% from 8.1% seen in FY24, indicating that pandemic era largesse is now firmly in check despite increased allocations towards select schemes in the Union Budget.

Real GVA for FY25 expands by 6.4% y/y helped by outperformance in construction and select services

Services GVA surged ahead by 7.2%, faster than headline GVA for the third consecutive fiscal. Public administration, defence, and other services jumped by 8.9%, the highest pace of growth in 8 years. Fair momentum was seen in financial services too, with banks headed towards another year of record profits, even as a high base limited their growth. Industry GVA sharply slowed to 5.9% from 10.8% in FY24, largely attributable to manufacturing sluggishness – which was evident from disappointing IIP numbers coming out. A positive surprise was delivered by construction, which continued to grow handsomely (at 9.4%) despite being on a high base of the past three years. Even as the share of agriculture in GVA continues to decline secularly from 18.5% in FY12 to 14.4% in FY25, it posted a decent 4.6% helped by excellent food crop production.

Q4FY25 GDP delivers a bonanza with lead over GVA helped by sharp reduction in subsidy payments

By far the biggest surprise was Q4FY25 GDP shooting up by 7.4% y/y, well above expectations of 6.7%, with Q3 numbers also being revised upwards. GVA growth was more sombre at 6.8% in the same period. The vast difference between the two may be contributed by a 12.7% growth in net taxes as sharp rise in taxes (gross GST revenues rose by 9.4% y/y in FY25) was met with tepidity in subsidy payouts (indicated by degrowth in GFCE by 1.8%). The drivers for growth in Q4FY25 were vibrant construction activity, sharp rise in GFCF (up 9.4% y/y in real terms, highest growth since Q2FY24), and a precipitous decline in imports helped by low crude prices. The momentum in quarterly augurs well for the future.

India ready to be the fastest growing major economy for yet another year in FY26 as holistic fiscal and monetary stimulus sustain multiple growth pistons

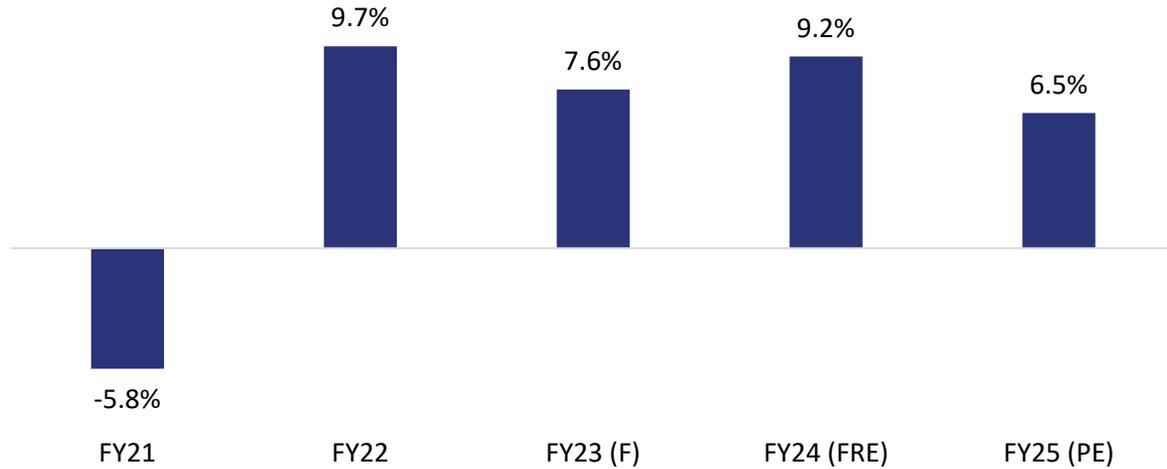
FY26 could see PFCE rise helped by a much-needed tax break given to the middle class. Rural prosperity would be helped by an above-normal rainfall though the spatial and temporal distribution could play a role like they did in Q2FY24. Limp commodity prices will help keep external balances in check, with hefty forex reserves and efficient management standing guard in any case. The exceptional monetary space afforded by the RBI in light of controlled inflation must continue to quench investment needs. The same would also be important in efficient in transmitting the 2-3 rate cuts likely from the RBI, as well as steepness of the yield curve. A deterioration in growth outlook could push the RBI towards the 3rd cut

