

NSO ESTIMATES GDP GROWTH AT 6.4% IN FY25...SLOWDOWN IN MANUFACTURING AND CREDIT, WITH A HIGH BASE EFFECT DENTS THE EXPECTATIONS

The 1st advance estimate (AE) of GDP for FY25 indicates GDP growth at 6.4% as compared to 8.2% in FY24. The GVA growth is also estimated at 6.4%. Nominal GDP growth is estimated to remain flattish, increasing by 9.7% in FY25 (9.6% in FY24). Historically, the difference between RBI's estimate and NSO's estimate is always in the range of 20-30 bps and hence the 6.4% estimate of FY25 is along expected and reasonable lines. We, however, believe that GDP growth for FY25 could be around 6.3%, with downward bias.

Interestingly, per capita nominal GDP is expected to increase significantly in FY25, by Rs 35,000 more than FY23, despite a slowdown in real GDP growth and nominal GDP growth remaining almost stagnant.

Buoyed by robust policy measures and overlapping phy-gital public infra creation, in lockstep with formalisation of finance, Agri. and Allied Activities are likely to grow by 3.8% in FY25 (1.4% previous year). A note of concern is, though the marked slowdown is evident in all subsegments of Industry, it is expected to grow by 6.2% in FY25 (9.5% growth in FY24). Both Manufacturing and Mining are expected to decelerate in FY25 as compared to FY24.

Service sector, on the other hand, is likely to grow by 7.2% in FY25, compared to a growth of 7.6% in FY24, with lower growth in 'Trade, hotels, transport, communication & broadcasting' and 'Financial, Insurance, real estate & professional Services' chiefly pulling the house down as they are expected to grow by 5.8% (last FY: 6.4%) and 7.3% (last FY: 8.4%) respectively this year. Public Administration sub segment is expected to increase by 9.1% (7.8%).

The heads that have positively contributed include the government consumption with a growth of 8.5% in nominal terms (4.1% in real terms) while Exports have also held the forte with positive growth of 8% (5.9% in real terms) though slowdown in gross capital formation is little troubling and needs remedial measures. The nominal capital formation growth declined by 270 bps to 7.2% (6.4% in real terms). The imports have registered a positive growth in nominal terms but registered a negative growth of 1.3% in real terms. The private consumption registered the highest growth of 7.3% in real terms and its per capita equivalent registered a growth of 6.3%.

Monthly data from CGA indicates that overall expenditure has already reached 56.9% of the BE till Nov'24, with revenue expenditure at 60.1% of BE and capital expenditure at 46.2% of BE, with both centre and states capital expenditure remaining lower than the last 4 year's average expenditure as analysis of major states (H1 FY25) prima facie shows that out of 17 major states only five states exhibited increase in expenditure (against H1 FY24), slackening high GDP growth.

ASCBs incremental credit slowed to Rs 11.5 lakh crore (YTD 7.0%) compared to last year's growth of Rs 21.0 lakh crore (YTD 15.4%). Empirical evidence does suggest slowdown in credit will push a slowdown in GDP.

NSO ESTIMATED GDP TO GROW BY 6.4% IN FY25

- ◆ The 1st advance estimate (AE) of GDP for FY25 indicates GDP growth at 6.4% as compared to 8.2% in FY24. The GVA growth also estimate is 6.4%. Nominal GDP growth is estimated to increase by 9.7% in FY25 vis-à-vis 9.6% in FY24.
- ◆ Historically, the difference between RBI's estimate and NSO's estimate is always in the range of 20-30 bps and hence the 6.4% estimate of FY25 is quite expected and reasonable. We, however, believe that GDP growth for FY25 would be around 6.3% with downward bias.

Particulars	FY25			FY24 (PE)	FY23 (1RE)
	FY25 (1AE)	H1	H2*		
1. Agriculture, forestry & fishing	3.8	2.7	4.5	1.4	4.7
2. Industry	6.2	6.0	6.5	9.5	2.1
2.1 Mining & quarrying	2.9	3.9	2.0	7.1	1.9
2.2 Manufacturing	5.3	4.5	6.1	9.9	-2.2
2.3 Electricity, gas, water supply & other utility services	6.8	6.8	6.9	7.5	9.4
2.4 Construction	8.6	9.1	8.1	9.9	9.4
3. Services	7.2	7.1	7.3	7.6	10.0
3.1. Trade, hotels, transport, communication & services related to broadcasting	5.8	5.9	5.8	6.4	12.0
3.2. Financing, insurance, real estate & bus. Services	7.3	6.9	7.7	8.4	9.1
3.3. Public administration, defence and Other Services	9.1	9.3	8.9	7.8	8.9
Total GVA at Basic Prices	6.4	6.2	6.6	7.2	6.7
GDP	6.4	6.0	6.7	8.2	7.0

