

Q3FY25 GDP growth picked up to 6.2% from 5.6% (revised) in Q2FY25

Growth number for Q3'FY25 exactly in line with our estimate of 6.2% while consensus for GDP was 6.3% (pl refer to our GDP preview [GDP-growth-likely-recovered-to-6.2%-in-Q3FY25](#) and update report [Growth normalised in FY25, policy boost favours FY26 outlook](#)). Growth pickup was led by agriculture and industry in Q3'FY25 as expected with consumption being a bigger growth driver vis-a-vis investment. Annual estimate for GDP growth for FY25 has been revised upward to 6.5% (SAE) from 6.4% earlier (FAE). It will be interesting to observe if the 7.6% implied growth number for Q4 FY25 is actually materialized as this looks slightly ambitious despite Mahakumbh impact (Rs. 2 to 3 lakh Cr nominal growth impact). Most of the previous qtrs. since June'22 growth number were sharply revised upwards in the second advance estimates (SAE). The sharp upward growth data revisions for FY24 (GDP 8.2% to 9.2%, GVA 7.2% to 8.6%) was primarily led by services sector even as agriculture and industry played a role. From GDP perspective, sharp upward data revision in consumption growth was a pleasant surprise. Nominal growth is estimated to slow down to 9.9% in FY25 versus 12% in FY24. Our FY25 growth forecast remains unchanged at 6.4% (despite upward revision by the government) and at 6.5% for FY26.

Jan'25 fiscal numbers continue to signal backloaded fiscal impulse led by capex

Fiscal deficit in Apr-Jan'25 came in at Rs.11.69 lakh Cr (74.5% of RE) vis-à-vis Rs.11.0 lakh Cr (63.6% of RE) in corresponding period last year. Ratio is seen to increase as Fiscal deficit numbers have been revised downward in the Revised estimates by Rs.43,785 Cr, which made the ratios look wide. Revenue receipts in Apr-Jan'25 witnessed increase of 6.9%, over same period previous year. Both tax and non-tax revenue increased in Apr-Jan'25. Non-debt capital receipts however registered a sharp fall, thereby pulling down the receipts. More importantly, fiscal impulse has improved as capex growth for the month of Jan'25 stayed elevated at 51% YoY versus 95% for the month of Dec'24 signalling central government's efforts to continue to push growth as key policy priority. With the upward revision in (nominal) growth numbers in the second advance estimate for FY25 GDP growth, the downside risk has emerged in full year fiscal deficit to 4.7% of GDP from 4.8% (RE) (pl refer our [report on Jan'25 fiscal numbers](#)).

India: CPI seen easing below 4% in Feb'25, IIP to inch-up in Jan'25

India CPI likely slowed down further to 3.94% in Feb'25 as against 4.31% in January'25 on account of further easing in vegetable prices, especially OPT (onion, potato & tomato) (pl refer our [CPI & IIP preview](#)) Robust kharif production and seasonal winter correction in the prices of vegetables were likely instrumental in bringing the food inflation further down to 4.66% in Feb'25. On-the-ground (OTG) prices of vegetables and pulses are seen corrected further during the month even though prices of edible oils and sugar are seen firming up during the period. Food inflation has probably come below the 5% levels for the first time after June'23. M/m food inflation continues to be in negative zone for fourth consecutive month, coinciding with the onset of winter months. YoY vegetables CPI has fallen from 11.35% in the month of Jan'25 to as low as 3.89% in Feb'25. On the other hand, Core CPI seems to have edged up to 3.87% from 3.66% in Jan'25 as the rally in gold prices continues. Fuel CPI is expected to remain remained deflationary while CPI ex-vegetables is expected to have inched up to 3.94% from 3.83% in Jan'25.