Some haziness on the horizon from global factors likely to curb FY26 growth below FY25 level

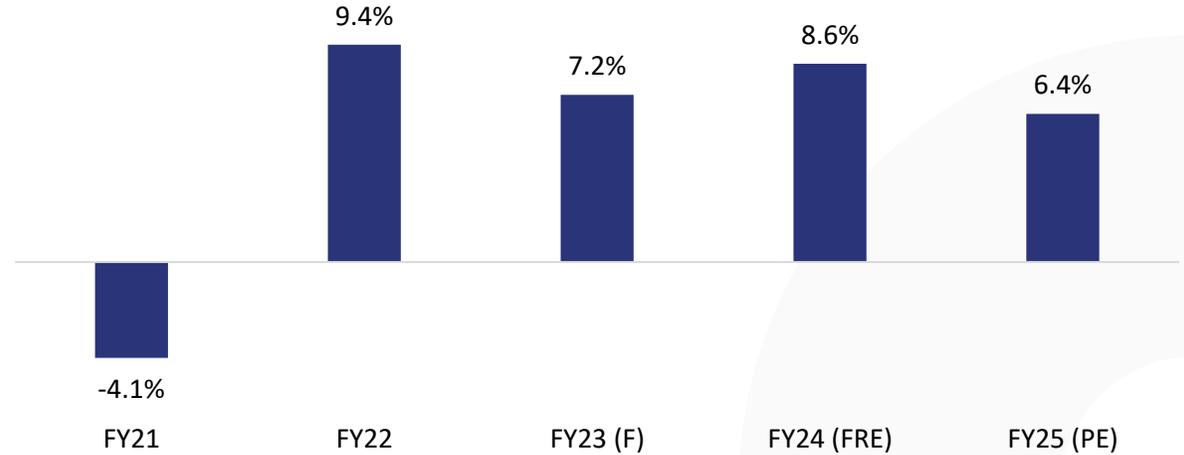
Economics being a dismal science, it is customary to end on a word of caution. While domestic drivers appear infallible in FY26, global clouds are dark. Uncertainty over tariffs is keeping commodity markets on their toes, pushing off already fickle private capex intent (with NSO expecting 26% lower level in FY26 vs. FY25). The art and science of the deal being yet unknown, there could be a stiff challenge to exports, especially if the US sinks into slowdown. The IT sector is already murmuring with discontent. *Nevertheless, we believe that real GDP growth in FY26 will hold at 6.2% y/y. Nominal GDP will remain challenged in FY26 as inflation sinks, and we expect a 9% y/y figure to register*

