

# Economy | Macro-Cap

## India GDP surprises positively under the new base (2022-23)

**India GDP - 3QFY26: Manufacturing and private consumption fuel growth.**

- India's new GDP series with base year 2022–23 stated 3QFY26 growth at 7.8% YoY as against 8.4% YoY in 2QFY26. Growth was primarily driven by manufacturing (its strongest growth in eight quarters) and services (its strongest in seven quarters). On the demand side, both private consumption (aided by GST-related cuts and favorable interest rate conditions) and investment remained robust. This is the first full quarter reflecting the impact of GST. Nominal GDP grew 8.9% in 3QFY26, indicating a low deflator.
- On an industry basis, manufacturing remained strong at 13.3% YoY in 3QFY26 vs. 13.2% in 2QFY26. This reflected an improvement in corporate profitability. Within services, trade, hotels, transport, communication (11.0% in 3QFY26 vs. 10.4% in 2QFY26), financial, real estate, and professional services registered strong growth in 3QFY26 (11.2% in 3QFY26 vs. 9.9% in 2QFY26). In contrast, agriculture and government services moderated.
- Notably, the weight of the financial sector has increased in the new series due to the expansion of NBFCs (the financial sector now contributes 27% in the nominal GVA, as against 24% in the earlier series due to this change).
- From the demand side, private consumption was the major driver of growth in 3QFY26 (8.7% YoY in 3QFY26 vs 8.0% in 2QFY26 and significantly stronger than 6.0% in 3QFY25). Fixed investment rose 7.8% in 3QFY26, moderating from 8.4% in 2QFY26, led by weakness in government capex in the quarter. Net exports weighed modestly on growth amid slower exports and firmer imports.

**FY26 real GDP growth revised up to 7.6% from 7.4%**

- The Second Advance Estimates (SAEs) for FY26 have been revised up to 7.6% (from 7.4%). Nominal GDP growth stands at 8.6% vs. 8.0% in the first advance estimate.
- The new GDP series improves the way India measures economic activity. It makes better use of GST data, improves coverage of the informal and unincorporated sector, adopts double deflators for more accurate real growth measurement, and refines how government pensions are accounted for. The discrepancy in the GDP data reduced after incorporating the above changes. Due to this, earlier growth numbers (especially for FY24, revised down by 2pp) have been adjusted to better reflect actual economic activity. As a result, growth in FY25 (at 7.1%, revised up by 60 bp) and FY26 SAEs (at 7.6%, revised up by 20 bp) appears more consistent and realistic.

**Outlook: Expect real GDP growth at 7.5% in FY27**

- Overall, the revised GDP series confirms that India's economy remains fundamentally strong. While some earlier growth numbers have been adjusted, the underlying trend remains above 7%. Manufacturing is performing well, services such as finance and real estate remain resilient, and domestic demand continues to support expansion. Growth now appears more balanced and less dependent on temporary post-pandemic effects.
- The Chief Economic Advisor has revised FY27 growth expectations to 7.0–7.4%, with emphasis on growth being on the higher side rather than the lower. This reinforces the view that India remains in a structurally high-growth phase. In line with this, we expect real GDP growth of around 7.5% in FY27, with nominal GDP growth at about 11.5%. This projection is supported by steady manufacturing momentum, resilient services growth, stable private consumption, and ongoing investment activity.
- However, risks remain from external factors such as escalation in the Iran–Israel conflict, which could impact oil and LNG prices and hence cost-side inflation. Clarity in terms of the India-US trade deal is also yet to be seen. Although the tariff reduction from 50% last year to 15% now is a significant improvement for India. Despite these external sector risks remaining, domestic fundamentals suggest that India is well-positioned to sustain a stable growth trajectory in FY27. We continue to expect the RBI to remain on a long pause through FY27, with growth conditions stable and inflation well anchored.

