

The FY24 GDP growth clocked a strong 8.2% y/y, way higher than the second advance estimate of 7.6%. The data was in line with our above consensus estimate of 8% (pls refer [“FY24 full year GDP growth likely clocked 8%”](#)) boosted by Q4 growth of 7.8% (UBI: 7.5%, Consensus: 7%) and upward revision in Q3 data. GDP-GVA growth wedge eased somewhat from record highs in Q3 with GVA growth printing 6.3%.

GVA eased in Q4 FY24 on slower industry and services

In line with our expectations, GVA growth edged lower in Q4 (Fig 1) on slowdown in both industry and services sub-sectors. Industry GVA growth slipped back to single digits on broad based slowdown across four sub-sectors.

In specific, in case of manufacturing, the RBI in its Bulletin also claimed possibility of a sharp growth slow down as the EBITDA of listed companies that was in double digits in Q3 FY24 has evidently dropped in Q4 FY24 due to higher costs led by a spurt in commodity prices. The moderation in operating profits has netted off the higher growth in revenues.

Services sector however provided a negative surprise vis-à-vis our expectations of a pickup in growth in Q4 FY24. This was primarily attributed to weakness in trade and hotel sub-segment even as public admin and financial & real estate sub-segments saw a growth pickup. Financial and real estate companies recorded double digit expansion in profits in Q4 FY24 amid robust credit growth while backloaded government spending probably boosted public admin growth.

Agriculture GVA remained weak though it is noteworthy that the upward data revisions in Q3FY24 growth to 8.6% from 8.4% previously is primarily attributed to revision in agri GVA growth to slight positive number from contraction zone.

For full year FY24, GVA growth has been upped to 7.2% from 6.9% in the second advance estimate led by agriculture (1.4% from 0.7%) and industry (9.5% from 9%).

GDP-GVA growth wedge moderated in Q4FY24 yet stays elevated

While the momentum in net indirect tax collections has remained strong in Q4 FY24, the tempo has definitely slowed down as expected in comparison with Q3 FY24. Consequently, the wedge between GDP and GVA growth though still elevated, has narrowed from a record high of 1.8 percentage points in Q3FY24 to 1.5 percentage points in Q4FY24.

Capex growth moderated, consumption stayed weak while net exports turned key growth driver

Private final consumption expenditure growth continued to remain weak in Q4FY24 clocking only 4% growth while gross fixed capital formation growth moderated from 9.7% in Q3FY24 to 6.5% in Q4FY24. Muted growth in consumption and capex has brought the GDP growth for Q4FY24 to sub 8% levels. Meanwhile net exports provided a strong growth boost from a switch to current account surplus in Q4 FY24 (the first non-crisis surplus in 17 years).

Bullish GDP growth numbers across four quarters of FY24 have led to a spike in full year GDP growth to 8.2% vis-à-vis 7.6% as per second advance estimates.

FY25 full year growth seen at 7%

Going forward we see the GDP growth moderating to 7% in FY25 while GVA growth is expected to relatively hold up well at 6.8%. This is partly attributed to technical factors as the record high wedge between GDP and GVA growth in FY24 on strong net indirect taxes is expected to normalize in FY25. Investment is likely to stay the prime driver of growth in FY25 even as recovery is seen in consumption, on improved rural demand due to relatively good monsoon. Additionally, we see FY25 as a year of two halves with improved growth pickup led by private capex recovery in H2, post elections.