FY25 GDP GROWTH BROADLY IN LINE, FY24 REVISED UPWARDS

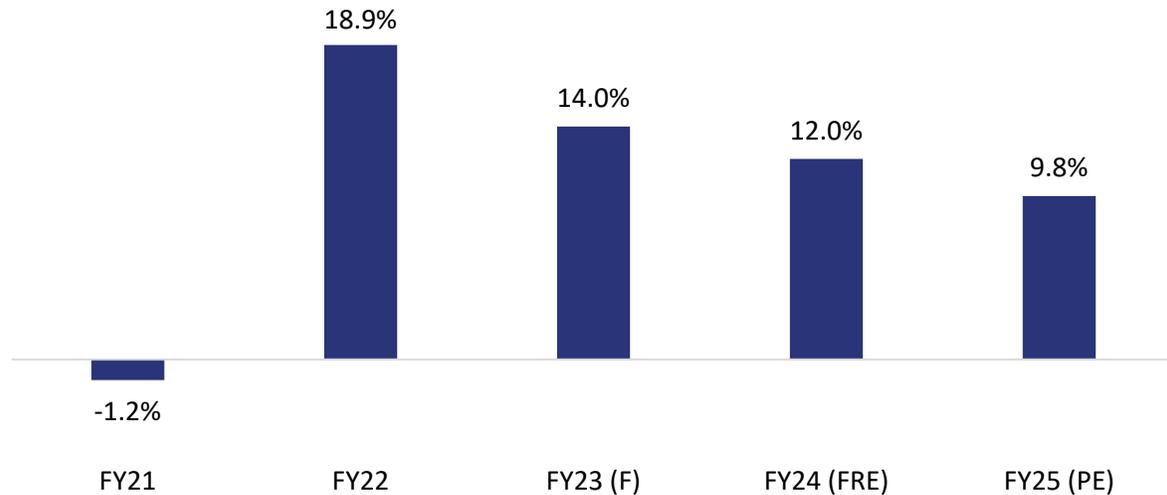
ANNUAL REAL GDP (Y/Y)



ANNUAL REAL GVA (Y/Y)



ANNUAL NOMINAL GDP (Y/Y)



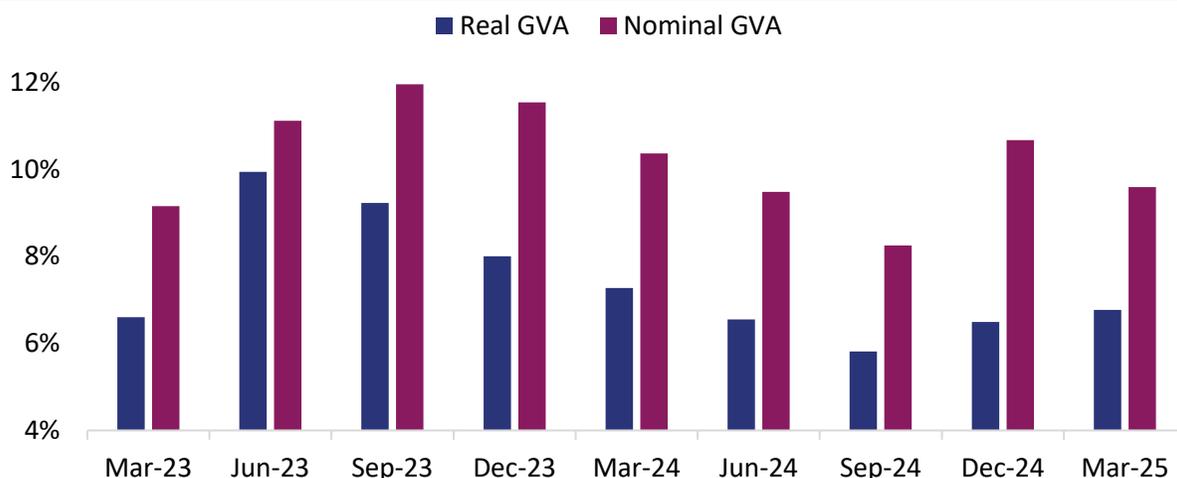
- Real GDP grew 6.5% y/y in FY25, while real GVA grew 6.4% y/y in FY25P, unrevised from previous estimate. Historical numbers saw an upward revision with 100 bps spike in FY24 growth.
- Services continue to drive GVA growth in FY25, garnering ~55% share, amidst broad-based expansion as financial services and defence end FY25 on a strong note
- *We believe that real GDP growth in FY26 will hold at 6.2% y/y. Nominal GDP will remain challenged in FY26 as inflation sinks, and we expect a 9% y/y figure to register*

