India GDP

Strong 1Q GDP validates cyclical upturn; FY27E raised to 7%

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Economic Update ▸ National Accounts ▸ **August 31, 2026**

Strong 1Q GDP growth validates the cyclical upturn in the economy, as reflected in a broad range of high-frequency indicators, including robust corporate earnings. This resilience was seen despite elevated raw material costs amid the ME crisis, suggesting that volumes remain healthy and firms have been able to pass through a meaningful portion of higher input costs. The cyclical lift in private consumption has also been mirrored by our proxy of private capex, with nominal 4QMA growth tracking ~14%. Going ahead, even as headline growth may ease from the highs of 1Q, it is likely to stay close to 7% for rest of the year. Better data coverage and double-deflator methodology could risk further revisions to past data, while unfavorable terms-of-trade may also weigh on growth. That said, a healthy cyclical upturn in domestic demand is likely to offset these headwinds, prompting us to upgrade FY27E growth to 7%.

1QFY27 GDP/GVA growth at 7.8%/8.2%, led by Services

1QFY27 real GDP growth came in at 7.8% (Emkay: 7.7%, consensus: 7.3%), with nominal growth at 10.3%. GVA growth at 8.2% was strong, and higher than GDP growth, reflecting the sharp increase in subsidies in 1Q (led by the Centre), which outpaced indirect tax growth. On the output side, growth was led by Services (10%), with Financial, Real Estate, etc, showing extremely strong growth of 12.1%. Public Admin, Defense, etc, slowed to 7.5% (vs 8% earlier), while Trade, Hotels, etc, dipped to 8.5% (vs 12.9% earlier), reflecting the impact of the Middle East conflict. Industry growth rose to 7.7% (vs 7.1% earlier), led by an improvement in Manufacturing to 9.2% (vs 7.9% earlier), as energy availability concerns abated in 1Q. Construction dipped to 7.7%, while Electricity and other Utilities rose sharply to 8.9% on the back of higher electricity generation during the quarter. Agri growth was slightly lower, at 3.6% (vs 3.9% earlier).

GFCF leads the expenditure side; both private and government capex stay strong

On the expenditure front, private consumption was robust (albeit lower sequentially) at 7.1%, despite the rise in inflation due to the Middle East crisis. Government consumption at 4.3% reflected relatively lower revex during the quarter (general government revex ex-interest grew 9% in 1Q vs 12% in 4Q). GFCF growth rose to 11.9% (vs 10.5% earlier), helped by a favorable base. The government is likely to have contributed significantly (general government capex rose 18% in 1Q vs a 7% decline in 4Q), but private capex is also likely to have stayed strong. Net exports was a significant positive contributor to real GVA growth (at 3.3ppts vs 0.7ppts previously), as real export growth of 12% was far higher than real import growth of -1.1%, which reflects the price-led surge in imports in 1Q.

More robust data series along with double deflator; mild revisions to past data

We note that the GDP series is now more robust, with calculations now using the new IIP and PPI series, as well as data from various new sources. The use of PPI instead of WPI, where applicable, will help improve the double deflator, especially for Services (which did not have a producer/wholesale price index earlier and was deflated using WPI). This will provide a better reflection of cost pressures in the economy across sectors and their impact on net output. Data revisions have led to changes in historical quarterly and annual data from FY23 onward; notably, real and nominal GDP growth for FY26 are now estimated at 7.8% and 8.6%, respectively (vs 7.7% and 8.9%, respectively, earlier). As a result, the 10% FY27BE nominal GDP growth assumption with the revised data raises FY27BE FD/GDP rising 20bps to 4.5%.

Upgrading FY27E real GDP growth to 7%

Strong 1Q growth underpins the cyclical upturn, as reflected across a broad range of high-frequency indicators, including robust corporate earnings. While the government has borne a large chunk of the terms-of-trade pain of the West Asia crisis in 1Q, the capex cycle has stepped up in line with private consumption, with both public and private capex seeing cyclical gains; nominal estimated public/private 4QMA growth is tracking 17%/14%. While acknowledging the risk of further data revisions amid broader coverage and the adoption of a double-deflation methodology, we reckon resilient domestic demand should be able to offset headwinds from the West Asia crisis, tighter financial conditions, and some hit to real purchasing power. We, thus, upgrade our FY27E GDP growth forecast by 70bps to 7.0%, while raising our GVA growth estimate to 7.2%.

