India’s GDP Performance

Introduction

- India’s economy began 2026-27 on a strong note, with real GDP growth accelerating to **7.8% in Q1**, riding on manufacturing and services, while real GVA rose **8.2%**.
- Investments rose by **11.9%**; household consumption grew **7.1%** and exports grew by **12.0%**.
- This momentum continued into July, with industrial production up **6.7%**, while cumulative merchandise and services exports during April-July rose **13.16%** year-on-year.
- Credit to industry and services grew **20.0% and 22.9%**,respectively, in July.

India’s Macroeconomic Position

- India entered 2026-27 amid persistent geopolitical tensions and uncertainty around global trade. Despite these external pressures ,**real GDP grew by 7.8% in Q1 2026-27.**
- The outcome marked the **highest Q1 real GDP growth during the four-year period from 2023-24 to 2026-27**. This has been supported by buoyant domestic demand and gains in manufacturing and services.
- The International Monetary Fund (IMF) has also highlighted India’s role in the global economy.
- In July 2026, it described India as **one of the world’s fastest-growing economies** and a **key engine of global growth**.
- India’s sovereign credit assessment further reflects this confidence. In August 2026, S&P Global Ratings affirmed India’s **‘BBB/A-2’ sovereign ratings with a Stable Outlook**.
- This followed the upgrade of its long-term rating to ‘BBB’ in 2025, after an 18-year gap.

A Stronger Start to 2026-27

Growth Accelerates in the First Quarter


India's First-Quarter Performance at a Glance

Indicator	Q1 2025-26	Q1 2026-27
Real GDP	6.9%	7.8%
Real GVA	7.0%	8.2%
Nominal GDP	8.1%	10.3%
Nominal GVA	8.1%	11.5%

*GDP: Gross Domestic Product
GVA: Gross Value Added

- Economic growth strengthened in the first quarter (Q1) of 2026-27. This outcome has exceeded the Reserve Bank of India's estimate of **7.0%** for the quarter.
- **Real GDP**, or GDP at Constant Prices, is estimated at **₹81.36 lakh crore** in Q1 FY 2026-27. It recorded **7.8% rise**, compared with **6.9%** in Q1 FY 2025-26.
- **Nominal GDP**, or GDP at Current Prices, is estimated at **₹88.27 lakh crore**. It recorded **10.3% rise**, compared with 8.1% last year.

Gross Domestic Product (GDP) is the value of final goods and services produced in the domestic economy in an accounting period.

- **Real GVA** is estimated at **₹73.82 lakh crore** , recording **8.2% growth**, compared with 7.0% last year.
- **Nominal GVA** is estimated at **₹80.53 lakh crore** , recording **11.5% growth**, compared with 8.1% last year.

Gross Value Added (GVA) measures the individual contribution of producers, industries or sectors to the economy.

Revised Estimates Strengthen the Growth Picture

- Real GDP has been revised upwards for the previous three financial years. The revisions show that the first-quarter performance follows a stronger growth trajectory than previously estimated.

Revised Real GDP Growth Estimates		
• **Financial Year**	• **Earlier Estimate**	• **Revised Estimate**
• 2023-24	• 7.2%	• **7.3%**
• 2024-25	• 7.1%	• **7.2%**
• 2025-26	• 7.7%	• **7.8%**

• Source: Ministry of Statistics & Programme Implementation (MoSPI)

Basis of the Revised Estimates
• The annual revised estimates reflect the use of new price and production indices with base year 2022-23. This includes the **Output Producer Price Index (PPI)** and **Banking Services Price Index (BkSPI).** Updated administrative data from different sources were also incorporated.
• To read more on National Account Statistics revisions, please refer to: [Counting What Counts: Strengthening India's National Accounts and Core Economic Statistics]

Composition of Growth Drivers

Trends Across Key Expenditure Components

- Economic activity in the first quarter was supported by a sharp rise in investment, firm household consumption and stronger exports.

Key Expenditure Components of Real GDP			
• Component	**• Interpretation**	**• Q1 2025-26**	**• Q1 2026-27**
• Gross Fixed Capital Formation (GFCF)	• Domestic funding of investment	• 5.8%	• **11.9%**
• Private Final Consumption Expenditure (PFCE)	• Spending by households on goods and services	• 6.8%	• **7.1%**
• Exports	• Goods and services supplied to the rest of the world	• 6.0%	• **12.0%**
• Source: Ministry of Statistics & Programme Implementation (MoSPI)			

