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Savings

Household financial savings rate to rise further in FY2025 from 5.2% of GDP in FY2024, amid expected moderation in financial liabilities

MARCH 2025

Highlights

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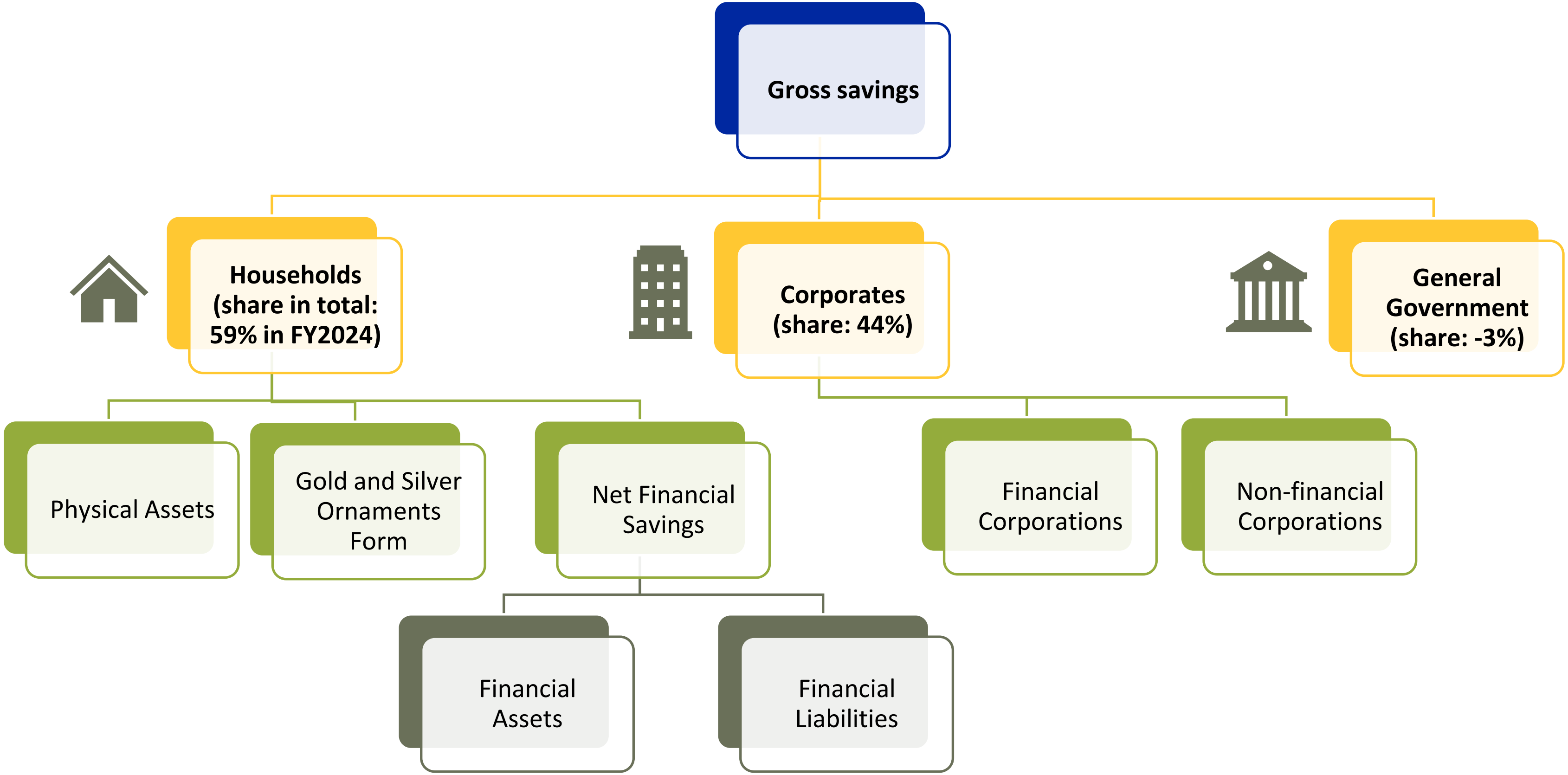
India's gross savings rate remained steady at 30.7% in FY2024 vs. FY2023.

HH net financial savings inched up to 5.2% in FY2024 from 43-year low 5.0% in FY2023 amid a dip in borrowings.

Although HH gross savings rate is expected to moderate further in FY2025, the net financial savings rate is projected to continue to rise amid a likely moderation in financial liabilities.

- India's gross savings stabilised at 30.7% of GDP in FY2024, in line with FY2023, with the dip in savings of households (to a 7-year low 18.1% in FY2024 from 18.6% in FY2023) and corporates (to a 3-year low 13.6% from 13.9%) being offset by the lower dissaving of the General Government (to -0.9% from -1.9%).
- The deterioration in households' (HH) savings rate stemmed from the dip in physical savings (to 12.8% of GDP in FY2024 from decadal high of 13.4% in FY2023), even as HH net financial savings (NFS) have risen marginally (to 5.2% from 5.0%). The latter was attributed to the significant drop in growth in financial liabilities (to +17.7% from +77.5%) and the greater expansion in financial assets (to +17.2% from +12.1%).
- Given that HHs are net suppliers of savings in the economy, the uptick in HH net financial savings that was recorded in FY2024, needs to pick up pace to support corporate capex (or gross capital formation; GCF rate for the corporate sector), given the limited space for General Government absorption of savings to narrow from the existing levels, without leading to a sharp rise in the current account deficit (CAD).
- The NSO has pegged private final consumption expenditure (PFCE) growth at 12.3%/7.6% in nominal/real terms in FY2025, implying a significant uptick from the FY2024 levels, although this assumes very high growth in Q4 FY2025, which we anticipate will be undershot. A pickup in growth in PFCE in FY2025 could imply that the HH savings rate is likely to have come under further pressure in the ongoing fiscal.
- However, ICRA's assessment of trends in the housing markets and HH borrowings from the banking system (which accounts for the bulk of HH liabilities) for FY2025 so far suggests that (1) the dip in the gross savings rate of HHs (as % of GDP) is likely to be entirely driven by the HH physical savings rate, which is expected to decline further in FY2025 vis-à-vis FY2024, and (2) the HH net financial savings rate is likely to inch up further in FY2025 vis-à-vis FY2024 (led by the dip in financial liabilities as % of GDP). The latter also helped in containing India's CAD in the fiscal.
- Looking ahead, PFCE growth is projected to be healthy in FY2026 amid expectations of an improvement in urban demand. This, along with a likely recovery in housing demand, could weigh on HH net financial savings in the next fiscal, although this may not translate into a sharp rise in the CAD, amid expectations of measured, non-exuberant private capex in an uncertain global environment.

Composition of Gross Savings



Source: National Statistical Office (NSO), ICRA Research

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Thank You!