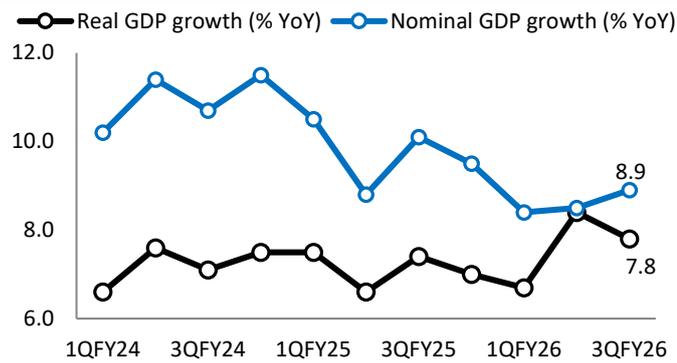
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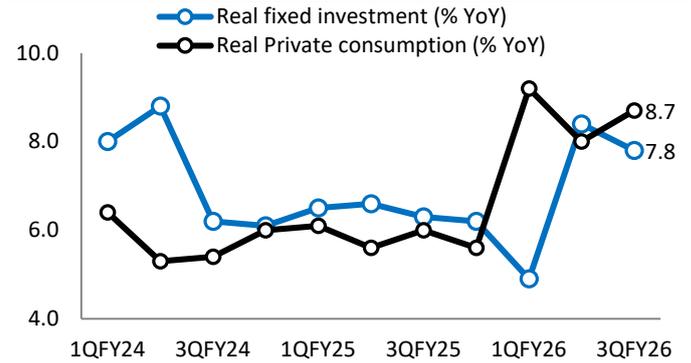
**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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**Exhibit 1: Real GDP growth at 7.8% in 3QFY26, while nominal GDP grew 8.9%**

