GDP data for Q3FY25 due on 28th February, likely clocked 6.2%, an uptick from Sep'24 qtr

Both GVA and GDP growth for Q3-FY25 likely improved to 6.2% from 5.6% and 5.4% resp. in Q2-FY25

- As per our projection, the GVA growth in Q3FY25 improved to 6.2% y/y as against 5.6% in Q2FY25, led by a sharp jump in industry and agri while services growth remained nearly flat *(ref fig.1)* led by public admin.
- High frequency lead indicators (*ref. fig.8)* as seen during Q3FY25 indicate a mixed picture, with our economic activity index also showing flat to upward bias (*ref fig.2*). More importantly, GVA ex-agri and ex-government i.e. private sector growth is estimated to have improved from 5.3% in Q2FY25 to 5.8% in Q3FY25.
- Sectorally, agri sector likely shone bright with growth touching seven qtrs. high of 4.8% in Q3FY25 from 3.5% in Q2FY25 on the back of a bumper kharif crop and prospects of a good rabi crop *(ref.fig.4)*. The spurt in agri growth is also partly attributed to base effect also as FY24 was an EL NINO year.
- Industry recorded the highest jump sequentially and grew by 5.7% in the qtr as against 3.6% in Q2FY25 on the back of a recovery in corporate performance (*ref fig.4)*. Our analysis of corporate earnings of a sample of 234 manufacturing sector companies listed on NSE for Q3FY25 indicate a growth of 6.9% y/y in operating profit as against 2.8% in Q2FY25 (*ref. fig.7)*. Accordingly, manufacturing sub-sector likely grew at 4.5% during the qtr as against 2.2% last qtr. Other sectors like mining, electricity and construction also probably showed a pickup (1.6%, 7.3% and 8.3% in Q3FY25 vis-à-vis -0.1%, 3.3% and 7.7% respectively in Q2FY25) (*ref fig. 5*).
- On the contrary, services sub sector's growth probably saw a downtick during the qtr on a slide in the growth of financial services sub-segment to twelve qtr low of 5.6%. Trade & transport segment likely recorded a flat growth vs Q2 led by a pickup in urban demand even as rural demand is yet to receive a fillip from strong agri growth. The weak to subdued growth in both these sub-segments nullified the sharp spike in growth of public admin sub-segment which likely jumped back to double digits on sharp spike in government spending from 9.2% in Q2 (*ref fig. 6*).

GDP-GVA growth wedge likely became flat in Q3-FY25

- We estimate Q3FY25 GDP growth rate to mark an uptick to 6.2% (5.4% in Q2FY25), as the negative gap between GDP and GVA growth observed in H1-FY25 probably became neutral in Q3FY25 (*ref fig.3*). There is a disconnect between trends in net indirect taxes growth in GDP data vis-à-vis the fiscal data. That said, the slip in growth in net indirect taxes in this qtr in the fiscal data poses risk of persistence of a negative GDP-GVA growth gap in Q3 too.

Growth likely to gain further ground in Q4-FY25 assuming thrust on public spending and revival in demand

- We will also get the second advance estimate for full year FY25 GDP along with data for Q3 FY25. Meanwhile, we have kept our full year forecast unchanged at 6.4%, which implies H2 growth of ~6.8% from 6% in H1. While we acknowledge downside risk to our growth projection for FY25, we would want to watch out for any data revisions (usually significant in this data release) before considering FY25 forecast changes.
- Consequently, there is an upward risk to our GDP projection of 6.2% for Q3FY25 in case the previous year numbers are revised downward. This was also seen in the release of GDP data for Q3FY24 in Feb'24 when the previous qtrs. numbers were revised downward impacting Q3FY24 number upwards (*ref. fig. 9)*.
- As per RBI Bulletin for February 25, high frequency indicators point towards a sequential pick-up in momentum of economic activity during H2:2024-25 which is likely to sustain moving forward. RBI's GDP nowcast has projected the GDP growth rate at 6.6% for Q4-FY25. Apart from likely revival in rural demand and sustained pickup in government spending, we see factors like organisation of mass religious gatherings via the Mahakumbh playing a key role in supporting growth recovery.

