

## Gross Domestic Product

**New series revised size of economy lower, real GDP growth higher for FY2025-26; ICRA forecasts GDP to grow by healthy 7.1% in FY2027**

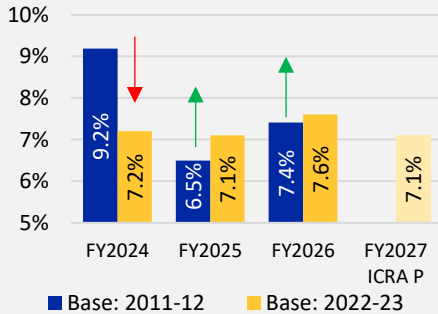
**FEBRUARY 2026**





## Click to Provide Feedback

**EXHIBIT: YoY GDP growth trends (at constant prices)**



P: Projected; Source: NSO; ICRA Research

As per the dataset on the new 2022-23 series released by the National Statistical Office (NSO), India's real GDP growth is estimated to have eased to 7.8% in Q3 FY2026 from 8.4% in Q2 FY2026, although both numbers are healthier than our expectations. The moderation was expectedly driven by the agriculture and the non-manufacturing industrial sectors. The rebasing of the GDP series has led to a reduction in the size of the Indian economy, led by services, even as real GDP growth rates for FY2025-26 have witnessed upward adjustments. With the paring in nominal GDP for FY2023-26, the fiscal deficit-to-GDP ratios are now 15-20 bps higher on an average for this period, compared to the previous estimates. Besides, this would also have a bearing on the Government of India's (GoI) debt consolidation roadmap, with its debt-to-GDP ratio being higher than previously estimated. ICRA currently projects GDP growth (as per base year 2022-23) at a healthy 7.1% in FY2027, with a likelihood of a prolonged pause on the policy rate.

- GDP revamp shaved off size of service sector of Indian economy:** The estimated size of the Indian economy is lower in FY2024-2025 as per the new base year 2022-23, with the nominal GDP printing lower than the estimated levels in the prior 2011-12 base series by 3.8% in each of these years, largely led by the trade, hotels, transport and communication services (THTCS; -23% to -24%) and public administration, defence and other services (PADOS; -11% to -15%) segments. In terms of annual growth estimates, services sector accounted for downward revision in FY2024 growth, while mining and manufacturing pushed up the FY2025 expansion, relative to the 2011-12 series.
- Q3 FY2026 GDP growth eased to 7.8%:** India's real GDP growth eased to 7.8% in Q3 FY2026 from 8.4% in Q2 FY2026, expectedly driven by the agriculture, mining, electricity and construction sectors. Encouragingly, manufacturing GVA expanded by double digits for the fifth consecutive quarter in a row in Q3 FY2026, while services GVA growth also inched up to a 7-quarter high of 9.5% from 9.3% in the previous quarter. Implicitly, GDP growth is estimated to slow to a 3-quarter low 7.3% in Q4 FY2026, which is nonetheless quite healthy.
- FY2027 GDP expansion projected at 7.1%:** ICRA currently projects the GDP growth at a healthy 7.1% in FY2027, supported by a favourable outlook for private consumption, and recent developments including the interim deal with the US with a lower tariff rate, improved prospects for domestic investment, aided by the robust hike in the Centre's capital spending in the Union Budget. Notwithstanding the paring in H1 FY2026 (to +7.6% from +8.0% as per old series), the GDP growth remained quite strong, and ICRA currently believes that there is a high likelihood of a prolonged pause on the policy rate, amid expectations of a base-led uptick in the CPI inflation in the near term.

## 1 Methodological Upgrades in National Accounts Data



## 2 Revisions in GDP/GVA Data



## 3 Trends in Q3 FY2026



## 4 Implications of Revised Nominal GDP Data



## 5 Outlook and Annexure





## Methodological Upgrades in National Accounts Data

---

*Inclusion of new data sets, timely-conducted surveys and methodological improvements aim to improve accuracy in GDP estimation*



# New data-sets, surveys and methodological improvements are incorporated in 2022-23 series

## Key recommendations adopted in new GDP data series - Incorporation of new data-sources, rates and ratios

GST data	Use of ASUSE and PLFS results	PFCE	GFCF	Construction sector
<ul style="list-style-type: none"> <li>Enhanced use of GST data in terms of regional allocation of GVA of private corporations, and its contribution to states GDP.</li> <li>To identify active companies for improving accuracy of imputed GVA estimation for non-reporting entities.</li> </ul>	<ul style="list-style-type: none"> <li>Usage of data on value added and output for unincorporated enterprises for estimation of GVA for household sector and quasi corporations, instead of extrapolation method used earlier.</li> <li>ASUSE has been used for compiling output for Insurance agents and activities of private money lenders.</li> </ul>	<ul style="list-style-type: none"> <li>Extensive use of Household consumption expenditure survey 2022-23 in direct estimation of base year estimates.</li> <li>E-Vahan data has been used for compilation of road transport services. Updated ratios and rates have been taken for milk and milk products, ghee, butter, and ice cream.</li> </ul>	<ul style="list-style-type: none"> <li>Usage of results of latest ASUSE and AIDIS for unincorporated sector</li> <li>Results of ASI and ASUSE have been used for ratios in compilation of Valuables. Annual data on MPLADS has been used for asset and industry-wise GFCF.</li> </ul>	<ul style="list-style-type: none"> <li>In estimation of total Gross Value Output (GVO) of construction industry, the commodity flow is used in revised series to arrive at material inputs to the Household sector only.</li> <li>Then residual approach is being used to derive the material inputs available to HH sector by subtracting inputs used in construction activity by organized sector.</li> </ul>

Results of ASI, ASUSE, HCES and NABARD Plantation study will be used in estimating ratios for inter-construction industry consumption at granular level, bifurcation of output from HH sector to residential, non-residential, kutcha/pucca houses, etc. Besides, updated rates and ratios are being used from different studies on Grass and fodder, Fisheries and Livestock for the estimation of agricultural GVA. Further, Usage of Statistical Table Related to Banks in India (STRBI) published by the RBI in estimation of nationalised public sector and private sector banks. Actual financial data of NBFCs from M/o Corporate Affairs database has been now used, replacing the proxy-based loan growth of NBFC entities.

Note: List of changes is not exhaustive; PFCE: Private Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation; GST: Goods & Services Tax; ASI: Annual Survey of Industries; MPLADS: Member of Parliament Local Area Development Scheme; HCES: Household Consumption Expenditure Survey; Source: NSO, ICRA Research



## Revisions in GDP/GVA Data

*Estimates for size of the economy revised downwards, while real GDP growth estimates for FY2025-2026 have seen upward adjustments*

# Rebasing of GDP triggered a reduction in the estimated size of economy

**EXHIBIT: Change in size of GDP, GVA and sub-sectors of GVA in FY2024 - at current prices**

Sub-sectors	FY2024		Variation
	Rs. trillion	Base: 2011-12	Base: 2022-23
<b>GDP</b>	<b>301.2</b>	<b>289.8</b>	<b>-3.8%</b>
<b>GVA</b>	<b>274.1</b>	<b>263.2</b>	<b>-4.0%</b>
Agriculture, forestry & fishing	48.8	51.2	4.9%
Industry	76.2	74.1	-2.8%
Mining & quarrying	5.3	5.4	1.1%
Manufacturing	39.2	38.6	-1.6%
Electricity	7.7	7.3	-4.5%
Construction	24.0	22.8	-5.2%
Services	1.5	137.9	-7.5%
THTCS	48.3	37.1	-23.1%
FRP	62.4	66.7	6.9%
PADOS	38.4	34.0	-11.4%

FRP: Financial, real estate and professional services; Source: NSO; CEIC; ICRA Research

**EXHIBIT: Change in size of GDP, GVA and sub-sectors of GVA in FY2025 - at current prices**

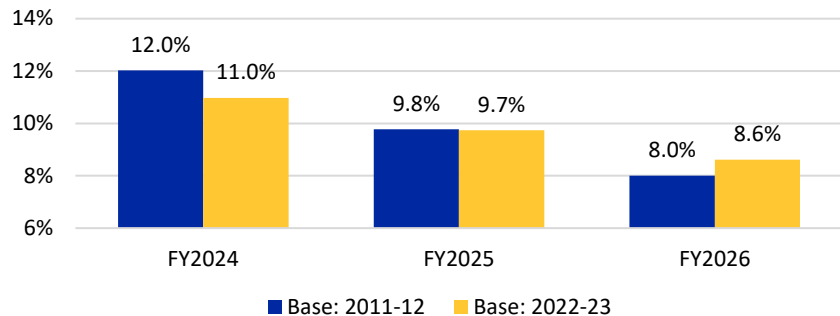
Sub-sectors	FY2025		Variation
	Rs. trillion	Base: 2011-12	Base: 2022-23
<b>GDP</b>	<b>330.7</b>	<b>318.1</b>	<b>-3.8%</b>
<b>GVA</b>	<b>300.2</b>	<b>288.5</b>	<b>-3.9%</b>
Agriculture, forestry & fishing	53.9	55.9	3.8%
Industry	81.4	80.1	-1.7%
Mining & quarrying	5.4	5.7	5.9%
Manufacturing	41.7	41.8	0.2%
Electricity	8.1	8.1	-0.2%
Construction	26.3	24.5	-6.8%
Services	1.6	152.6	-7.5%
THTCS	52.6	40.0	-24.0%
FRP	68.8	75.5	9.7%
PADOS	43.5	37.1	-14.8%