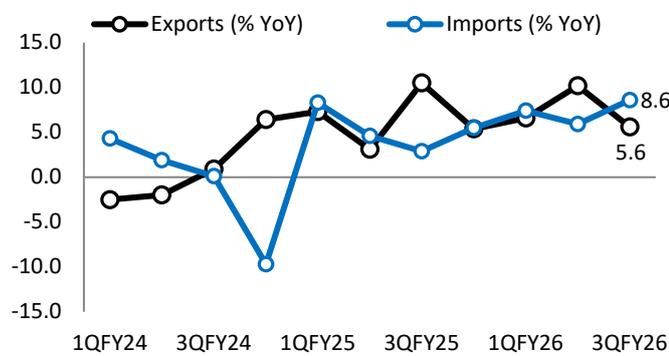


**Exhibit 2: Private consumption remained strong, and fixed investment remained resilient in 3QFY26**

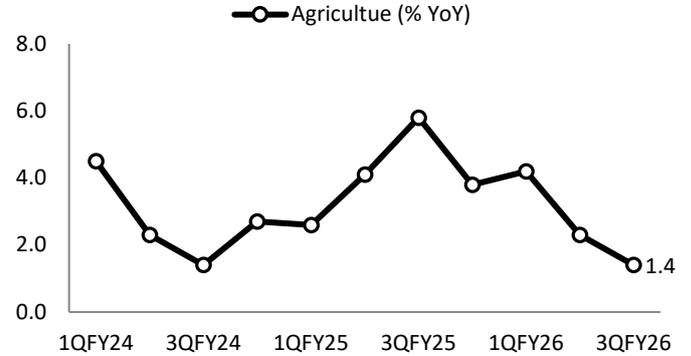


Source: MOSPI, MOFSL

**Exhibit 3: Net imports dragged growth by 0.7pp, due to weakness in exports**

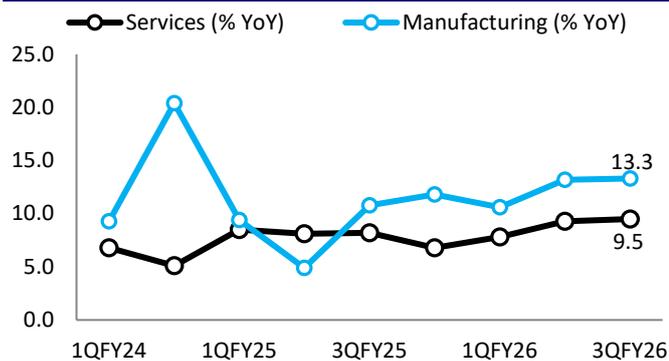


**Exhibit 4: Agriculture growth softened sharply in 3QFY26; printing at just 1.4%**



Source: MOSPI, MOFSL

**Exhibit 5: Manufacturing and services were the main drivers of growth in 3QFY26**



**Exhibit 6: Trade, transport & comm. and financial services remained robust while the government services moderated**



Source: MOSPI, MOFSL

### India's GDP positively surprises under the new base (2022–23)

India's GDP growth has surprised positively under the newly adopted 2022-23 base year, with the revised national accounts presenting a stronger and more structurally balanced growth profile. For FY26, real GDP has been revised upward by 20bp to 7.6%, compared to the FAE released in Jan'26. The upward revision reflects stronger underlying momentum, particularly in manufacturing and private consumption. Nominal GDP growth has also been marked higher at 8.6%, up 60bp.

The revision is not merely cyclical but methodological. The new series incorporates improved deflators, broader data coverage, and better sectoral granularity, especially in financial services. According to the Chief Economic Advisor and the Ministry of Statistics, the weight of the financial sector has increased in the new series, reflecting the rapid expansion of NBFCs and formal financial intermediation. This structural recalibration has important implications for both growth composition and fiscal ratios.

### Demand-side drivers in 3QFY26

In 3Q, growth was supported by a balanced mix of consumption and investment. Private consumption grew 8.7% YoY, improving relative to 3QFY25 and 2QFY26. This suggests a revival in discretionary demand, potentially aided by GST-related cuts and favorable interest rate conditions.

- **Private Consumption (PFCE):** 8.7% YoY – Up from 6.0% in 3QFY25 and 8.0% in 2QFY26, indicating stronger discretionary demand and improving household spending momentum.
- **Government Consumption (GFCE):** 4.7% YoY – Lower than 7.6% in 3QFY25 and 6.6% in 2QFY26, suggesting a moderation in fiscal impulse.
- **Investment (GFCF):** 7.8% YoY – Higher than 6.3% in 3QFY25 but slightly below 8.4% in 2QFY26, reinforcing the ongoing capex-led growth narrative.

Overall, GDP grew 7.8% YoY in 3QFY26, stronger than 7.4% in 3QFY25 but marginally softer than 8.4% in 2QFY26, with private demand playing a larger role in driving growth (*Exhibits 5 and 6*).

### 3QFY26: Industrial and high-value services lead the expansion

India's new GDP series with base year 2022–23, released by the MoSPI, provides a more comprehensive assessment of economic activity. In 3QFY26, real GDP growth remained strong, printing at 7.8% YoY, higher than 7.4% in 3QFY25 and lower than 8.4% in 2QFY26. Nominal GDP grew 8.6% in 3QFY26, reflecting a low deflator. Growth was primarily driven by manufacturing (its strongest growth in eight quarters) and services (its strongest in seven quarters).

- The sectoral composition of growth highlights a decisive shift toward industrial and high-value services leadership. Manufacturing surged 13.3% YoY in 3QFY26, slightly higher than 13.2% in 2QFY26 and well above 10.8% in 3QFY25, reflecting sustained improvement in corporate profitability and compensation trends.
- Trade, hotels, transport, and communication grew 11.0%, accelerating from 10.4% in 2QFY26 and sharply higher than 6.7% in 3QFY25. Financial, real estate, and professional services expanded 11.2%, improving from 9.9% in 2QFY26 and marginally above 11.1% in 3QFY25. In contrast, agriculture and government services moderated, which partly explains the softer headline growth despite strong private-sector activity.

- In contrast, agriculture moderated to 1.4% (vs 2.3% in 2QFY26 and 5.8% in 3QFY25) and government services slowed to 4.5% (vs 6.9% in 2QFY26 and 4.4% in 3QFY25).
- Notably, the weight of the financial sector increased under the new base in the new series due to the expansion of NBFCs (CEA, MoSPI).

