



India GDP: *Rebasing underlines growth resilience; FY26 real & nominal growth revised higher*

27th February 2026

By:

Kanika Pasricha

kanika.pasricha@unionbankofindia.bank.in

Jovana Luke George

jovana.george@unionbankofindia.bank.in

We must compliment MOSPI for undertaking a comprehensive data revision using extended data coverage, changes in methodology (especially double deflation method used), inclusion of better estimates for the informal sector among others.

1. Our analysis of the growth numbers reveals the following:

- a. Much-awaited impact of GDP base revision (2011-12 to 2022-23) saw a higher FY26 real and nominal GDP growth at 7.6% (vs 7.4%) and 8.6% (vs 8.0%) resp.;
- b. Revision in real GDP growth for last 3 financial years shows that **underlying trend growth stays resilient at ~7%** with an upward bias even as trends were differential in specific years (FY24: 7.2% revised down from 9.2%, FY25: 7.1% up from 6.5%, FY26: 7.6% up from 7.4%).
 - In FY25, while RBI was more confident of a 7%+ growth number, economist estimates were tracking lower and now RBI appears closer to the “new GDP” reality
 - The upward shift to ~7% potential growth from ~6.5% was also highlighted in the latest Economic survey
- c. With methodology changes (like use of double deflation methodology among others), **real GDP/GVA levels revised higher while nominal GDP levels revised lower.** For instance, nominal GDP for FY26 is now at Rs 347 lakh cr, ~Rs 10 lakh cr lower vis-à-vis first advance estimate using old base.
 - The lower nominal GDP poses upside risk of ~10-15bps in fiscal deficit as % of GDP level for FY26 versus 4.4% budgeted
 - However, nominal GDP growth is now at 8.6% for FY26, much higher versus 8% previously and slightly better aligned with the strong credit growth metrics. That said, nominal GDP growth has been revised lower in FY24 & FY25 to 11% (from 12% and 9.7% (from 9.8%))
- d. More importantly, while the gap between headline real and nominal GDP/GVA growth numbers is not very large in new vs old series, the devil lies in details:
 - While agri and services saw a downward revision, industry provided a positive surprise on rebasing
 - Manufacturing GVA growth saw maximum +ve upside (~320bps avg during FY24-26) after rebasing (esp. post better informal sector coverage). In Q3 FY26, it positively shocked at 13.3% vis-à-vis our estimate of ~8%
 - “Trade & transport” as the positive threshold shift seen in FY26 growth has been ~250bps probably better capturing the impact of demand-side reforms (GST rate cuts, income tax cuts). This also aligns with the upward surprise in private final consumption expenditure (PFCE) growth this year to 7.7% from 7%
 - While positive upward surprises have also been provided by sectors like mining, growth volatility has increased substantially in this sub-sector
 - Agri growth also saw a downward momentum for last two years with methodology changes (FY25: 4.2% vs 4.6%, FY25: 2.4% vs 3.1%)
 - However, Public admin and other services growth saw downward surprise, with growth lower by 330bps avg during FY24-26 probably led by “other services” on better informal sector coverage
 - GVA ex agri and public admin, an indicator of private sector activity saw an upward revision to 9.5% in FY26 from 7.6% with 10%+ growth in Q2/Q3 FY26

d. Deflator i.e. gap between nominal and real GDP growth has been the key metric on watch given methodology revision and also shifts in the use of CPI/WPI mix as deflator in various sub-sectors

- *Switch in deflator probably played a role in boosting “real” manufacturing GVA growth, though it was unable to help construction GVA growth*
- *In services, real growth numbers were partly pressured by deflator yet this was not the case in largest sectoral drag ie public admin & other services*
- *In Q3 FY26, despite inflation dip, GDP deflator spiked, while GVA deflator dropped, probably due to methodology changes in “net indirect taxes” sub-segment*

2. Following key changes were introduced in methodology with their consequent impact:

a. Improved coverage of Unincorporated Sector using annual survey data to capture dynamics on regular basis

