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GDP to grow by 6.6% in Q3FY25

IMF in its global growth outlook stated that it is on divergent path given the elevated policy uncertainty. Since the report, the global markets have been witnessing unprecedented volatility amidst global tariffs wars that are at play. Additionally, ongoing geopolitical tensions, threats of protectionist measures and escalated concerns of geo-economic fragmentation are expected to impinge on global growth. Indian economy remains one of the fastest growing economy, though adverse impact due to global headwinds are already visible due to pressure on currency and a possible impact on external sector. For Q3FY25, economy is expected to grow at a slower pace by 6.6% given subdued growth in manufacturing sector, partly attributable to base effect. On the brighter side, revival in consumption and uptick in government spending bodes well for overall growth in Q4FY25.

Q3FY25 GDP

India's GDP is expected to moderate by 6.6% in Q3FY25 against an increase of 8.6% in Q3FY24. Growth in Q3 continues to remain slower than last year; however it is uneven across sectors with few of them registering better growth than others.

- Agriculture growth is expected at 4.5% in Q3FY25 against a growth of 0.4% in Q3FY24. The improvement is on account of higher growth than was initially anticipated after the first advance estimates for kharif crops noted the total food grain production will be higher this year when compared with last year. Even for the next quarter improvement is expected in the agriculture growth given robust rabi acreage (already surpassed the last year levels and up by 1.5%.
- Industrial sector will register some moderation with 5.9% growth in Q3FY25 compared with a growth of 10.2% in Q3FY24. Mining and manufacturing growth will register a growth of 3% and 6% in Q3FY25 respectively. This is partly attributable to higher base effect and slower growth as reflected in IIP. This deceleration is also on account of moderation noted in corporate earnings particularly for crude oil, steel and auto sector. However, higher profit margins of firms were visible in the corporate performance of certain industries.
- Furthermore, construction sector is also expected to grow at a slower pace on the back of slowdown in affordable housing and lower growth noted in steel sector compared with last year. Sustained thrust on government capex (47.7% in Q3 from 24.4% in Q3FY24) bodes well for this sector.
- For services, despite a festive surge some moderation is evident and as result a tepid growth of 6.9% is expected in Q3 against 7.1% growth in Q3FY24. Lower GST collection in this period is also expected to slow the growth rate. On the other hand, experience economy is expected to boost trade and hospitality sector which is likely to grow at a same pace as last year at 6.9%. Lower growth in both deposit and credit growth relative to last year will bring the financial sector growth lower (6.5% from 7% in Q3FY24).
- Public administration and defence will register strong growth amidst a rebound in revenue expenditure (net of interest payment) clocking double digit growth at 14.1% in Q3FY25 after declining by -19.1% in Q3 last year.

Outlook for FY25

- High frequency indicator for Jan’25 has signalled what is working well for domestic growth and have also pointed towards the pain points.
- Rural demand is likely to be stronger as has been reflected by recovery in tractor and two-wheelers sales.
- Uptick in e-way bill generations in Jan’25 will provide some support to services.
- Manufacturing and PMI continues to scale higher, climbing to a 6-month high and remains in the expansionary zone at 57.7 (56.4 in Dec’24) in Jan’25. GST collections continues to remain on strong footing and stands at around Rs 1.96 lakh crore in Jan’25, higher by 12.3% on a YoY basis against a growth of 7.3% in Dec’24.
- Financial sector remain positive with higher credit and deposit growth.

Nominal GDP growth is expected to remain subdued given the moderation in prices. With capex push, government spending is likely to grow at a healthy pace in the coming quarter.

Table 1: GDP expected to grow by 6.6% in Q3FY25

Sectors (%)	Q3FY24	Q3FY25
Agriculture, forestry and fishing	0.4	***4.5***
Mining and quarrying	7.5	***3***
Manufacturing	11.5	***6***
Electricity, gas, water supply and other utility services	9.0	***5***
Construction	9.6	***6.5***
Trade, hotels, transport, communication & services related to broadcasting	6.9	***6.6***
Financial, real estate & professional services	7.0	***6.5***
Public administration and Defence	7.5	***8.1***
GVA at basic prices	6.8	***6.2***
GDP	8.6	***6.6***

Source: CEIC, Bank of Baroda Research

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