#### The strongest performers in 3Q were:

- Manufacturing: (13.3% YoY; 10.8% in 3QFY25; 13.2% in 2QFY26)
- Trade, hotels, transport & communication: (11.0% YoY; 6.7% in 3QFY25; 10.4% in 2QFY26), signaling stronger momentum in contact-intensive and mobility-linked services alongside improving domestic demand.
- Financial, real estate, IT & professional services: (11.2% YoY; 11.1% in 3QFY25; 9.9% in 2QFY26), indicating sustained strength in credit activity, real estate, and high-value services (*Exhibits 5 and 6*).

This combination confirms that both industrial production and modern services are powering growth.

#### Revised real GDP growth path under the new GDP series (base year 2022-23)

**FY24 growth** stands at 7.2%, revised down by 2pp. Revised down mainly due to lower services growth and a sharp cut in government consumption. The earlier rebound was overstated and is now smoother.

**FY25 growth** is revised up by 60bp to 7.1%. Revised up on stronger manufacturing and services growth, along with higher government spending. Recovery appears more resilient.

**FY26 growth** is now estimated at 7.6%. Higher growth is driven by manufacturing, trade-related services, stronger private consumption, and steady investment momentum (*Exhibits 1 and 2*).

**This sequence implies that while the earlier rebound was moderated, the medium-term growth path is stronger and more consistent than previously believed. The Chief Economic Advisor has correspondingly revised FY27 growth expectations to 7.0-7.4%, reinforcing the view that India remains in a structurally high-growth phase. FY26 growth is driven by manufacturing, trade-related services, and a clear pickup in private consumption, reinforcing a balanced industrial-services expansion.**

On the fiscal front, the fiscal deficit for FY26 is now seen at 4.5% of GDP, 10bp higher under the new denominator. This adjustment largely reflects base effects rather than fiscal slippage.

#### Sectoral growth: Manufacturing leads in FY26

Among sectors, manufacturing emerges as the highest-growing sector, expected to grow by 11.5% YoY in FY26. This underscores the revival of industrial momentum and validates the investment-led growth narrative.

In contrast, electricity and other utilities is estimated to grow only 1.5%, making it the weakest-performing segment.

The most notable acceleration is visible in trade, hotels, transport and communication, which is expected to grow by 10.1% in FY26, up sharply from 6.6% in FY25. This indicates a pickup in mobility, logistics, and contact-intensive services, supporting the consumption recovery.

Meanwhile, the financial, real estate, IT, and professional services sectors remain the most stable and structurally strong segments, expected to grow by 9.9% in FY26, almost unchanged from 10% in FY25. With increased weight in the new GDP series, these sectors now play an even larger role in sustaining overall growth.

### Structural implications of the new series

The transition to the 2022-23 base year shifts the interpretation of India's growth story:

- The FY24 rebound is moderated, improving credibility.
- FY25 and FY26 growth rates appear stronger and more broad-based.
- Manufacturing and financial services gain prominence.
- The economy appears less consumption-overstated and more investment- and services-supported.
- Fiscal ratios are adjusted slightly but remain broadly on the consolidation path.

Overall, the new GDP series portrays an economy that is structurally stronger, more formalized, and increasingly driven by industry and modern services rather than purely consumption-led demand.

