

GDP data for Q4 FY25 due on 30<sup>th</sup> May, likely clocked 7.0%, an uptick from Dec'24 quarter (Q3 FY25: 6.2%). The revised estimate for full year FY25 growth is likely to be lowered to 6.3% from 6.5% previously. GVA growth for Q4 FY25 likely improved to 6.7% from 6.2% in Q3 FY25.

**GVA growth likely improved in Q4 FY25**

- As per our projection, the GVA growth in Q4FY25 improved to 6.7% y/y as against 6.2% in Q3FY25, led by industry and services led by public admin. Agri growth, however, moderated compared to previous quarter (ref Fig.1).
- Industry likely grew by 6.2% in the quarter as against 4.5% in Q3FY25 on the back of a recovery in corporate performance (ref fig.4). Our analysis of corporate earnings of a sample of ~500 listed manufacturing sector companies for Q4FY25 indicate a growth of 8.3% y/y in operating profit as against 6.1% in Q3FY25 (ref. Fig.7). Accordingly, manufacturing sub-sector likely grew at 5.0% during the quarter as against 3.5% last quarter. While average IIP growth has slipped in Jan-March quarter, in the past quarters, the relevance of corporate earnings is way higher vis-à-vis IIP for manufacturing GVA. The sharp cooling in WPI inflation in Q4 is also likely to drive GDP deflator lower thereby supporting growth numbers. Other sectors like mining and construction also probably showed a pickup (1.7% and 9.8% in Q4FY25 vis-à-vis 1.4% and 7.0% respectively in Q3FY25) (ref Fig. 5). Meanwhile, agri GVA likely moderated to 4.0% in Q4FY25 from 5.6% in Q3FY25 (ref.Fig.4). However, it likely faces upwards bias, on record rabi crop harvest.
- Services GVA growth continued to remain strong at 7.7% during the quarter, led by public administration sub-segment on backloaded government spending in FY25. Public admin sub-segment likely grew at 9.2% from 8.8% in Q3 (ref fig. 6). Trade & transport segment likely recorded a higher growth of 7.0% vs Q3 led by a pickup in urban demand even as rural demand is yet to receive a fillip from strong agri growth.

**GDP-GVA growth wedge likely widened in Q4 FY25**

- The GDP- GVA gap is likely to have widened to 0.35% from negative 0.07% in Q3 FY25. The gap has however, come down from 1.09% observed in Q4 FY24.
- The widening of gap was probably on account of robust indirect tax collections even as subsidy disbursements were slower. As per revised estimates central government fiscal data, subsidies likely showed ~25% YoY contraction in Q4 FY25 (on base effects due to backloaded spending in Q4 FY24) even as indirect tax growth sustained in positive zone. Consequently, we see a (partly statistical) recovery in GDP growth numbers in Q4FY25.

**Lead indicators show recovery in H2 FY25**

- Our heatmap of high frequency indicators shows a mixed picture even as our economic activity index signalled a mild upward bias. The latter tracks well with GVA ex agri & government, a metric of private sector activity and hence we see it showing a pickup to 6.8% in Q4 from 5.9% in Q3 FY25.
- As per RBI Bulletin, 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, other factors like organisation of mass religious gatherings via the Mahakumbh (Rs 2 to 3 lakh Cr nominal growth impact as per media reports) may have played a key role in supporting growth recovery.

**FY25 full year growth likely to be revised downward to 6.3% from 6.5% (SAE)**

- We will get the provisional estimates for full year FY25 GDP along with data for Q4 FY25. We have revised downward our full year forecast from 6.4% to 6.3%, which implies H2 growth of 6.6% from 6.0% in H1.
- Hence, the government's second advance estimate of 6.5% for FY25 faces downside risks as it implied 7.6% growth in Q4, which is very ambitious in our view despite Mahakumbh impact.
- We see **FY26 GDP growth slowing to 6.0%** on the back of global slowdown worries, geopolitical uncertainty further delaying private capex recovery and negative fiscal impulse even as monetary policy easing, income tax cut impact, rural demand recovery assuming normal monsoon may provide crucial support.