IIP (Index of Industrial Production) on the other hand, likely inched-up to 3.7% YoY in Jan'25, from 3.2% in previous month and 4.2% in Jan'24 as signalled by the High frequency indicators for Jan'25. Core sector recorded growth at 4.6% in Jan'25, while it grew by 4.8% in Dec'24. Six components of the eight core sectors, coal, refinery products, fertilizers, electricity and steel and cement improved in Jan on y/y. coal recorded a sharp increase of 6.8% m/m in Jan'25, supporting the broad-based recovery in industrial production numbers. Electricity demand is seen to report 3.6% m/m growth in Jan'25, which is also contributing to industrial output growth in Jan'25. From a use-based perspective, consumer non-durables are likely to see a sequential pickup on sustained recovery in rural demand. Meanwhile, urban demand, as indicated by consumer durables, would also observe recovery in January amid improvement in overall growth sentiments in the economy.

Sectoral Credit growth of SCBs slows in Jan'25 vs last year led by retail and services sub-sectors

Non-food bank credit of SCBs as of the fortnight ending on 24th January 2025 excluding the impact of merger effect grew at 12.5% vis-à-vis 16.2% for the fortnight ending on 26th January 2024. The key drivers of credit growth remain retail and services sub-segments which clocked a growth of 14.2% (vs 18.2% last year) and 13.8% (vs 21% last year) respectively. A part of strong pickup in retail loans has been led by gold loans which clocked 76.9% growth YoY versus 17.4% same period last year. Within services, credit growth to NBFCs decelerated to 7.7% (vs 15.6%) though a recovery is likely with the RBI reversing the macroprudential tightening measures in this sub-segment. Meanwhile, with delay in broad based private capex recovery, industrial credit growth rate is relatively lower at 8.2% YoY (Jan'24: 7.5%). Among major industries, outstanding credit to petroleum, coal products & nuclear fuels, basic metal & metal product, chemicals & chemical products and all engineering grew more than others. Interestingly, MSMEs have clocked a -15% growth on government's credit support schemes.

RBI liquidity measures may potentially switch system into surplus unless Fx outflows spoil the party

On 5th Mar'25, RBI has announced further liquidity measures for injecting liquidity via OMO purchases worth Rs.1 lakh crore in two equal tranches on 12th & 18th Mar'25. Additionally, USD/INR buy/sell swap auction of \$10 billion for a tenure of thirty-six months to be held on March 24, 2025. This shall inject in Rs.1.9 lakh crore of liquidity into the banking system. While in the near term, overall banking system liquidity may face pressures from seasonal tax outflows (GST, advance tax etc) along with currency leakage, assuming FX related outflows do not play spoilsport, we may potentially see a shift in core liquidity (ex-government balance) towards a strong surplus by end-Mar'25 while system liquidity is also estimated to end the year at neutral to surplus levels. In our view, there is a two-fold intent behind RBI's liquidity surprise: i) to aid transmission of the 25bps rate cut in early Feb'25 which is likely to be repeated in April, in our view with banks still facing credit-deposit growth wedge and not showing any urgency to reduce to deposit rates along with non-repo linked lending rates (MCLR); ii) probably to elongate the maturity profile of the FX forward book (USD 77bn as per latest data for end-Jan'25, with -60% maturity in less than 3 months) with long-term buy/sell FX swaps (pl refer our [fixed income weekly](#)).