**Exhibit 1: GDP at constant prices (difference in growth rates between the old and new base)**

GDP at constant prices (% YoY)	FY24 Old	FY24 New	FY24 Difference	FY25 Old	FY25 New	FY25 Difference	FY26 FAE	FY26 SAE	FY26 Difference
PFCE	5.6	5.8	0.2	7.2	5.8	-1.4	7.0	7.7	0.7
GFCE	8.1	0.6	-7.5	2.3	6.5	4.2	5.2	6.6	1.4
GFCF	8.8	7.3	-1.5	7.1	6.4	-0.7	7.8	7.1	-0.7
Changes in Stocks (CIS)	53.4	116.9	63.5	4.5	1.7	-2.8	4.9	10.4	5.5
Valuables	14.4	-9.3	-23.7	0.6	1.9	1.3	-10.6	-15.8	-5.2
Exports of goods & services	2.2	0.7	-1.5	6.3	6.6	0.3	6.4	6.5	0.1
Imports of goods & services	13.8	-1.0	-14.8	-3.7	5.3	9.0	14.4	6.4	-8.0
Discrepancies*	0.8	0.4	-0.4	-1.6	1.2	2.8	0.7	1.5	0.8
GDP	9.2	7.2	-2.0	6.5	7.1	0.6	7.4	7.6	0.2

**Exhibit 2: GVA at constant prices (difference in growth rates between the old and new base)**

GVA at constant prices (% YoY)	FY24 Old	FY24 New	FY24 Difference	FY25 Old	FY25 New	FY25 Difference	FY26 FAE	FY26 SAE	FY26 Difference
Primary Sector	2.7	2.6	-0.1	4.4	4.9	0.5	2.7	2.6	-0.1
Agriculture, livestock, forestry, and fishing	2.7	2.6	0.0	4.6	4.2	-0.4	3.1	2.4	-0.7
Mining and quarrying	3.2	2.4	-0.8	2.7	11.7	9.0	-0.7	4.1	4.8
Secondary Sector	11.4	11.6	0.2	6.1	8.0	1.9	6.6	9.1	2.5
Manufacturing	12.3	12.7	0.4	4.5	9.3	4.8	7.0	11.5	4.5
Electricity, Gas, Water supply & Other utility services	8.6	10.7	2.0	5.9	2.9	-3.0	2.1	1.5	-0.6
Construction	10.4	9.9	-0.5	9.4	7.3	-2.1	7.0	7.1	0.1
Tertiary Sector	9.0	7.0	-2.0	7.2	7.9	0.7	9.1	9.0	-0.1
Trade, repair, Hotels & Restaurants, Transport, Storage, Communication & Services related to broadcasting	7.5	10.1	2.6	6.1	6.6	0.5	7.5	10.1	2.6
Financial services, Real estate, Ownership of dwelling & Professional services	10.3	5.5	-4.8	7.2	10.0	2.9	9.9	9.9	0.0
Public administration & Defence and Other services	8.8	6.8	-2.0	8.9	5.0	-3.8	9.9	5.8	-4.1
Total GVA at basic prices	8.6	7.2	-1.3	6.4	7.3	0.9	7.3	7.7	0.4

**Exhibit 3: GDP at current prices (difference in share in GDP between the old and new base)**

(% share in GDP)	FY23 old	FY23 New	FY23 Difference	FY24 Old	FY24 New	FY24 Difference	FY25 Old	FY25 New	FY25 Difference	FY26 FAE	FY26 SAE	FY26 Difference
PFCE	61.5	57.1	-4.3	60.2	56.5	-3.7	61.4	56.5	-4.9	61.5	56.7	-4.8
GFCE	10.3	11.1	0.8	10.3	10.6	0.3	10.0	10.7	0.7	9.9	10.8	0.9
GFCF	31.2	32.4	1.1	30.4	31.9	1.5	29.9	31.6	1.7	30	31.7	1.7
Changes in Stocks (CIS)	1.1	0.7	-0.5	1.5	1.3	-0.2	1.5	1.2	-0.3	1.4	1.2	-0.2
Valuables	1.3	1.4	0.1	1.4	1.3	-0.1	1.5	1.5	0.0	1.6	1.7	0.1
Exports of goods & services	23.3	24.0	0.8	21.4	22.4	0.9	21.2	22.1	0.9	21.5	22.3	0.8
Imports of goods & services	26.8	26.7	-0.2	23.5	24.0	0.4	23.5	23.9	0.4	23.7	24	0.3
Discrepancies	-1.8	0.0	1.8	-1.8	0.0	1.8	0.3	0.0	-0.3	-2.1	-0.3	1.8

