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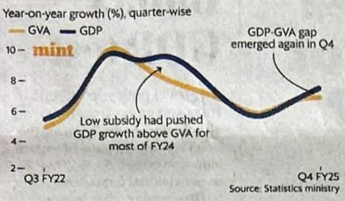
PLAIN FACTS

IN CHARTS GDP DEEP DIVE

India's GDP data for Q4 and full year (2024-25), released on Friday, showed a pick-up in activity, albeit not as much as the headline figure suggested. Investments, boosted by increased capital expenditure by the government, contributed to growth. **Payal Bhattacharya** breaks down the numbers.

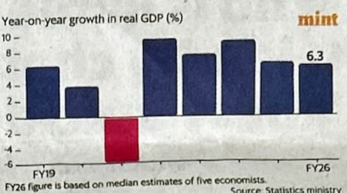
Growth Gaps



Source: Statistics ministry

INDIA'S GDP growth, at 7.4% in Q4, exceeded market expectations of 6.9%. However, a slower rise in gross value added (GVA), at 6.8%, revealed a softer momentum in economic activity. GDP is calculated by adding net taxes (taxes minus subsidies) to the GVA. Since the government subsidy payout was 40.9% lower year-on-year in the quarter, it gave a boost to GDP. Nevertheless, GVA growth was the highest in one year in Q4, even as it had risen only 30 basis points from the previous quarter.

Headwinds Ahead?



FY26 figure is based on median estimates of five economists.

Source: Statistics ministry

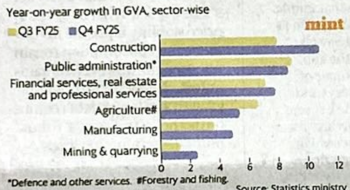
GDP GROWTH in FY25 was 6.5%, the lowest in four years, but in line with the second advance estimate given by the government in February, thanks to strong headline Q4 numbers as well as an upward revision in Q3 numbers from 6.2% to 6.4%. Going ahead, economists expect GDP growth in the current fiscal (FY26) to slow down further to 6.3% due to the disruptions caused by the US's tariff policies. Uneven consumption growth, even as rural momentum has been strong, could also weigh on growth.

Silver Lining

1,085%

THAT'S THE year-on-year rise in net exports during Q4. While external risks are likely in the coming months, Q4 showed a strong momentum in net exports (exports minus imports) of goods and services. This was mainly led by strong services exports, which rose 45% year-on-year the quarter. A sharp decline in the value of the rupee may have also played a role. Net exports contributed 3.7 percentage points to Q4 GDP growth, as per Barclays. Amid tariff uncertainties, services export growth could provide some cushion.

Broad-Based Uptick

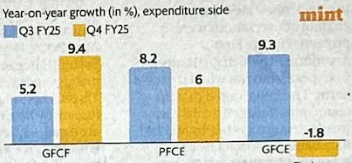


*Defence and other services. #Forestry and fishing.

Source: Statistics ministry

EVEN AS GVA growth was not as strong as GDP's, the sector-wise breakup shows a broad pickup in economic activity. The quarter was led by construction, which recorded 10.8% growth in Q4 from 7.9% in Q3. Services sector performed better than industry, with public administration (8.7%) and financial services (7.8%) recording strong growth. The momentum in agriculture also remained strong. While manufacturing growth picked up from Q3, it was a laggard, along with mining.

Role Reversal



PFCE: Private Final Consumption Expenditure. GFCE: Government Final Consumption Expenditure. GFCF: Gross Fixed Capital Formation.

Source: Statistics ministry

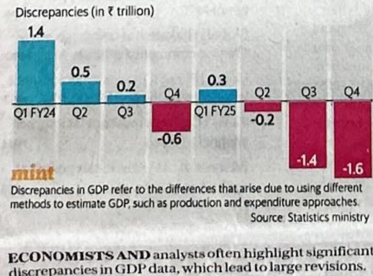
THE ROLE of consumption and investments reversed in Q4. Gross fixed capital formation (investments) rose 9.4% in Q4 from 5.2% in Q3, but private final consumption expenditure slowed to 6% from 8.4%, and government final consumption expenditure declined 1.8% in Q4 from 9.3% growth in Q3. Investments tend to get a boost in the final quarter, which may have reflected in GDP numbers. A slowdown in consumption, on the other hand, underlines its uneven nature.

Capex Push

103%

THAT'S THE percentage of capital expenditure done by the government in FY25 against the revised aim. After a weak momentum at the beginning due to elections, the Centre was expected to have modest capital expenditure. However, government finances data released on Friday showed that it surpassed revised estimates for the first time in three years—by nearly ₹336 billion, supporting growth in investments, construction, public administration etc, in Q4.

Discrepancy Dynamics

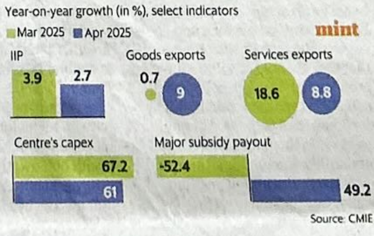


Discrepancies in GDP refer to the differences that arise due to using different methods to estimate GDP, such as production and expenditure approaches.

Source: Statistics ministry

ECONOMISTS AND analysts often highlight significant discrepancies in GDP data, which lead to large revisions. These discrepancies stem from different GDP estimation methods, like production and expenditure approaches. While this is recurring issue in GDP data, it is often more pronounced in initial estimates, which get corrected to some extent in subsequent revisions. Discrepancies were negative ₹1.4 trillion in Q3 and ₹1.6 trillion in Q4, suggesting the possibility of large revisions in data later.

Mixed Signals



Source: CMIE

ENTERING FY26, high-frequency indicators gave mixed signals in economic activity. Industrial growth, measured by Index of Industrial Production (IIP), slowed to 2.7% in April from 3.9% in March. Goods exports growth rose, but services exports growth slowed down. Centre's capital expenditure was strong, with a 61% year-on-year rise in April. Subsidy payout reversed the fall seen in March.

PARAS JAIN/MINT