

GDP growth soars in FY24

Indian economy rose by 8.2% in FY24 after expanding by 7.2% FY23. Higher than anticipated GDP was on the back of strong growth led by industrial (9.5% from 2.1% in FY23). With gradual improvement in global economic outlook, exports are expected to register stronger growth. GVA growth is expected at 7% led by broad based improvement across sectors. Revival in agriculture sector on the back of normal monsoon, political stability and lowering of rates in H2 will provide impetus to growth story. Based on the above, we expect the Indian economy to clock a growth rate of 7.3-7.4% in FY25, with downside risk emanating from geopolitical uncertainties.

India's growth registered some moderation but continues to rise at robust pace of 7.8% in Q4FY24 compared with an increase of 8.6% in Q3FY24. The marginal slowdown was led by moderation in mining and manufacturing sectors which registered a growth of 4.3% (7.5% in Q3) and 8.9% (11.5% in Q3) in Q4FY24 respectively. Margins of the industries were adversely impacted due to poor gains on account of commodity prices. Much slower growth was also registered for electricity and constructions sector at 7.7% (9% in Q3) and 8.7% (9.6% in Q3) in Q4FY24. Growth in trade, transport and hotels eased down to 5.1% in Q4 from 6.9% in Q3FY24. Despite these moderations, two sectors namely financial sector and public admin were the bright spots, as they registered much higher growth in Q4 at 7.6% and 7.8% in Q4FY24. Notably, even agriculture sector registered an improvement with a growth of 0.6% against 0.4% in Q3FY24.

On expenditure side, in nominal terms private consumption spending was down marginally by 9.3% from 9.7% in Q3. Government consumption spending on the other hand accelerated to 4.8% against a growth of 0.8% in Q3. Gross fixed capital formation slipped down to 7.3% in Q4 (11.4% in Q3). Notably in real terms, private consumption expenditure remained steady at 4% in Q4FY24 and government spending has expanded by 0.9% (-3.2% in Q3) in Q4FY24. However, Gross capital formation has registered some moderation with 6.5% growth compared with a growth of 9.7% in Q4FY23. Exports and registered a robust growth of 8.1% (3.4% in Q3), while imports registered some slowdown with growth of 8.3% in Q4FY24 (8.7% in Q3).

Table 1: GDP clocks 7.8% growth in Q4FY24

Sectors (%)	Q3FY23	Q4FY24
Agriculture, forestry and fishing	0.4	0.6
Mining and quarrying	7.5	4.3
Manufacturing	11.5	8.9
Electricity, gas, water supply and other utility services	9.0	7.7
Construction	9.6	8.7
Trade, hotels, transport, communication & services related to broadcasting	6.9	5.1
Financial, real estate & professional services	7.0	7.6
Public administration and Defence	7.5	7.8
GVA at basic prices	6.8	6.3
GDP	8.6	7.8

GVA climbs up in FY24: India's overall GVA growth edged up to 7.2% in FY24 from 6.7% in FY23. The improvement was led by acceleration in industrial sector with mining growth registering sharp increase of 7.1% growth in FY24, supported by base effect. Manufacturing sector too clocked an almost double digit growth of 9.9% in FY24 after contracting by -2.2% in FY23. Even construction sector rose at a similar pace (9.9% from 9.4% in FY23). On the other hand, electricity growth eased down to 7.5% compared with a growth of 9.4% in FY23. Services sector too registered some moderation (7.5% from 10% in FY23). All the sectors, including trade (6.4% from 12%), financial services (8.4% against 9.1% in FY23) and public admin (7.8% from 8.9% in FY23), registered a broad based slowdown in FY24. Furthermore, agriculture growth was much slower this year due to uneven distribution of rainfall, which impacted kharif output, agri growth slipped down to 1.4% from 4.7% in FY24. Real GDP growth has advanced by 8.2% compared with a growth of 7% in FY23. Nominal GDP growth is lower than last year at 9.6% against 14.2% in FY23, but it is higher than the budget estimate.

GDP to clock 7.3-7.4% growth in FY25: GVA growth is expected to moderate by 7.0% in FY25 after registering an increase of 7.2% in FY24. Despite this marginal moderation, the economy is expected to clock robust growth. This is attributable to broad based improvement across sectors. This is supported by the likelihood of a normal monsoon, agriculture sector is expected to rebound. Industrial sector is seen to be grown at a much steady pace, lifted by growth across mining, manufacturing and electricity sector in FY25. Furthermore, supported by spurt in housing demand and construction of roads, the construction sector will continue to register higher growth. Moreover, lowering of rates in the latter half of FY25 would also help the process. Likewise, services sector will continue to grow at a solid pace. Led by strong credit growth, financial services sector will continue to advance.

Table 2: GDP rises to 8.2% in FY24

Sectors (%)	FY23	FY24
Agriculture, forestry and fishing	4.7	1.4
Mining and quarrying	1.9	7.1
Manufacturing	(2.2)	9.9
Electricity, gas, water supply and other utility services	9.4	7.5
Construction	9.4	9.9
Trade, hotels, transport, communication & services related to broadcasting	12.0	6.4
Financial, real estate & professional services	9.1	8.4
Public administration and Defence	8.9	7.8
GVA at basic prices	6.7	7.2
GDP	7.0	8.2

Source: CEIC, Bank of Baroda Research

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