

**GDP data for Q2FY25 due on 29<sup>th</sup> November, likely slowed to 6.5%, lowest in six qtrs.**

**GVA and GDP growth for Q2FY25 likely moderated to 6.4% and 6.5% respectively**

- As per our projection, the GVA growth in Q2FY25 slowed down to 6.4% as against 6.8% in Q1FY25, led by a slump in industry and a slight edge up in services' growth (*ref fig. 1*).
- This is a confirmation of downward pressure on high frequency lead indicators as seen during Q2FY25. The trend is also in line with our economic activity index (*ref fig.2*).
- The sequential slowdown is led by a decline in all segments of industry and a few segments of services too. This is disappointing as seasonally, June is considered a weak quarter and this year the June qtr. was coupled with election related uncertainty and consequent lower government spending, so Q2 would have warranted a higher growth vis-à-vis Q1.
- The slackening growth was led by the industry witnessing a major downfall from 8.3% in Q1FY25 to 5.1% in Q2FY25 (*ref fig.4*). This is the fourth straight qtr. when industry is seen going through a decline in growth. Our analysis of manufacturing sector corporate earnings numbers after excluding the significant drag from sectors like oil & gas also shows a slip in operating profit growth to 7.2% y/y in Q2FY25 vs. 12.2% in Q1FY25. More importantly, the impact of excess rainfall during August-September and weak demand during Pitru Paksha has weighed upon industry growth. Apart from manufacturing, mining, electricity and construction, segments also took a hit in growth (*ref fig. 5*).
- Services growth showed a modest pick-up in growth to 7.3% in Q2FY25 vis-a-vis 7.2% in Q1FY25. It is key to know that services GVA has been supported by a pick-up in govt spending post elections during Q2FY25 thereby buoying public admin growth rate to double digits; however, this was neutralized by a decline in trade & transport segment's growth (*ref fig. 6*).
- Agri sector alone is likely to shine with growth spiking sequentially to 5% in Q2FY25 from 2% in Q1FY25 on the back of a bumper kharif crop. This is likely the highest number in the last six qtrs. and a saviour to the GVA/GDP growth. The spurt in agri growth is partly attributed to base effect also as FY24 was an EL NINO year.
- More importantly, GVA ex-agri and ex-government i.e. private sector growth has slipped to 5.5% in Q2FY25 from 7.3% in Q1FY25, lowest in 7 qtrs.
- We estimate Q2FY25 GDP growth rate to take further breather to 6.5% (6.7% in Q1FY25) vis a vis RBI's projection of 7.0%, on back of sequential descend in aggregate demand, third consequent qtr. of moderation.

**GDP-GVA growth wedge likely stayed muted in Q2-FY25**

- The negative gap between GDP and GVA observed in Q1FY25 GDP growth numbers probably returned to mild positive zone in Q2FY25 as the growth in net indirect taxes picked up from 9% in Q1FY25 to 15% y/y in Q2FY25 (*ref fig.3*).
- However, going forward, we believe that the GDP-GVA growth gap may return to negative zone as subsidies spend picks up in the coming qtrs. This was also highlighted by RBI Governor in a recent commentary.

**Growth likely to pick up in H2FY25 on revival in demand**

- We expect H2FY25 to clock a growth rate of 6.9% as against 6.6% (projected) for H1FY25. For full year FY25, we project a growth rate of 6.7% as against 8.2% for FY24. It needs to be noted that RBI led MPC projects H2-FY25 GDP growth at a relatively higher 7.4% levels.
- Growth pickup in H2 is visible in some high frequency indicators for the month of October on the back of festive demand effects (*ref fig.7*). As per RBI Bulletin for November, rural India is emerging as a gold mine for e-commerce companies during the festival season. This is expected to gather further momentum with the sharp increase in kharif output and promising rabi crop prospects.
- Growth pickup likely to be led by government spending and rural demand recovery. However, in a volatile world economy, risks to growth need to be acknowledged from sharper than expected global growth slowdown, geo-political tensions and any weather disruptions.