- *This has led to a sharp upswing in manufacturing GVA growth nos (for FY25-26, on an average, growth is higher by 450-500bps)*
- *However, this probably led to sharp revision in “other services” growth, thereby weighing on overall public admin and other services GVA growth which saw a downward shift by ~330bps average during FY24-26*

b. Adoption of Double Deflation and Volume/Single Extrapolation

- *As highlighted above, this has led to a +ve gap in real GDP/GVA level in new base vs old base while nominal GDP levels have come down*

c. Improved estimates of PFCE by adopting Classification of Individual Consumption according to Purpose (COICOP)

- *Despite the methodology change, PFCE GDP growth has seen mixed trends in last 3 financial years (FY24: 5.8% revised up from 5.6%, FY25: 5.8% down from 7.1%, FY26: 7.7% up from 7.0%).*

d. Discrepancies have reduced, on synchronisation between production & expenditure side estimates by integrating compilation with Supply & Use table framework.

- *The contribution of discrepancies to GDP growth is down to an average 0.6 ppt in FY24-26 from 1.3 ppt in old base*

3. We maintain our call of prolonged pause on rates by the Monetary Policy Committee

a. Currently, we maintain our GDP growth forecast for FY27 at ~7% and CPI projection at ~4%

b. Nominal growth is also seen rising in FY27 at ~10-10.5%, which bodes well for earnings growth, credit momentum and debt sustainability dynamics among others

c. With a healthy macro combination, we maintain our monetary policy view of a prolonged pause on rates by MPC amid an uncertain global environment

GDP: data surprises in Q3-FY26 - Not as much in headline yet “devil lies in details”

Parameter	Dec-25		Gap
	Old base	New base	
	UBI est.	Actual	
Real GVA	8.0%	7.8%	-0.1%
Agriculture, Forestry & Fishing	2.9%	1.4%	-1.5%
Industry	6.9%	9.7%	2.7%
Mining & Quarrying	3.0%	4.7%	1.8%
Manufacturing	8.2%	13.3%	5.1%
Electricity, Gas, Water Supply & Other Utility Services	-1.0%	1.5%	2.5%
Construction	7.4%	6.6%	-0.8%
Services	10.3%	9.5%	-0.7%
Trade, Hotels, Transport, Communication & Services Related to Broadcasting	8.6%	11.0%	2.4%
Financial, Real Estate & Professional Services	11.1%	11.2%	0.1%
Public Administration, Defence & Other Services	11.4%	4.5%	-6.9%
Real GVA ex agri and govt	8.6%	10.5%	1.9%
Nominal GDP	8.5%	8.9%	0.4%

- Nominal GDP growth number at 8.9% was a pleasant surprise with GDP deflator upward revision during the qtr (despite slip in inflation levels)
- On a sectoral basis, 13.3% growth in manufacturing and 11.2% growth in trade and transport were key surprise factors even as downward revision in agri, construction and public admin offset the impact
- GVA ex agri and public admin, an indicator of private sector activity also saw an upward revision to clock 10%+ growth in Q3 FY26

During FY23-26, real GDP/GVA levels revised higher while nominal GDP levels revised lower

	Level (Rs trillion)			
	Real GDP		Real GVA	
	Old base	New base	Old base	New base
FY 23	161.6	261.2	148.8	237.6
FY 24	176.5	280.0	161.5	254.8
FY 25	188.0	299.9	171.9	273.4
FY 26	201.9	322.6	184.5	294.4

