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GDP expands by 6.5% in FY25

According to MOSPI, India's real GDP has risen by 6.5% in FY25 and the nominal GDP has expanded by 9.8% for the same period. On supply side, heavy lifting by agriculture sector at 4.6% pushed the GVA growth to 6.4% in FY25. On the other hand, manufacturing and construction sector has grown at slower pace in FY25 at 4.5% and 9.4% respectively. But, higher growth was noted for public admin at 8.9% from 8.8% in FY24. For quarterly, GDP growth surged to 7.4% in Q4FY25 supported by strong agriculture growth. In FY26, Indian economy is projected to grow by 6.4-6.6% on the back of pick up in consumption spending along with uptick in investment activity. Lower commodity prices, ongoing monetary easing and lower inflation on account of favorable monsoon bodes well for growth. There are global headwinds which will have an adverse impact on global trade amidst the ongoing uncertainty due to evolving tariff issues and geopolitical conflict.

FY25 GDP

India's GDP rose by 6.5% in FY25 at a slower pace against an increase of 9.2% in FY24 partly due to base effect. Nominal GDP for FY25 was up by 9.8% compared with the 12% increase in FY24. On expenditure side, PFCE registered double digit growth of 12% compared with 9.7% growth in FY24. Though, GFCE growth was lower at 6.4% versus 12.6% growth last year. Investment rose at fairly steady pace at 7.9% from 9.2% in FY24. On the bright side, exports growth accelerated to a record 8.3% growth in FY25 from 3.3% growth in FY24 and even imports growth surged to 9.5% after contracting by (-) 1.7% in the previous year.

GVA growth moderates to 6.4% compared with 8.6% increase in FY25. In line with expectation, agriculture growth registered a strong growth of 4.6% against 2.7% growth in FY24 and supported by record foodgrain production. Within industrial sector, growth for mining and manufacturing decelerated down to 2.7% (3.2% in FY24) and 4.5% (12.3%) in FY25. Moreover, electricity and construction growth also expanded at a much slower pace at 5.9% (8.6% in FY24) and 9.4% (10.4% in FY24) in FY25. For services sector, softer growth was registered for both trade, hotels and financial services at 6.1% (7.5% in FY24) and 7.2% (10.3% in FY24) in FY25. However, growth in public admin strengthened with 8.9% in FY25 against 8.8% in the previous year.

Q4FY25 GDP

Indian economy registered a growth of 7.4% (4-quarter high) in Q4FY25 against a growth of 8.4% in Q4FY24. As estimated, agriculture growth shined brightly registering a growth of 5.4% in Q4FY25 against a growth of 0.9% in Q4FY24. This was on account of higher rabi sowing for the same period. Mining growth rose to 3-quarter high at 2.5% compared with 0.8% growth in the same quarter of previous year. In line with expectations, manufacturing growth softened to 4.8% from 11.3% in Q4FY24. The same was also reflected by weaker corporate earnings for certain industries in the same period. Even electricity growth registered some moderation at 5.4% (8.8% in Q4FY24). However, construction sector registered solid growth of 10.8% compared with 8.7% growth in Q4FY24 given the pickup in steel and cement output along with sustained capex. For services, trade, hospitality registered steady growth (6% against 6.2% in Q4FY24) amidst the marriage season and pick up in such sectors on account of Mahakumbh. Financial services sector rose by 7.8% while public admin sector rose at similar levels as last year at 8.7% in FY25.

Outlook for FY26

In FY26, we expect the agriculture growth will continue to grow at robust pace, given the above normal monsoon which augurs well for rural sector and also for inflation outlook. A steady uptick in consumption sector owing to various tax incentives announced in the budget will drive up the domestic demand. Moreover, factors such as lower inflation, easing monetary cycle is expected to provide requisite support to growth in FY26. Based on this, we estimate Indian economy to grow by *6.4-6.6%* in FY26. However, there are risks to these projections given the growing uncertainty due to tariff tantrum which could result in volatility in even financial markets and any geopolitical conflict along with adverse climate vagaries could impinge on growth. The possibility of any bilateral trade agreement between India and US as the negotiations are ongoing could prove fruitful and bodes well for the external sector.

Table 1: For FY25, GDP growth at 6.5%

Sectors (%)	FY24	FY25
Agriculture, forestry and fishing	2.7	***4.6***
Mining and quarrying	3.2	***2.7***
Manufacturing	12.3	***4.5***
Electricity, gas, water supply and other utility services	8.6	***5.9***
Construction	10.4	***9.4***
Trade, hotels, transport, communication & services related to broadcasting	7.5	***6.1***
Financial, real estate & professional services	10.3	***7.2***
Public administration and Defence	8.8	***8.9***
GVA at basic prices	8.6	***6.4***
GDP	9.2	***6.5***

Source: CEIC, Bank of Baroda Research

Table 2: GDP growth accelerates to 7.4% in Q4FY25

Sectors (%)	Q4FY24	Q4FY25
Agriculture, forestry and fishing	0.9	***5.4***
Mining and quarrying	0.8	***2.5***
Manufacturing	11.3	***4.8***
Electricity, gas, water supply and other utility services	8.8	***5.4***
Construction	8.7	***10.8***
Trade, hotels, transport, communication & services related to broadcasting	6.2	***6.0***
Financial, real estate & professional services	9.0	***7.8***
Public administration and Defence	8.7	***8.7***
GVA at basic prices	7.3	***6.8***
GDP	8.4	***7.4***

Source: CEIC, Bank of Baroda Research

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