

## Q1 GDP GROWTH AT 6.7%: FY25 GDP GROWTH OF 7% WOULD BE NEW NORMAL

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India's economy expanded by 6.7% in the first quarter of current fiscal. The economy grew by more than 7% in the preceding four quarters and Q1 performance is below that due to low growth in both agriculture and services sectors. While agriculture grew by merely 2.0%, services sectors grew by 7.2%. The nominal GDP, however, grew by 9.7% in Q1 FY25 higher than the 8.5% growth witnessed in Q1 FY24. Though the growth for Q1 has reduced to 6.7% yoy but it is still higher than the average decadal growth of 6.4% in Q1.

The GVA grew by 6.8% and the gap between GDP and GVA shrank to merely 19 bps in Q1 FY25 as compared to average gap of 122 bps in preceding three quarters. We believe that this GDP-GVA gap will likely converge in FY25 as against 93 bps gap in FY24.

In q-o-q terms, real GDP always contracts in Q1. The seasonally adjusted GDP growth is always higher than the non-seasonally adjusted GDP growth for Q1, indicating the first quarter growth is better than what the non-seasonally adjusted figure shows and has a higher seasonal component.

The expenditure side or the general demand shows largely positive picture with all heads except valuables showing positive growth in Q1FY25. The private consumption grew by robust 12.4% in current prices. The investments also register a health growth of 9.1% in current prices. But investment rate was flat at 31%. The government expenditure registered a growth of 4.1% which was slower but bearing in mind that Q1 was also the period marked by general elections.

The ongoing monsoon season, after a lacklustre performance in June has witnessed consistent heavy rains over the past two months. The Jul-Aug 2024 period is going to be one of the wettest Jul-Aug period the country has experienced in the last 30 years. Rainfall recorded during Jul-Aug 2024 currently stands at 595 mm which is approximately 12.5% above the LPA. However, the flip side is that monsoon has been unusually heavy in southern and central India (17-18% more than the normal) but deficient in the east and north east (-12%) and just at par in north-west India (3%). The normal monsoon bodes well for kharif crop sowing and soil moisture retention in the coming months. This will subsequently impact the food CPI on downward side.

Bank credit growth appears to be moderating after staying strong in recent years. Going forward, we expect credit growth may grow in the range of 12-13% and deposits will grow 10-11% in FY25.

**RBI projected GDP growth for FY25 at 7.2% based on Q1 growth at 7.1%. Now with 6.7% growth in Q1, the new annual projection would be 7.1%. We believe that GDP growth for FY25 will be a tad lower than the RBI's estimate and 7.0% growth looks more reasonable.**

### GDP GREW BY 6.7% IN Q1 FY25

- ◆ India's economy grew by 6.7% in Q1 FY25 as compared to 8.2% growth recorded in Q1 FY24. The less than expected growth is primarily due to subdued growth in both agriculture and services sectors. The GVA grew by 6.8%. Nominal GDP grew by 9.7% in Q1 FY25 higher than the 8.5% growth in Q1 FY24.
- ◆ Agriculture sector hit hard in the Q1 and grew by merely 2.0%. Industry grew by 8.3% in Q1 due to double digits growth in 'Electricity, gas, water supply & other utility services' (10.4%) and construction (10.5%).
- ◆ Services sector grew by 7.2% due to low growth of 7.1% in 'Financial, real estate & professional service' sector' and only 5.7% growth in 'trade, hotels, transport, communication, etc.' sector.
- ◆ Core GVA registered a growth of 7.3% yoy in Q1 FY25 compared to 9.1% yoy in Q1 FY24.

GVA at Basic Price by Economic Activity (%)					
Sectors	FY24				FY25
	Q1	Q2	Q3	Q4	Q1
Agriculture	3.7	1.7	0.4	0.6	2.0
Industry	6.0	13.6	10.5	8.4	8.3
Mining & quarrying	7.0	11.1	7.5	4.3	7.2
Manufacturing	5.0	14.3	11.5	8.9	7.0
Electricity, gas, water supply & other utility services	3.2	10.5	9.0	7.7	10.4
Construction	8.6	13.6	9.6	8.7	10.5
Services	10.7	6.0	7.1	6.7	7.2
Trade, hotels, transport, communication & services related to broadcasting	9.7	4.5	6.9	5.1	5.7
Financial, real estate & professional service	12.6	6.2	7.0	7.6	7.1
Public administration, defence and Other Services	8.3	7.7	7.5	7.8	9.5
Total GVA at Basic Price	8.3	7.7	6.8	6.3	6.8
<b>GDP</b>	<b>8.2</b>	<b>8.1</b>	<b>8.6</b>	<b>7.8</b>	<b>6.7</b>

Source: NSO, SBI Research

- With GVA growth at 6.8%, the gap between GDP and GVA shrink to merely 19 bps in Q1 as compared to average gap of 122 bps in preceding three quarters. We believe that this GDP-GVA gap will likely converge in FY25 (will be around 20-30 bps) as against 93 bps gap experienced in FY24.