**Fig.1. GDP likely saw sluggish growth of 6.5% in Q2'FY25 led by drop in industry growth**

% y/y	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY24	Q1'FY25	Q2'FY25 (P)
<b>GDP</b>	8.2	8.1	8.6	7.8	8.2	6.7	6.5
<b>GVA</b>	8.3	7.7	6.8	6.3	7.3	6.8	6.4
<b>Agri</b>	3.7	1.7	0.4	0.6	1.6	2.0	5.0
<b>Industry</b>	6.0	13.6	10.5	8.4	9.6	8.3	5.1
<b>Services</b>	10.7	6.0	7.1	6.7	7.6	7.2	7.3

Source: CEIC, UBI Research

By:  
 Kanika Pasricha  
[kanika.pasricha@unionbankofindia.bank](mailto:kanika.pasricha@unionbankofindia.bank)  
 Nidhi Arora  
[nidhiarora@unionbankofindia.bank](mailto:nidhiarora@unionbankofindia.bank)  
 Amit Srivastava  
[asrivastava@unionbankofindia.bank](mailto:asrivastava@unionbankofindia.bank)  
 Rohit Digambar Yarmal  
[rohitdigambar@unionbankofindia.bank](mailto:rohitdigambar@unionbankofindia.bank)

Fig.2. UBI Economic Activity Index clearly signals growth slowdown in Q2-FY25

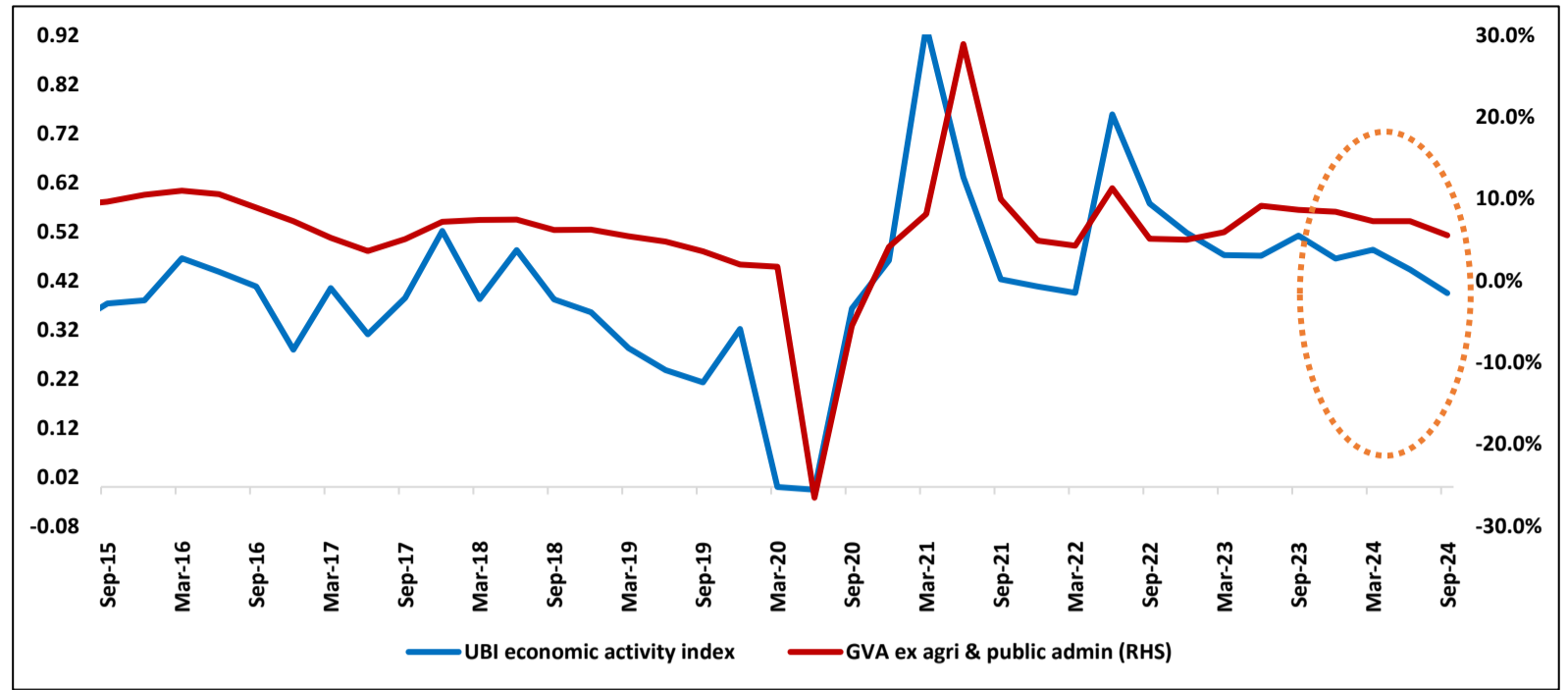


Fig. 3. GDP-GVA wedge stayed muted in our view; % y/y

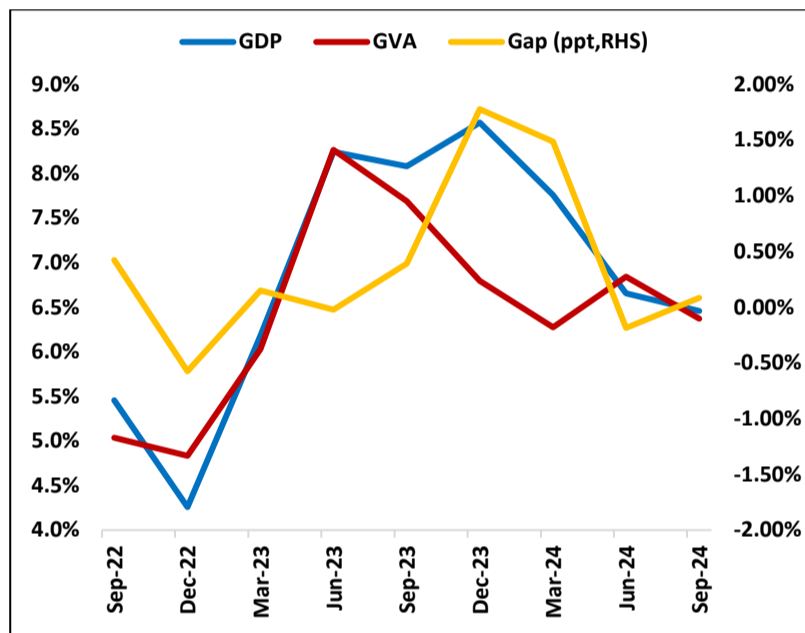


Fig. 4: Slower GVA growth in Q2FY25 dragged down by industry; % y/y

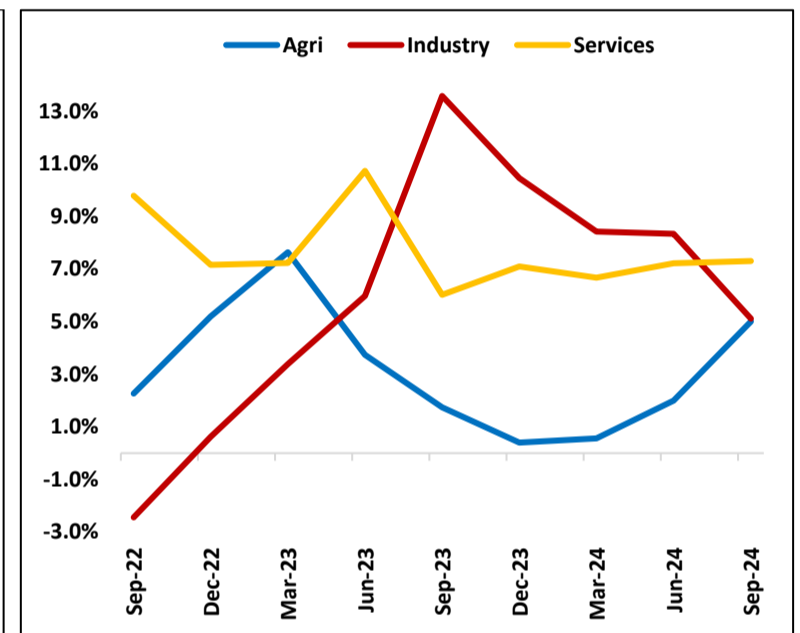


Fig. 5. Industry GVA likely saw a broad-based decline with mining GVA probably slipping into contraction zone; % y/y