Fig 1: GDP clocked 8.2% in FY24 led by industry

% y/y	FY23	FY24	FY25 (est)	Q1FY24	Q2FY24	Q3FY24	Q4FY24
GDP	7.0	8.2	7.0	8.2	8.1	8.6	7.8
GVA	6.7	7.2	6.8	8.3	7.7	6.8	6.3
Agri	4.7	1.4	4.0	3.7	1.7	0.4	0.6
Industry	2.1	9.5	8.2	6.0	13.6	10.5	8.4
Services	10.0	7.6	6.8	10.7	6.0	7.1	6.7

Source: CEIC, UBI research

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Fig 2: GDP-GVA wedge narrowed yet stayed elevated on robust collection of indirect taxes; % y/y (LHS), ppt (RHS)

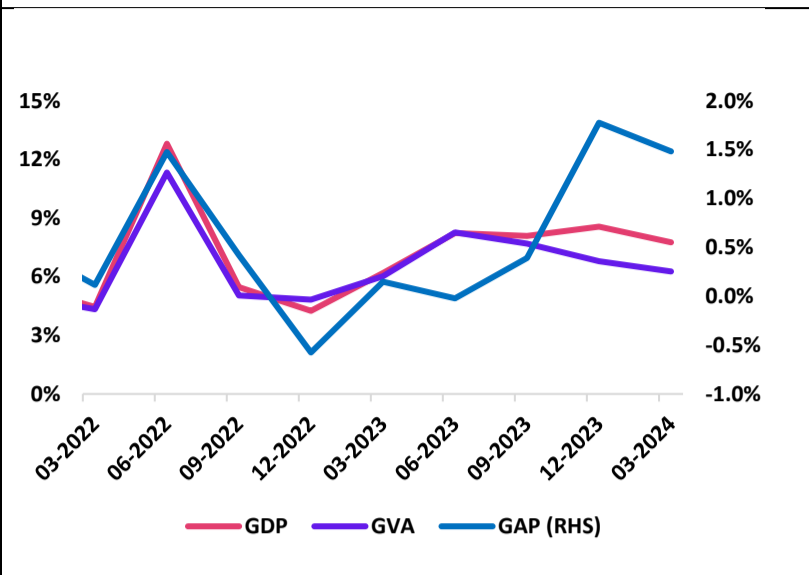


Fig 3: GVA growth in Q4 FY24 slowed down led by industry and services; ppt contribution to % y/y GVA growth