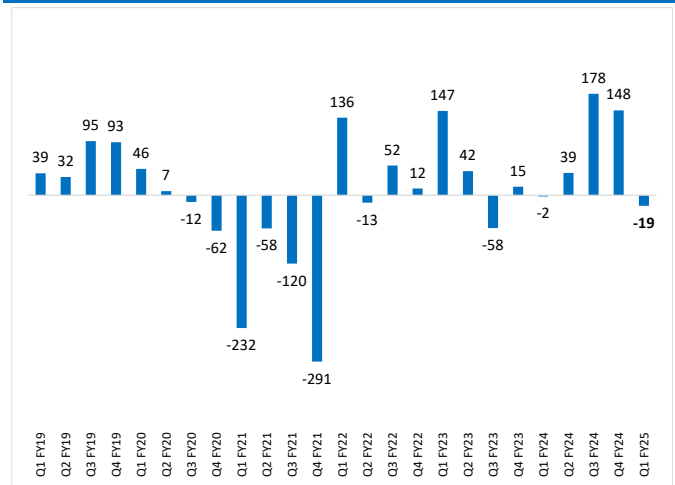
**SEASONALLY ADJUSTED SERIES**

- In q-o-q terms, real GDP always contracts in Q1. The average contraction in Q1 since FY13 comes to -7.4%.
- We compared the seasonally adjusted series with unadjusted of real GDP q-o-q growth since FY13. The result shows that the seasonally adjusted GDP growth is higher than the non-seasonally adjusted GDP growth for Q1 for most of the financial year, indicating the first quarter growth is better than what the non-seasonally adjusted figure shows and has a higher seasonal component.

**EXPENDITURE SIDE GDP**

- The expenditure side or the general demand shows largely positive picture with all heads except valuables showing positive growth in Q1FY25.
- The private consumption grew by robust 12.4% in current prices. The investments also register a health growth of 9.1% in current prices. But investment rate was flat at 31%. The government expenditure registered a growth of 4.1% which was slower but bearing in mind that Q1 was also the period marked by general elections.
- In constant prices, the expenditure heads show some traction in private demand and capital formation. However, the sharpest contraction was seen in valuables which registered a degrowth of 11.4%. Exports registered a growth 8.4% while imports slowed considerably both sequentially and y-o-y basis on account of slowdown in oil demand in Q1 and decline in imports of valuables such as gold.
- The expenditure side trends were impacted by high discrepancy component in Q1. In any case, demand side shows some revival in the private component and in investments. The ongoing public expenditure focus on capital formation will keep the demand side going for rest of the year.

**Gap between GDP and GVA (in bps)**



Source: SBI Research

**GDP growth qoq (%)**

Quarter	Real GDP	Real GDP sa
Q1FY13	-6.8%	-1.1%
Q1FY14	-4.9%	0.6%
Q1FY15	-2.4%	2.6%
Q1FY16	-2.0%	2.6%
Q1FY17	-2.4%	2.3%
Q1FY18	-2.5%	2.5%
Q1FY19	-3.8%	2.5%
Q1FY20	-4.4%	4.0%
Q1FY21	-28.6%	-20.5%
Q1FY22	-15.2%	-4.4%
Q1FY23	-8.4%	2.7%
Q1 FY24	-6.7%	3.9%
Q1 FY25	-7.6%	2.2%

Source: MOSPI, SBI Research

**GDP by Expenditure Side at constant price(YoY %)**

Levels	FY24				FY25
	Q1	Q2	Q3	Q4	Q1
Total final consumption expenditure	4.6	4.1	3.1	3.4	6.3
Private final consumption expenditure	5.5	2.6	4.0	4.0	7.4
Government final consumption expenditure	-0.1	14.0	-3.2	0.9	-0.2
Gross fixed capital formation	8.5	11.6	9.7	6.5	7.5
Change in Stocks	1.2	10.2	7.5	5.0	5.6
Valuables	-21.0	-0.9	63.9	72.8	-11.4
Exports	-6.6	5.0	3.4	8.1	8.7
Less Imports	15.2	11.6	8.7	8.3	4.4
Discrepancies	181.0	118.0	113.3	73	-22.2
<b>GDP At Market Price</b>	<b>8.2</b>	<b>8.1</b>	<b>8.6</b>	<b>7.8</b>	<b>6.7</b>