Source: NSO; CEIC; ICRA Research

- The size of the Indian economy has reduced in FY2024-2025 as per the new base year 2022-23, with the nominal GDP printing lower than the estimated levels in the prior 2011-12 base series by 3.8% in each of these years. Likewise, the size of the nominal GVA is down around 4% each in FY2024 and FY2025, largely driven by services sector, particularly the THTCS (-23% to -24%, owing to use of direct estimate from ASUSE and PLFS data for the quasi-corporate and household sector for base year instead of indicator-based estimates in old series) and PADOS (-11% to -15%, led by adjustment in pension payments, use of actual expenditure data on states and Defence instead of RE to estimate Public administration and defence, and use of ASUSE & PLFS data in place of indicators from Inter-survey growth for unincorporated sector for other services) segments.
- Consequently, the share of services in nominal GVA has been reduced by 2 percentage point (pp) to 52.4% in FY2024 and by 2.1 pp to 52.9% in FY2025. In contrast, the share of agriculture, and industry in nominal GVA is pegged at a higher 19.4% (up 1.4 pp) and 27.7% (up 0.6 pp), respectively, for FY2025.

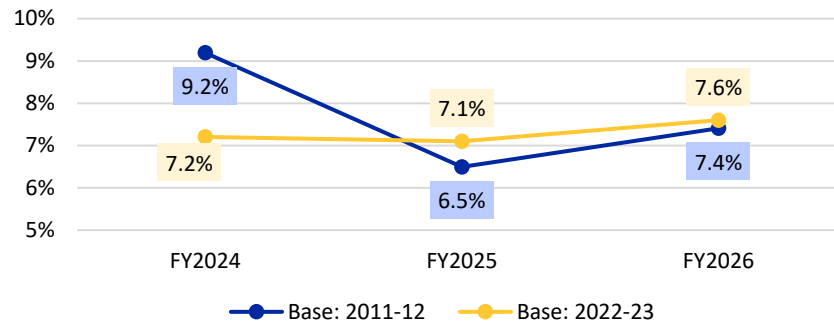
# Real GDP growth rate underwent downward/upward revision in FY2024/FY2025; NSO's SAE placed FY2026 expansion at 7.6%

EXHIBIT: Annual GDP growth trends - at current prices



Source: NSO; CEIC; ICRA Research

EXHIBIT: Annual GDP growth trends - at constant prices



Source: NSO; CEIC; ICRA Research

- The nominal YoY GDP growth has been revised downwards to 11.0% in FY2024 (as per base year 2022-23) from the previous base estimate of 12.0% (as per base year 2011-12). The downward revision in real GDP growth is estimated at a sharper 2pp to 7.2% from 9.2%, respectively, for FY2024.
- The trend is somewhat different in FY2025 with almost unchanged nominal GDP expansion at 9.7% in the new vs. the old series, while real GDP growth has undergone an upward revision to 7.1% from 6.5% in the old series.
- For FY2026, the NSO has pegged the real GDP expansion at 7.6% in its second advance estimates (SAE), which is slightly stronger than the 7.4% pegged in first advance estimates (FAE) as per the old base. The acceleration in real GDP growth in FY2026 from 7.1% in FY2025 is likely to stem from services (to 9.0% in FY2026 SAE from 7.9% in FY2025) and manufacturing (to 11.5% from 9.3%) sectors. On the expenditure side, PFCE (to 7.7% from 5.8%, aided by GST rate cuts, PIT relief, and interest rate cuts) and GFCF (to 7.1% from 6.4%) are expected to be key drivers of acceleration in GDP expansion in FY2026, compared to FY2025.

# Services sector accounted for downward revision in FY2024 growth, while mining and manufacturing pushed up FY2025 expansion

EXHIBIT: YoY growth in agriculture, industry and services- at constant prices

Sub-sectors	FY2024		FY2025	
	Base: 2011-12	Base: 2022-23	Base: 2011-12	Base: 2022-23
<b>GVA</b>	<b>8.6%</b>	<b>7.2%</b>	<b>6.4%</b>	<b>7.3%</b>
Agriculture, forestry & fishing	2.7%	2.6%	4.6%	4.2%
Industry	10.8%	10.9%	5.9%	8.3%
Mining & quarrying	3.2%	2.4%	2.7%	11.7%
Manufacturing	12.3%	12.7%	4.5%	9.3%
Electricity	8.6%	10.7%	5.9%	2.9%
Construction	10.4%	9.9%	9.4%	7.3%
Services	9.0%	7.0%	7.2%	7.9%
THTCS	7.5%	10.1%	6.1%	6.6%
FRP	10.3%	5.5%	7.2%	10.0%
PADOS	8.8%	6.8%	8.9%	5.0%

EXHIBIT: YoY growth in sub-components of GDP- at constant prices

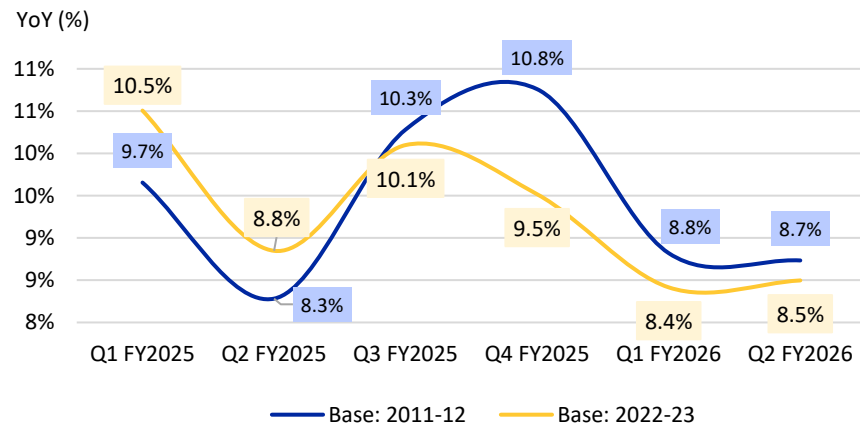
Sub-sectors	FY2024		FY2025	
	Base: 2011-12	Base: 2022-23	Base: 2011-12	Base: 2022-23
<b>GDP</b>	<b>9.2%</b>	<b>7.2%</b>	<b>6.5%</b>	<b>7.1%</b>
PFCE	5.6%	5.8%	7.2%	5.8%
GFCE	8.1%	0.6%	2.3%	6.5%
Exports	2.2%	0.7%	6.3%	6.6%
Imports	13.8%	-1.0%	-3.7%	5.3%
GFCF	8.8%	7.3%	7.1%	6.4%
Change in Stock	53.4%	116.9%	4.5%	1.7%
Valuables	14.4%	-9.3%	0.6%	1.9%

PFCE/GFCE: Private/Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation, Source: NSO, ICRA Research

- On the production side, the downward revision in real GVA growth for FY2024 to 7.2% from the prior 8.6% is largely attributed to significant paring in growth estimates for the FRP (halved to +5.5% from +10.3%) and the PADOS (to +6.8% from +8.8%) segments of the services sector. In terms of GDP components, the growth in GFCE was shaved off by a sharp 7.6 pp to just 0.6% in FY2024, followed by downward revision of 1.5 pp each in GFCF (to +7.3%) and exports (to +0.7%).
- In FY2025, the upward revision of 0.9 pp in GVA expansion to 7.3% from the old series print has largely stemmed from sharp movements in growth rates of mining and quarrying (by 9 pp to +11.7%, amid changes like volume extrapolation in place of single deflation, revised data on minor minerals by states), and manufacturing (by 4.8 pp to +9.3%, use of double deflator, detailed use of the MCA, PLFS and ASUSE data) sectors on the production side, which outweighed downward revisions in growth rates of construction (by -2.1 pp to +7.3%) and electricity (-3.0 pp to +2.9%) sectors. In terms of GDP, the upward revision has been mainly driven by base-effect led jump in GFCE growth, even as estimates have undergone downward revision in the case of PFCE and GFCF, with a sharp turnaround in imports.