Fig.1. GDP likely saw pickup in growth to 6.2% in Q3'FY25 led by a spurt in industry and agri sub-sectors

% y/y	Q3'FY24	Q4'FY24	FY24	Q1'FY25	Q2'FY25	Q3'FY25 (P)	FY25 (P)
GDP	8.6%	7.8%	8.2%	6.7%	5.4%	6.2%	6.4%
GVA	6.8%	6.3%	7.2%	6.8%	5.6%	6.2%	6.5%
Agri	0.4%	0.6%	1.4%	2.0%	3.5%	4.8%	3.7%
Industry	10.5%	8.4%	9.5%	8.3%	3.6%	5.7%	6.3%
Services	7.1%	6.7%	7.6%	7.2%	7.1%	7.0%	7.2%

Source: CEIC, UBI Research

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Fig.2. UBI Economic Activity Index signals flat to marginal pickup in private sector growth in Q3-FY25

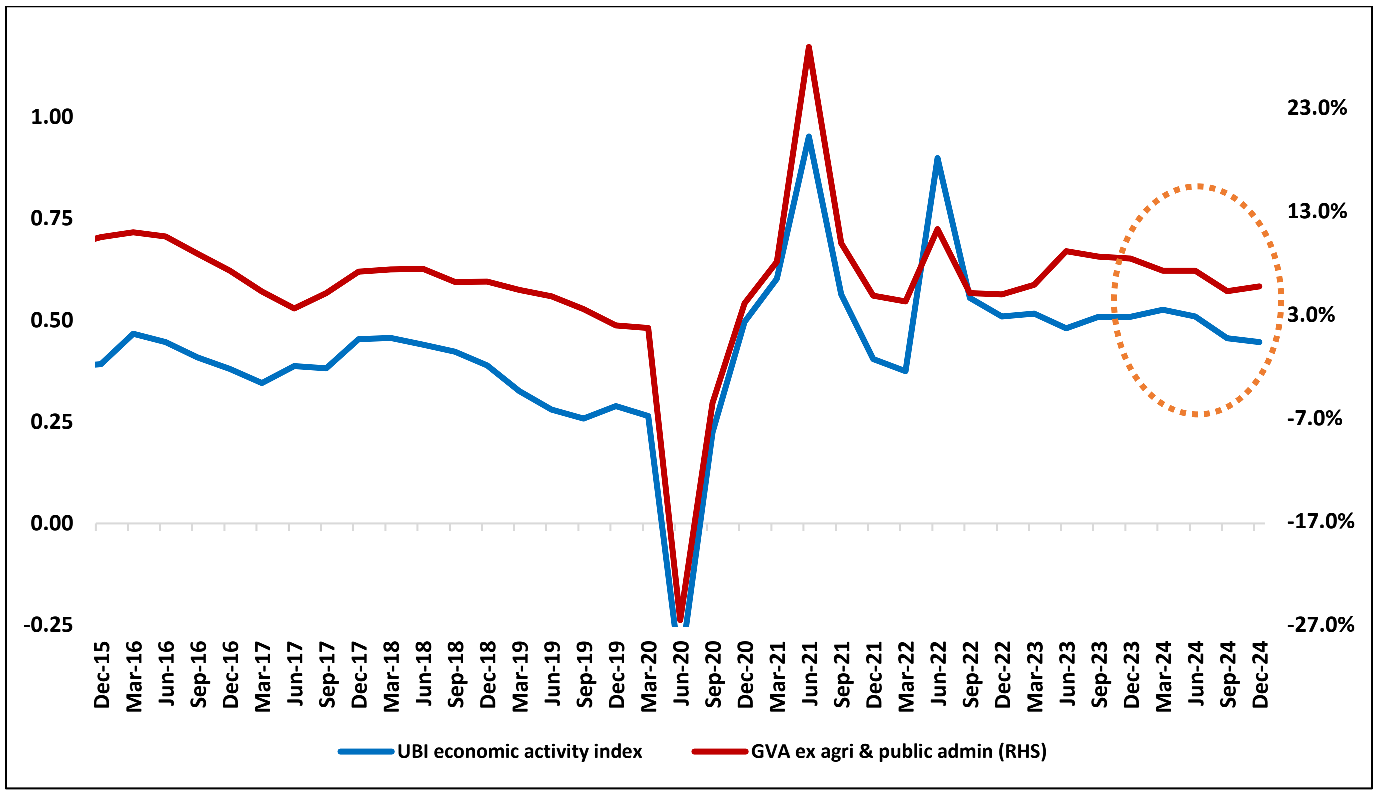


Fig. 3. GDP-GVA wedge became mildly positive in our view; % y/y

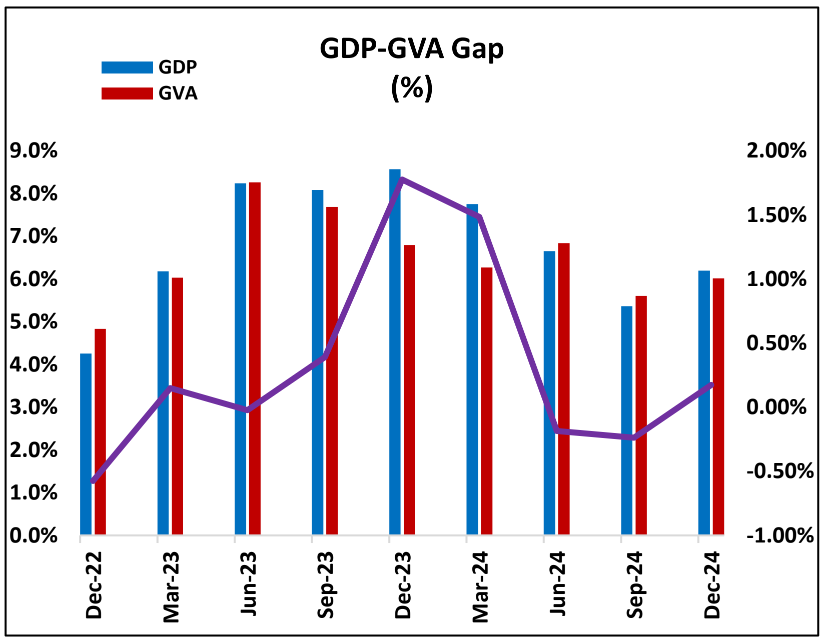


Fig. 4: GVA growth recovery in Q3FY25 led by industry and agri sub-sectors; % y/y

