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## **GDP to grow by 6.8-7.0% in Q4FY25**

*Global growth is expected to witness volatility on multiple fronts, ranging from uncertainty on global trade due to the positioning of global tariff, policy divergence across global central banks and escalating geopolitical tensions. These could result in tighter financial conditions and are expected to impact global growth prospects in the near and long term. India's economy continues to be better off than its global counterparts on the back of strong macroeconomic fundamentals. For Q4FY25, the economy is projected to grow at 6.8-7%. Agriculture sector is expected to lift up growth, while subdued growth is expected in industry sector. For the full year our estimate is 6.2-6.4%. Going ahead for FY26, growth will be at a similar level of 6.4-6.6% with brighter prospects supported by monetary easing, lower inflation, sound domestic demand aided by budgetary push and sustained capex spending. However, any geopolitical conflict and global tariff imposition can have an adverse impact on this optimism.*

### **Q4FY25 GDP**

India's GDP is expected to moderate by 6.8-7.0% in Q4FY25 against an increase of 8.4% in Q4FY24. Growth in Q4 though is a higher than Q3, however it is uneven across sectors with few of them registering better growth than others.

- Robust agriculture growth is expected at 7.7% in Q4FY25. This will much higher growth compared with 0.9% growth noted in Q4FY24. This has been on the back of the record foodgrain production as has been noted in the 2<sup>nd</sup> advance estimates which includes estimates for both kharif and rabi crops (excluding summer).
- On the industry side, mining sector is expected to clock 1.5% growth in Q4FY25 against 0.8% growth registered for the same period last year. On the other hand, growth in manufacturing sector is likely to soften down to 1.8% from 11.3% in Q4FY24. This is partially attributable to unfavourable base and also to weaker corporate earnings. Lower profit margins was visible in the corporate performance of industries such as iron and steel, capital goods, textiles, amongst others. The deceleration was noted despite softer commodity prices. Slower growth is also expected in electricity sector at 5.5% compared with 8.8% in Q4FY24.
- On the other hand, construction sector is expected to grow at a solid pace on the back of the improvement in steel and cement output in Q4. Sustained thrust on government capex bodes well for this sector.
- For services, mixed trend has been visible. Marriage season and Mahakumbh is expected to boost not only the hospitality sector, but also sectors such as transport, logistics, food and beverages amongst others. The trade, hotels and transport sector is likely to expand by 6.4% in Q4 from 6.2% in Q4FY24. GST tax collections continues to grow at a steady pace. Financial sector growth (6.6% from 9%) is expected to grow at a slower pace amidst lower credit growth in the same period.
- Public administration and defence will register some acceleration amidst uptick in net revenue expenditure (excl interest payment).

## **Outlook for FY26**

Rural demand in FY26 is likely to continue the upward momentum given the expectation of favourable monsoon. Neutral ENSO conditions are expected to prevail in the coming months (NOAA) which bodes well for agriculture growth. Consumption is also expected to pick up pace, this will be supported by the higher disposable income amidst new tax incentives. Furthermore, continuity of easing cycle given lower inflation will provide cushion to growth. Lower commodity prices are expected to offer further support. Based on the above, we expect Indian economy to clock 6.4-6.6% growth in FY26. However, there are downside risks to these projections especially for external sector, emerging from the global stage, given the evolving global tariff challenge. Although, any possible bilateral trade between US and India will be positive. Additionally, any adverse geopolitical conflict or extreme weather condition is likely to act as growth hindrance.

**Table 1: GDP expected to grow by 6.8-7.0% in Q4FY25**

Sectors (%)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Agriculture, forestry and fishing	0.9	1.7	4.1	5.6	<b>7.7</b>
Mining and quarrying	0.8	6.8	-0.3	1.4	<b>1.5</b>
Manufacturing	11.3	7.5	2.1	3.5	<b>1.8</b>
Electricity, gas, water supply and other utility services	8.8	10.2	3.0	5.1	<b>5.5</b>
Construction	8.7	10.1	8.7	7.0	<b>8.8</b>
Trade, hotels, transport, communication & services related to broadcasting	6.2	5.4	6.1	6.7	<b>6.4</b>
Financial, real estate & professional services	9.0	6.6	7.2	7.2	<b>6.6</b>
Public administration and Defence	8.7	9.0	8.8	8.8	<b>9.4</b>
GVA at basic prices	7.3	6.5	5.8	6.2	<b>6.0-6.3</b>
GDP	8.4	6.1	2.9	5.4	<b>6.8-7.0</b>

Source: CEIC, Bank of Baroda Research

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