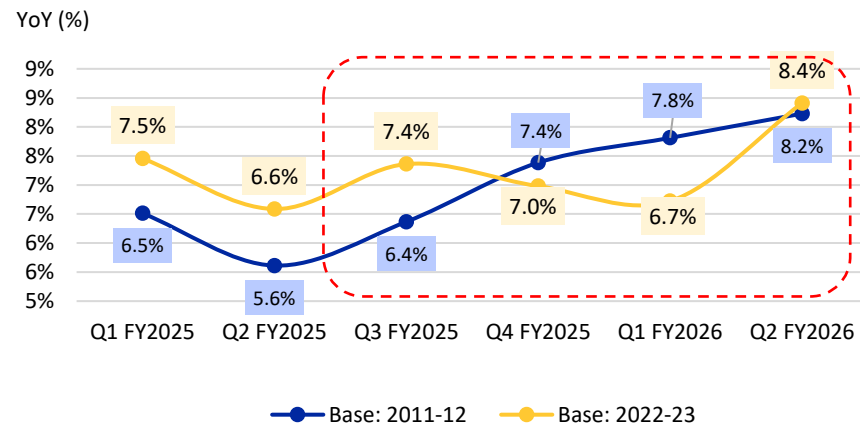
# Quarterly trends in real GDP growth in new series at odds with consistent uptrend estimated in old series between Q3 FY2025 and Q2 FY2026

EXHIBIT: Quarterly growth trends in nominal GDP



Source: NSO; CEIC; ICRA Research

EXHIBIT: Quarterly growth trends in real GDP

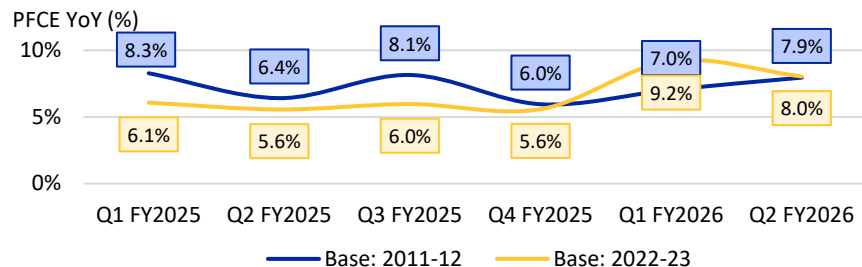


Source: NSO; CEIC; ICRA Research

- The quarterly nominal and real GDP growth rates in H1 FY2025 have undergone an upward revision in the range of 0.6-1.0 pp, mainly driven by the GFCE component. This is somewhat surprising given that this quarter entailed the Parliamentary Election period and consequent implementation of Model Code of Conduct that typically dampens the expenditure of the GoI during that period.
- Thereafter, nominal GDP growth in the new series has been estimated consistently lower than the estimates based on 2011-12 series between Q3 FY2025 and Q2 FY2026. However, real GDP growth slowed between Q3 FY2025 and Q1 FY2026, in contrast to a consistent uptrend shown in the old series. Subsequently, the growth rebounded to 8.4% in Q2 FY2026, even higher than the 8.2% print as per the old base.

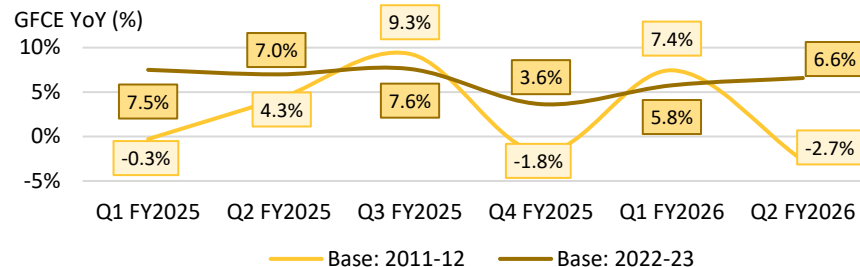
# Material differences in quarterly YoY growth trends across expenditure side GDP components in new series vis-à-vis old series

**EXHIBIT: The YoY growth in PFCE as per the new series (2022-23) was consistently lower during Q1-Q4 FY2025, and higher thereafter during H1 FY2026**



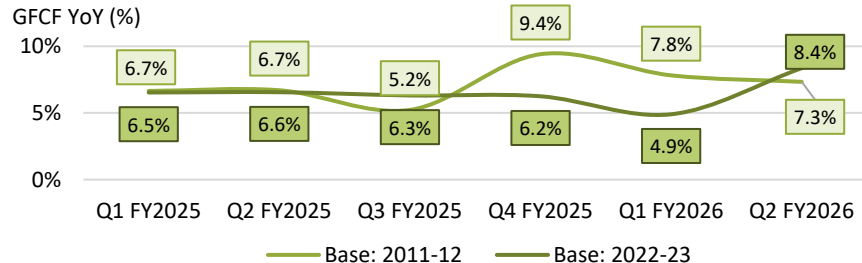
\*PFCE is Private final consumption expenditure; Source: NSO; CEIC; ICRA Research

**EXHIBIT: For GFCE, there seems to be a significant variation in quarterly growth rates as per the new (2022-23) and old (2011-12) series during Q1 FY2025-Q2 FY2026**



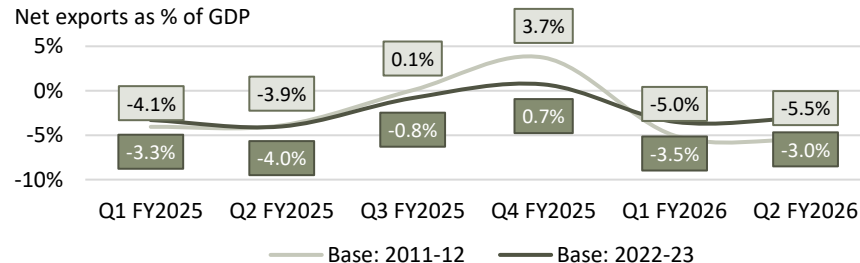
\*GFCE is Government Final Consumption Expenditure; Source: NSO; CEIC; ICRA Research

**EXHIBIT: The growth in GFCF was materially lower in Q4 FY2025 and Q1 FY2026 as per the new series vis-à-vis the old series**



\*GFCF is Gross Fixed Capital Formation; Source: NSO; CEIC; ICRA Research

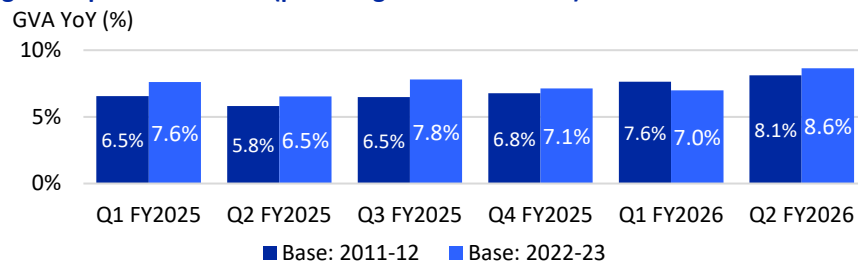
**EXHIBIT: The size of net exports as % of GDP (in real terms) has been significantly lower in the new series vis-à-vis the old series since Q4 FY2025**



\*Net exports is exports – imports in real terms; Source: NSO; CEIC; ICRA Research

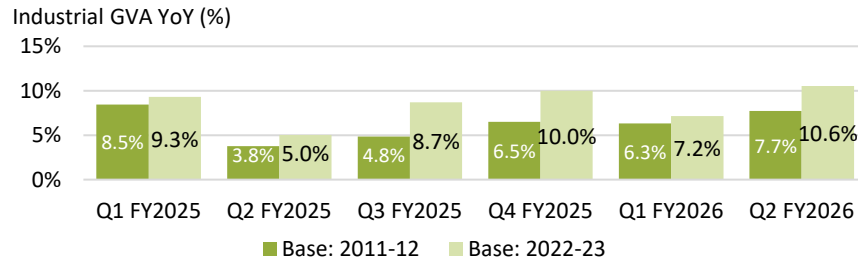
# Industrial GVA growth has been revised upwards quite sharply in the last 6 quarters

**EXHIBIT: The YoY growth in real GVA as per new (2022-23 base) underwent a downward revision in most quarters of FY2024 vs. old series, that supported growth prints in FY2025 (providing a favorable base)**