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Economy Dashboard

Industrial Sector	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
IIP (YoY Gr%)	6.18	10.87	6.35	11.89	2.47	4.39	4.21	5.60	5.47	5.19	6.25	4.93	4.98	0.00	3.23	3.66	4.96	3.22	-
Mining (YoY Gr%)	10.68	12.35	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	0.86	1.90	2.58	-
Manufacturing (YoY Gr%)	5.26	9.98	5.13	10.58	1.31	4.62	3.64	4.94	5.90	4.18	5.10	3.53	4.71	1.18	4.03	4.36	5.53	3.03	-
Electricity (YoY Gr%)	7.99	15.26	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	1.96	4.42	6.17	-
Core Infra Growth (YoY Gr%)	8.58	13.37	9.45	12.68	7.89	5.08	4.16	7.06	6.25	6.94	6.86	5.00	6.27	-1.45	2.44	3.84	4.39	4.78	4.59
Cement production (YoY Gr%)	6.89	19.74	4.73	16.95	-4.75	3.84	4.06	7.82	10.58	0.16	-0.63	1.79	5.12	-2.53	7.58	3.14	13.48	4.64	14.46
Steel Production (YoY Gr%)	14.93	16.36	14.81	13.59	9.74	8.28	9.17	9.44	7.53	9.83	8.94	6.31	6.99	4.13	1.81	5.71	4.36	7.26	3.67
Petroleum Products (YoY Gr%)	3.54	9.55	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	5.20	2.90	2.83	8.31
Fertilizers Production (YoY Gr%)	3.29	1.83	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	0.37	2.02	1.67	2.96
Coal Production (YoY Gr%)	15.00	17.88	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	7.76	7.49	5.29	4.64
Capital Goods Production (YoY Gr%)	5.15	13.05	8.37	21.67	-1.11	3.70	3.24	1.72	6.99	2.81	2.63	3.63	11.66	0.00	3.46	3.11	8.78	10.31	-
PMI Manufacturing (YoY Gr%)	57.70	58.60	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	56.50	56.40	57.70
PMI Services (YoY Gr%)	62.30	60.10	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	58.40	59.30	56.50
Banking Sector	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
Bank Credit (YoY Gr%)	19.55	19.73	19.96	19.98	22.22	19.95	20.29	20.50	20.16	19.01	19.78	17.36	13.71	13.59	13.03	11.52	10.64	11.16	11.41
Agriculture Credit (YoY Gr%)	16.71	16.48	16.66	17.39	18.11	19.39	19.99	20.00	19.97	19.84	21.60	17.41	18.09	17.73	16.36	15.48	15.34	12.46	12.17
Industry Credit (YoY Gr%)	5.18	5.91	6.51	5.36	6.06	8.04	7.97	8.89	8.51	7.37	9.36	8.13	10.16	9.71	8.94	7.88	8.03	7.24	8.04
Services Credit (YoY Gr%)	23.42	24.98	25.39	24.03	25.75	23.34	24.20	24.26	23.49	22.02	23.18	17.36	14.47	13.92	13.70	12.69	12.95	11.67	12.49
Retail Credit (YoY Gr%)	31.15	30.36	30.03	29.56	30.03	28.41	28.61	28.11	27.46	26.70	28.73	25.60	13.95	13.93	13.42	12.89	13.34	12.02	11.84
Unsecured Retail Credit (YoY Gr%)	28.42	26.94	26.76	25.56	27.30	25.67	24.22	23.02	22.56	18.67	20.27	16.29	14.18	13.62	12.38	11.76	12.49	10.02	9.20
Bank Deposits (YoY Gr%)	12.93	13.22	12.30	13.22	14.21	13.28	13.20	13.12	13.47	12.56	14.02	11.12	10.57	12.72	10.38	11.50	11.25	9.83	10.31
Demand (YoY Gr%)	10.57	9.36	7.83	8.06	15.04	10.71	9.19	10.12	12.08	9.88	14.83	6.24	8.25	20.55	7.22	10.22	7.74	5.42	6.62
Time (YoY Gr%)	13.25	13.75	12.95	13.95	14.10	13.64	13.76	13.53	13.67	12.93	13.91	11.83	10.88	11.70	10.82	11.68	11.73	10.44	10.80
C-D Ratio (%)	77.10	77.50	77.80	79.20	79.60	79.50	80.00	80.20	80.30	79.50	79.60	79.30	79.30	78.40	79.20	79.40	79.50	80.40	80.80
Weighted Average Lending Rate Fresh Rupee	9.44	9.47	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	9.54	9.40	9.25	9.32
Weighted Average Deposit Rate (%)	6.55	6.60	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	6.96	6.98	7.00	7.02