Source: NSO, SBI Research; *SBI calculation based on AE

- ◆ While the real GDP growth decelerated sharply and nominal GDP growth is almost stagnant, the per capita nominal GDP is expected to increase significantly. Compared to FY23, the NSO estimate of per capita GDP in FY25 is almost Rs 35,000 more.
- ◆ Agri. and Allied Activities are likely to grow by 3.8% in FY25 as against previous year's growth of 1.4%.
- ◆ All subsegments of Industry are expected to decelerate in FY25, due to which Industry is expected to grow by 6.2% in FY25 as compared to expansion of 9.5% growth in FY24. Both Manufacturing and Mining is expected to decelerate sharply in FY25 as compared to FY24.
- ◆ Service sector is likely to grow by 7.2% in FY25, compared to a growth of 7.6% in FY24. The deceleration expected in services growth is primarily due to the lower growth in the sector 'Trade, hotels, transport, communication & broadcasting', which is expected to increase by merely 5.8% (last FY: 6.4%) and 'Financial, Insurance, real estate & professional Services' which is expected to grow by 7.3% in FY25 (last FY: 8.4%). Only Public Administration sub segment is expected to increase by 9.1%, compared to last year's growth of 7.8%.

GENERAL DEMAND AND EXPENDITURES

- ◆ The FAE of the GDP in general shows a slowdown in aggregate demand in FY25. The heads that have positively contributed include the government consumption with a growth of 8.5% in nominal terms (4.1% in real terms). Exports have also held the forte with positive growth of 8% (5.9% in real terms).
- ◆ The worrying aspect of the demand is marked slowdown in gross capital formation. The capital formation nominal growth declined by 270 bps to 7.2% (6.4% in real terms). The valuables have also slowed markedly. The imports have registered a positive growth in nominal terms but registered a negative growth of 1.3% in real terms mirroring the slowdown in capital formation.
- ◆ The private consumption registered the highest growth of 7.3% in real terms. Its per capita equivalent registered a growth 6.3%. However, the per capita PFCE growth is higher than per capita GDP growth at 5.3%. At the face of it, if this is true then private consumption has been financed by net draw down in savings in FY25.

GDP Estimates RBI Vs CSO			
Year	RBI (Final projectoin)	CSO (1AE)	Difference
FY17	7.1	7.1	0
FY18	6.7	6.5	-0.20
FY19	7.4	7.2	-0.20
FY20	5.0	5.0	0.00
FY21	-7.5	-7.7	-0.20
FY22	9.5	9.2	-0.30
FY23	6.8	7.0	0.20
FY24	7.0	7.3	0.30
FY25	6.6	6.4	-0.20
Source: SBI Research			

Expenditure Growth Rates (YoY%) at Constant Prices					
Particulars	FY25			FY24 (PE)	FY23 (1RE)
	FY25 (1AE)	H1	H2*		
Total final consumption expenditure	6.8	6.0	7.6	3.8	6.8
Private final consumption expenditure	7.3	6.7	7.8	4.0	7.3
Government final consumption expenditure	4.1	2.0	6.1	2.5	4.1
Gross fixed capital formation	6.4	6.4	6.4	9.0	6.4
Change in Stocks	4.5	3.4	5.6	5.9	4.5
Valuables	1.1	9.1	-6.7	21.2	1.1
Exports	5.9	5.6	6.2	2.6	5.9
Less Imports	-1.3	0.7	-3.5	10.9	-1.3
Discrepancies	-1.2	0.4	-2.6	0.7	-3.4
GDP	6.4	6.0	6.7	8.2	6.4
Source: NSO, SBI Research; *SBI calculation based on AE, Discrepancies as given as % share in GDP					

- ◆ However, if we assume this not the case, then after correcting for base effect PFCE registers a growth of 4%. Thus, overall picture is that demand remains weak and sequential slowdown in FY25 at 6.4% is an outer limit while the actual growth is definitely below the estimated figure.

