

## In First Advance Estimate pegs FY26 GDP growth at 7.4%

First advance estimate pegs India's real GDP growth for FY26 at 7.4%, slightly above the RBI forecast of 7.3% while market expectations range between 7.4 to 8%. This implies a growth rate of 6.8% in the latter half of the financial year due to a comparatively higher base in the final quarters of fiscal 2025. Nominal GDP growth at 8% shows the impact of muted inflationary conditions and is likely to put a strain on tax collections and revenue growth, putting some strain on fiscal maths. To stick to the fiscal glide path, government capex is likely to be pruned towards the last quarter of the fiscal, which could impact GDP growth in the final quarter. However, as high frequency indicators for the first two months of Q3 shows robustness, growth figures for the full year are likely to be revised upwards slightly to 7.5%.

Nominal GDP is estimated to have risen by 8% reflecting subdued inflation Real Gross Value Added (GVA) which indicates actual value addition net of subsidies and taxes, expanded by 7.3%. Not surprisingly, GVA and GDP growth was not estimated to be much at variance as tax collections have not grown as desired. Budget estimates were for a nominal GDP growth of 10% for the full fiscal year.

A key highlight is that US tariffs have not impacted growth because 50% of exports to US, which constitutes mobile phones, semi-conductors and pharmaceuticals, have been kept out of tariffs. Moreover, India has front loaded shipments to the US and expanded exports to other destinations including China, Vietnam and Indonesia. Finally, India is not heavily export dependent and much of the export slack due to tariffs would have been absorbed by domestic consumption which is also a reason for real private consumption estimated to be growing steadily at 7%. As last fiscal private consumption had grown at the rate of 7.2% full year growth rate of real private consumption is estimated to be revised upwards by at least 20 bps. Consumption as a share of nominal GDP continues to remain steady at 61%. The full impact to interest rate reductions after the recent 25 bps cut in December MPC would play out in Q4 which should show consumption growing at a rate higher than the current estimate.

***At the current nominal GDP estimate of Rs 357.2 trillion and a dollar rupee rate of 87.3 for the full fiscal, in dollar terms India's nominal GDP is estimated to touch \$4.1 trillion in FY26. As inflation is expected to be muted in the coming years as well nominal GDP growth is not likely to be more than 8.5% assuming real growth of 7.5%. Under such circumstances, our GDP is estimated to just cross \$5 trillion by FY2030 assuming an annual rupee depreciation of 3% for the next four years.***

***Sectorally, the growth has been led by services estimated to have grown at 9% while manufacturing seems to have departed from the trend rate of growth of 5% to 6%, by growing more than 7%, facilitated by PLI schemes. However, manufacturing share in GDP continues to stay between 15 to 16% as services sector is continuously growing at a faster pace.***

***Another takeaway is that if capex is cut in the ongoing quarter, its low momentum in government expenditure will mean lower support to banking system liquidity necessitating resort to tools like OMOs and VRRs. Moreover, if market perceives the low nominal GDP growth as a hindrance to fiscal consolidation bond yields will remain elevated notwithstanding space for any further monetary policy easing.***

### Real GVA

In Rs Lakh Crore

Real GVA				
Industry	2023-24 (FRE)	2024-25 (PE)	2025-26 (FAE)	Y-o-Y FY26
Agriculture, Livestock, Forestry & Fishing	23.67	24.77	25.54	3.10
Industry	49.78	52.70	55.94	6.10
Mining & Quarrying	3.30	3.39	3.37	-0.70
Manufacturing	28.26	29.54	31.61	7.00
Electricity, Gas, Water Supply & Other Utility Services	3.85	4.05	4.13	2.10
Construction	14.37	15.72	16.83	7.00
Services	88.06	94.40	103.01	9.1
Trade, Hotels, Transport, Communication & Services related to Broadcasting	29.94	31.77	34.15	7.50
Financial, Real Estate & Professional Services	38.14	40.88	44.94	9.90

Public Administration, Defence & Other Services*	19.98	21.75	23.92	9.90
GVA at Basic Prices	161.51	171.87	184.49	7.3
Net Taxes	14.99	16.09	17.40	8.1%
GDP	176.50	187.96	201.89	7.4%

### Expenditure components of GDP (At Constant Prices)

In Rs Lakh Crore

Expenditure Components	2023-24 (FRE)	2024-25 (PE)	2025-26 (FAE)	Y-o-Y FY26
Private Expenditure	99.06	106.19	113.67	7.0
Government Expenditure	16.70	17.07	17.96	5.2
Gross Fixed Capital Formation (GFCF)	59.15	63.33	68.28	7.8
Changes in Stocks (CIS)	3.06	3.19	3.35	4.9
Valuables	2.69	2.71	2.42	-10.6
Exports	38.25	40.68	43.28	6.4
Imports	43.90	42.29	48.40	14.4
Discrepancies	1.49	-2.92	1.33	0.7
GDP	176.50	187.96	201.89	7.4

Sector wise GVA Deflator				
Sectors	2023-24 (FRE)	2024-25 (PE)	2025-26 (FAE)	
Agriculture	2.06	2.17	2.13	
Industry	1.53	1.55	1.55	
Mining & Quarrying	1.61	1.60	1.51	
Manufacturing	1.39	1.41	1.44	
Electricity, gas, water supply & Other Utility Services	2.00	1.99	1.98	
Construction	1.67	1.67	1.66	
Services	1.69	1.75	1.77	
Trade, hotels, transport, communication & services related to broad casting	1.61	1.65	1.65	
Financial, real estate & Professional Services	1.64	1.68	1.70	
Public administration, defence and other Services	1.92	2.00	2.07	
Total GVA at Basic Price	1.70	1.75	1.75	

GDP Deflator			
Expenditure Component	2023-24 (FRE)	2024-25 (PE)	2025-26 (FAE)
Private Final Consumption Expenditure (PFCE)	1.83	1.91	1.93
Government Final Consumption Expenditure (GFCE)	1.86	1.93	1.96
Gross Fixed Capital Formation (GFCF)	1.55	1.56	1.57
Changes in Stocks (CIS)	1.50	1.56	1.54
Valuables	1.58	1.85	2.38
Exports	1.69	1.72	1.77
Imports	1.62	1.84	1.75
Discrepancies	-3.55	2.22	-5.76
GDP	1.71	1.76	1.77

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**Economic Research Vertical**

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