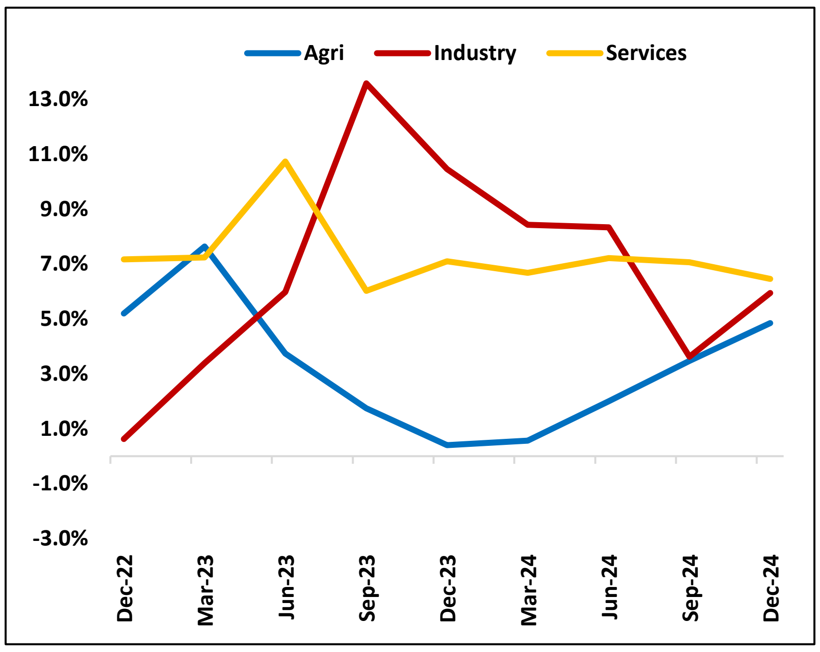


Fig. 5. Industry GVA likely saw a broad-based pickup; % y/y

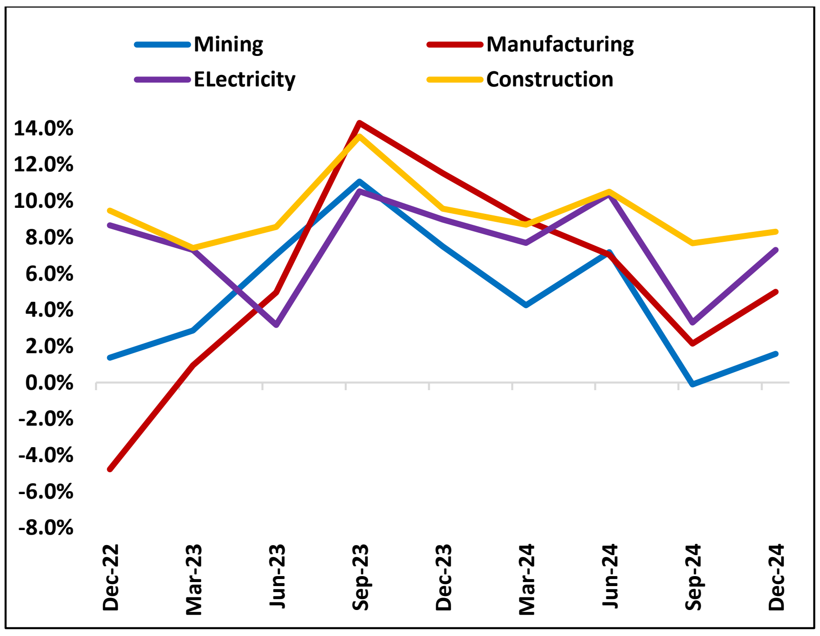
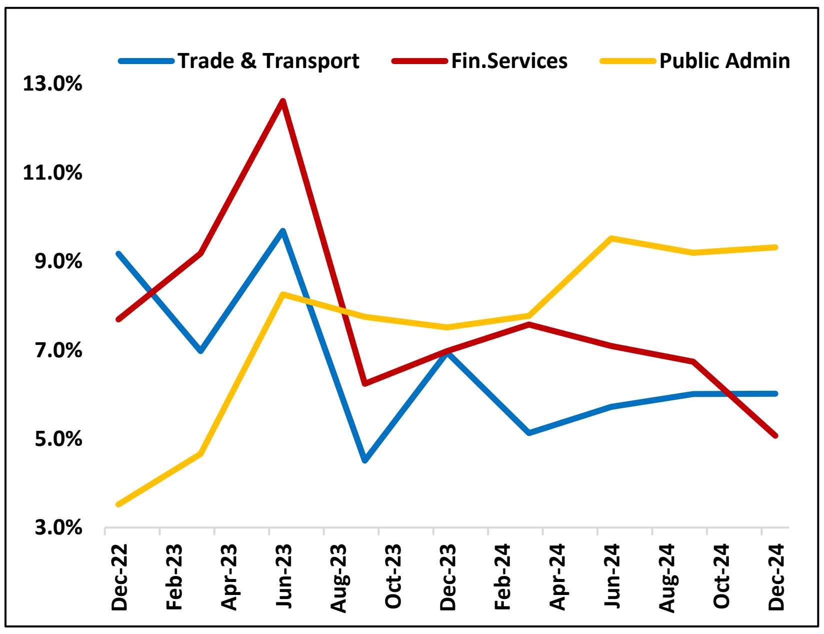