**Fig.1. GDP likely clocked 6.3% in FY25 led by industry and services**

% y/y	Q1'FY24	Q2'FY24	Q3'FY24	Q4'FY24	FY24	Q1'FY25	Q2'FY25	Q3'FY25	Q4'FY25 (P)	FY25 UBI (P)	FY25 (SAE)
GDP	9.7%	9.3%	9.5%	8.4%	9.2%	6.5%	5.6%	6.2%	7.0%	6.3%	6.5%
GVA	9.9%	9.2%	8.0%	7.3%	8.6%	6.5%	5.8%	6.2%	6.7%	6.3%	6.3%
Agri	5.7%	3.7%	1.5%	0.9%	2.7%	1.7%	4.1%	5.6%	4.0%	3.9%	4.6%
Industry	7.3%	15.1%	11.8%	9.5%	10.8%	8.4%	3.8%	4.5%	6.2%	5.7%	6.2%
Services	12.5%	7.5%	8.3%	7.8%	9.0%	6.8%	7.2%	7.4%	7.7%	7.3%	7.2%

Source: CEIC, UBI Research

Classification: Public

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Fig.2. UBI Economic Activity Index signals marginal pickup in private sector growth in Q4 FY25



Fig. 3. GDP-GVA wedge probably reverted to positive levels; % y/y