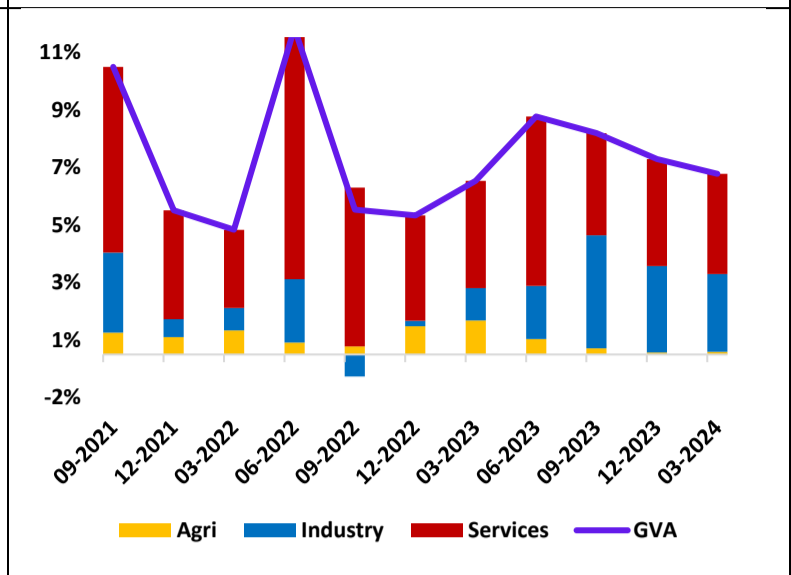


Fig 4: Industry GVA saw a broad-based slowdown in Q4 FY24; % y/y

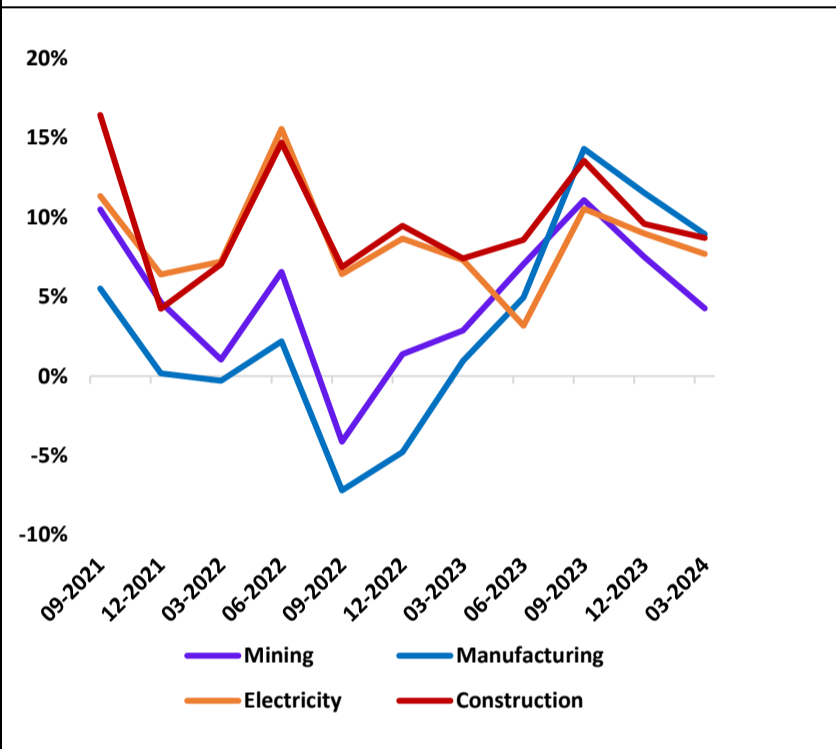


Fig 5: Services GVA growth slowed in Q4 FY24 led by trade, hotels & transport; % y/y

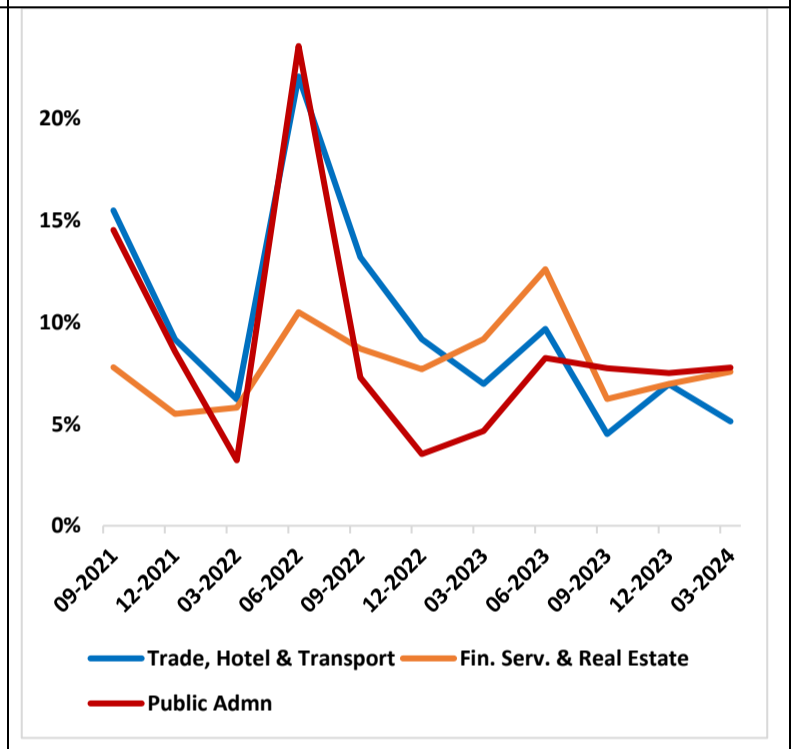


Fig 6: Capex-led growth seen in FY24 while consumption slowed; ppt contribution to % y/y GDP growth