CONSTRUCTING SUCCESS AND FARMING PROGRESS IN Q4FY25

REAL GVA SECTORAL BREAK UP

Change (% y/y)	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24	Q4FY23
GVA	6.8	6.5	5.8	6.5	7.3	8.0	9.2	9.9	6.6
Agriculture and allied	5.4	6.6	4.1	1.5	0.9	1.5	3.7	5.7	9.4
Industry	6.5	4.8	3.8	8.5	9.5	11.8	15.1	7.3	3.8
Mining and quarrying	2.5	1.3	-0.4	6.6	0.8	4.7	4.1	4.1	4.6
Manufacturing	4.8	3.6	2.2	7.6	11.3	14.0	17.0	7.3	1.5
Electricity, gas & water supply	5.4	5.1	3.0	10.2	8.8	10.1	11.7	4.1	8.6
Construction	10.8	7.9	8.4	10.1	8.7	10.0	14.6	9.2	7.1
Services	7.3	7.4	7.2	6.8	7.8	8.3	7.5	12.5	7.6
Trade, hotel, transport & comm.	6.0	6.7	6.1	5.4	6.2	8.0	5.4	11.0	7.5
Finance, real estate and prof serv.	7.8	7.1	7.2	6.6	9.0	8.4	8.3	15.0	10.9
Public admin., defence & Other svcs	8.7	8.9	8.9	9.0	8.7	8.4	8.9	9.3	2.5

QUARTERLY REAL AND NOMINAL GVA (% Y/Y)



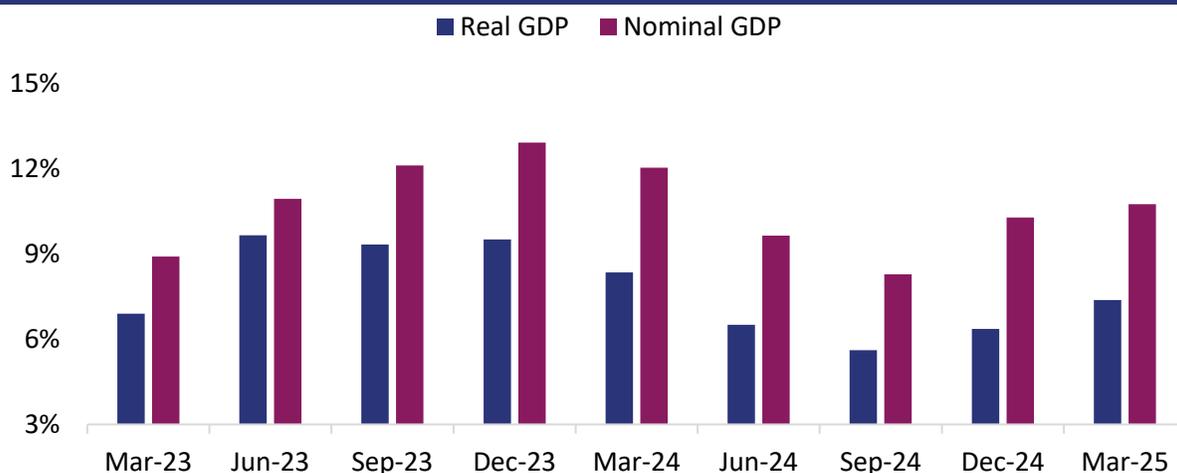
- Strong construction growth trajectory and upward revisions in Q3FY25 led to a fine growth in industry GVA in FY25, despite tepid manufacturing
- Upward revision to agriculture GVA in Q3FY25 by 100bps was driven by strong winter harvest. Expectations of normal monsoon bodes well for the sector.