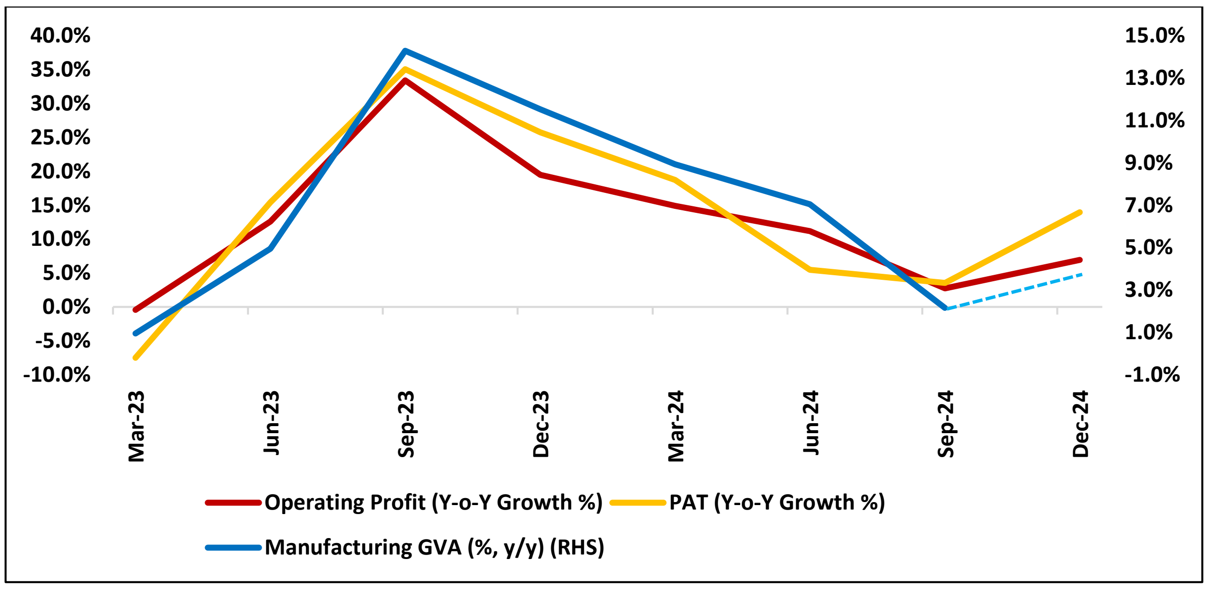
Fig. 6: Services sector likely remained muted on slowdown in financial services sub-sector even as public admin saw a spike in growth; % y/y



