

PRESS RELEASE
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GDP growth to print at 6.9% in Q4 FY2025, limiting FY2025 expansion to 6.3%: ICRA

ICRA has projected the year-on-year (YoY) expansion of the GDP to rise to 6.9% in Q4 FY2025 from 6.2% in Q3 FY2025, while significantly undershooting the National Statistical Office's (NSO) implicit estimate of 7.6% for the quarter. The growth in the gross value added (GVA) is estimated to record a relatively milder pick-up to 6.3% in Q4 FY2025 from 6.2% in Q3 FY2025, driven by a slight uptick in the industrial sector (to +4.8% from +4.5%), with a relatively stable performance of the services (to +7.5% from +7.4%), and agriculture (to +5.5% from +5.6%).

Unless there are material revisions in the data for Q1-Q3 FY2025, ICRA projects a sharp step down in the full-year GDP and GVA expansion to 6.3% and 6.2%, respectively, in FY2025 from 9.2% and 8.6%, respectively, in FY2024, driven by industry (to +5.3% from +10.8%) and services (to +7.2% from +9.0%). This is also lower than the NSO's Second Advance Estimate of 6.5% for GDP and 6.4% for GVA for FY2025.

Aditi Nayar, Chief Economist, Head-Research & Outreach, ICRA said: *"In a quarter characterised by enhanced uncertainty on the global front, ICRA estimates India's GDP growth to have risen to 6.9% in Q4 FY2025 from 6.2% in Q3 FY2025. Both private consumption and trends for investment activity were uneven in Q4 FY2025, with the latter partly owing to tariff-related uncertainty. Services sector exports continued to show double-digit growth, while merchandise exports contracted in YoY terms in Q4 FY2025 after expanding in Q3. While the robust increase in the output of most rabi crops is likely to have boosted the agri-GVA growth in Q4 FY2025, the tepid pace of expansion in the industrial volume growth as well as the deterioration in the performance of several service-sector indicators is expected to have weighed on the GVA growth of these segments."*

The GDP-GVA growth wedge is expected to revert to positive territory in Q4 FY2025 after three quarters. Based on the available data for the Centre's indirect taxes and subsidies, ICRA estimates that the growth in net indirect taxes (in nominal terms) rose quite sharply in the quarter from 6.8% in Q3 FY2025, aided by a sharp contraction in the Centre's subsidy disbursement (~-33% in Q4 FY2025 vs. +31.1% in Q3 FY2025, implicitly calculated using FY2025 RE, the second supplementary demand for grants and the provisional data for 9M published by Controller General of Accounts). This implies that the GDP growth is set to witness a faster improvement in Q4 relative to that seen in the GVA growth.

ICRA projects the growth in industrial GVA to improve to 4.8% in Q4 FY2025 (+9.5% in Q4 FY2024) from 4.5% in Q3 FY2025 (+11.8% in Q3 FY2024), led by construction (to +7.5% from +7.0%), electricity (to +5.5% from +5.1%), and mining and quarrying (to +3.5% from +1.4%), amid a flattish performance of manufacturing (at +3.5% each).

In the backdrop of trade-related uncertainty triggered by the US tariffs, India's investment activity showcased a mixed trend in Q4 FY2025. The YoY performance of only six of the 11 investment-related high frequency indicators improved in Q4 over Q3, mostly pertaining to the construction sector, including infrastructure/construction goods' output, cement production, and finished steel consumption. Additionally, state-investor meets in Madhya Pradesh, Kerala, Karnataka, and West Bengal pushed up project announcements to record levels of Rs. 19.2 trillion in Q4 FY2025 (vs. Rs. 16.1 trillion in Q4 FY2024). However, project completions remained lacklustre at Rs. 1.6 trillion in Q4 FY2025, ~59% lower on a YoY basis. If the Centre's capex in Q4 FY2025 met the FY2025 RE - this would imply a healthy YoY growth of ~21% in Q4 FY2025, albeit still lower than the expansion of ~48% seen in Q3 FY2025.

ICRA estimates the YoY growth in the services GVA to rise marginally to 7.5% in Q4 FY2025 from 7.4% in Q3 FY2025. The YoY performance of nine of the 13 high frequency indicators pertaining to the services sector moderated in Q4 FY2025 vis-à-vis Q3 FY2025; these include services exports, outstanding CP volumes, diesel, petrol, and ATF sales, air cargo traffic, telephone subscribers and the non-interest revenue expenditure (in January-February FY2025) of the Government of India (GoI) and 26 state governments (data for Jan-Feb 2025 is not yet available for Bihar and Goa).

While the pace of YoY expansion of services exports slowed to 14.1% in Q4 FY2025 from 17.9% in Q3 FY2025, it continued to print in double digits for the third consecutive quarter. Notably, services exports stood at \$102.0 billion in Q4 FY2025, the highest level seen in the Q4 of any fiscal.

Based on the Second Advance Estimates of rabi output for 2024-25, the GVA growth of agriculture, forestry and fishing is estimated at a healthy ~5.5% in Q4 FY2025 (+0.9% in Q4 FY2024), similar to 5.6% seen in Q3 FY2025 (+1.5% in Q3 FY2024), albeit lower than the NSO's implicit growth estimate of 6.2% for the quarter. Rural sentiments, as reflected in the Current Situation Index (CSI) improved somewhat in January 2025 (98.0) round of the RBI's Rural Consumer Confidence Survey (launched in April 2025), and re-entered positive territory in March 2025 (100.1), likely aided by cash flows from the kharif harvest and favourable trends in rabi sowing and output. Interestingly, the March 2025 round of the RBI's Urban Consumer Confidence Survey, which is conducted in 19 major cities, revealed that urban consumer sentiments improved further, with the CSI rising to 95.5 from 93.7 in January 2025, while remaining in the negative territory.

For further information, please contact:

Media Contacts:

Naznin Prodhani

Group - Head Media & Communications
ICRA Ltd.
Tel: + (91 124) 4545300,
Dir – 4545 860
Email: communications@icraindia.com

Saheb Singh Chadda

Manager - Media & Communications
ICRA Ltd.
Mob: +91- 9833669052
Email: communications@icraindia.com

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