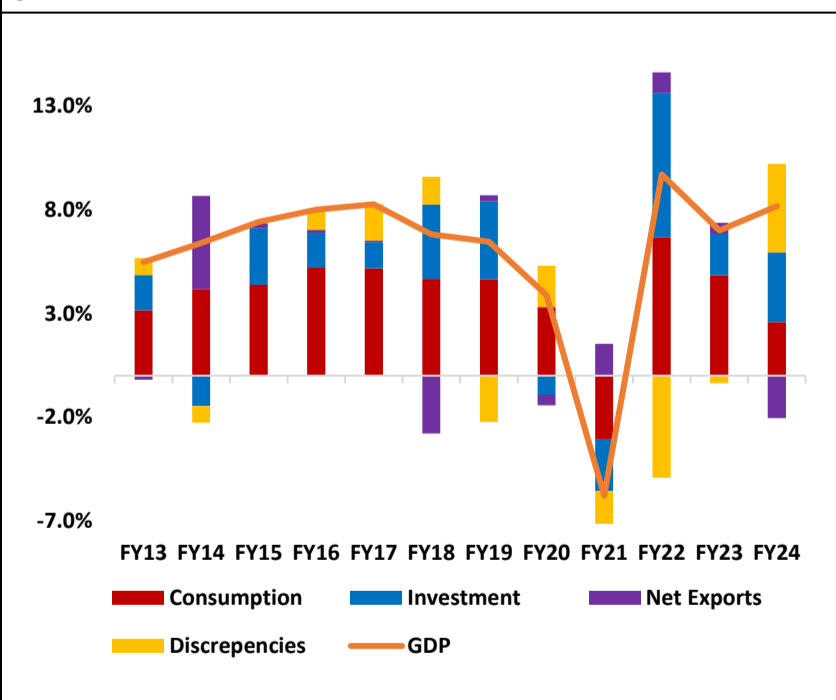
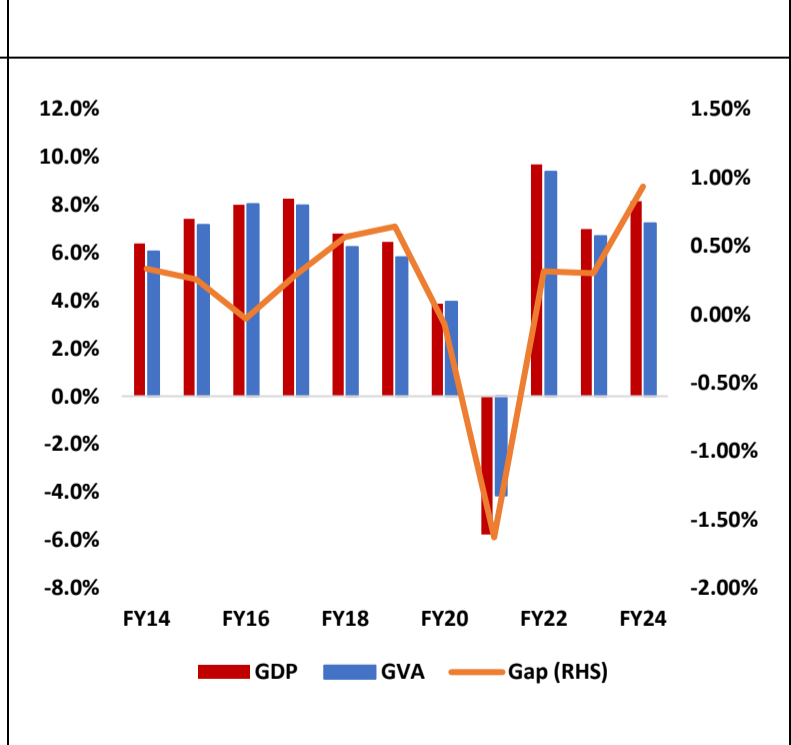


Fig 7: FY24 GDP growth revised sharply higher to 8.2% from 7.6% previously; % y/y



Source: CEIC, UBI research

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