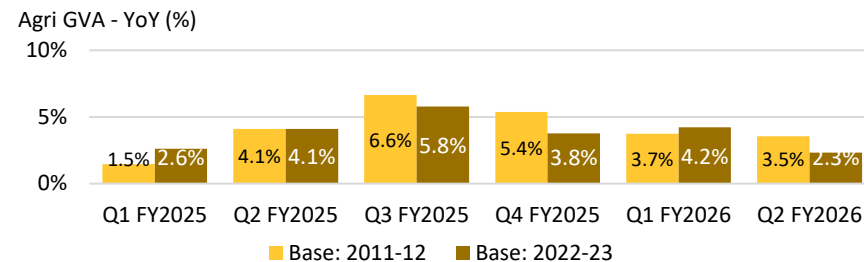
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The industrial GVA as per new series has consistently exceeded the growth prints of the old series, primarily supported by higher growth numbers for manufacturing and mining**



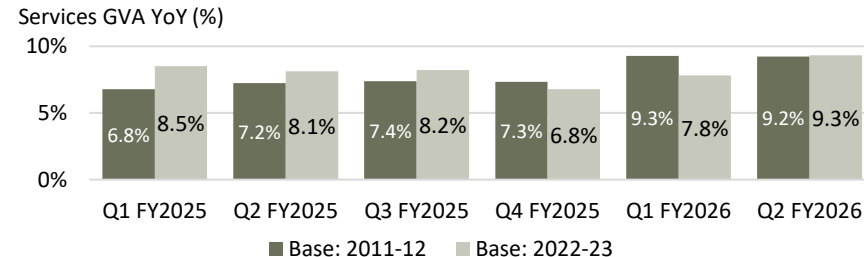
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The trends in revisions in the YoY growth in agriculture, forestry and fishing GVA have been quite mixed**



Source: NSO; CEIC; ICRA Research

**EXHIBIT: The YoY growth print for services have largely been revised upwards, aided by similar revision in the THTCS GVA growth numbers**



Source: NSO; CEIC; ICRA Research



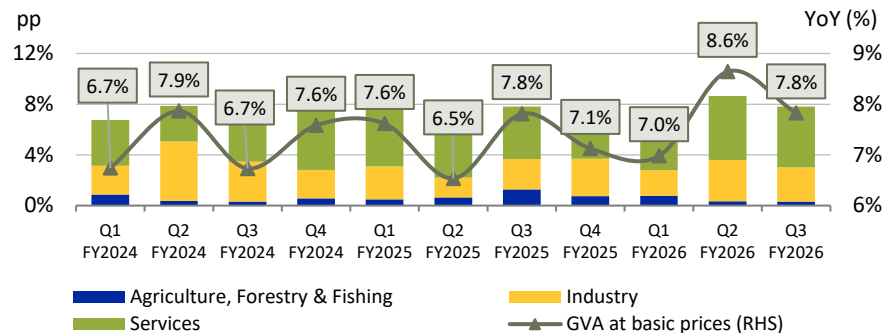
## Trends in Q3 FY2026

---

*GDP growth cooled to 7.8% in Q3 FY2026 from 8.4% in Q2 FY2026; implicitly expected to edge lower to 7.3% in Q4 FY2026*

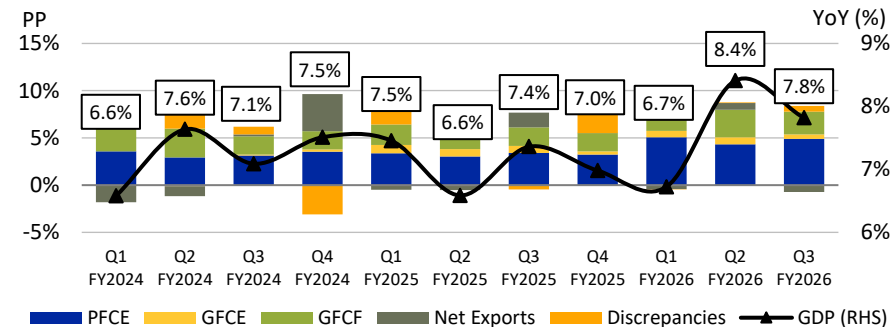
# GDP and GVA growth estimated to have eased to 7.8% each in Q3 FY2026

**EXHIBIT: Contribution of GVA components**



Source: NSO; CEIC; ICRA Research

**EXHIBIT: Contribution of GDP components**

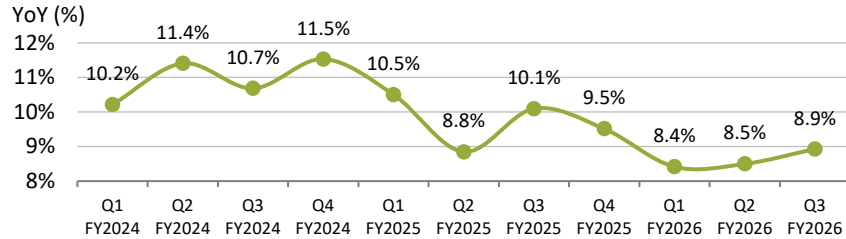


PFCE: Private Final Consumption Expenditure; GFCE: Government Final Consumption Expenditure; GFCF: Gross Fixed Capital Formation; Source: NSO; CEIC; ICRA Research

- As per the NSO's new 2022-23 series, the YoY growth in GVA at basic prices eased to 7.8% in Q3 FY2026 from 8.6% in Q2 FY2026. This was led by the GVA of industry (to +9.7% in Q3 FY2026 from +10.6% in Q2 FY2026; amid a slowdown across all segments barring manufacturing) and agriculture, forestry and fishing (to an 8-quarter low +1.4% from +2.3%), while the pace of expansion in the services sector (to +9.5% from +9.3%) inched up between these quarters. In terms of contribution, services accounted for a sizeable 4.8 percentage points (pp) of the 7.8% GVA growth in Q3 FY2026, followed by 2.7 pp and 0.3 pp from industry and agriculture, respectively.
- Additionally, the YoY GDP expansion has been estimated to ease to a similar 7.8% in Q3 FY2026 from 8.4% in Q2 FY2026 (ICRA's exp: +7.2% based on the 2011-12 series). While the pace of expansion in GFCE (to +4.7% from +6.6%) and GFCF (to +7.8% from +8.4%) eased in Q3 FY2026 vis-à-vis Q2, that for PFCE (to +8.7% from +8.0%) saw an improvement, reflecting the impact of GST rate cuts on consumption in the quarter, along with a narrowing in net exports (to -Rs. 1.2 trillion from -Rs. 2.3 trillion). Overall, PFCE contributed 4.9 pp to the 7.8% GDP growth in Q3 FY2026, followed by GFCF (2.4 pp), exports (1.2 pp), and GFCE (0.5 pp).
- In constant price estimation, the use of double deflator for manufacturing and agricultural sectors, and single extrapolation elsewhere may have led to aforesaid revisions in quarterly growth estimates.

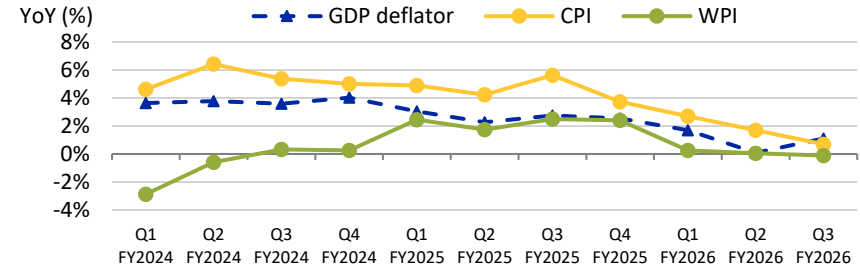
# Unlike the trend in real GDP, YoY expansion in nominal GDP rose to 8.9% in Q3 FY2026, highest in last three quarters

**EXHIBIT: Contrary to the trend in real GDP, expansion in nominal GDP has been pegged to improve to a three-quarter high of 8.9% in Q3 FY2026 from 8.5% in Q2 FY2026**



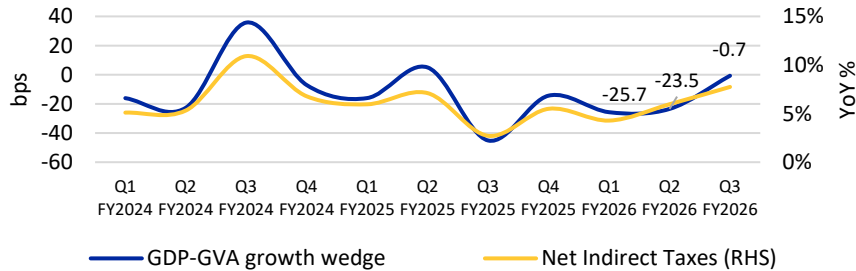
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The YoY growth in the GDP deflator rose to 1.1% in Q3 FY2026 from the muted 0.1% seen in Q2 FY2026, in contrast to inflation trends**