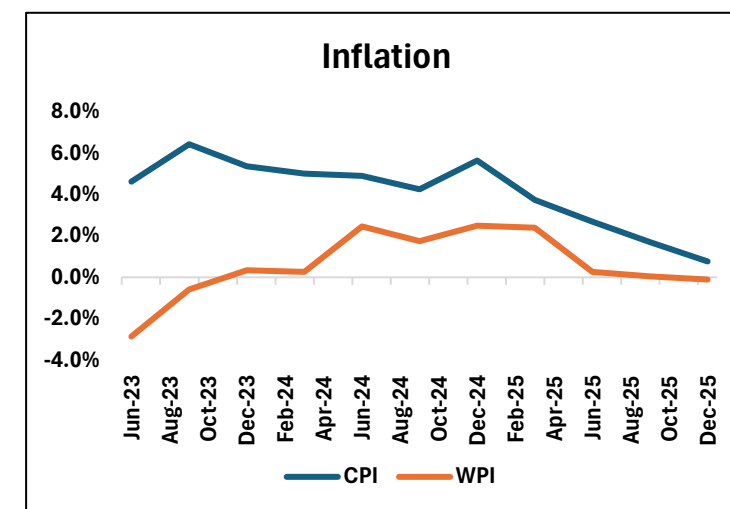
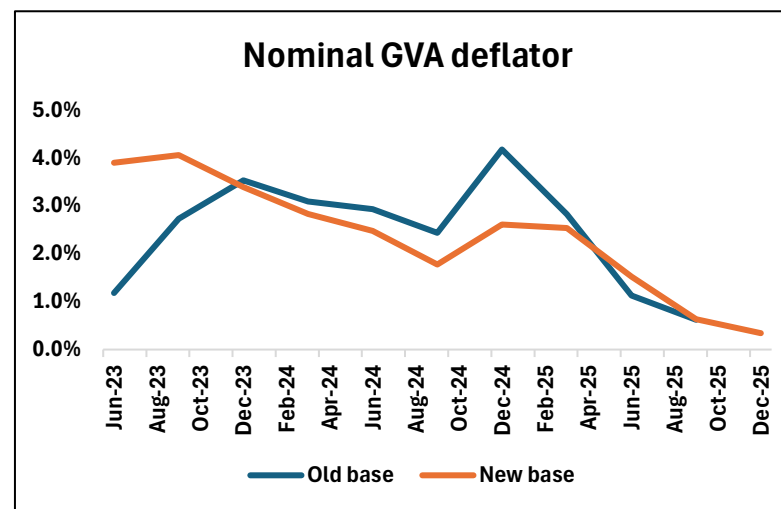
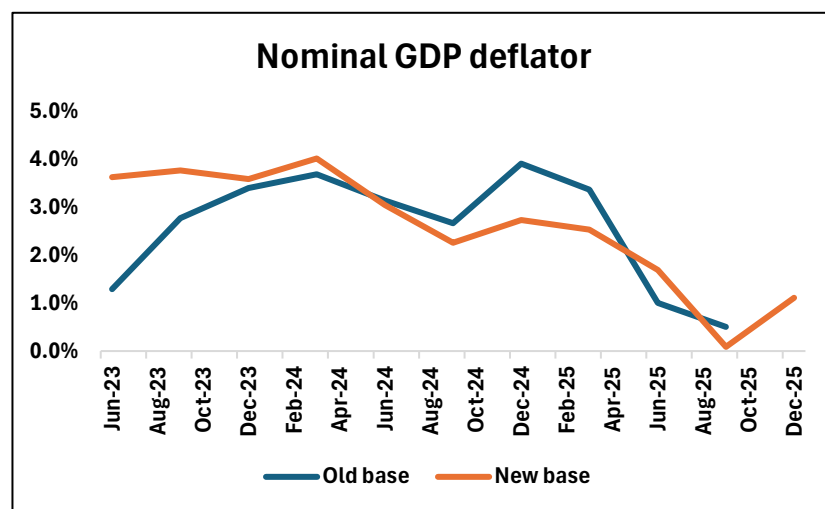
	Growth (% YoY)			
	Real GDP		Real GVA	
	Old base	New base	Old base	New base
FY 24	9.2%	7.2%	8.6%	7.2%
FY 25	6.5%	7.1%	6.4%	7.3%
FY 26	7.4%	7.6%	7.3%	7.7%

	Nominal GDP			
	Old base	New base	Old base	New base
	Level (Rs trillion)		Growth (% YoY)	
FY 23	268.9	261.2	-	-
FY 24	301.2	289.8	12.0%	11.0%
FY 25	330.7	318.1	9.8%	9.7%
FY 26	357.1	345.5	8.0%	8.6%