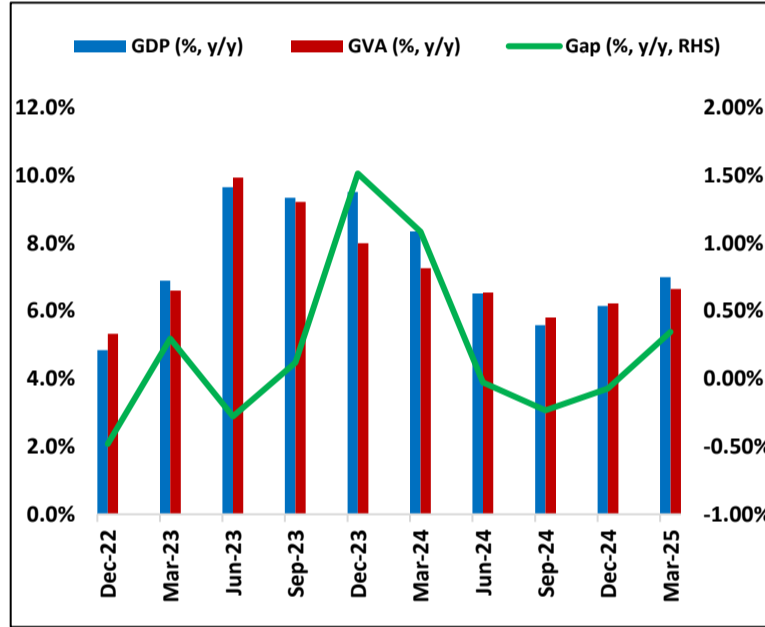


Fig. 4: GVA growth recovery in Q4FY25 likely led industry & services; % y/y

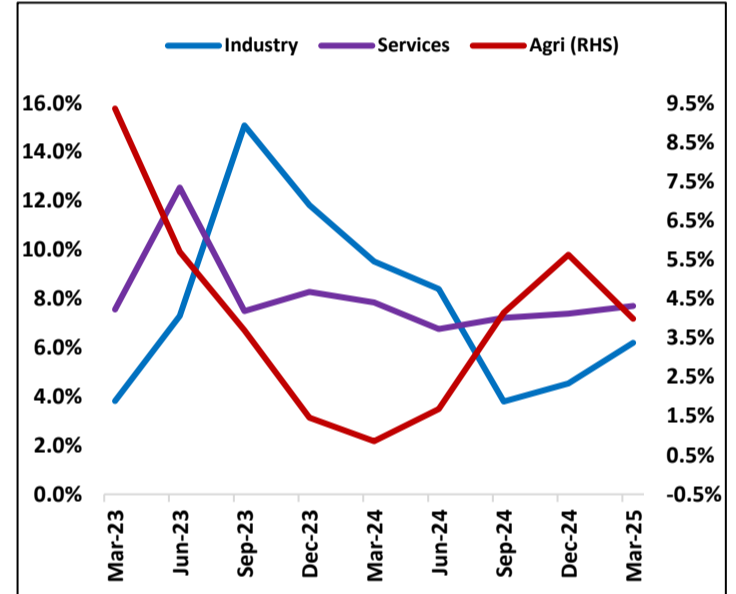


Fig. 5. Industry GVA likely saw a broad-based pickup; % y/y

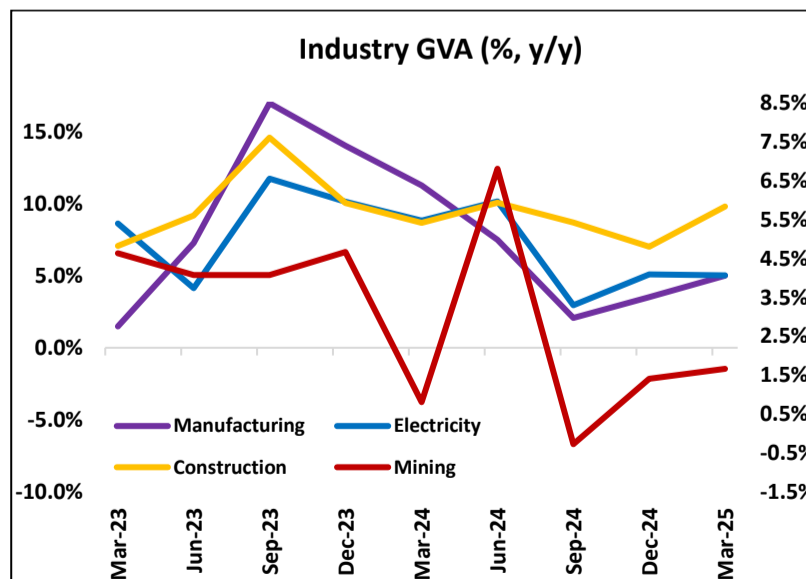
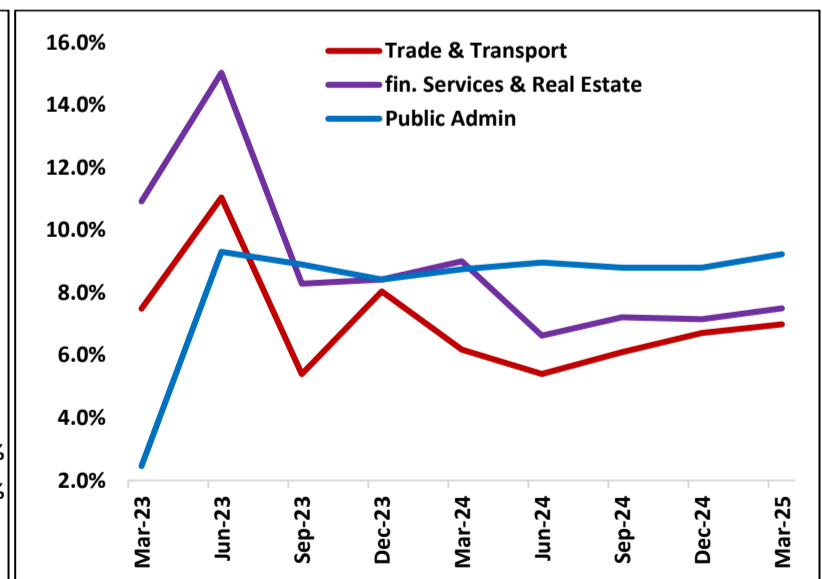
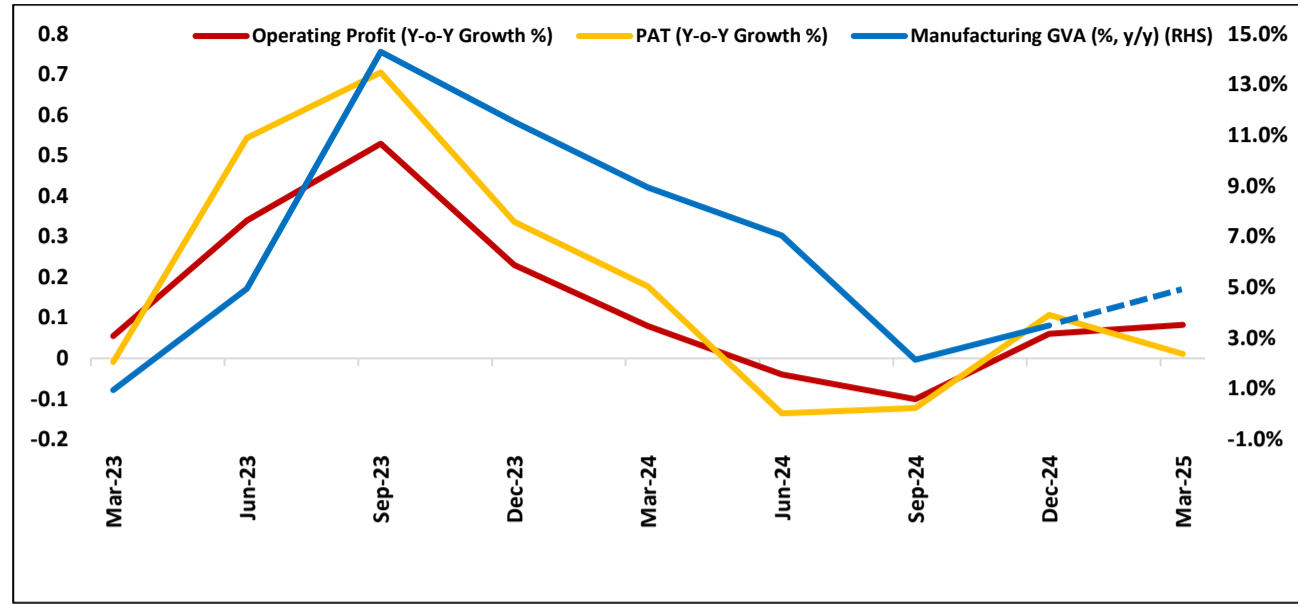


