

# Macro Insights

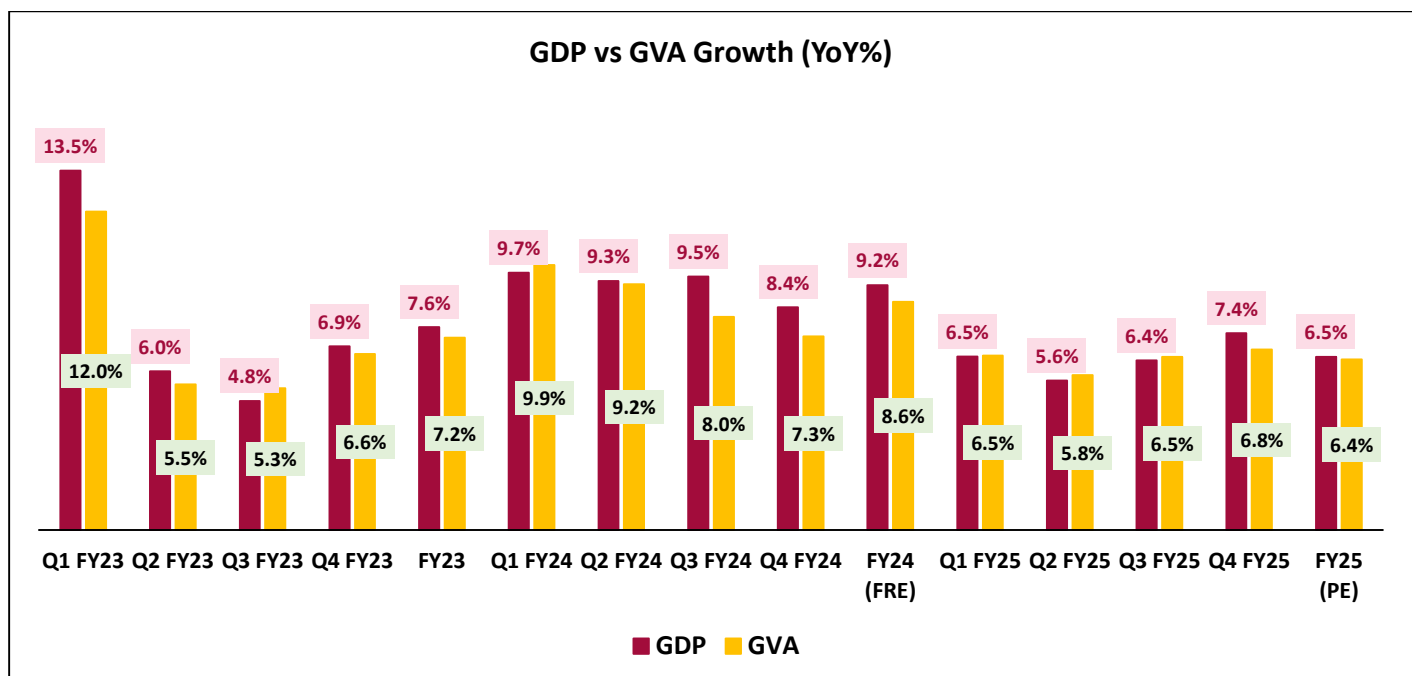
30<sup>th</sup> May, 2025

## GDP growth rises to 7.4% in Q4 FY25

**Gross Domestic Product (GDP)** for Q4 FY25 grew by 7.4%, increasing from 6.4% growth recorded in the previous quarter (Q3 FY25), but lower than 8.4% growth recorded in Q4 FY24. The **real GDP for FY25** has been estimated to grow at 6.5%, making India the fastest growing major economy in the world.

## Highlights

- ☞ The better than expected growth of India's Gross Domestic Product (GDP) to 7.4% during Q4 FY 2024-25, higher than the previous three quarters was supported by an increase in gross fixed capital formation, a marker of investment activity.
- ☞ However, GDP growth for the full financial year at 6.5% is still the lowest in the last 4 years.
- ☞ Gross Value Added (GVA) – which is GDP minus net taxes – grew at 6.8% in Q4 FY 2024-25 and is estimated at 6.4% for FY25 (PE).
- ☞ During Q4 FY25 Construction sector recorded the fastest growth at 10.8%, followed by Public Administration, Defence and Other Services at 8.7%.



Source: MoSPI (NSO), PNB (EIC)

## Components of GDP

- Growth in Private Final Consumption Expenditure, which constitutes the highest share in GDP, grew by 6.0 per cent in Q4 FY25 as against 8.1 per cent in the previous quarter and 6.2 per cent in Q4 FY24.
- Government Final Consumption Expenditure decreased to 1.8 per cent in Q4 FY25, marking a significant decline from 9.3 per cent in Q3 FY25 and 6.6 per cent in the same quarter of the previous fiscal year.
- The growth in Gross Fixed Capital Formation, which denotes investment in the economy, witnessed robust growth of 9.4 per cent in Q4 FY25 as against a growth of 6.0 per cent in Q4 FY24.
- In the backdrop of geopolitical uncertainty exports exhibited modest growth of 3.9 per cent growth in Q4 FY25 as against growth of 10.8 per cent in Q3 FY25 and 7.7 per cent in Q4 FY24.