GOVERNMENT EXPENDITURE & FISCAL SITUATION

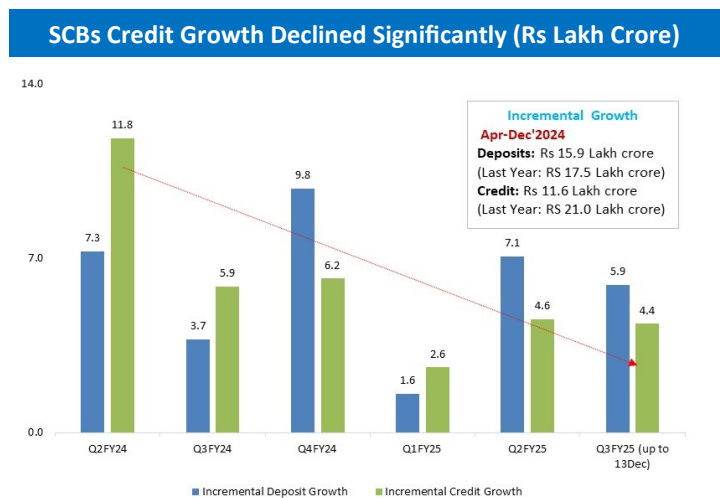
- ◆ Monthly data from CGA indicates that overall expenditure has already reached 56.9% of the BE till Nov'24, with revenue expenditure at 60.1% of BE and capital expenditure at 46.2% of BE. The situation of both centre and states capital expenditure is very serious and much lower than the last 4 year's average expenditure. Our analysis of capital expenditure of states for H1 FY25 indicate that out of 17 major states only five states exhibited increase in expenditure in H1 FY25 as compared to H1 FY24. This is one of the reasons of low growth in GDP.
- ◆ Meanwhile, net tax revenue at Rs 14.4 lakh crore was 55.9% of BE 2024-25 (61.6% last year). Non-tax revenue was at Rs 4.2 lakh crore or 78.3% of BE (94.3% in last year). Total receipts came at Rs 18.9 lakh crore or 59.1% of BE (last year 64.3%).
- ◆ Fiscal deficit at the end of Nov'24 stood at Rs 8.5 lakh crore or 52.5% of BE. However, taking into account the revised GDP figures of today, if tax receipts grew by the BE, Government expenditure lowered due to low CAPEX then FD will be 4.9% of the GDP in FY25. While, if Government sticks to the FD of RS 16.1 lakh crore, then with the revised GDP numbers, FD as % GDP would be at 5.0% in FY25.

CREDIT GROWTH MODERATED SIGNIFICANTLY; MAY HAVE PUSHED GDP LOWER

- ◆ In the credit market, NBFCs, including MFIs, have drawn regulatory attention on account of exorbitant interest rates charged to their customers. Additionally, many banks are experiencing stress in small ticket advances, credit cards and personal loans. More generally, banks have circumspectly reined in lending to retail and services.
- ◆ As per the latest data, during the current year so far (till 13 Dec 2024), ASCBs incremental credit slowed to Rs 11.5 lakh crore (YTD 7.0%) compared to last year growth Rs 21.0 lakh crore (YTD 15.4%). The sector-wise incremental credit growth for November 2024, indicate that credit growth has slowed down across the sectors.
- ◆ As empirical evidences suggests, Credit causes GDP, so the slowdown in credit will GDP push lower.

Fiscal Arithmetic (Rs lakh crore)			
	FY24 PE	FY25 BE	FY25 AE
Fiscal Deficit	16.5	16.1	15.9
% of GDP	5.6	4.9	4.9
Memo:			
Nominal GDP	295.4	326.4	324.1

Source: SBI Research



ASCBs Sector-Wise Credit Flow (Rs bn):November 2024							
Sectors	(Apr-Nov'23)FY24 YTD		(Apr-Nov'24) FY25 YTD		YoY %		FY25 as X times as FY24
	Rs bn	%	Rs bn	%	FY24 (Sep)	FY25 (Sep)	No of times
Agri. & Allied	2013	11.7	1522	7.3	18.1	15.3	0.8
Industry	1634	4.9	1603	4.4	6.1	8.0	1.0
MSE (Priority)	2292	13.9	1180	6.0	23.1	11.7	0.5
Infrastructure	692	5.7	85	0.7	2.3	1.6	0.1
Services	5786	15.6	2617	5.7	25.7	13.0	0.5
NBFCs	1192	8.9	273	1.8	18.9	7.8	0.2
Personal Loans	8771	21.0	4036	7.6	30.0	13.3	0.5
Housing (Including Priority)	6003	30.1	1900	7.0	36.7	12.2	0.3
Other Personal Loans	1561	13.4	684	4.9	24.9	11.6	0.4
Gross Bank Credit	21502	15.7	10770	6.6	20.7	10.6	0.5

Source: RBI, SBI Research

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