Fig. 6: Services sector likely remained resilient on backloaded govt. spending & Mahakumbh impact; % y/y



Source: CEIC, UBI Research  
Note: Mar'25 figures are UBI estimates

Fig.7: Operating profit of manufacturing companies showing signs of improvement in Q4FY25



Source: ACE Equity, UBI Research  
Note: Mar'25 figures are UBI estimates

Fig. 8: Lead indicators show a mixed picture in H2 FY25

High Frequency Indicators	FY24				FY25			
	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25
Electricity Demand (% y/y)	1.5%	13.3%	10.1%	6.9%	10.2%	-0.6%	2.8%	4.3%
E-way bills (% y/y)	15.8%	15.1%	17.4%	16.4%	15.9%	16.9%	16.9%	19.4%
GST Collections (% y/y)	11.6%	10.6%	12.9%	11.5%	10.0%	8.9%	8.2%	10.4%
Petrol + diesel cons (% y/y)	6.4%	6.3%	2.1%	5.7%	4.0%	1.1%	5.5%	-1.8%
Steel cons (% y/y)	12.2%	17.7%	14.8%	10.5%	15.0%	12.1%	7.9%	11.8%
Manufacturing PMI	57.9	57.9	55.5	57.5	58.2	57.4	56.8	57.4
Services PMI	60.6	61.1	58.1	61.2	60.5	59.6	58.7	58.0
Composite PMI	60.9	61.3	58.1	61.2	61.0	59.9	59.0	58.7
Auto Production (% y/y)	3.3%	0.5%	16.8%	23.0%	17.1%	10.4%	6.4%	6.0%
Tractor sales (% y/y)	-1.9%	-2.5%	-5.9%	-23.0%	0.2%	-0.2%	11.7%	24.2%
Two Wheeler sales (% y/y)	11.9%	-1.9%	13.1%	25.4%	20.7%	12.5%	1.4%	1.5%
Three Wheeler sales (% y/y)	91.1%	64.9%	34.5%	6.1%	13.8%	6.8%	1.2%	8.4%
Vehicle registrations (% y/y)	6.1%	13.1%	12.6%	11.3%	10.7%	3.4%	12.0%	0.9%
Vehicle registrations - Heavy goods vehicle (% y/y)	10.5%	10.1%	8.8%	-4.7%	-5.1%	-6.1%	-8.9%	-6.6%
Vehicle registrations - Heavy passenger vehicle(% y/y)	135.3%	24.8%	43.5%	62.5%	32.5%	65.2%	48.2%	8.0%
Vehicle registrations - Light goods vehicle (% y/y)	-1.5%	-0.8%	-0.7%	-2.9%	-2.0%	-6.3%	-1.8%	1.1%
Vehicle registrations - Light passenger vehicle(% y/y)	76.3%	79.7%	55.3%	72.8%	38.2%	9.0%	9.0%	4.3%
Exports (% y/y)	-14.0%	-3.1%	1.1%	5.2%	5.9%	-3.2%	3.2%	-4.3%
Imports (% y/y)	-12.8%	-9.8%	0.1%	3.1%	7.7%	9.6%	6.8%	1.8%
NONG exports (% y/y)	-7.7%	0.1%	4.6%	9.6%	6.1%	5.7%	15.9%	3.7%
NONG imports (% y/y)	-7.1%	-4.7%	1.2%	1.7%	3.8%	6.3%	5.1%	9.6%
IIP (% y/y)	4.8%	7.8%	6.2%	5.1%	5.5%	2.7%	4.1%	3.6%
IIP Consumer durable goods (% y/y)	-2.5%	1.1%	5.4%	11.2%	10.7%	6.6%	9.2%	5.8%
IIP Non-consumer durable goods (% y/y)	7.0%	7.0%	3.0%	0.8%	-0.2%	-2.1%	-1.2%	-2.2%
Total credit (% y/y)	15.8%	19.7%	20.7%	20.3%	18.7%	13.4%	11.1%	11.1%
Airport Cargo (% y/y)	-4.7%	-0.9%	8.4%	10.1%	6.9%	7.8%	4.5%	3.1%
Air traffic (% y/y)	21.7%	22.8%	10.8%	7.3%	7.3%	7.8%	11.2%	11.3%
Port traffic (% y/y)	1.9%	3.0%	10.6%	3.0%	3.9%	6.2%	-1.7%	9.0%
Railway freight (% y/y)	1.1%	4.9%	6.4%	8.4%	5.1%	-0.4%	0.0%	2.1%
Toll collection (% y/y)	15.3%	13.3%	12.8%	11.0%	5.7%	7.6%	9.8%	15.1%
Tourists (% y/y)	37.7%	21.7%	18.0%	8.0%	2.3%	-1.7%	-2.7%	-
MGNREGA - persondays (% y/y)	7.3%	18.8%	0.5%	-2.8%	-9.8%	-21.9%	5.7%	4.2%
Total exp - interest (% y/y, 3mma)	8.6%	47.4%	-9.7%	-2.7%	-2.3%	-3.7%	18.6%	-3.5%
Hotel occupancy rate (%)	63.0%	61.0%	65.3%	71.0%	61.3%	62.0%	66.3%	68.7%
Rural Wages (% y/y)	6.1%	6.2%	6.0%	6.3%	5.8%	5.6%	5.8%	5.5%

Source: RBI, CEIC, SIAM, HVS Anarock, UBI Research

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