Madhavi Arora
madhavi.arora@emkayglobal.com
+91-22-66121341

Harshal Patel
harshal.patel@emkayglobal.com
+91-22-66242434

Exhibit 1: 1Q growth led by Services, especially Financial Services, while Manufacturing also improved

YoY, %	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY26	1QFY27
Real GVA	**6.9**	**7.9**	**7.4**	**7.5**	**7.5**	**7.0**	**7.6**	**8.7**	**8.2**
Agri and allied	**4.5**	**2.3**	**1.4**	**2.8**	**2.6**	**4.0**	**5.7**	**3.9**	**3.6**
Industry	**6.2**	**15.3**	**11.3**	**6.6**	**9.7**	**6.1**	**9.3**	**7.1**	**7.7**
Mining	(2.3)	3.3	(1.2)	3.9	15.7	6.7	16.5	(2.9)	(2.4)
Manufacturing	5.6	18.1	14.6	5.5	9.9	7.5	12.2	7.9	9.2
Electricity etc	6.8	15.8	13.6	10.9	9.8	(0.2)	0.7	4.8	8.9
Construction	9.0	13.2	8.7	8.4	8.1	5.6	5.2	8.7	7.7
Services	**8.2**	**5.7**	**8.1**	**9.9**	**8.0**	**8.4**	**7.5**	**11.5**	**10.0**
Trade, hotel, transport etc	12.1	10.8	10.9	12.2	8.1	7.5	6.7	12.9	8.5
Financial, RE etc	7.1	3.7	6.8	8.9	8.5	10.0	9.7	12.3	12.1
Public admin, defence etc	6.3	4.4	7.6	9.2	6.9	6.0	4.2	8.0	7.5
Private sector GVA	**7.8**	**9.9**	**9.5**	**8.6**	**8.9**	**7.8**	**8.9**	**10.1**	**9.5**
Non-agriculture GVA	**7.5**	**9.0**	**9.2**	**8.6**	**8.6**	**7.6**	**8.1**	**9.8**	**9.2**
Real GDP	**6.6**	**7.5**	**7.7**	**7.4**	**7.5**	**7.3**	**7.4**	**8.6**	**7.8**

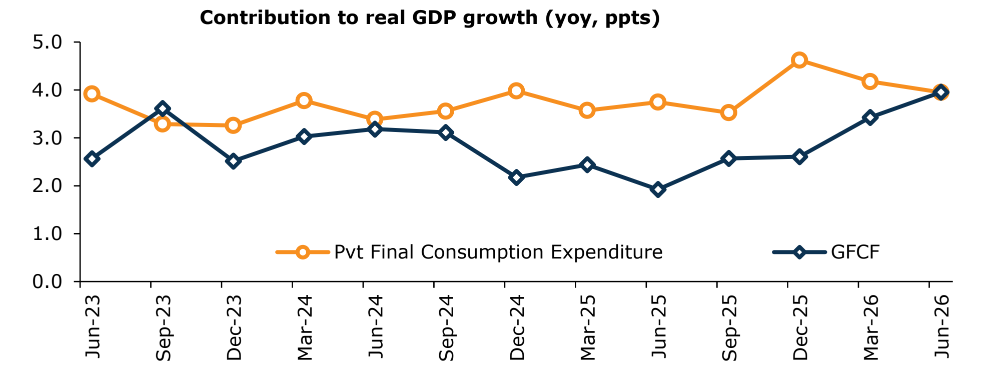
Source: CEIC, Emkay Research

Exhibit 2: Private consumption stayed robust, while GFCF improved further, likely driven by both public sector and private capex

YoY, %	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26	3QFY26	4QFY26	1QFY27
Real GDP	6.6	7.5	7.7	7.4	7.5	7.3	7.4	6.6	6.9	8.1	7.7	8.6	7.8
Private consumption	7.0	5.8	5.5	6.7	6.0	6.4	6.9	6.4	6.8	6.4	8.0	7.5	7.1
Government consumption	0.5	(0.2)	1.0	1.7	6.6	5.0	9.6	5.5	4.5	4.4	7.0	7.7	4.3
GFCF	7.9	10.6	8.0	9.6	9.7	8.9	6.9	7.6	5.8	7.2	8.3	10.5	11.9
Inventory	109.7	(243.2)	128.5	(30.6)	9.3	7.2	3.9	1.1	27.4	12.5	9.4	12.3	(13.9)
Valuables	(27.8)	(30.8)	8.5	41.0	(26.7)	49.4	14.5	(32.9)	(28.9)	(28.4)	(2.8)	45.8	(18.6)
Exports	(2.0)	(1.3)	1.2	6.5	6.0	1.0	8.2	4.3	6.0	9.7	6.2	3.9	12.0
Imports	5.0	2.1	0.2	(7.4)	8.4	5.1	5.1	4.4	5.3	5.0	7.0	0.8	(1.1)

