

The end of downgrades to forecasts? Past GDP and growth upgraded

Q3 GDP growth at 6.2%YoY was in line, but base year growth and GDP levels were upgraded meaningfully. FY24 growth was revised to 9.2% YoY (~10% in 1-3Q). Nominal GDP for FY25 is now 2.2% higher, lowering central debt to GDP to 55% vs. 57% earlier. Investment-to-GDP ratio fell in nominal terms but was flat in real terms (low WPI, high CPI). Construction should stay strong. Reported growth in private consumption may mostly be in services. With fiscal momentum improving and monetary easing underway, we now expect downward revisions to GDP to halt and maintain FY26 growth at 7%.

February 28, 2025

GDP growth

Exhibit 1 - FY25 GDP growth SAE at 6.5%, implied 4Q est. at 7.6%YoY

	Share of GVA	Real Growth (YoY%)				
		FY23	FY24	FY25*	Q3 FY24	Q3 FY25
Agriculture	14%	6.3%	2.7%	4.6%	1.5%	5.6%
Industry	31%	2.5%	10.8%	5.6%	11.8%	4.5%
Manufacturing	17%	-1.7%	12.3%	4.3%	14.0%	3.5%
Construction	9%	9.1%	10.4%	8.6%	10.0%	7.0%
Services	55%	10.3%	9.0%	7.3%	8.3%	7.4%
Financial services etc	24%	9.1%	12.0%	7.2%	8.4%	7.2%
GVA at basic prices		7.2%	8.6%	6.4%	8.0%	6.2%
GDP at market prices		7.6%	9.2%	6.5%	9.5%	6.2%
	Share of GDP	Real Growth (YoY%)				
		FY23	FY24	FY25*	Q3 FY24	Q3 FY25
Private consumption	57%	7.5%	5.6%	7.6%	5.5%	7.7%
Gov. consumption	9%	4.3%	8.1%	3.8%	-0.1%	-0.5%
Gross capital formation	37%	7.6%	10.5%	5.8%	7.5%	6.4%
GFCF	33%	8.4%	8.8%	6.1%	8.5%	6.7%

Source: MOSPI, Axis Bank Research

3Q GDP growth as expected; upward revisions to past GDP to help ratios

In 3QFY25, India's GDP grew 6.2%, in line with expectations. The 40bp improvement in GVA growth vs. the upward-revised 2Q FY25 was mainly due to services (Fig 6) and industry (Fig 7) doing better. While construction growth moderated, it remains strong and is likely to stay so. Conversely, manufacturing growth remains weak despite the rebound vs. Q2. Strong growth in the farm sector in 3Q (5.6% YoY) explains the recent weakness in food prices. CSO also revised up FY23-25 GDP levels by 1.5-2pp: this helps with debt and deficit ratios. After the revisions, FY24 growth is at 9.2% YoY, with 1-3Q nearly 10% YoY (Fig 2).

Investment ratio flat in real, down in nominal terms; Pvt consumption faster

On the expenditure side, the investment (GFCF) to GDP ratio fell in nominal terms but was flattish in real terms (Fig 8). It could improve in 4Q due to a recovery in government capex. Pricing of investment goods (mostly WPI) is growing well below that of consumption goods. Private consumption (Fig 1, 5) though was the primary driver of growth even in real terms. Whereas goods demand has not picked up, as reported by listed firms, services may be driving the growth in overall consumption. We expect consumption to grow slower than GDP for the next few years by ~1pp/year ([report link](#)).

Upgrade to FY25 GDP growth of 6.5% implies 7.6% in 4Q; appears unlikely

On the higher FY24 base, CSO upgraded FY25 growth to 6.5% vs. 6.4% earlier, implying 7.6% growth in 4Q. This appears optimistic: while signs of stabilization are now visible, in our view a meaningful acceleration in credit growth and thence economic momentum is several months away. That said, while [liquidity is currently a binding constraint](#), the RBI has shown intent to address it. Combined with a lower CRR ([link](#)) and the reduction in risk weights ([link](#)), lending growth should rise, supporting our FY26 GDP growth estimate of 7% (this was conditional on macro-prudential and monetary easing, which have now started).