Source: NSO; CEIC; ICRA Research

**EXHIBIT: The GDP-GVA growth wedge eased sharply to a series-low of (-) 0.7 bps in Q3 FY2026 from (-) 24 bps seen in Q2 FY2026**

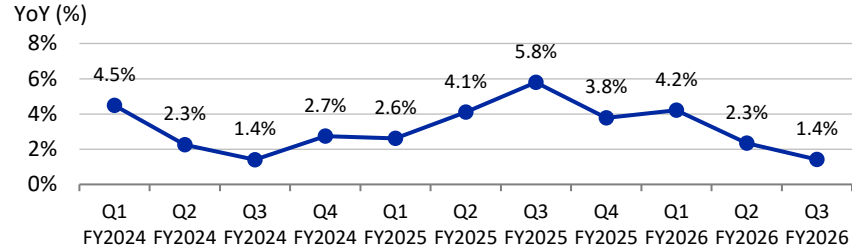


Net indirect taxes = taxes – subsidies; Source: CGA; CEIC; ICRA Research

- The uptick in the GDP deflator growth in Q3 FY2026 relative to Q2 is somewhat surprising, given the softer YoY prints for the WPI and the CPI (as per 2012 series) between these quarters.
- As per the 2022-23 series, the wedge between the GDP and GVA growth has been pegged to remain in the negative territory for the fifth consecutive quarter, printing at a marginal (-) 0.7 bps in Q3 FY2026, compared to (-) 23.5 bps in Q2 FY2026, despite the uptick in net indirect tax growth (to +7.7% from +6.0%).
- In nominal terms, the growth in net indirect taxes on products surged to 17.1% in Q3 FY2026 from 1.2% in Q2. This was driven by the expansion in the Gol's indirect taxes (to +22.7% from -5.2%), even as the YoY contraction in Centre's non-food subsidy outgo (-4.3% in Q3 FY2026 vs. -10.6% in Q2 FY2026) has narrowed.

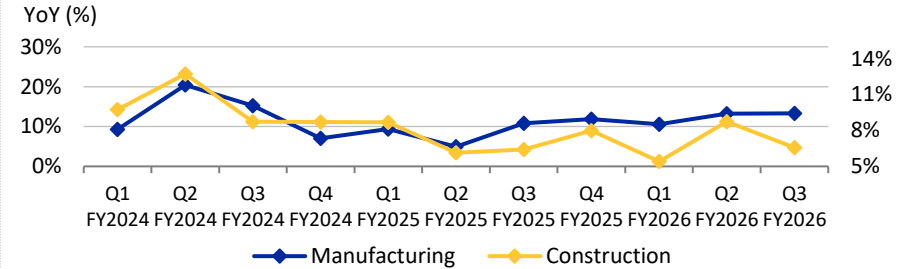
# Slowdown in GVA growth in Q3 FY2026 vis-à-vis Q2 was led by agriculture and non-manufacturing industrial sectors

**EXHIBIT: The GVA growth of agriculture, forestry and fishing has been pegged to slow down to an 8-quarter low of 1.4% in Q3 FY2026 from 2.3% in Q2 FY2026, largely owing to an elevated base (Q2/Q3 FY2026: +4.1%/+5.8%)**



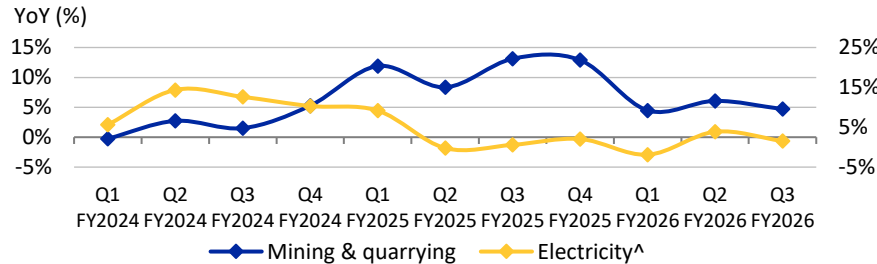
Source: NSO; CEIC; ICRA Research

**EXHIBIT: While the manufacturing GVA growth rose to an 8-quarter high of 13.3% in Q3 FY2026 (amid festive season and GST rate cuts) from 13.2% in Q2, that for the construction sector eased to 6.6% from 8.7%, respectively**



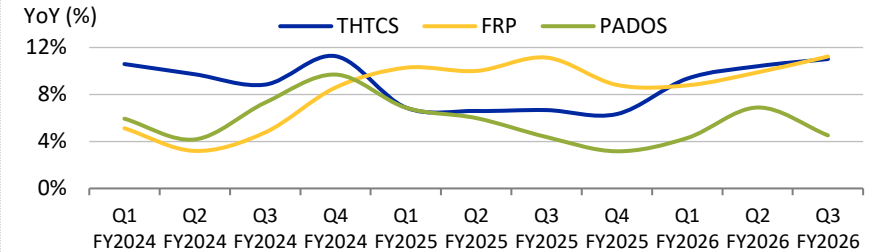
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The pace of growth in the GVA of mining (to +4.7% in Q3 FY2026 from +6.1% in Q2) and electricity (to +1.5% from +3.9%), decelerated in Q3 FY2026 vs. Q2, amid unseasonal rainfall seen in the early part of the quarter**



^Electricity, gas, water supply & other utility services; Source: NSO; CEIC; ICRA Research

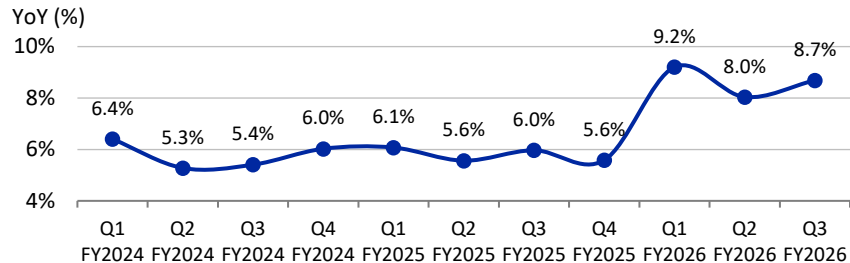
**EXHIBIT: The pace of expansion in the GVA of THTCS and FRP improved in Q3 FY2026 vs. Q2, printing in double digits in that quarter; the growth in PADOS GVA slowed during this period (to +4.5% in Q3 from +6.9% in Q2)**



Source: NSO; CEIC; ICRA Research

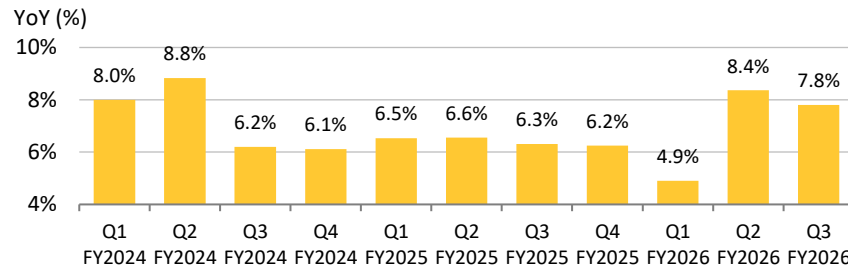
# Slower YoY expansion in GFCE and GFCF in Q3 FY2026 vs. Q2 drove moderation in GDP growth between these quarters

**EXHIBIT: The YoY PFCE growth rose to 8.7% in Q3 FY2026 from 8.0% in Q2 FY2026, supported by the uptick in consumption during the festive season, which was further boosted by the GST rate cuts**



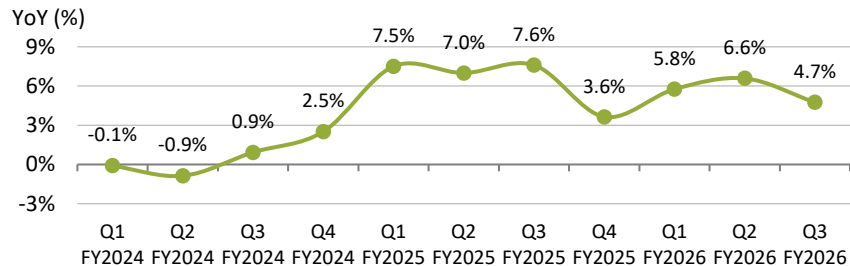
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The YoY growth in GFCF moderated to 7.8% in Q3 FY2026 from 8.4% in Q2, while remaining healthy, partly reflecting the trends in the Govt's capital expenditure (-23.4% in Q3 vs. +30.7% in Q2 FY2026)**



