

PRESS RELEASE  
November 20, 2024

## GDP growth to ease to 6.5% in Q2 FY2025 doused by heavy rains, weak margins: ICRA

ICRA has projected the year-on-year (YoY) expansion of the GDP to dip to 6.5% in Q2 FY2025 from 6.7% in Q1 FY2025, with heavy rains and weak margins offsetting the buoyancy injected by the turnaround in Government capital expenditure and healthy trends in kharif sowing. Further, the growth in the gross value added (GVA) is estimated to ease to 6.6% in Q2 FY2025 from 6.8% in Q1 FY2025, driven by the industrial (to +5.5% from +8.3%) sector, amid a pick-up in the expansion in services (to +7.8% from +7.2%) and agricultural GVA (to +3.5% from +2.0%).

Based on available data for the Centre and the states' indirect taxes and subsidies, ICRA estimates that the growth in net indirect taxes (in nominal terms) rose slightly to ~9.0-9.5% in Q2 FY2025 from 8.0% in Q1 FY2025. Given this, the GDP-GVA growth wedge (in real terms) is expected to remain inverted in Q2 FY2025 as well.

**Aditi Nayar, Chief Economist, Head-Research & Outreach, ICRA** said: *"Q2 FY2025 saw tailwinds in terms of a pick-up in capex after the Parliamentary Elections as well as healthy expansion in sowing of major kharif crops. Several sectors faced headwinds on account of heavy rainfall, which affected mining activity, electricity demand and retail footfalls, and a contraction in merchandise exports. Further, margins appear to have weakened for corporates in a variety of sectors in this quarter. As a result, we project a slight dip in India's GVA and GDP growth in Q2 FY2025 to 6.6% and 6.5%, respectively.*

*"The benefits of the healthy monsoons lie ahead, with upbeat kharif output and replenished reservoirs likely to lead to a sustained improvement in rural sentiment. In addition, there is considerable headroom for the Gol's capital expenditure, which needs to expand by 52% in YoY terms in H2 FY2025 to meet the Budget Estimate for the full year. However, we are watchful of the impact of a slowdown in personal loan growth on private consumption as well as geopolitical developments on commodity prices and external demand. On balance, ICRA expects a back-ended pick-up in economic activity to boost the GDP and GVA growth in H2 FY2025, resulting in a full-year expansion of 7.0% and 6.8%, respectively,"* added **Nayar**.

ICRA estimates the industrial GVA growth to record a broad-based moderation to 5.5% in Q2 FY2025 from 8.3% in Q1 FY2025, led by electricity (to +2.0% from +10.4%), mining and quarrying (to +1.5% from +7.2%), manufacturing (to +5.5% from +7.0%), and construction (to +7.0% from +10.5%).

India's investment activity improved in Q2 FY2025 over Q1, while remaining sluggish amid slow execution of infra projects owing to surplus monsoon rains. The Gol's capital expenditure reverted to a YoY expansion of 10.3% YoY in Q2 FY2025 (Rs. 2.3 trillion), following the 35.0% contraction seen in Q1 FY2025 (Rs. 1.8 trillion) led by the MoRTH (to +41.7% from -39.6%) and the Ministry of Railways (to +8.0% from -15.2%). While the combined capital outlay and net lending of the 22 state governments (excluding Arunachal Pradesh, Gujarat, Goa, Jharkhand, Manipur and Odisha) rose by 2.1% YoY in Q2 FY2025 (-20.0% in Q1 FY2025), the pace of expansion remained muted.

Additionally, new project announcements witnessed a healthy rebound to Rs. 6.7 trillion in Q2 FY2025 from multi-quarter low of Rs. 2.2 trillion in Q1 FY2025. This was in sync with the historical trends, wherein new proposals picked up sharply in Q2 after the lull seen during the Parliamentary Elections. The QoQ increase in cost of announcements in Q2 FY2025 was much stronger by the private sector (to Rs. 5.2 trillion from Rs. 1.1 trillion) than by the Government (to Rs. 1.5 trillion from Rs. 1.1 trillion). However, project completions remained subdued in Q2 FY2025, improving marginally to Rs. 1.0 trillion from Rs. 0.7 trillion in Q1 FY2025, partly affected by the monsoons.

ICRA estimates the YoY expansion in the services GVA to rise to 7.8% in Q2 FY2025 from 7.2% in Q1 FY2025, amidst a mixed trend in the high frequency indicators. Supported by the favourable trends for kharif sowing and early estimates depicting a 5.7% growth in kharif foodgrain output, as well as a low base, ICRA expects the GVA growth of agriculture, forestry and fishing to accelerate to ~3.5% in Q2 FY2025 (+1.7% in Q2 FY2024) from 2.0% in Q1 FY2025 (+3.7% in Q1 FY2024).

For further information, please contact:

#### Media Contacts:

##### Naznin Prodhani

Head Media & Communications  
ICRA Ltd  
Tel: + (91 124) 4545300,  
Dir - 4545860  
Email:  
[naznin.prodhani@icraindia.com](mailto:naznin.prodhani@icraindia.com)

##### Shreya Bothra

Manager - Media &  
Communications  
ICRA Ltd  
Mob: +91- 9810934940  
Email:  
[shreya.bothra@icraindia.com](mailto:shreya.bothra@icraindia.com)

##### Shivendra Singh

Deputy Manager - Media &  
Communications  
ICRA Ltd  
Tel: +91- 9892875193  
Email:  
[shivendra.singh@icraindia.com](mailto:shivendra.singh@icraindia.com)

© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions presented in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

#### Disclaimer:

This Press Release is being transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The Press Release may be used by you in full or in part without changing the meaning or context thereof, but with due credit to ICRA Limited. However, ICRA Limited alone has the sole right of distribution of its Press Releases for consideration or otherwise through any media including, but not limited to, websites and portals.

#### About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency. Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

Click on the icon to visit our social media profiles.