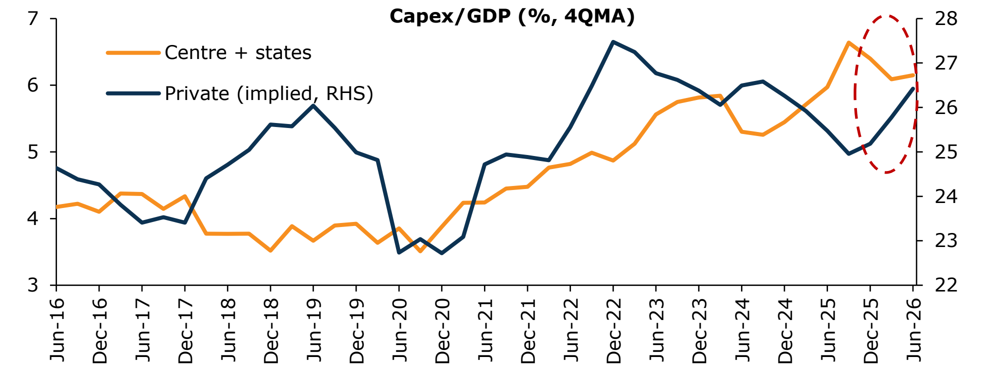
Source: CEIC, Emkay Research

Exhibit 3: As a result, GFCF contribution to growth picked up in 1Q



Source: CEIC, Emkay Research

Exhibit 4: Private capex trends remain strong, while public capex was also robust



Source: CEIC, Emkay Research

Exhibit 5: Past data revisions see marginal changes to real GDP, with larger changes to nominal GVA and GDP

GDP data revisions (yoy, %)	FY24		FY25		FY26	
	Old	Revised	Old	Revised	Old	Revised
Real GVA	**7.2**	**7.4**	**7.3**	**7.1**	**7.9**	**7.9**
Agriculture and allied	**2.6**	**2.7**	**4.2**	**4.1**	**3.0**	**3.3**
Industry	**10.9**	**9.7**	**8.3**	**8.5**	**8.5**	**7.6**
Mining	2.4	0.9	11.7	13.5	5.2	7.1
Manufacturing	12.7	10.7	9.3	10.0	10.7	8.8
Electricity and other utilities	10.7	11.7	2.9	2.8	1.7	2.1
Construction	9.9	9.7	7.3	6.6	7.4	7.2
Services	**7.0**	**8.0**	**7.9**	**7.5**	**9.0**	**9.7**
Trade, hotel, transport, communication	10.1	11.5	6.6	7.0	10.1	11.3
Financial, real estate, professional services	5.5	6.6	10.0	9.0	9.9	10.5
Public admin, defence, and others	6.8	6.9	5.0	5.1	5.8	6.3
Real GDP	**7.2**	**7.3**	**7.1**	**7.2**	**7.7**	**7.8**
Nominal GVA	**10.7**	**10.8**	**9.6**	**9.2**	**9.1**	**8.8**
Nominal GDP	**11.0**	**11.1**	**9.7**	**9.4**	**8.9**	**8.6**

Source: CEIC, Emkay Research

Exhibit 6: FY27E GDP growth forecast raised to 7%

YoY, %	FY22	FY23	FY24	FY25	FY26	FY27E
Real GVA	**9.4**	**7.2**	**7.4**	**7.1**	**7.9**	**7.2**
Agriculture and allied	**4.6**	**6.3**	**2.7**	**4.1**	**3.3**	**2.1**
Industry	**12.2**	**2.5**	**9.7**	**8.5**	**7.6**	**7.6**
Mining	6.3	3.4	0.9	13.5	7.1	7.2
Manufacturing	10.0	(1.7)	10.7	10.0	8.8	8.4
Electricity	10.3	10.8	11.7	2.8	2.1	7.0
Construction	19.9	9.1	9.7	6.6	7.2	6.3
Services	**9.2**	**10.3**	**8.0**	**7.5**	**9.7**	**8.7**
Trade, hotel, transport etc	15.2	12.3	11.5	7.0	11.3	8.9
Financial, real estate etc	5.7	10.8	6.6	9.0	10.5	9.4
Public admin, defence etc	7.5	6.7	6.9	5.1	6.3	6.9
Private sector GVA	**10.8**	**7.5**	**8.9**	**8.4**	**9.5**	**8.5**
Non-agriculture GVA	**10.3**	**7.4**	**8.6**	**7.9**	**9.0**	**8.3**
Real GDP	**9.7**	**7.6**	**7.3**	**7.2**	**7.8**	**7.0**

Source: CEIC, Emkay Research; Note: Data for FY24-27E is based on the new series with 2022-23 as the base year; prior data as per old series (base year: 2011-12)

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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Seshadri Kumar Sen

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