Banking Sector	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
UPI (No. in Cr)	996.43	1058.60	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	1548.20	1673.00	1699.60
IMPS (No. in Cr)	48.97	48.92	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	40.79	44.12	44.42
NPCI Retail Transaction value (Y-o-Y Gr%)	23.89	26.71	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	14.89	19.50	20.54
NPCI Retail transactions volume (Y-o-Y Gr%)	44.83	46.68	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	31.84	34.45	35.16
Inflation	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
CPI (Y-o-Y Gr%)	7.44	6.83	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	5.48	5.22	4.31
Core CPI (Y-o-Y Gr%)	4.94	4.79	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	3.64	3.58	3.66
WPI (Y-o-Y Gr%)	-1.23	-0.46	-0.07	-0.26	0.39	0.86	0.33	0.20	0.26	1.19	2.74	3.43	2.10	1.25	1.91	2.75	2.16	2.37	2.31
Consumer	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
Two wheeler Sales (YoY Gr%)	8.52	6.77	0.80	20.10	31.30	16.00	26.20	34.60	15.30	30.80	10.10	21.30	12.50	9.30	15.80	14.20	-1.10	-8.80	2.10
Passenger Vehicle Sales (YoY Gr%)	68.08	71.87	3.10	17.30	4.30	3.20	13.90	9.50	8.90	1.20	4.30	4.90	-2.00	-1.60	-0.40	1.10	4.40	11.40	3.50
Tractor Sales (YoY Gr%)	21.06	13.58	-9.66	-4.30	6.40	-19.80	-15.30	-30.60	-23.10	-3.00	0.00	3.60	1.60	-5.80	3.70	22.40	-1.30	14.00	11.40
Electricity Consumption	12.12	16.12	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	-0.44	3.68	5.19	1.93
Petroleum Consumption (YoY Gr%)	4.87	11.69	-1.97	1.91	-4.37	9.41	6.46	-4.84	15.31	-2.54	8.20	8.99	7.41	0.27	-10.56	8.40	1.99	4.35	1.47
Consumer Durables (YoY Gr%)	-3.62	6.02	0.97	15.93	-4.83	5.24	11.58	12.56	9.53	10.55	12.63	8.82	8.21	5.36	6.32	5.69	14.08	8.30	-
Consumer Non Durables (YoY Gr%)	8.33	9.93	2.66	9.29	-3.38	3.04	0.30	-3.17	5.22	-2.46	2.80	-1.02	-4.17	-4.38	2.17	2.60	0.45	-7.62	-
Unemployment (YoY Gr%)	7.90	8.10	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	11.10	12.10	13.10
Trade	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
Merchandise Export (YoY Gr%)	-10.03	3.42	-2.78	5.80	-3.27	0.80	4.25	11.87	-0.63	1.98	13.27	2.43	-1.98	-9.93	-0.27	16.65	-5.06	-0.99	-2.38
Merchandise Import (YoY Gr%)	-16.13	0.68	-14.02	10.28	-3.32	-6.64	1.99	13.69	-6.39	11.09	7.25	4.62	6.27	0.44	-0.88	-1.15	15.99	4.89	10.28
Service Export (YoY Gr%)	8.10	8.34	-2.74	10.66	4.16	1.74	10.75	3.43	-1.40	17.06	9.69	3.16	16.60	5.66	14.61	22.32	13.90	16.52	11.99
Service Import (YoY Gr%)	-2.26	-0.87	-10.41	-0.41	-11.13	-1.05	0.10	1.72	-2.12	19.99	6.18	-3.08	15.98	9.07	13.49	27.90	25.95	13.78	12.56
Logistics	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
E Way bill generated (Nos. in Cr)	8.80	9.34	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	10.18	11.20	11.81
Air Freight (YoY Gr%)	-1.16	6.86	-0.25	13.15	5.31	10.80	17.60	22.66	17.32	9.98	15.57	15.94	18.06	12.46	17.95	14.51	9.67	8.02	7.04
Fiscal	Jul-23	Aug-23	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	Nov-24	Dec-24	Jan-25
GST Collection (YoY Gr%)	10.81	10.76	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	8.54	7.26	12.29
Govt Expenditure (YoY Gr%)	84.55	10.55	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	31.65	3.63	22.15	12.43

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