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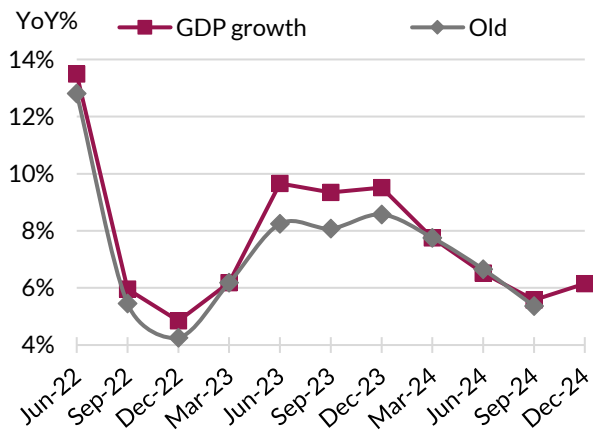
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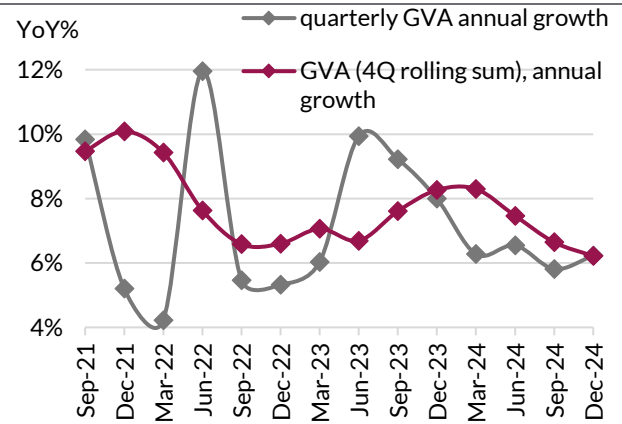
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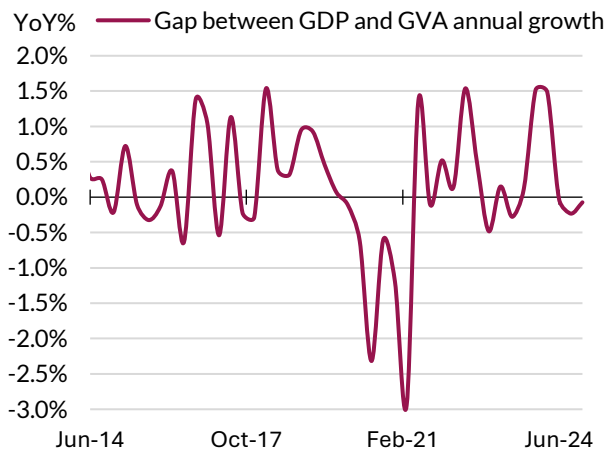
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Exhibit 2 - Quarterly (qtr.) GDP improved to 6.2% YoY...