Source: NSO,SBI Research

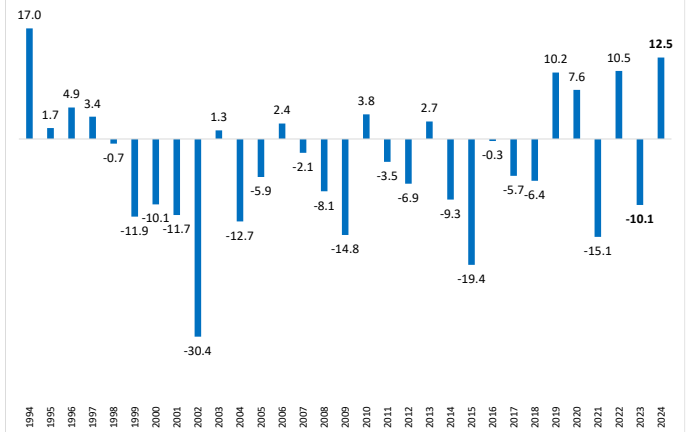
**MONSOON 2024: PROGRESS SO FAR**

- ◆ The ongoing monsoon season, after a lacklustre performance in June has witnessed consistent heavy rains over the past two months. The Jul-Aug 2024 period is one of the wettest Jul-Aug period the country has experienced in the last 30 years. Rainfall recorded during Jul-Aug 2024 currently stands at 595 mm which is approximately 12.5% above the LPA. Previously in 1994, the Jul-Aug rainfall was 17% higher than the normal.
- ◆ However, the flip side is that monsoon has been unusually heavy in southern and central India (17-18% more than the normal) but deficient in the east and north east (-12%) and just at par in north-west India (3%).
- ◆ The normal monsoon (7% departure from normal till now) bodes well for kharif crop sowing and soil moisture retention in the coming months. This will subsequently impact the food CPI on downward side.
- ◆ The La Niña conditions, originally expected to emerge in August may now arrive by November.

**ASCB SLOWING CREDIT GROWTH, TIGHT LIQUIDITY, MAY SQUEEZE MARGINS**

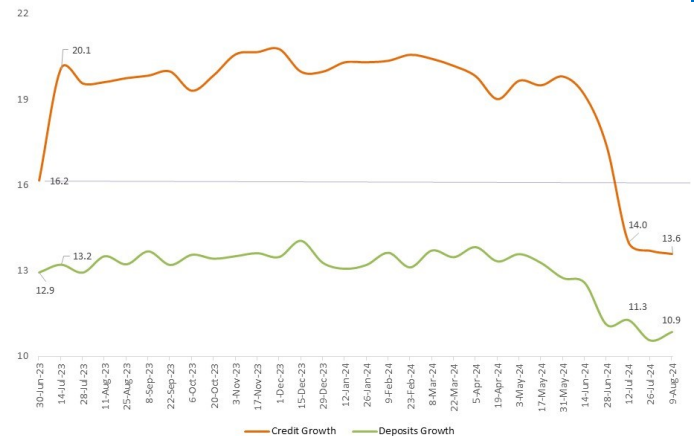
- ◆ For the week ended 09 Aug 2024, SCBs credit grew by 13.6% (last year 19.6%) and deposits grew by 10.9% (last year 13.5%). While on YTD basis, deposits grew by 4.2% or Rs 8.5 lakh crore (last year 6.6% or Rs 11.9 lakh crore) and credit grew by 2.7% YTD or Rs 4.4 lakh crore (last year 8.7% or Rs 11.8 lakh crore).
- ◆ Bank credit growth in India appears to be moderating after staying strong in recent years, which may due to many reasons RBI's move to curb the growth of unsecured lending, slowing GDP growth etc.
- ◆ On 01 July 2023, HDFC merged with HDFC Bank and the data since July 14, 2023, include the merged data. So, in the fortnight ended 14 July 2023, credit growth jumped to 20.1% from 16.2% in the previous fortnight ended 30 June 2023. Now, the base impact has been normalised from the fortnight 12 July 2024, which saw a sudden decline in credit growth to 14.0%.
- ◆ The sector-wise credit growth for July 2024 indicates a slowdown in credit to Services and personal loans.
- ◆ Credit growth to agriculture and allied activities remained robust at 18.1% (last year 16.7%), Industry by 10.1% (5.2%), services moderated substantially to 14.0% (23.4%) and Personal loans growth reduced to 13.7% (19.5%).