- With methodology changes (like use of double deflation methodology among others), real GDP/GVA levels revised higher while nominal GDP levels revised lower.
- The lower nominal GDP poses upside risk of ~10-15bps in fiscal deficit as % of GDP level for FY26 versus 4.4% budgeted
- However, nominal GDP growth is now seen at 8.6% for FY26, much higher versus 8% previously

GDP deflator saw a switch to -ve in manufacturing & construction, dipped for agri while it was revised higher for services

	Nominal GDP		Nominal GVA		Agri		Manufacturing		Construction		Services		Trade & transport		Banking & real		Public admin	
	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New	Old	New
Avg deflator (Jun'23 - Sep'25)	2.6%	2.7%	2.5%	2.6%	4.7%	3.7%	0.7%	-1.2%	0.0%	-0.5%	2.7%	3.6%	1.8%	2.1%	2.0%	3.9%	4.7%	4.5%
Gap	0.2%		0.1%		-1.0%		-1.9%		-0.5%		0.9%		0.2%		1.9%		-0.2%	



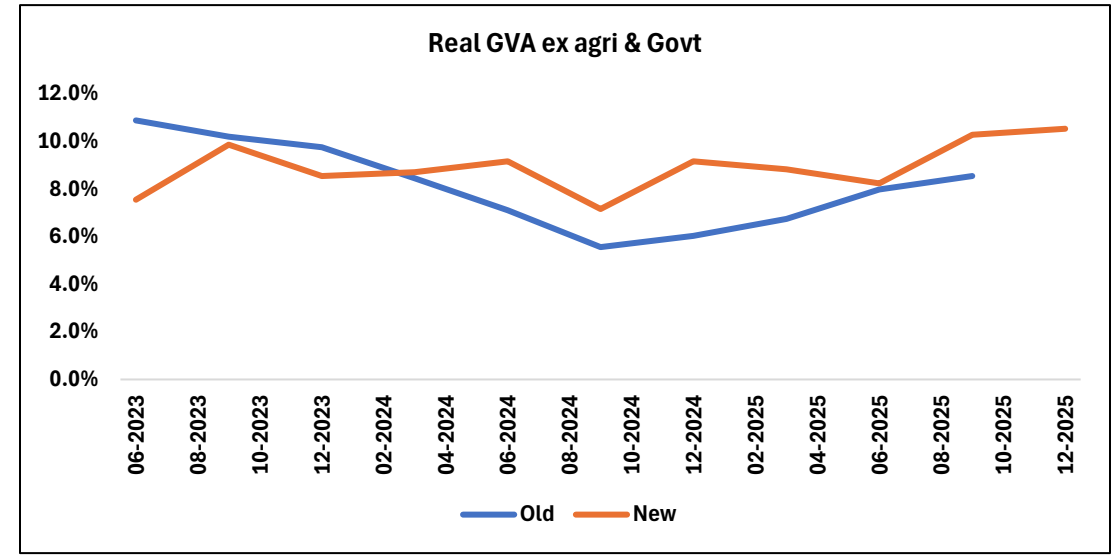
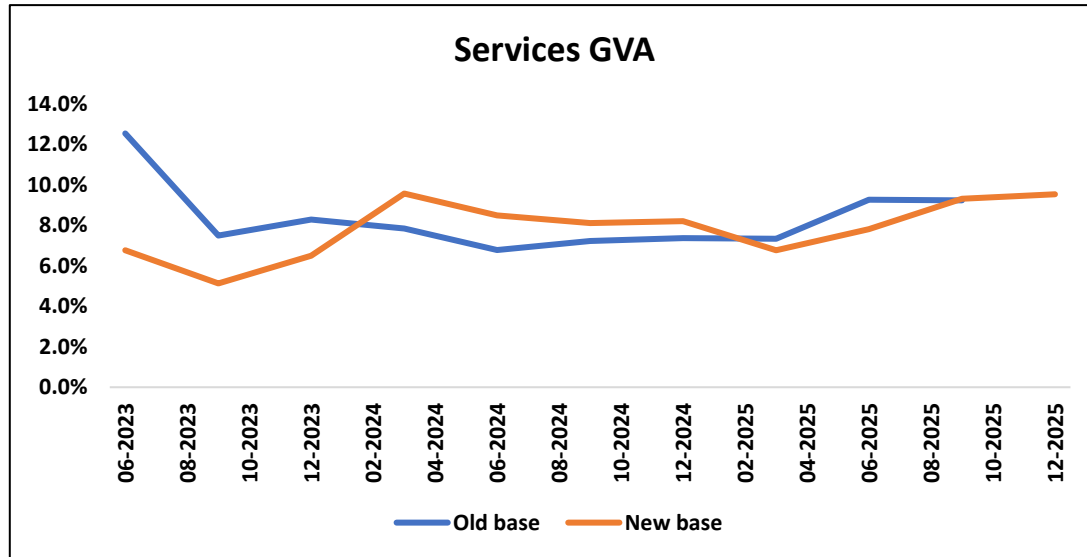
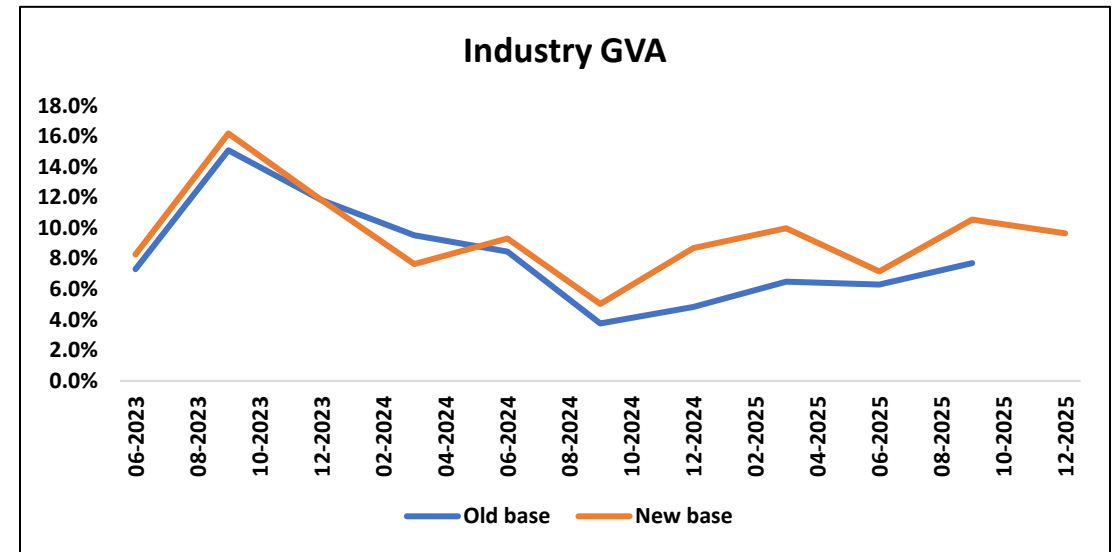
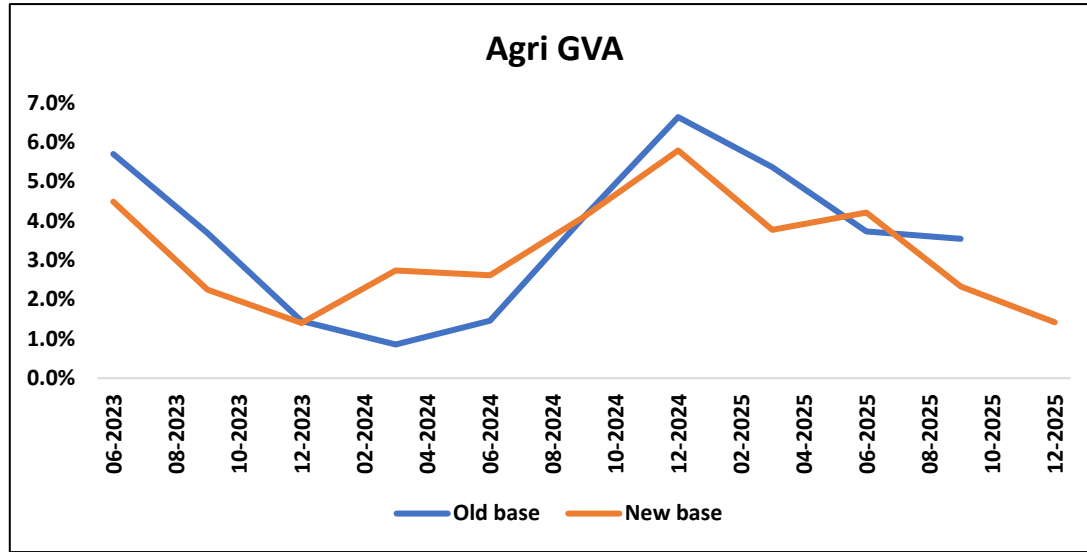
- Switch in deflator probably played a role in boosting “real” manufacturing GVA growth, though it was unable to help construction GVA growth
- In services, real growth numbers were partly pressured by deflator yet this was not the case in largest sectoral drag ie public admin & other services
- Interestingly, in Q3 FY26, despite dip inflation, GDP deflator spiked, even as GVA deflator dropped, probably due to methodology changes in “net indirect taxes” sub-segment

