

**Q1 FY25 GDP GROWTH AT 7.1% WITH DOWNWARD BIAS:  
MANUFACTURING GVA TO BE LOWER, AGRICULTURE  
GROWTH TO REBOUND**

**Issue No. 12, FY25**  
**Date: 26 Aug 2024**

Based on SBI Nowcasting model, the forecasted GDP growth for Q1 FY25 would be in the range of 7.0-7.1%, with a downward bias. However, GVA will be below 7.0% and may be come in the range of 6.7-6.8%. The global economic growth outlook remains uncertain but the softening inflation has made space for monetary policy easing. On the Jackson Hole annual symposium US Fed Chair expressed further confidence on imminent policy easing, saying further cooling in the job market would be unwelcome and that inflation was within reach of the US central bank's 2% target.

The indicators of corporate performance in Q1 2024-25 point to moderation in sales growth of manufacturing companies in both nominal and real terms, although excluding the petroleum sector, a better outturn emerges. Staff costs inched up in the manufacturing sector but debt servicing capability measured in terms of the interest coverage ratio remained stable. **Against this backdrop, profit margins has declined and this will pull down manufacturing growth.** Indian Inc. in Q1FY25 with around 4000 listed entities, reported both top line and bottom-line growth of around 9%, as compared to Q1FY24. **However, Ex-BFSI, corporates reported only 5% growth in top line with degrowth in EBIDTA of -1% in Q1FY25 as compared to growth of 23% in Q1FY24.** subsequently, corporate GVA grew by around 10.9% in Q1FY25 as compared to 17% in Q4FY24 and 26% in Q3FY24. During Q1FY25, aggregate EBIDTA margin also fallen by around 100 bps in Q1FY25 for the said set of corporates.

On the positive side, after a lackluster performance in June, SW monsoon picked up from early July, closing the deficit. As on August 25, 2024, the cumulative rainfall was 5% above the LPA as against 7% below the LPA during the same period last year. Consequently, as on August 20, 2024 the total kharif sown area stood at 103.1 million hectares (94% of full season normal area), which is 2.0% higher than the corresponding period last year. **We expect agricultural growth to rebound to 4.5-5% in FY25 adding around 30 bps over RBI forecast.**

**GDP GROWTH & OUTLOOK: Q1 FY25**

- ◆ The global economic outlook remains uncertain. Persistent geopolitical tensions, rekindled fears of a potential recession on signs of weaker than expected labour market outcomes in key economies and financial market volatility in response to monetary policy divergence to cast a shadow on prospects even as inflation moderated grudgingly across countries.
- ◆ The momentum of global disinflation is slowing, however, warranting caution in easing monetary policy. Financial conditions have been accommodative despite the upward drift in longer-term yields.
- ◆ On the backdrop of Jackson Hole annual symposium US Fed Chair expressed further confidence on imminent policy easing, saying further cooling in the job market would be unwelcome and that inflation was within reach of the US central bank's 2% target.

Real GDP Projections		
	SBI	RBI
Q1 FY25	7.0-7.1%	7.1%
Q2 FY25		7.2%
Q3 FY25	-	7.3%
Q4 FY25		7.2%
<b>FY25 P</b>	<b>7.5%</b>	<b>7.2%</b>

Source: RBI; SBI Research

- ◆ The Indian economy remained resilient despite headwinds from supply chain pressures due to the rise in global freight and container costs, and semiconductor shortages.
- ◆ After a lackluster performance in June, SW monsoon picked up from early July, closing the deficit. As on August 25, 2024, the cumulative rainfall was 5% above the LPA as against 7% below the LPA during the same period last year. Consequently, as on August 20, 2024 the total kharif sown area stood at 103.1 million hectares (94% of full season normal area), which is 2.0% higher than the corresponding period last year.
- ◆ RBI has estimated Q1 FY24 Real GDP growth would be 7.1% and full year FY25 is expected to grow at 7.2%.
- ◆ **GDP Growth as per SBI composite leading indicator (CLI):** The CLI Index (a basket of 43 leading indicators which includes parameters from almost all the sectors) based on monthly data indicate a sharp jump in acceleration to 83% in Q1FY25 from 82% in Q4FY24.
- ◆ **As per our (SBI) 'Nowcasting Model', the forecasted GDP growth for Q1 FY25 would be 7.0-7.1%, and GVA is at 6.7-6.8% with a downward bias.** Our 'Nowcasting Model' is based on 41 high frequency indicators associated with industry activity, service activity, and global economy. The model uses the dynamic factor model to estimate the common or representative or latent factor of all the 41 high frequency indicators from Q4 of FY13 to Q1 of FY25. The details of the full model were shared in SBI [Ecowrap dated 20 Nov'20 & again on 10 Feb'21.](#)