**Monsoon (% deviation from Normal rainfall in Jul-Aug)**



Source: SBI Research

**ASCBs Aggregate Deposits & Credit Growth (YoY %)**



Source: SBI Research

**ASCBs Sector-Wise Credit Flow (Rs bn): July 2024**

Sectors	(Apr-Jul'23) FY24		(Apr-Jul'24) FY25		YoY %	
	YTD		YTD		FY24 (Jul)	FY25 (Jul)
	Rs bn	%	Rs bn	%		
<b>Agri. &amp; Allied</b>	<b>996</b>	<b>5.8</b>	<b>847</b>	<b>4.1</b>	<b>16.7</b>	<b>18.1</b>
<b>Industry</b>	<b>139</b>	<b>0.4</b>	<b>686</b>	<b>1.9</b>	<b>5.2</b>	<b>10.1</b>
MSE (Priority)	1051	6.4	244	1.2	16.8	14.3
Infrastructure	300	2.5	-31	-0.2	1.4	3.8
<b>Services</b>	<b>3213</b>	<b>8.6</b>	<b>123</b>	<b>0.3</b>	<b>23.4</b>	<b>14.0</b>
NBFCs	136	1.0	-191	-1.2	19.9	12.7
<b>Personal Loans</b>	<b>6508</b>	<b>15.6</b>	<b>1956</b>	<b>3.7</b>	<b>31.2</b>	<b>14.4</b>
Housing (Including Priority)	4998	25.1	914	3.4	37.0	12.8
Other Personal Loans	982	8.6	286	2.1	28.1	13.6
<b>Gross Bank Credit</b>	<b>11119</b>	<b>8.1</b>	<b>3801</b>	<b>2.3</b>	<b>19.5</b>	<b>13.7</b>

Source: RBI, SBI Research

- ◆ The monthly deposits and lending rates data indicate an upward rise in interest rates. The weighted average lending rate (WALR) on fresh rupee loans of SCBs increased by 8 bps to 9.40% and the weighted average domestic term deposit rate (WADTDR) on fresh rupee term deposits of SCBs increased by 2 bps to 6.48% in July from June.
- ◆ Going forward, we expect credit growth may grow in the range of 12-13% and deposits will grow 10-11% in FY25. The demand for credit may increase in the upcoming festive seasons.

#### CORPORATE RESULT Q1FY25

- ◆ Around 4000 Corporate in listed space reported both revenue and profit after tax (PAT) growth of around 9% in Q1FY25 as compared to Q1FY24, while EBIDTA grew by around 12%.
- ◆ However, Corporate ex BFSI represented by more than 3500 listed entities reported revenue and PAT growth of 6% and 3% respectively, in Q1FY25 as compared to Q1FY24. **Ex-BFSI, corporates reported negative EBIDTA growth of around 1% in Q1FY25 as compared to Q1FY24.**
- ◆ Sectors such as Banks, Automobiles, Aerospace and Defense, Capital Goods, Electronics, Non-Ferro Metals, Pharmaceuticals, Retail etc. reported better all-round growth in key financial parameters in the first quarter of current fiscal.

Corporate Results Key Parameters							
Qtr.	Rs in crore			EBIDTA Margin %	Growth % (YoY)		
	Net Sales	EBIDTA	PAT		Net Sales	EBIDTA	PAT
Q2FY22	1632594	269390	175014	16.50%	38	35	56
Q3FY22	1808870	275784	162656	15.25%	32	18	28
Q4FY22	2046203	292821	199703	14.31%	26	7	15
Q1FY23	2199295	277100	151011	12.60%	51	7	11
Q2FY23	2180132	234263	136543	10.75%	28	-14	-23
Q3FY23	2177015	266074	145126	12.22%	15	-9	-16
Q4FY23	2229585	291331	193157	13.07%	9	-1	-3
Q1FY24	2151039	340062	200978	15.81%	-2	23	33
Q2FY24	2172655	329989	193940	15.19%	-0.3	41	42
Q3FY24	2247976	336131	206027	14.95%	3.3	26	42
Q4FY24	2385547	339853	203521	14.25%	5.2	14	3
Q1FY25	2298623	344305	211099	14.97%	5.7	-1	3

Source: SBI Research; Cline; around 3000 listed entities ex BFSI

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