RESURGENT GOVERNMENT CAPEX AND SUSTAINED PFCE GROWTH STEAL THE SHOW

REAL EXPENDITURE COMPONENTS

Change (% y/y)	Q4FY25	Q3FY25	Q2FY25	Q1FY25	Q4FY24	Q3FY24	Q2FY24	Q1FY24	Q4FY23
GDP	7.4	6.4	5.6	6.5	8.4	9.5	9.3	9.7	6.9
Private final consumption exp. (PFCE)	6.0	8.1	6.4	8.3	6.2	5.7	3.0	7.4	2.1
Govt. final consumption exp. (GFCE)	-1.8	9.3	4.3	-0.3	6.6	2.3	20.1	5.3	9.0
Gross capital formation (GCF)	7.8	4.9	7.7	6.2	9.1	12.4	11.9	8.9	5.3
Gross fixed capital formation (GFCF)	9.4	5.2	6.7	6.7	6.0	9.3	11.7	8.4	5.6
Exports	3.9	10.8	3.0	8.3	7.7	3.0	4.6	-7.0	9.4
Imports	-12.7	-2.1	1.0	-1.6	11.4	11.3	14.3	18.0	-1.8

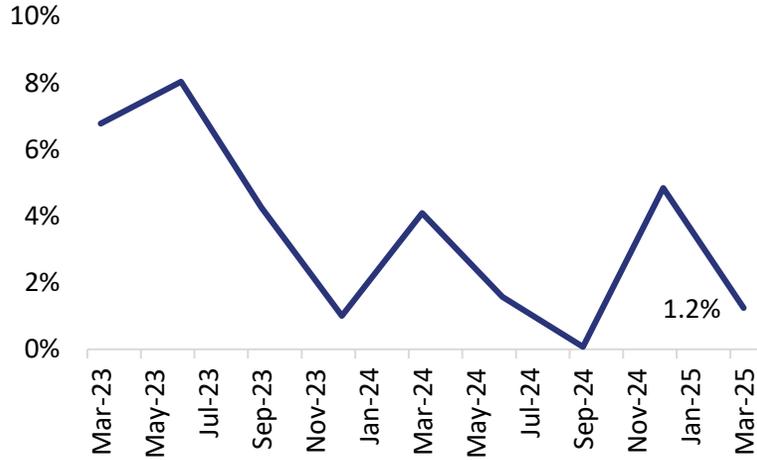
QUARTERLY REAL AND NOMINAL GDP (% Y/Y)



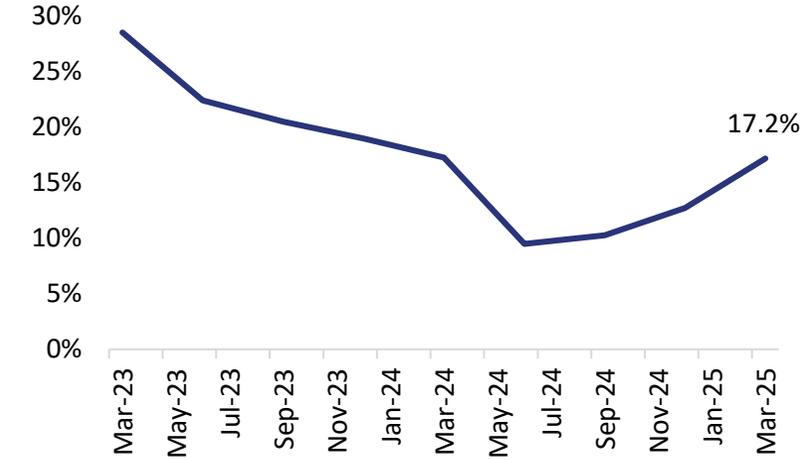
- Q4FY24 and Q3FY25 numbers were revised upwards, reflective of strong growth momentum
- PFCE's strong growth was underpinned by rural demand, while Union spending on roads, defence and ports boosted GFCF, as private capex remained patchy
- GFCE tapered down in Q4FY25, with shrinking subsidy bill, while global trade tensions and low crude prices weighed on discretionary imports