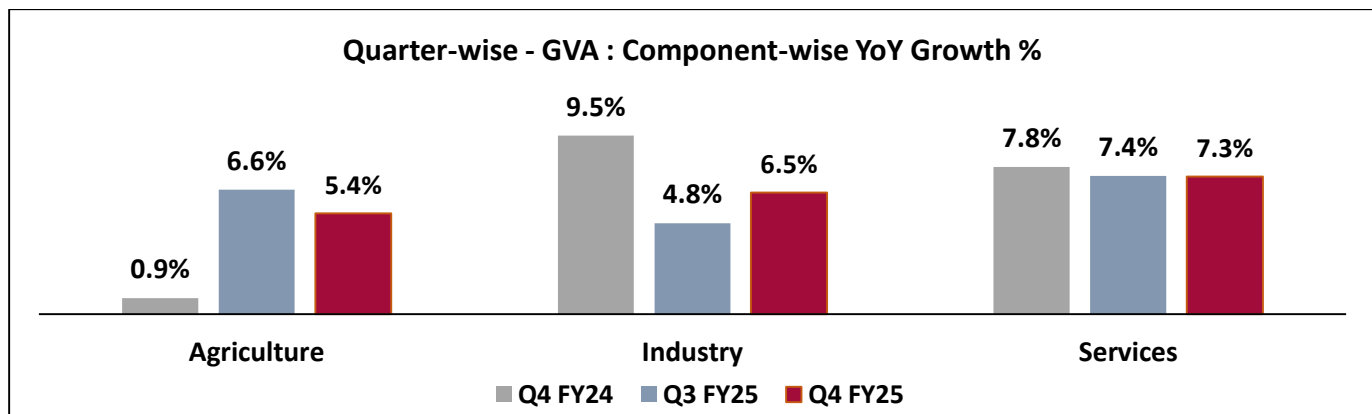
Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	Q4 2022-23	Q4 2023-24	Q4 2024-25
Private Final Consumption Expenditure (PFCE)	2.1%	6.2%	6.0%
Government Final Consumption Expenditure (GFCE)	9.0%	6.6%	-1.8%
Gross Fixed Capital Formation (GFCF)	5.6%	6.0%	9.4%
Change in Stocks	28.4%	52.0%	4.8%
Valuables	-21.6%	63.1%	-29.8%
Exports	9.4%	7.7%	3.9%
(Less) Imports	-1.8%	11.4%	-12.7%
Discrepancies	-6.8%	-55.1%	169.1%
<b>GDP</b>	<b>6.9%</b>	<b>8.4%</b>	<b>7.4%</b>

## Change of the Share of Major Components in GDP

Item	Share in GDP (%)		
	Q4 2022-23	Q4 2023-24	Q4 2024-25
Private Final Consumption Expenditure (PFCE)	54.8	53.7	53.0
Government Final Consumption Expenditure (GFCE)	11.0	10.8	9.9
Gross Fixed Capital Formation (GFCF)	34.0	33.3	33.9
Change in Stocks	1.3	1.8	1.7
Valuables	0.9	1.3	0.9
Exports	22.6	22.4	21.7
(Less) Imports	21.5	22.1	18.0
Discrepancies	-3.0	-1.2	-3.1
<b>GDP</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

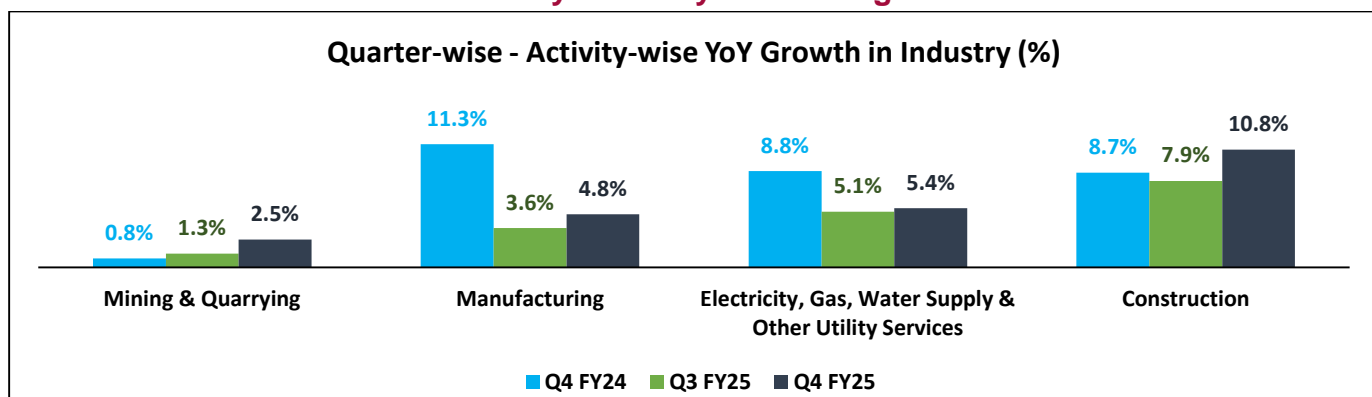
Source: MoSPI (NSO), PNB (EIC)