Sectoral growth trends have seen dramatic shift in manufacturing, mining, trade & public admin

	FY24	FY25	FY26	FY24	FY25	FY26	Avg gap
	Old base			New base			
Real GVA	8.6%	6.4%	7.3%	7.2%	7.3%	7.7%	0.0%
Agri	2.7%	4.6%	3.1%	2.6%	4.2%	2.4%	-0.4%
Industry	10.8%	5.9%	6.2%	10.9%	8.3%	8.8%	1.7%
o/w Mining	3.2%	2.7%	-0.7%	2.4%	11.7%	4.1%	4.3%
Manufacturing	12.3%	4.5%	7.0%	12.7%	9.3%	11.5%	3.2%
Electricity	8.6%	5.9%	2.1%	10.7%	2.9%	1.5%	-0.5%
Construction	10.4%	9.4%	7.0%	9.9%	7.3%	7.1%	-0.8%
Services	9.0%	7.2%	9.1%	7.0%	7.9%	9.0%	-0.5%
Trade & transport	7.5%	6.1%	7.5%	10.1%	6.6%	10.1%	1.9%
Banking & real estate	10.3%	7.2%	9.9%	5.5%	10.0%	9.9%	-0.7%
Public admin	8.8%	8.9%	9.9%	6.8%	5.0%	5.8%	-3.3%
Real GVA ex agri & govt	9.8%	6.4%	7.7%	8.7%	8.6%	9.5%	0.9%

- Manufacturing GVA growth saw maximum +ve upside (~ 320bps avg during FY24-26)
- “Trade & transport” as the positive threshold shift seen in FY26 growth has been ~250bps probably better capturing the impact of demand-side reforms (GST rate cuts, income tax cuts).
- While positive upward surprises was also seen in mining, growth volatility has increased substantially in this sub-sector
- Agri growth also saw downward momentum for last two years on rebasing, similar to Public admin and other services

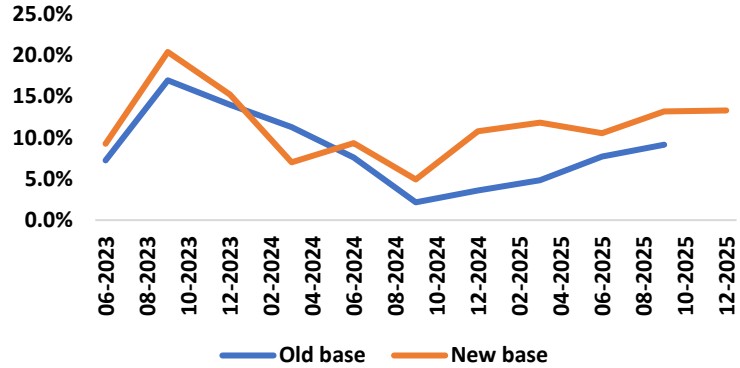
While agri and services saw a downward revision, industry provided a positive surprise on rebasing