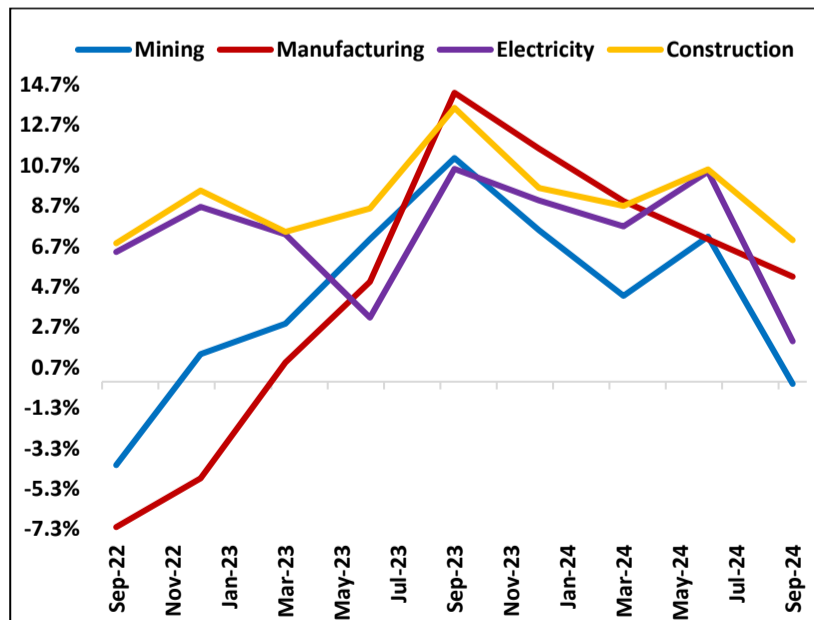
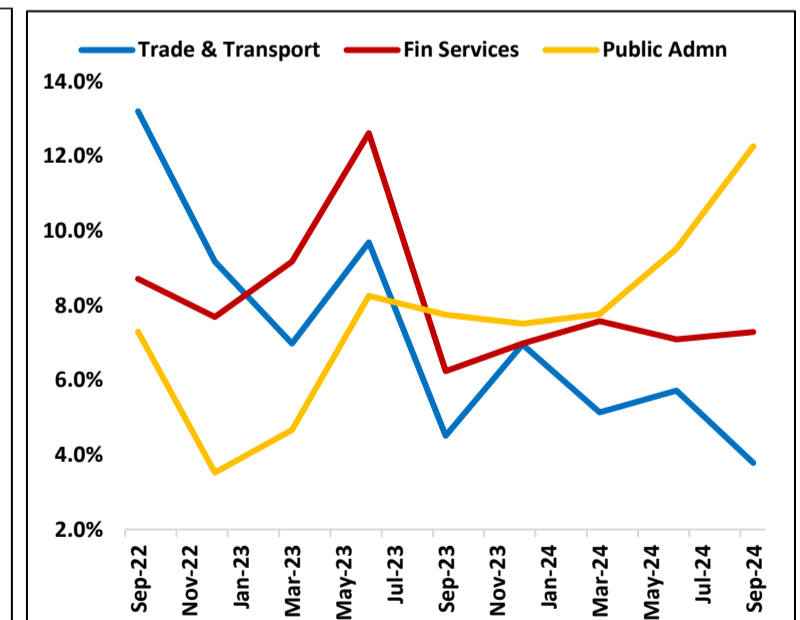


Fig. 6: Services sector recorded a modest pick-up in growth supported by a spurt in public admin segment; % y/y



Source: CEIC, UBI Research

Fig. 7: Lead indicators also indicate growth slowdown in Q2-FY25:

MACRO-ECONOMIC DASHBOARD														
Industrial Sector	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
IIP (YoY Gr%)	6.35	11.89	2.47	4.39	4.21	5.60	5.47	5.19	6.25	4.93	4.70	-0.07	3.09	-
Mining (YoY Gr%)	11.50	13.14	7.01	5.20	6.02	8.13	1.30	6.77	6.56	10.30	3.75	-4.29	0.18	-
Manufacturing (YoY Gr%)	5.13	10.58	1.31	4.62	3.64	4.94	5.90	4.18	5.10	3.53	4.36	1.11	3.89	-
Electricity (YoY Gr%)	9.87	20.38	5.76	1.23	5.63	7.59	8.62	10.24	13.74	8.58	7.94	-3.72	0.49	-
Core Infra Growth (YoY Gr%)	9.45	12.68	7.89	5.08	4.16	7.06	6.25	6.94	6.86	5.00	6.14	-1.58	2.04	-
Cement production (YoY Gr%)	4.73	16.95	-4.75	3.84	4.06	7.82	10.58	0.16	-0.63	1.79	5.48	-3.02	7.10	-
Steel Production (YoY Gr%)	14.81	13.59	9.74	8.28	9.17	9.44	7.53	9.83	8.94	6.31	6.42	3.88	1.46	-
Petroleum Products (YoY Gr%)	5.49	4.29	12.36	4.09	-4.30	2.63	1.59	3.92	0.50	-1.54	6.62	-1.03	5.76	-
Fertilizers Production (YoY Gr%)	4.17	5.33	3.33	5.85	-0.59	-9.50	-1.27	-0.76	-1.66	2.45	5.31	3.15	1.89	-
Coal Production (YoY Gr%)	16.00	18.38	10.87	10.79	10.57	11.57	8.70	7.51	10.20	14.78	6.82	-8.05	2.64	-
Capital Goods Production (YoY Gr%)	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.81	2.63	3.63	11.75	0.47	2.84	-
PMI Manufacturing (YoY Gr%)	57.50	55.50	56.00	54.90	56.50	56.90	59.10	58.80	57.50	58.30	58.10	57.50	56.50	57.50
PMI Services (YoY Gr%)	61.00	58.40	56.90	59.00	61.80	60.60	61.20	60.80	60.20	60.50	60.30	60.90	57.70	58.50
Banking Sector	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Bank Credit (YoY Gr%)	19.96	19.73	20.64	19.95	20.30	20.50	20.16	19.01	19.78	17.36	13.59	13.59	13.03	-
Agriculture Credit (YoY Gr%)	16.66	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.07	17.73	16.36	-
Industry Credit (YoY Gr%)	6.51	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.09	9.71	8.94	-
Services Credit (YoY Gr%)	25.39	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	13.99	13.92	13.70	-
Retail Credit (YoY Gr%)	30.03	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	14.99	13.93	13.42	-
Bank Deposits (YoY Gr%)	9.90	12.96	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57	12.72	11.54	11.75
Demand (YoY Gr%)	-1.32	5.97	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.25	20.55	13.33	13.16
Time (YoY Gr%)	11.54	13.94	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88	11.70	11.31	11.56
C-D Ratio (%)	78.60	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30	78.40	79.60	79.00
Weighted Average Lending Rate Fresh Rupee	9.38	9.50	9.41	9.32	9.43	9.36	9.37	9.55	9.39	9.32	9.40	9.41	9.37	-
Weighted Average Deposit Rate (%)	6.70	6.76	6.79	6.83	6.85	6.86	6.89	6.91	6.92	6.91	6.92	6.93	6.95	-
Banking Sector	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
UPI (No. in Cr)	1055.57	1140.88	1123.53	1202.02	1220.30	1210.27	1344.00	1330.40	1403.58	1388.51	1443.56	1496.30	1504.17	1658.50
IMPS (No. in Cr)	47.29	49.29	47.24	49.88	50.88	53.46	58.06	55.04	55.77	51.68	49.03	45.33	42.99	46.68
NPCI Retail Transaction value (Y-o-Y Gr%)	20.61	23.52	25.99	21.14	25.16	28.51	22.19	23.95	22.01	22.83	22.96	20.51	20.62	29.59
NPCI Retail transactions volume (Y-o-Y Gr%)	43.68	42.59	46.93	44.96	44.68	50.01	46.69	44.24	42.86	44.14	39.05	37.43	38.96	43.18
Inflation	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
CPI (Y-o-Y Gr%)	5.02	4.87	5.55	5.69	5.10	5.09	4.85	4.83	4.80	5.08	3.60	3.65	5.49	6.21
Core CPI (Y-o-Y Gr%)	4.52	4.26	4.11	3.89	3.59	3.37	3.24	3.23	3.12	3.14	3.39	3.40	3.49	3.67
WPI (Y-o-Y Gr%)	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.43	2.10	1.25	1.84	2.36
Consumer	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Electricity Consumption	11.76	23.46	6.15	0.80	5.54	8.86	9.99	9.02	13.62	8.01	3.98	-4.96	-0.78	1.14
Petroleum Consumption (YoY Gr%)	-1.97	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.54	8.20	8.98	7.40	0.26	-7.85	7.24
Consumer Durables (YoY Gr%)	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	10.55	12.63	8.82	8.29	5.28	6.48	-
Consumer Non Durables (YoY Gr%)	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.80	-1.02	-4.30	-4.45	2.03	-
Unemployment (YoY Gr%)	7.09	9.42	8.88	8.65	7.40	8.10	7.40	8.10	7.00	9.20	7.90	8.50	7.80	10.10
Trade	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
Merchandise Export (YoY Gr%)	-2.77	5.79	-3.27	0.80	4.26	11.87	-0.63	1.99	13.30	2.44	-1.84	-9.34	0.49	17.26
Merchandise Import (YoY Gr%)	-14.02	10.27	-3.32	-6.64	1.99	13.69	-6.39	11.47	8.07	5.93	7.45	3.28	1.60	3.88
Service Export (YoY Gr%)	-2.74	10.66	4.16	1.74	10.75	3.43	-1.40	17.06	9.69	3.16	16.61	5.66	14.62	21.29
Service Import (YoY Gr%)	-10.41	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.99	6.18	-3.08	15.72	8.83	13.24	26.30
Logistics	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
E Way bill generated (Nos. in Cr)	9.20	10.03	8.76	9.53	9.60	9.73	10.35	9.67	10.32	10.01	10.49	10.55	10.91	11.73
Air Freight (YoY Gr%)	-0.25	13.15	6.58	10.80	15.52	22.66	17.32	9.98	15.57	15.94	18.06	12.46	17.95	-
Fiscal	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
GST Collection (YoY Gr%)	10.17	13.37	15.12	10.28	10.51	12.54	11.47	12.42	9.96	7.63	10.28	9.99	6.47	8.92
Govt Expenditure (YoY Gr%)	3.19	-14.01	-13.82	7.13	-14.03	20.44	-0.62	39.26	-37.87	-18.42	0.12	20.94	2.63	-