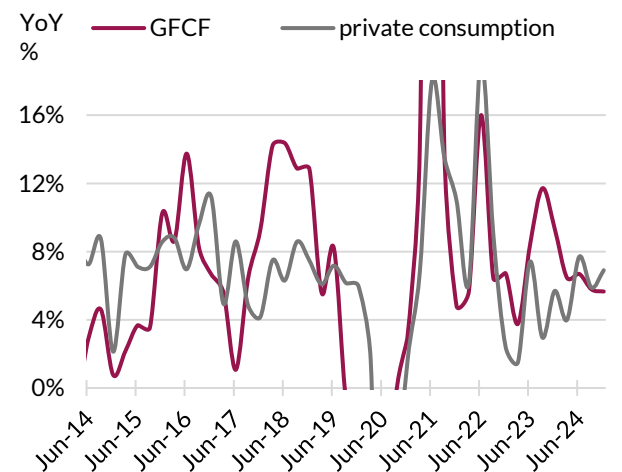
Source: MOSPI, Axis Bank Research

Exhibit 3 - ...with qtr. GVA growth also at 6.2%


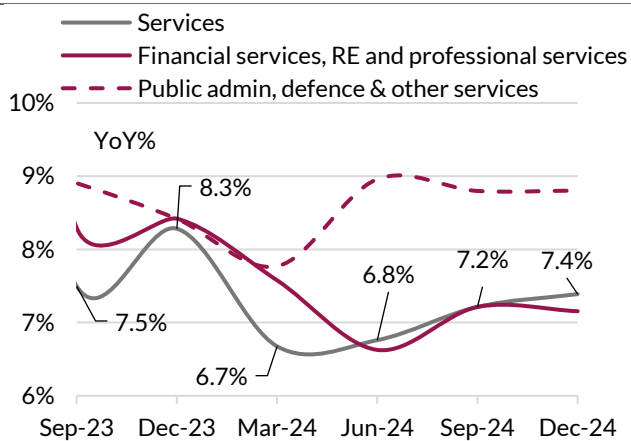
Source: MOSPI, Axis Bank Research

Exhibit 4 - ...driving the gap between GDP & GVA to zero


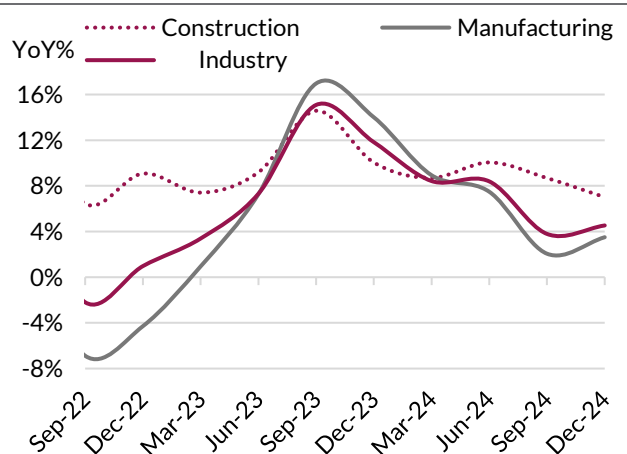
Source: MOSPI, Axis Bank Research

Exhibit 5 - Pvt. consumption/investment grew at 6.2%/5.7%


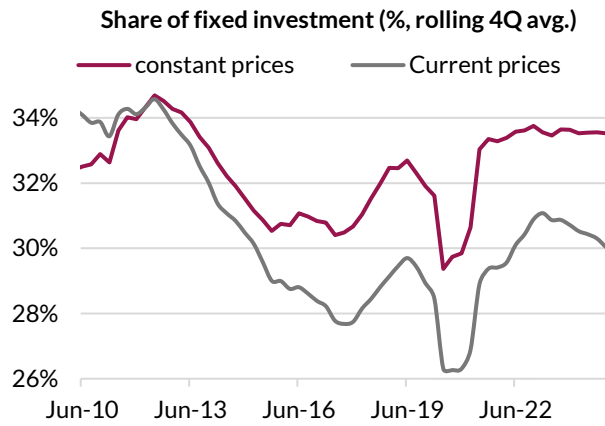
Source: MOSPI, Axis Bank Research

Exhibit 6 - Services GVA growth continues to inch up


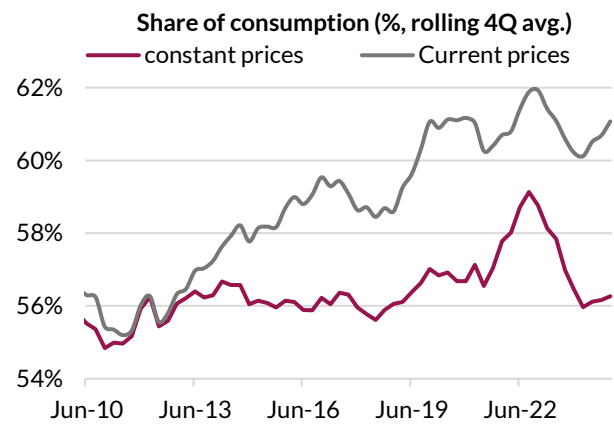
Source: MOSPI, Axis Bank Research

Exhibit 7 - Industry GVA grew 4.5% YoY led by construction growth (7% YoY); manufacturing growth weak


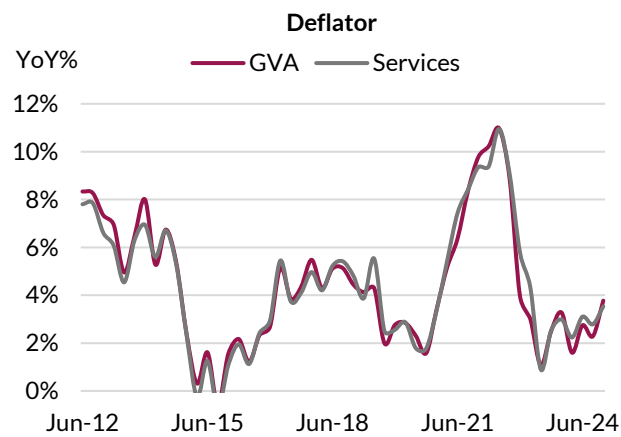
Source: MOSPI, Axis Bank Research

Exhibit 8 - Investments as % of GDP fell in nominal terms, but not in real terms..


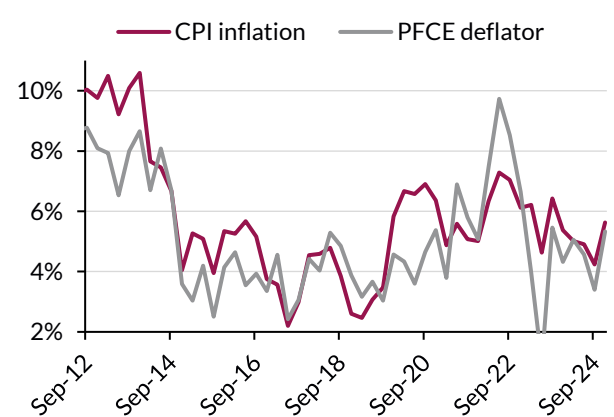
Source: MOSPI, Axis Bank Research

Exhibit 9 - ... consumption as a share of GDP is rising, but appears to be mostly due to pricing


Source: MOSPI, Axis Bank Research

Exhibit 10 - GVA deflator growing at 3.8% YoY


Source: MOSPI, Axis Bank Research

Exhibit 11 - Consumers faced high inflation in 3Q


Source: MOSPI, Axis Bank Research

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