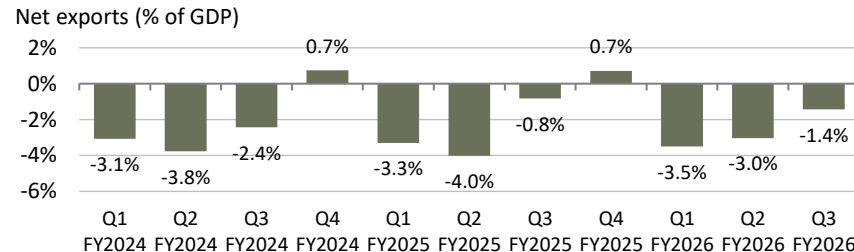
Source: NSO; CEIC; ICRA Research

**EXHIBIT: The pace of expansion in GFCE slowed to a 3-quarter low of 4.7% in Q3 FY2026 from 6.6% in Q2, despite the improvement in Govt's revex**



Source: NSO; CEIC; ICRA Research

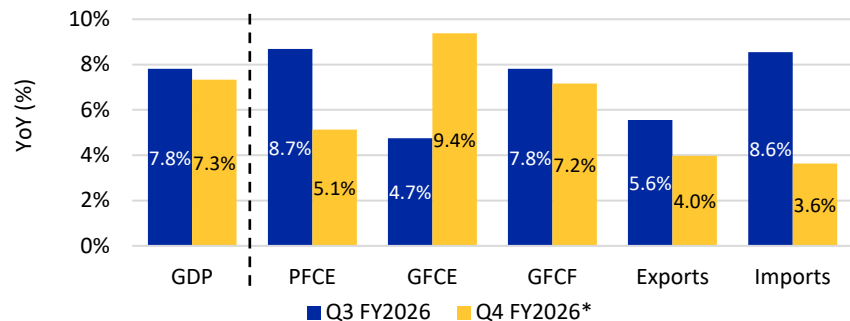
**EXHIBIT: The drag from net exports on GDP growth narrowed to 1.4% in Q3 FY2026 from 3.0% in Q2 FY2026, while exceeding the year-ago level of 0.8%**



Source: NSO; CEIC; ICRA Research

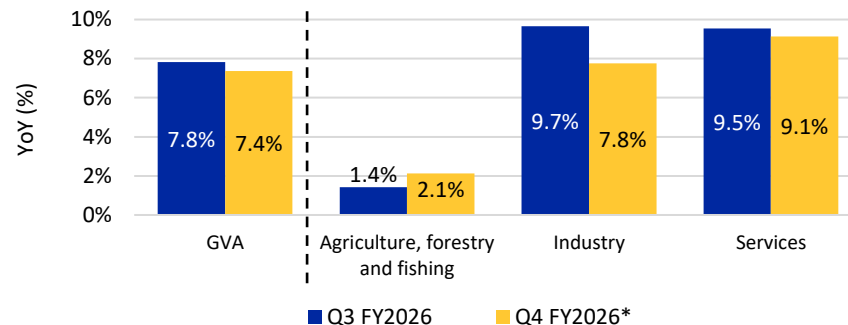
# GDP growth implicitly projected to slow to three-quarter low of 7.3% in Q4 FY2026

EXHIBIT: YoY trends in GDP and its components in Q3-Q4 FY2026\*



\*Implicit based on data for FY2025 FRE, FY2026 SAE and 9M FY2025-FY2026; Source: NSO; CEIC; ICRA Research

EXHIBIT: YoY trends in GVA and its components in Q3-Q4 FY2026\*



\*Implicit based on data for FY2025 FRE, FY2026 SAE and 9M FY2025-FY2026; Source: NSO; CEIC; ICRA Research

- Based on the NSO's FRE for FY2025 and the SAE for FY2026, as well as the 9M data for FY2025-2026, the GDP growth has been implicitly pegged to moderate to a three-quarter low of 7.3% in Q4 FY2026, albeit remaining quite healthy (+7.8% in Q3 FY2026). This is likely to be driven by a deceleration in the growth of PFCE (to a series-low +5.1% in Q4 FY2026 from +8.7% in Q3 FY2026) and GFCF (to a three-quarter low +7.2% from +7.8%), even as GFCE (to a series-high +9.4% from +4.7%) is estimated to display a sharp improvement between these quarters. Net exports are expected to turn positive in Q4 FY2026 (+0.8% of GDP) after exerting a drag on GDP in Q3 (-1.4% of GDP), in line with seasonal trends.
- On a similar note, the YoY growth in GVA at basic prices is implicitly estimated to slow down to 7.4% in Q4 FY2026 from 7.8% in Q3 FY2026, amid a moderation in the industrial (to +7.8% from +9.7%) and services (to +9.1% from +9.5%) GVA, albeit remaining healthy, even as that for agriculture, forestry and fishing (to +2.1% from +1.4%) has been estimated to improve between these quarters. While the deceleration in the industrial GVA growth is projected to be driven by the mining and manufacturing sectors, that for the services sector would be led by the THTCS and FRP segments.

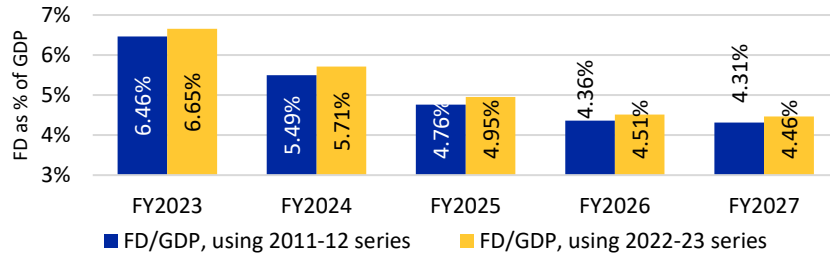


## Implications of Revised Nominal GDP Data

*Downward revision in nominal GDP data during FY2023-2025 pushes up fiscal deficit and debt ratios in the period*

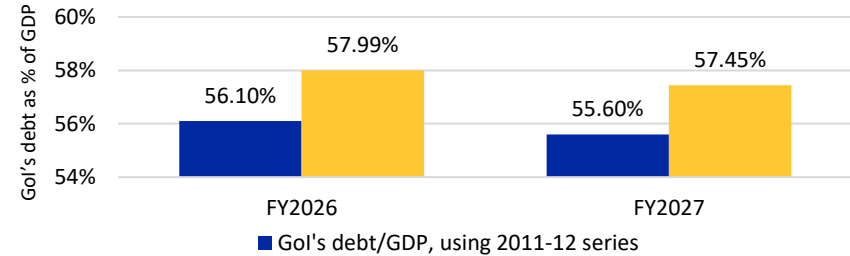
# Fiscal ratios look somewhat worse during FY2024-26 amid downward revision in nominal GDP; debt consolidation roadmap steeper than previously estimated

**EXHIBIT: Owing to the downward revision in the size of the nominal GDP, the fiscal deficit-to-GDP ratio has widened by 15-22 bps during FY2023-2026**



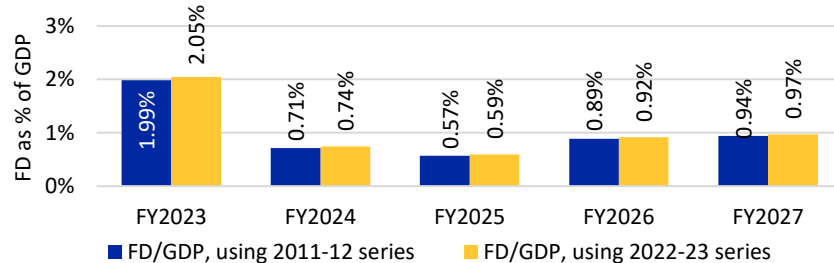
Nominal GDP for FY2027 is as per ICRA's estimate; Source: NSO; CEIC; ICRA Research

**EXHIBIT: Likewise, the Central Government's debt (on FRBM basis) as a proportion of GDP is also revised higher by ~1.9pp for FY2026 to 58.0% from 56.1% as per the RE**



Nominal GDP for FY2027 is as per ICRA's estimate; Source: NSO; CEIC; ICRA Research

**EXHIBIT: The changes in the current account deficit (CAD) as a proportion of GDP are not very material**



Data for FY2027 is as per ICRA's estimates for CAD and nominal GDP; Source: RBI; CGA; CEIC; ICRA Research

- The size of the Indian economy is estimated to be somewhat smaller as per the 2022-23 series vis-à-vis that as per the 2011-12 base. The nominal GDP for FY2024 and FY2025 is 3.8% each lower than that as per the old series, while the SAE for FY2026 is 3.3% lower than the FAE as per the old series.
- This implies that the fiscal deficit-to-GDP ratio would be ~15-22 bps higher during these years as compared to the previous estimates. More importantly, this would also imply a fiscal deficit target of 4.46% of GDP for FY2027, as against the 4.31% assumed in the budget, assuming a nominal GDP growth of ~10.1% in the fiscal.
- Further, this would have some bearing on the debt consolidation roadmap (to 50%+/-1% by FY2031), with the debt-to-GDP pegged 1.9pp higher at 57.4% for FY2027 as against the budgeted target of 55.6%, making the consolidation path until FY2031 relatively steeper than previously estimated.