**Q1FY25 CORPORATE RESULT - REPORTED 5% GROWTH IN TOPLINE, DEGROWTH IN EBIDTA**

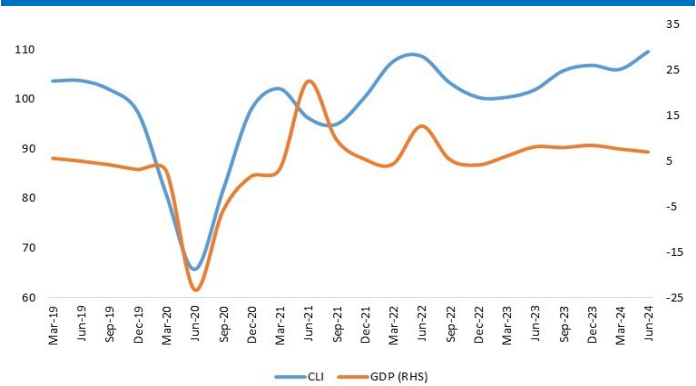
- ◆ Indian Inc. in Q1FY25, around 4000 listed entities, reported both top line and bottom-line growth of around 9%, as compared to Q1FY24. **However, ex-bfsi, Corporates reported only 5% growth in top line with degrowth in EBIDTA of -1% in Q1FY25 as compared to growth of 23% in Q1FY24.**
- ◆ Corporate GVA grew by around 10.9% in Q1FY25 as compared to 17% in Q4FY24 and 26% in Q3FY24. During Q1FY25, aggregate EBIDTA margin also fallen by around 100 bps to 14.97 in Q1FY25 for the said set of ex-bfsi corporates.

**Mapping of Leading Indicators with GDP Growth**

Year	Quarter	GDP Growth (%)	% of indicators showing acceleration
FY22	Q1 FY22	22.6	75
	Q2 FY22	9.9	70
	Q3 FY22	5.5	61
	Q4 FY22	4.5	61
FY23	Q1 FY23	12.8	88
	Q2 FY23	5.5	76
	Q3 FY23	4.3	69
	Q4 FY23	6.2	70
FY24	Q1 FY24	8.2	70
	Q2 FY24	8.1	78
	Q3 FY24	8.6	74
	Q4 FY24	7.8	82
FY25	Q1 FY25	7.1	83

Source: SBI Research

**% of leading indicators showing acceleration (YoY%)**



Source: SBI Research

**Corporate GVA**

Qtr	No of Companies	Growth (%)
Q1FY23	3856	31.35
Q2FY23	3853	-1.78
Q3FY23	3899	11.23
Q4FY23	3908	20.12
Q1FY24	3958	28.62
Q2FY24	3904	46.79
Q3FY24	3959	26.28
Q4FY24	4162	17.18
Q1FY25	4155	10.90

Source: SBI Research; CLine; listed entities; GVA as measured by EBIDTA + Employee expenses

**Disclaimer:** The Ecowrap is not a priced publication of the Bank. The opinion expressed is of Research Team and not necessarily reflect those of the Bank or its subsidiaries. The contents can be reproduced with proper acknowledgement. The write-up on Economic & Financial Developments is based on information & data procured from various sources and no responsibility is accepted for the accuracy of facts and figures. The Bank or the Research Team assumes no liability if any person or entity relies on views, opinion or facts & figures finding in Ecowrap.

**Contact Details:****Dr. Soumya Kanti Ghosh**

Member, 16th Finance Commission &amp;

Group Chief Economic Advisor

State Bank of India, Corporate Centre

Nariman Point, Mumbai - 400021

Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in

Phone:022-22742440

 : kantisoumya