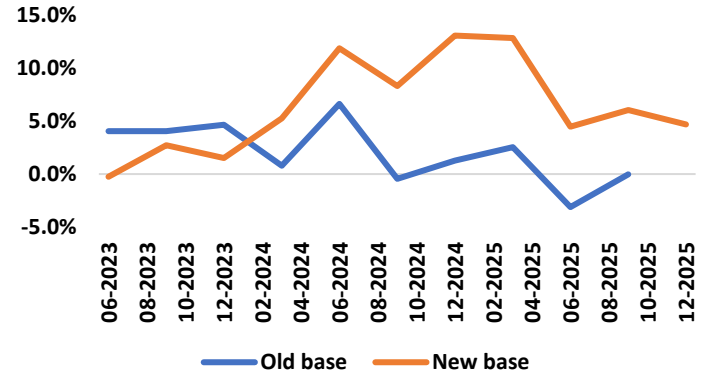
Source: MOSPI, CEIC, UBI Research

Manufacturing & Trade exhibit upward growth resilience while negative bias displayed by electricity, construction & public admin

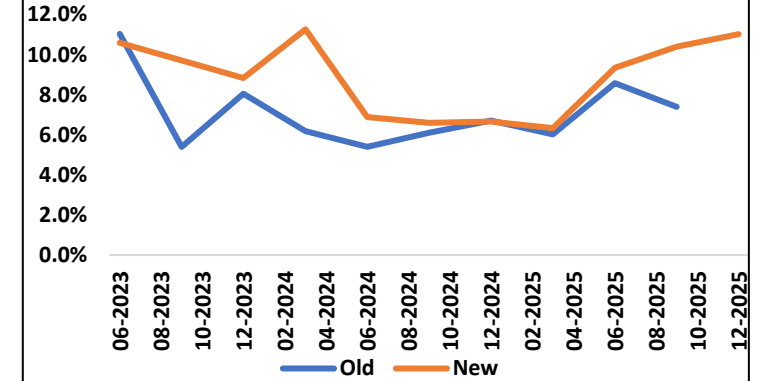
Manufacturing GVA



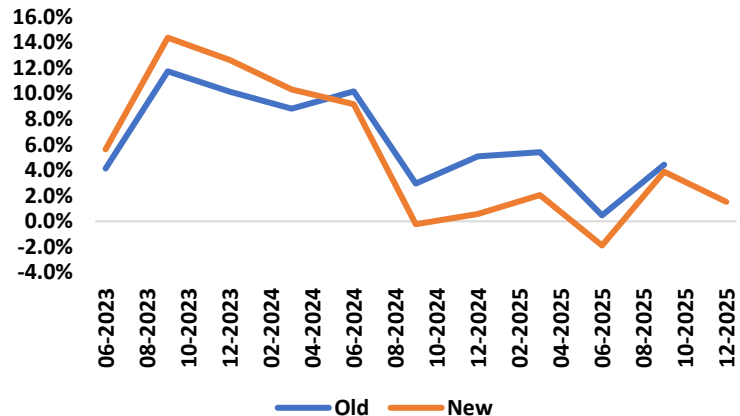
Mining GVA



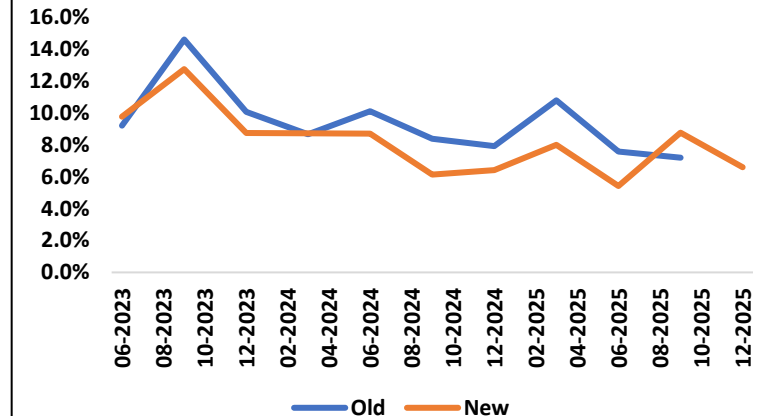
Trade & Transport GVA



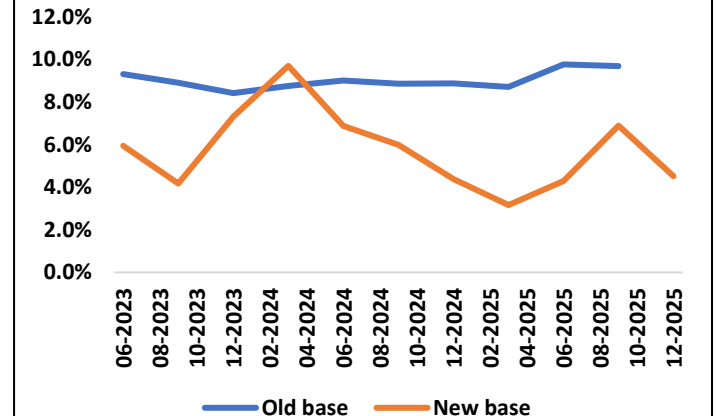
Electricity GVA



Construction GVA



Public admin & other services GVA



GDP sub-segment (ppt contribution to headline GDP growth)

	C		I		G		X-M		D	
	Old	New	Old	New	Old	New	Old	New	Old	New
Jun-23	4.3%	3.6%	3.6%	2.6%	0.6%	0.0%	-6.1%	-1.8%	7.7%	1.9%
Sep-23	1.7%	2.9%	2.5%	3.3%	1.7%	-0.1%	-2.6%	-1.1%	4.1%	2.5%
Dec-23	3.5%	3.1%	5.1%	2.8%	0.2%	0.1%	-2.0%	0.2%	3.6%	0.8%
Mar-24	3.4%	3.5%	3.5%	2.9%	0.7%	0.2%	-0.7%	4.0%	1.7%	-3.1%
Jun-24	4.7%	3.4%	3.3%	2.5%	0.0%	0.9%	2.1%	-0.5%	-2.5%	1.6%
Sep-24	3.6%	3.0%	0.4%	1.8%	0.4%	0.8%	0.4%	-0.5%	-1.7%	0.4%
Dec-24	4.8%	3.4%	3.1%	2.4%	0.7%	0.7%	2.8%	1.6%	-3.7%	-0.5%
Mar-25	3.2%	3.2%	3.4%	2.1%	-0.2%	0.3%	3.7%	0.0%	-2.1%	1.9%