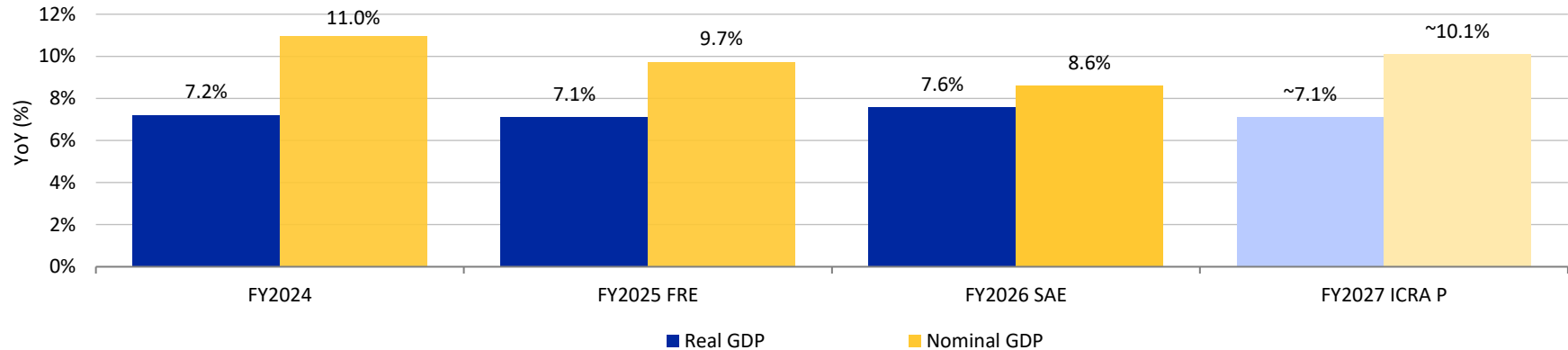


## Outlook and Annexure

---

*GDP expected to grow by ~7.1% YoY in FY2027*

## EXHIBIT: Annual YoY trends in real and nominal GDP

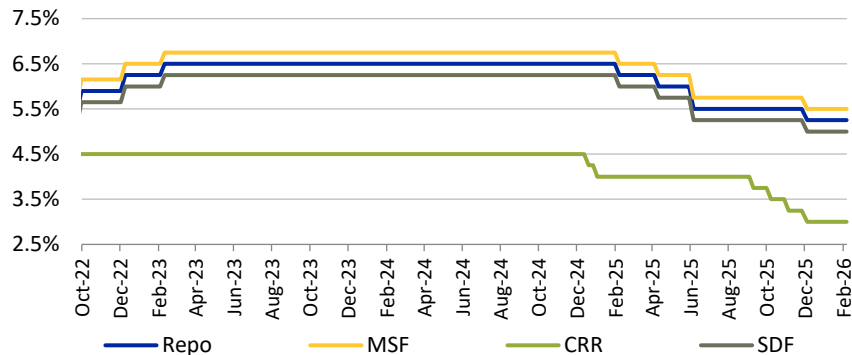


P: Projected, FRE: First Revised Estimate; SAE: Second Advance Estimate; Source: NSO; ICRA Research

- **ICRA currently projects the real GDP growth at a healthy ~7.1% in FY2027 (vs. + 7.6% in FY2026 SAE) as per new 2022-23 series**, amid favourable developments including the interim deal with the US with a lower tariff rate, improved prospects for domestic investment, aided by the robust hike in Central capital spending included in the Union Budget. The reduction in GST rates, cumulative 125 rate cuts, as well as lower-than-expected rise in food inflation, along with upbeat farm sector trends portend a favourable outlook for private consumption in the upcoming fiscal.
- **In nominal terms, the GDP growth (2022-23 base) is projected at ~10.1% in FY2027, up from 8.6% in FY2026 SAE, amid an expected pick-up in the WPI and CPI inflation as compared to the ongoing fiscal.**

# ICRA expects prolonged pause on the policy repo rate

EXHIBIT: Movement in Key Rates



Source: RBI; ICRA Research

EXHIBIT: RBI's earlier and current GDP growth and CPI inflation forecasts

YoY (%)	CPI Inflation		GDP Growth (at constant 2011-12 prices)	
	December 2025	February 2026	December 2025	February 2026
MPC Policy Reviews				
Q4 FY2026	2.9%	3.2%	6.5%	
<b>FY2026</b>	<b>2.0%</b>	<b>2.1%</b>	<b>7.3%</b>	
Q1 FY2027	3.9%	4.0%	6.7%	6.9%
Q2 FY2027	4.0%	4.2%	6.8%	7.0%

Source: RBI; ICRA Research

- With a somewhat lower weight for F&B in the new series (36.75%: 2024 series) vis-à-vis the old series (45.86%), the expected base-effect led uptick in the headline CPI print in FY2027 would likely be tempered, after the initial uptick; this would result in a flatter curve even as the average would likely remain around 4% in FY2027.
- From the perspective of the monetary policy, the real GDP growth for H1 FY2026 has been revised lower to ~7.6% as against 8.0% estimated as per the 2011-12 series. However, **growth has remained quite strong (despite several methodological upgrades and inclusion of new data sets), and ICRA currently believes that there is a high likelihood of a prolonged pause on the policy rate, amid expectations of a base-led uptick in the CPI inflation in the near term.**

## EXHIBIT: GVA at Basic Prices and its Components (YoY Growth, Constant 2022-23 Prices)

	Q3 FY2025	Q4 FY2025	Q1 FY2025	Q2 FY2025	Q3 FY2026	Q4 FY2026*	FY2024	FY2025	FY2026 SAE
<b>GVA at Basic Prices</b>	<b>7.8%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>8.6%</b>	<b>7.8%</b>	<b>7.4%</b>	<b>7.2%</b>	<b>7.3%</b>	<b>7.7%</b>
<i>Agriculture, Forestry &amp; Fishing</i>	<i>5.8%</i>	<i>3.8%</i>	<i>4.2%</i>	<i>2.3%</i>	<i>1.4%</i>	<i>2.1%</i>	<i>2.6%</i>	<i>4.2%</i>	<i>2.4%</i>
<b>Industry</b>	<b>8.7%</b>	<b>10.0%</b>	<b>7.2%</b>	<b>10.6%</b>	<b>9.7%</b>	<b>7.8%</b>	<b>10.9%</b>	<b>8.3%</b>	<b>8.8%</b>
<b>Mining &amp; Quarrying</b>	13.1%	12.9%	4.5%	6.1%	4.7%	1.7%	2.4%	11.7%	4.1%
<b>Manufacturing</b>	10.8%	11.8%	10.6%	13.2%	13.3%	9.3%	12.7%	9.3%	11.5%
<b>Electricity, gas, water supply &amp; other utilities</b>	0.6%	2.1%	-1.9%	3.9%	1.5%	2.7%	10.7%	2.9%	1.5%
<b>Construction</b>	6.4%	8.0%	5.4%	8.7%	6.6%	7.6%	9.9%	7.3%	7.1%
<b>Services</b>	<b>8.2%</b>	<b>6.8%</b>	<b>7.8%</b>	<b>9.3%</b>	<b>9.5%</b>	<b>9.1%</b>	<b>7.0%</b>	<b>7.9%</b>	<b>9.0%</b>
<b>Trade, Hotels, Transport, Communication &amp; Services related to Broadcasting</b>	6.7%	6.3%	9.4%	10.4%	11.0%	9.7%	10.1%	6.6%	10.1%
<b>Financial, Real Estate &amp; Professional Services</b>	11.1%	8.8%	8.8%	9.9%	11.2%	9.6%	5.5%	10.0%	9.9%
<b>Public Administration, Defence and Other Services</b>	4.4%	3.2%	4.3%	6.9%	4.5%	7.5%	6.8%	5.0%	5.8%