Banking Research Team	
Kanika Pasricha Chief Economic Advisor	kanika.pasricha@unionbankofindia.bank
Suneesh K	suneeshk@unionbankofindia.bank
R Gunaseelan	gunaseelan@unionbankofindia.bank
Nidhi Arora	nidhiarora@unionbankofindia.bank
Rajesh Ranjan	rajeshranjan@unionbankofindia.bank
Amit Srivastava	asrivastava@unionbankofindia.bank
Jovana Luke George	jovana.george@unionbankofindia.bank
Dhiraj Kumar	dhirajkumar@unionbankofindia.bank
Akash Deb	akash510@unionbankofindia.bank
Rohit Yarmal	rohitdigambar@unionbankofindia.bank
Shreyas Bidarkar	shreyas.bidarkar@unionbankofindia.bank
S. Jaya Laxmi	s.jayalakshmi@unionbankofindia.bank

**Disclaimer:**

*The views expressed in this report are personal views of the author(s) and do not necessarily reflect the views of Union Bank of India. Nothing contained in this publication shall constitute or be deemed to constitute an offer to sell/ purchase or as an invitation or solicitation to do so for any securities of any entity. Union Bank of India and/ or its Affiliates and its subsidiaries make no representation as to the accuracy; completeness or reliability of any information contained herein or otherwise provided and hereby disclaim any liability regarding the same.*