

GDP growth in Q1 quickens to five-quarter high of 7.8%, buoyed by cross-sector strength

Manufacturing, construction, and services sectors propel growth, which was higher than RBI predictions; momentum to continue despite tariffs imposed by U.S., says Chief Economic Advisor

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Growth in the manufacturing sector quickened to 7.7% in the April-June 2025 quarter, coming on top of a high base of 7.6% in the same quarter of the previous year. File | Photo Credit: Getty Images/iStockphoto

India's economic growth rate in the first quarter (April-June) of the current financial year quickened to a five-quarter high of 7.8%, driven by strong performances by sectors such as manufacturing, construction, and services, government data showed.

Growth in the Gross Domestic Product (GDP), as shown by data released by the Ministry of Statistics and Programme Implementation on Friday (August 29, 2025), was previously quicker during January-March 2024.

The 7.8% growth recorded in Q1 of this financial year was higher than the 6.5% predicted by the Reserve Bank of India as recently as August 6.

The government also sought to ease worries about growth slowing in the coming quarters as a result of the 50% tariffs imposed by the U.S. on its imports from India.

“We do see the momentum continuing,” Chief Economic Advisor (CEA) V. Anantha Nageswaran said during a press briefing following the release of the data. “There will be some impact on domestic spending because of uncertainties in the export sectors, which are affected because of exposure to the U.S., as those units may take some decisions regarding their labour force.”

“But we do expect the impact on demand to be of a very modest nature,” Mr. Nageswaran added. “Overall aggregate demand growth in the economy should hold up specifically because of the government’s decision to lower the indirect tax rates.”

The CEA also expressed confidence that the temporary dip in consumer demand in the run-up to the GST Council meeting would reverse itself well before the upcoming festival season. He also said the government was retaining its growth estimate for the full financial year.

Growth in the manufacturing sector quickened to 7.7% in the April-June 2025 quarter, coming on top of a high base of 7.6% in the same quarter of the previous year. This was also faster than the 4.8% growth the sector saw in the January-March 2025 quarter.

The construction sector grew at 7.6%, on a high base of 10.1% in Q1 of last year. The Electricity, Gas, Water Supply and Other Utility Services sector, however, saw growth slow down sharply to 0.5%, from 10.2% in the same quarter of the previous year.

The quarter’s GDP growth was also propelled by the services sector, which on a combined basis grew 9.3%, faster than the 6.8% seen in the same quarter of last year, or the 7.3% growth in the immediately preceding quarter.

Within this, the Public Administration, Defence and Other Services sector saw the growth accelerating to a three-year high of 9.8%, coming on top of a 9% growth in Q1 of the previous year.

The Financial, Real Estate and Professional Services sector grew at 9.5%, a two-year high. Similarly, the Trade, Hotels, Transport, and Communication Services sector grew at 8.6%, also a two-year high.

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