\*Implicit based on FY2025, FY2026 SAE, and the 9M data for FY2025-26; SAE: Second Advance Estimates; Source: NSO; CEIC; ICRA Research

## Annexure A.2

### EXHIBIT: GDP and Final Expenditures (YoY Growth, Constant 2022-23 Prices)

	Q3 FY2025	Q4 FY2025	Q1 FY2025	Q2 FY2025	Q3 FY2026	Q4 FY2026*	FY2024	FY2025	FY2026 SAE
<b>GDP</b>	7.4%	7.0%	6.7%	8.4%	7.8%	7.3%	7.2%	7.1%	7.6%
<b>PFCE</b>	6.0%	5.6%	9.2%	8.0%	8.7%	5.1%	5.8%	5.8%	7.7%
<b>GFCE</b>	7.6%	3.6%	5.8%	6.6%	4.7%	9.4%	0.6%	6.5%	6.6%
<b>Exports</b>	10.5%	5.4%	6.6%	10.2%	5.6%	4.0%	0.7%	6.6%	6.5%
<b>Imports</b>	2.9%	5.5%	7.4%	5.9%	8.6%	3.6%	-1.0%	5.3%	6.4%
<b>Gross Capital Formation</b>	6.3%	4.5%	4.2%	6.8%	7.7%	7.0%	8.7%	6.1%	6.5%
<b>GFCF</b>	6.3%	6.2%	4.9%	8.4%	7.8%	7.2%	7.3%	6.4%	7.1%
<b>Change in Stocks</b>	-1.1%	-5.8%	4.6%	12.8%	17.2%	7.2%	116.9%	1.7%	10.4%
<b>Valuables</b>	14.5%	-32.9%	-28.9%	-28.4%	-2.8%	1.5%	-9.3%	1.9%	-15.8%

\*Implicit based on FY2025, FY2026 SAE, and the 9M data for FY2025-26; SAE: Second Advance Estimates; Source: NSO; CEIC; ICRA Research

## EXHIBIT: Composition of GVA at Basic Prices (at Current Prices)

	Q3 FY2025	Q4 FY2025	Q1 FY2025	Q2 FY2025	Q3 FY2026	Q4 FY2026*	FY2024	FY2025	FY2026 SAE
<b>GVA at Basic Prices</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Agriculture, Forestry &amp; Fishing</i>	<i>22.5%</i>	<i>19.8%</i>	<i>18.1%</i>	<i>14.4%</i>	<i>20.4%</i>	<i>18.2%</i>	<i>19.4%</i>	<i>19.4%</i>	<i>17.9%</i>
<i>Industry</i>	<i>26.3%</i>	<i>28.7%</i>	<i>26.6%</i>	<i>29.4%</i>	<i>26.6%</i>	<i>28.4%</i>	<i>28.1%</i>	<i>27.7%</i>	<i>27.8%</i>
<b>Mining &amp; Quarrying</b>	1.9%	2.0%	1.9%	1.7%	1.8%	2.0%	2.0%	2.0%	1.9%
<b>Manufacturing</b>	13.8%	15.6%	13.2%	16.0%	14.4%	15.7%	14.7%	14.5%	14.8%
<b>Electricity, gas, water supply &amp; other utilities</b>	2.6%	2.7%	2.8%	2.8%	2.4%	2.5%	2.8%	2.8%	2.6%
<b>Construction</b>	8.0%	8.3%	8.7%	8.9%	8.0%	8.3%	8.7%	8.5%	8.4%
<i>Services</i>	<i>51.2%</i>	<i>51.6%</i>	<i>55.2%</i>	<i>56.2%</i>	<i>52.9%</i>	<i>53.4%</i>	<i>52.4%</i>	<i>52.9%</i>	<i>54.4%</i>
<b>Trade, Hotels, Transport, Communication &amp; Services related to Broadcasting</b>	13.5%	13.6%	14.4%	14.5%	13.9%	14.0%	14.1%	13.9%	14.2%
<b>Financial, Real Estate &amp; Professional Services</b>	25.1%	25.7%	27.2%	28.3%	26.2%	26.6%	25.4%	26.2%	27.0%
<b>Public Administration, Defence and Other Services</b>	12.6%	12.2%	13.6%	13.4%	12.8%	12.8%	12.9%	12.9%	13.1%

\*Implicit based on FY2025, FY2026 SAE, and the 9M data for FY2025-26; SAE: Second Advance Estimates; Source: NSO; CEIC; ICRA Research

## EXHIBIT: Composition of GDP and Final Expenditures (at Current Prices)

	Q3 FY2025	Q4 FY2025	Q1 FY2025	Q2 FY2025	Q3 FY2026	Q4 FY2026*	FY2024	FY2025	FY2026 SAE
<b>GDP</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>PFCE</b>	56.5%	57.0%	56.3%	53.7%	57.0%	55.8%	56.5%	56.5%	56.7%
<b>GFCE</b>	9.9%	9.0%	11.5%	11.0%	9.6%	9.1%	10.6%	10.7%	10.8%
<b>Exports</b>	22.1%	22.1%	23.0%	23.1%	21.6%	21.4%	22.4%	22.1%	22.3%
<b>Imports</b>	22.9%	21.4%	26.5%	26.1%	23.1%	20.7%	24.0%	23.9%	24.0%
<b>Gross Capital Formation</b>	33.2%	32.8%	34.0%	37.2%	33.2%	32.8%	34.5%	34.3%	34.6%
<b>GFCF</b>	30.7%	30.9%	32.2%	34.7%	30.7%	30.9%	31.9%	31.6%	31.7%
<b>Change in Stocks</b>	1.2%	1.2%	1.4%	1.3%	1.3%	1.2%	1.3%	1.2%	1.2%
<b>Valuables</b>	1.3%	0.7%	0.5%	1.2%	1.2%	0.7%	1.3%	1.5%	1.7%
<b>Discrepancies</b>	1.2%	0.5%	1.7%	1.2%	1.7%	1.5%	0.0%	0.3%	-0.3%

\*Implicit based on FY2025, FY2026 SAE, and the 9M data for FY2025-26; SAE: Second Advance Estimates; Source: NSO; CEIC; ICRA Research



**Click to Provide Feedback**



# ICRA Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist, and Head- Research and Outreach	<a href="mailto:aditin@icraindia.com">aditin@icraindia.com</a>	0124 - 4545 385
Rahul Agrawal	Senior Economist	<a href="mailto:rahul.agrawal@icraindia.com">rahul.agrawal@icraindia.com</a>	022 – 6114 3425
Aarzo Pahwa	Deputy Senior Economist	<a href="mailto:aarzo.pahwa@icraindia.com">aarzo.pahwa@icraindia.com</a>	0124 – 4545 835
Tiasha Chakraborty	Economist	<a href="mailto:tiasha.chakraborty@icraindia.com">tiasha.chakraborty@icraindia.com</a>	0124 - 4545 848
Isha Sinha	Associate Economist	<a href="mailto:isha.sinha@icraindia.com">isha.sinha@icraindia.com</a>	0124 - 4545 377





ICRA

# Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	<a href="mailto:shivakumar@icraindia.com">shivakumar@icraindia.com</a>	022-61693304
Sai Krishna	Head - Research Sales and Investor Connect	<a href="mailto:sai.krishna1@icraindia.com">sai.krishna1@icraindia.com</a>	9840774883
Rohit Gupta	Head Business Development – Infrastructure Sector	<a href="mailto:rohitg@icraindia.com">rohitg@icraindia.com</a>	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	<a href="mailto:vivek.bhalla@icraindia.com">vivek.bhalla@icraindia.com</a>	022-61693372
Vinita Baid	Head Business Development – East	<a href="mailto:vinita.baid@icraindia.com">vinita.baid@icraindia.com</a>	033-65216801
Shivam Bhatia	Head Business Development – Corporate Sector – North & South	<a href="mailto:shivam.bhatia@icraindia.com">shivam.bhatia@icraindia.com</a>	0124-4545803
Sanket Kulkarni	Head Business Development – Corporate Sector – West	<a href="mailto:sanket.kulkarni@icraindia.com">sanket.kulkarni@icraindia.com</a>	022-6169 3365
Naznin Prodhani	Head - Group Corporate Communications & Media Relations	<a href="mailto:communications@icraindia.com">communications@icraindia.com</a>	0124-4545860





***© Copyright, 2026 ICRA Limited. All Rights Reserved.***

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

**#35YearsofUnwaveringCredibility**



ICRA

35  
Years of  
Unwavering  
Credibility

# Thank You!

#35YearsofUnwaveringCredibility

Sensitivity Label : Public