Source: CEIC, UBI Research

Note: Dec'24 figures are UBI estimates

Fig.7: Financial performance of manufacturing companies improved in Q3FY25:



Source: ACE Equity, UBI Research
Note: Dec'24 figures are UBI estimates

Fig. 8: Lead indicators indicate mix trends in Q3-FY25:

Sector	Indicator	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
Urban Demand	Passenger Vehicle Sales	1.3%	4.0%	3.1%	-2.5%	-1.8%	-1.4%	0.9%	4.0%	10.0%
Rural Demand	Two Wheeler Sales	30.8%	10.1%	21.3%	12.5%	9.3%	15.8%	14.2%	-1.2%	-8.8%
	Three Wheeler Sales	14.5%	14.4%	12.3%	5.4%	8.0%	7.1%	-0.2%	-0.6%	4.3%
	Tractor Sales	-3.0%	0.0%	3.6%	1.6%	-5.8%	3.7%	22.4%	-1.3%	14.0%
Trade, Hotels, Transport, Communications	Commercial Vehicle Sales (Qtrly)	3.3%			-11.0%			1.2%		
	Railway Freight Traffic	1.4%	3.7%	10.1%	4.5%	0.0%	0.0%	6.0%		
	Port cargo Traffic	1.3%	3.7%	6.8%	6.0%	6.7%	5.9%	-3.4%	-5.0%	3.4%
	domestic Air Cargo Traffic	0.3%	10.3%	10.3%	8.8%	0.6%	14.0%	8.9%	0.3%	4.3%
	International Air Cargo Traffic	16.2%	19.2%	19.6%	24.4%	20.7%	20.5%	18.4%	16.1%	10.5%
	Domestic Air Passenger Traffic	3.8%	5.9%	6.9%	7.6%	6.7%	7.4%	9.6%	13.8%	10.8%
	International Air Passenger Traffic	16.8%	19.6%	11.3%	8.8%	11.1%	11.2%	10.3%	10.7%	9.0%
	GST E-way Bills (Total)	14.5%	17.0%	16.3%	19.2%	12.9%	18.5%	16.9%	16.3%	17.6%
	Hotel Occupancy	-1.6%	-3.2%	-3.1%	3.3%	0.0%	1.6%	-6.3%	11.1%	0.0%
	Average Revenue per room	4.8%	1.8%	2.8%	7.6%	5.2%	3.5%	4.8%	10.7%	8.9%
	Tourist Arrivals	7.7%	0.3%	9.0%	-1.3%	-4.2%	0.4%	-1.4%		
Construction	Steel Consumption	9.6%	15.9%	19.5%	14.4%	10.0%	11.8%	8.9%	9.5%	5.2%
	Cement Production	0.16	-0.6	1.8	5.1	-2.5	7.6	3.1	13.5	4.01
PMI Index#	Services	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3

 # levels *Source: RBI, CEIC, SIAM, HVS Anarock, UBI Research*

Fig.9: Revision in GDP growth numbers was very sharp in Q3-FY24 GDP release in Feb'24

	Quarterly Data Revision			
	GDP		GVA	
	Old	New	Old	New
9-2021	9.1	9.7	9.3	9.8
12-2021	5.2	5.7	4.7	5.2
3-2022	4.0	4.4	3.9	4.2
6-2022	13.1	12.8	11.9	11.3
9-2022	6.2	5.5	5.4	5.0
12-2022	4.5	4.3	4.7	4.8
3-2023	6.1	6.2	6.5	6.0
6-2023	7.8	8.2	7.8	8.2
9-2023	7.6	8.1	7.4	7.7

Source: CEIC, UBI Research

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