**Exhibit 4: GVA at current prices (difference in share in GVA between the old and new base)**

(% share in GVA)	FY23 old	FY23 New	FY23 Difference	FY24 Old	FY24 New	FY24 Difference	FY25 Old	FY25 New	FY25 Difference	FY26 FAE	FY26 SAE	FY26 Difference
Agriculture, livestock, forestry and fishing	18.1	20.0	2.0	17.8	19.4	1.7	17.9	19.4	1.4	16.8	17.9	1.1
Mining and quarrying	2.1	2.1	0.1	1.9	2.0	0.1	1.8	2.0	0.2	1.6	1.9	0.3
Manufacturing	14.3	14.7	0.3	14.3	14.7	0.4	13.9	14.5	0.6	14.1	14.8	0.8
Electricity, Gas, Water supply & Other utility services	2.5	2.5	0.0	2.8	2.8	0.0	2.7	2.8	0.1	2.5	2.6	0.1
Construction	8.8	8.9	0.1	8.8	8.7	-0.1	8.8	8.5	-0.3	8.7	8.4	-0.2
Trade, repair, Hotels & Restaurants, Transport, Storage, Communication & Services related to broadcasting	17.9	13.7	-4.2	17.6	14.1	-3.5	17.5	13.9	-3.7	17.4	14.2	-3.2
Financial services, Real estate, Ownership of dwelling & Professional services	22.7	25.3	2.6	22.8	25.4	2.6	22.9	26.2	3.2	23.7	27.0	3.4
Public administration & Defence and Other services	13.6	12.8	-0.8	14.0	12.9	-1.1	14.5	12.9	-1.6	15.3	13.1	-2.2

**Exhibit 5: GDP at constant prices on a quarterly basis (% YoY)**

GDP at constant prices (% YoY)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	FY24	FY24	FY24	FY24	FY25	FY25	FY25	FY25	FY26	FY26	FY26
PFCE	6.4	5.3	5.4	6.0	6.1	5.6	6.0	5.6	9.2	8.0	8.7
GFCE	-0.1	-0.9	0.9	2.5	7.5	7.0	7.6	3.6	5.8	6.6	4.7
GFCF	8.0	8.8	6.2	6.1	6.5	6.6	6.3	6.2	4.9	8.4	7.8
Changes in Stocks	113.5	201.3	131.0	68.9	18.3	-1.5	-1.1	-5.8	4.6	12.8	17.2
Valuables	-27.8	-30.8	8.5	41.0	-26.7	49.4	14.5	-32.9	-28.9	-28.4	-2.8
Exports	-2.5	-2.0	0.9	6.4	7.3	3.1	10.5	5.4	6.6	10.2	5.6
Imports	4.3	1.9	0.1	-9.7	8.3	4.6	2.9	5.5	7.4	5.9	8.6
Discrepancies	0.4	0.9	1.8	-1.4	1.8	1.2	1.2	0.5	1.7	1.2	1.7
<b>GDP at constant prices (% YoY)</b>	<b>6.6</b>	<b>7.6</b>	<b>7.1</b>	<b>7.5</b>	<b>7.5</b>	<b>6.6</b>	<b>7.4</b>	<b>7.0</b>	<b>6.7</b>	<b>8.4</b>	<b>7.8</b>
<b>GDP at current prices</b>	<b>10.2</b>	<b>11.4</b>	<b>10.7</b>	<b>11.5</b>	<b>10.5</b>	<b>8.8</b>	<b>10.1</b>	<b>9.5</b>	<b>8.4</b>	<b>8.5</b>	<b>8.9</b>