TRENDS IN HIGH FREQUENCY INDICATORS SUGGEST PICKUP IN Q4

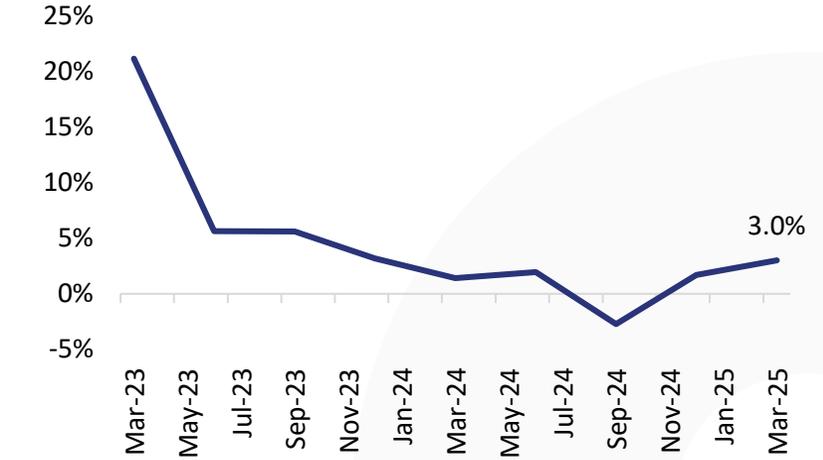
DIESEL CONSUMPTION



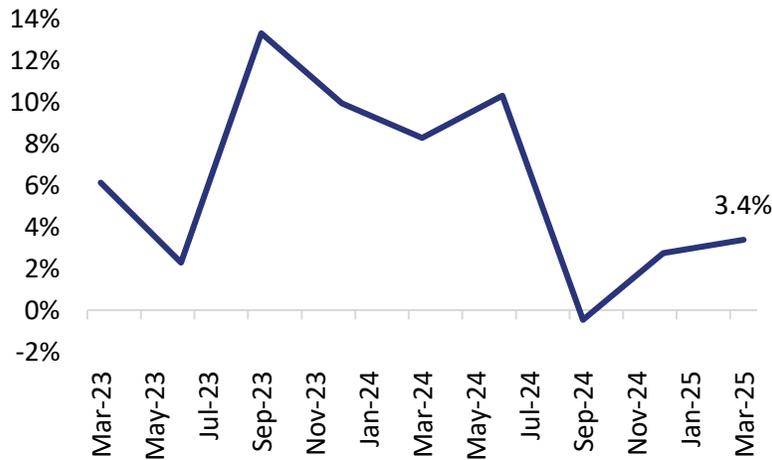
FASTAG COLLECTIONS



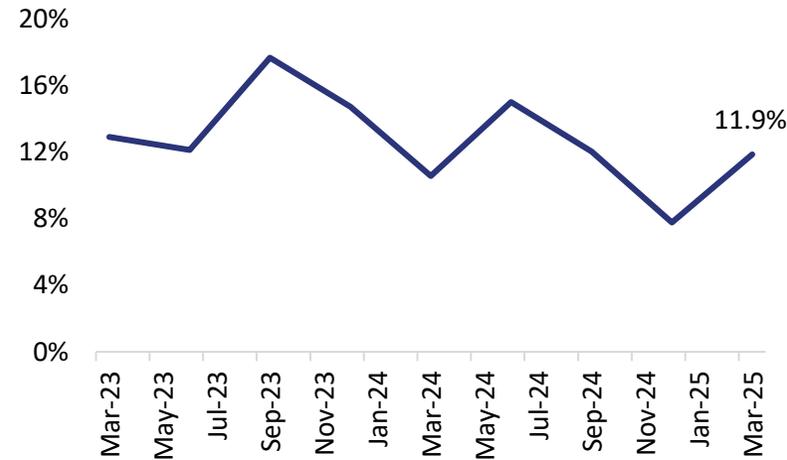
CV RETAIL SALES



ELECTRICITY SUPPLY



FINISHED STEEL CONSUMPTION



Note: All charts show y/y growth in quarterly values

IMPROVING TREND SELECTIVE IN THE NEW FISCAL

INDICATOR	MAY'24	JUN'24	JUL'24	AUG'24	SEP'24	OCT'24	NOV'24	DEC'24	JAN'25	FEB'25	MAR'25	APR'25
INDUSTRY												
Manufacturing PMI	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2
IIP (%y/y)	6.3%	4.9%	5.0%	0.0%	3.2%	3.7%	5.0%	3.7%	5.2%	2.7%	3.9%	2.7%
Eight Core (%y/y)	6.9%	5.0%	6.3%	-1.5%	2.4%	3.8%	5.8%	5.1%	5.1%	3.4%	4.6%	0.5%
Finished Steel Consumption (%y/y)	13.5%	19.5%	14.4%	10.0%	11.8%	8.9%	9.5%	5.2%	10.9%	10.9%	13.6%	4.6%
2W Retail Sales (%y/y)	2.5%	4.7%	17.5%	6.3%	-8.5%	37.0%	16.4%	-17.4%	4.2%	-6.0%	-1.4%	2.6%
PV Retail Sales (%y/y)	-1.0%	-6.8%	14.0%	-4.5%	-18.8%	36.5%	-10.7%	0.2%	15.5%	-8.1%	8.8%	4.4%
SERVICES/CONSUMPTION												
Services PMI	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59	58.5	58.7
Petrol Consumption (%y/y)	3.4%	4.6%	10.5%	8.6%	3.0%	8.7%	9.6%	11.1%	6.7%	5.0%	5.7%	4.6%
Diesel Consumption (%y/y)	2.4%	1.0%	4.5%	-2.5%	-1.9%	0.1%	8.5%	5.9%	4.2%	-1.3%	0.9%	4.0%
Railway Freight Volume (%y/y)	3.8%	10.1%	4.6%	-3.3%	6.0%	1.4%	1.4%	1.7%	0.0%	-3.0%	4.1%	5.2%