Jun-25	4.0%	5.1%	3.3%	1.7%	0.7%	0.7%	-1.4%	-0.4%	1.8%	0.0%
Sep-25	4.5%	4.3%	0.1%	1.8%	-0.2%	0.7%	-2.1%	0.7%	4.1%	0.1%
Dec-25		4.9%		2.5%		0.5%		-0.7%		0.6%
FY 24	3.2%	3.3%	3.8%	3.0%	0.8%	0.1%	-2.8%	0.4%	4.1%	0.4%
FY 25	4.0%	3.3%	2.5%	2.1%	0.2%	0.7%	2.3%	0.2%	-2.5%	0.9%
FY 26	4.0%	4.3%	2.6%	2.2%	0.5%	0.7%	-1.9%	-0.1%	2.3%	0.5%

- Consumption growth numbers have surprised on upside in new base while that for capex have shown a downward bias. That said, gross capital formation as % of GDP is higher at ~34.5% in FY24/25, a threshold shift from 31.5% in FY24
- Drag from net exports to GDP growth also much lower now, which is a pleasant surprise even as in Q3-FY26, it switched to negative growth contribution on impact of spike in gold imports and delay in US-India trade deal
- Discrepancies have reduced with contribution to GDP growth down to an average 0.6 ppt in FY24-26 from 1.3 ppt earlier

Thank You !

RESEARCH TEAM

KANIKA PASRICHA

SUNEESH K

RAJESH RANJAN

NIDHI ARORA

AMIT SRIVASTAVA

JOVANA LUKE GEORGE



DHIRAJ KUMAR

AKASH DEB

ROHIT YARMAL

SHREYAS BIDARKAR