## Components of GVA

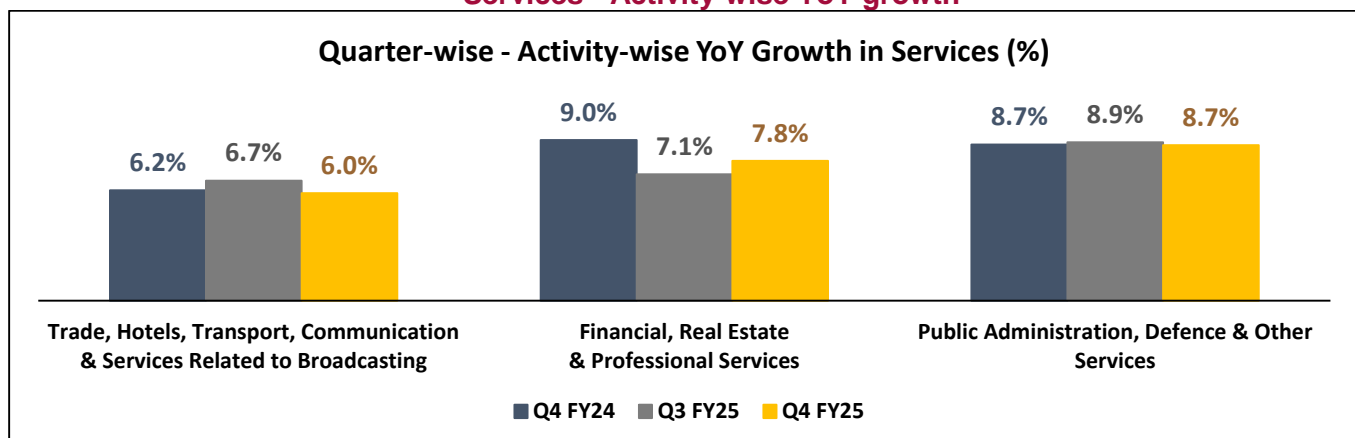


- The GVA growth in the Agriculture sector stood at 5.4 per cent in the fourth quarter of FY25 compared to 6.6 per cent in the previous quarter and 0.9 per cent in Q4 FY24 supported by favorable monsoon conditions.
- The growth in the Industry Sector increased to 6.5 per cent in Q4 FY25, compared to 4.8 per cent in the previous quarter, but significantly slowing from 9.5 per cent recorded in Q4 FY24.
- The growth rate of Services sector was broadly in line with the previous quarter. It grew at 7.3 per cent in Q4 FY25 compared to 7.4 per cent in the previous quarter. However, the growth was still lower than the 7.8 per cent recorded in the same period last fiscal.

## Industry - Activity-wise YoY growth



## Services - Activity-wise YoY growth



Source: MoSPI (NSO), PNB (EIC)

## Views

- The **Q4 GDP growth** clocked higher than the market expectations at **7.4%** – highest quarterly growth in FY25, but lower than the same quarter last year (8.4%).
- The acceleration was supported by Industry (6.5%) & Services (7.3%) in Q4 FY25. In Industry, the **construction sector emerged as the standout performer** with a double-digit growth of 10.8% in Q4 and 9.4% over the full year.
- While, **Manufacturing sector growth** picked up to 4.8% in Q4 FY'25 - second fastest quarterly growth in FY'25 on high base of 11.3% in Q4 FY24.
- **Government-led services also remained buoyant**, with the Public Administration, Defense & Other Services segment expanding by 8.7% in Q4 and 8.9% annually
- At the same time, **Agriculture sector** continued its strong performance in Q4 FY'25, growing at 5.4% in Q4 FY25, up from 0.9% in Q4 FY24. This helped propel the growth for the sector to 4.6% in FY25, up from 2.7% in FY'24.
- **On the expenditure side**, the growth was led by strong recovery in gross fixed capital formation (GFCF) that registered 9.4% YoY growth in Q4 FY25 – highest in past 6 quarters. Meanwhile, the **private consumption has moderated** to 6.0% in Q4 FY25 from 8.2% in the previous quarter, however, for the full year it has expanded from 5.6% in FY24 to 7.2% in FY25.
- **India's economic outlook for FY'26 remains robust**, with an expected growth rate of 6.5%, driven by consumption demand following tax relief, monetary easing with adequate system liquidity, and the IMD's forecast of an above-normal monsoon.
- Additionally, easing inflationary pressures and below-potential growth may give the RBI room for further policy rate cuts, strengthening domestic demand. However, evolving global trade dynamics and geopolitical tensions pose material downside risks.

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