**Exhibit 6: GVA at constant prices on a quarterly basis (% YoY)**

GVA at constant prices (% YoY)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
	FY24	FY24	FY24	FY24	FY25	FY25	FY25	FY25	FY26	FY26	FY26
Agriculture, Livestock, Forestry & Fishing	4.5	2.3	1.4	2.7	2.6	4.1	5.8	3.8	4.2	2.3	1.4
Mining & Quarrying	-0.3	2.7	1.5	5.3	11.9	8.3	13.1	12.9	4.5	6.1	4.7
Manufacturing	9.3	20.4	15.2	7.0	9.4	4.9	10.8	11.8	10.6	13.2	13.3
Electricity, Gas, Water Supply & Other Utility Services	5.6	14.4	12.6	10.3	9.2	-0.2	0.6	2.1	-1.9	3.9	1.5
Construction	9.7	12.7	8.7	8.7	8.7	6.1	6.4	8.0	5.4	8.7	6.6
Trade, Hotels, Transport, Communication & Services related to Broadcasting, Storage	10.6	9.7	8.8	11.3	6.9	6.6	6.7	6.3	9.4	10.4	11.0
Financial, Real Estate, Ownership of dwelling, IT & Professional Services	5.1	3.2	4.8	8.6	10.3	10.0	11.1	8.8	8.8	9.9	11.2
Public Administration, Defence & Other Services	5.9	4.2	7.3	9.7	6.9	6.0	4.4	3.2	4.3	6.9	4.5
<b>GVA at Basic Prices</b>	<b>6.7</b>	<b>7.9</b>	<b>6.7</b>	<b>7.6</b>	<b>7.6</b>	<b>6.5</b>	<b>7.8</b>	<b>7.1</b>	<b>7.0</b>	<b>8.6</b>	<b>7.8</b>
<b>Net Taxes</b>	<b>5.1</b>	<b>5.3</b>	<b>10.9</b>	<b>6.8</b>	<b>6.0</b>	<b>7.1</b>	<b>2.7</b>	<b>5.5</b>	<b>4.3</b>	<b>6.0</b>	<b>7.7</b>
<b>GDP</b>	<b>6.6</b>	<b>7.6</b>	<b>7.1</b>	<b>7.5</b>	<b>7.5</b>	<b>6.6</b>	<b>7.4</b>	<b>7.0</b>	<b>6.7</b>	<b>8.4</b>	<b>7.8</b>

## Key improvements in the new GDP series (Base Year: 2022-23)

The shift to the 2022-23 base year represents a substantial methodological upgrade in India's national accounts framework, aimed at improving accuracy, sectoral representation, and alignment with international standards.

### 1. Better capture of multi-activity enterprises

The new series improves the compilation of the private corporate sector by segregating activities within multi-activity enterprises. Instead of assigning output to a dominant activity, revenues and value added are now more accurately distributed across sectors. This reduces misclassification bias, particularly in diversified conglomerates and financial-corporate groups.

### 2. Improved coverage of the unincorporated sector

The unincorporated sector is now better captured through annual survey data, enabling more frequent updates to sectoral dynamics. This reduces reliance on outdated benchmarks and improves representation of MSMEs and informal activity.

### 3. Adoption of double deflation

A major methodological shift is the adoption of double deflation in agriculture and manufacturing. Output and intermediate inputs are deflated separately, leading to a more accurate estimation of real value added. Other sectors continue to use volume/single extrapolation where appropriate. This change materially affects manufacturing growth estimates.

### 4. Improved quarterly benchmarking

The Quarterly National Accounts now use the Proportional Denton Benchmarking method, replacing the earlier Pro-Rata method. This improves temporal consistency between annual and quarterly estimates and reduces volatility.

### 5. Updated rates and ratios

Recent surveys and methodological studies conducted by MoSPI in collaboration with expert institutions have been incorporated. This refreshes outdated coefficients and strengthens sectoral estimates.

### 6. Extensive use of GST and administrative data

The new series makes deeper use of GST filings and other administrative datasets. This enhances timeliness, improves coverage of formal sector activity, and strengthens quarterly estimates.

### 7. Improved PFCE estimation

Private consumption estimates now adopt the updated COICOP 2018 classification, alongside survey and administrative sources. This enhances consumption measurement granularity and international comparability.

### 8. Reduced statistical discrepancy

Integration with the Supply and Use Table (SUT) framework has improved synchronization between production- and expenditure-side GDP estimates, reducing discrepancies and enhancing internal consistency.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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## NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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