Port Cargo Volume (%y/y)	3.7%	6.8%	6.0%	6.7%	5.9%	-3.4%	-5.0%	3.4%	6.2%	7.4%	13.3%	7.0%
Electricity supply (% y/y)	15.2%	9.0%	8.3%	-4.7%	0.4%	0.8%	3.8%	5.2%	2.3%	-0.7%	6.4%	1.6%
Total Airport Footfall (%y/y)	8.3%	7.7%	7.8%	7.5%	8.1%	9.8%	13.2%	10.5%	13.5%	11.2%	9.3%	-0.3%
Fastag revenues (%y/y)	8.7%	11.2%	12.0%	8.4%	10.4%	10.4%	14.5%	13.3%	19.0%	18.3%	14.5%	21.6%
UPI transactions (%y/y)	37.3%	36.0%	34.6%	30.7%	30.7%	37.0%	23.9%	27.5%	27.5%	20.2%	25.2%	21.9%
GST Revenues (%y/y)	10.0%	7.6%	10.3%	10.0%	6.5%	8.9%	8.5%	7.3%	12.3%	9.1%	9.9%	12.6%

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Details of Research Analysts

<u>Name</u>	Rajan Jain	<u>Name</u>	Venkatesh Balakrishnan	<u>Name</u>	Siddharth Sarma
<u>Qualification</u>	PGDBA	<u>Qualification</u>	PGDM	<u>Qualification</u>	MBA
<u>Designation</u>	Head- Credit Research	<u>Designation</u>	Assistant Vice President	<u>Designation</u>	Associate

Details of Research Analyst entity

Name	SBI Capital Markets Limited
Registration Number	INH000007429
Address	15th floor, A & B Wing, Parinee Crescenzo Building, G Block, Bandra Kurla Complex, Bandra East, Mumbai- 400 051
Telephone Number	+91 22 4196 8300
Compliance Officer	Bhaskar Chakraborty
Email id	compliance.officer@sbicaps.com
Telephone Number	+91 22 4196 8542

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