Growth Extends Across Major Sectors

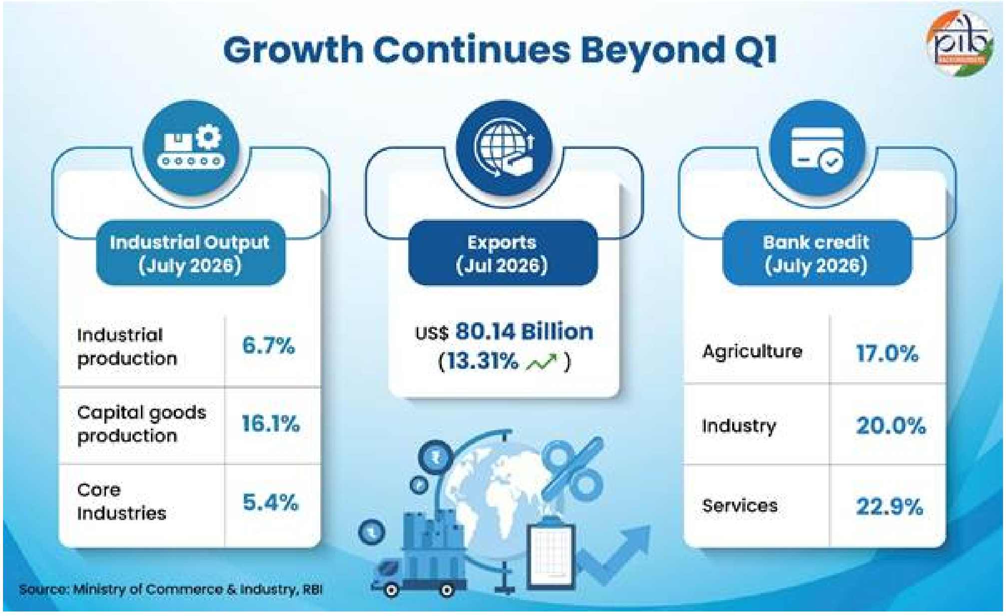
- The strength in expenditure was also reflected on the production side, with the tertiary and secondary sectors expanding at a faster pace.
- In terms of **Real GVA**, the **tertiary sector grew by 10.0% in Q1 2026-27**, up from 8.0% in Q1 2025-26. Within the sector, **financial, real estate, IT and professional services recorded 12.1% growth**.
- The **secondary sector expanded by 8.6%** in Q1 2026-27, compared with 6.1% in the corresponding quarter of the previous year.
- **Manufacturing recorded 9.2% growth,** supported by strong output across key segments**. Several manufacturing categories** also performed well during the quarter:

Key Manufacturing Categories Record Notable Gains (Year-on-year IIP growth (%))		
• Manufacturing category	**• Q1 2025-26**	**• Q1 2026-27**
• Electrical Equipment	• 9.7	• **27.0**
• Other Transport Equipment	• 3.8	• **19.5**
• Computer, electronic and optical products	• 8.8	• **12.4**

• Machinery and equipment	• 6.6	• **9.1**
• Source: Ministry of Statistics & Programme Implementation (MoSPI)		

- Under the **IIP**, capital goods production also increased by **15.2% in Q1 2026-27**, compared with 8.8% a year earlier. Infrastructure/ construction goods also recorded higher growth of **7.2%**, up from 6.1%.

Recent Indicators Signal Continued Momentum



Industrial Activity Remains Firm

- **Industrial production grew by 6.7%** in July 2026, compared to 5.4% last year. It increased **by 6.3% in April-July 2026-27** compared 4.0% last year same period.
- **Capital goods production rose by 16.1%** in July 2026 over July 2025. Intermediate goods increased by 10.0% and infrastructure and construction goods by 6.9%.
- **The Index of Core Industries (ICI) recorded year-on-year growth of 5.4% in July 2026,** compared with July 2025. **During April-July 2026-27, the ICI grew by 4.3%,** up from 1.5% in the corresponding period of the previous year.

Strong Export Performance

- India's combined merchandise and services exports reached an estimated **US$ 80.14 billion** in July 2026, increasing by **13.31%** over July 2025.
- **During April-July 2026-27**, cumulative exports were estimated at **US$ 316.42 billion**. This is **13.16% higher** than the US$279.63 billion recorded during April-July 2025-26.

Credit Expands Across Major Sectors

- Bank credit growth strengthened across major sectors in July 2026.
- Credit to **agriculture and allied activities grew by 17.0% year-on-year**, compared with **7.3%** in July 2025.
- Credit to **industry increased by 20.0%**, up from **6.5%** in July 2025.

- Credit to the **services sector grew by 22.9%**, compared with **10.2%** in July 2025.

Recent Policy Measures Supporting Growth

- Policy measures introduced during 2026 have complemented these economic trends, spanning manufacturing, energy security, trade and investment, and agriculture.

Manufacturing and Industry

- The **Mobile Phone Manufacturing Scheme** (July 2026) has an outlay of **₹62,500 crore through 2030-31.**
- It aims to further expand production, deepen value addition and strengthen global competitiveness.
- Approved in July 2026, **Semicon 2.0** has a budget outlay of ₹1,27,500 crore.
- It supports chip design and manufacturing, advanced packaging, research, materials, equipment and talent development.
- Approved in July 2026, the **BHAVYA Rasayan Scheme** has an outlay of ₹3,030 crore for a period of 5 years from FY 2026-27 to FY 2030-31.
- It will support the establishment of three dedicated chemical parks across the country.
- **Emergency Credit Line Guarantee Scheme 5.0 (ECLGS 5.0)** targets additional credit flow of ₹2.55 lakh crore in response to the West Asia situation.
- It provides 100% guarantee coverage for MSMEs and 90% for non-MSMEs.
- Passed by Parliament in **August 2026**, the **MSME Development (Amendment) Bill, 2026** simplifies compliance and supports MSME development and competitiveness.

Energy Security

- **Samudra Manthan, the National Offshore Exploration Scheme,** has an outlay of ₹84,084 crore through FY 2030-31. The Scheme supports exploration to unlock India's offshore energy potential.
- The **Scheme for Promotion of Surface Coal/Lignite Gasification Projects** was approved in **May 2026** with an outlay of **₹37,500 crore**.
- It supports the **100 MT coal gasification target by 2030** and aims to reduce import dependence.
- **GOBARdhan, the National Circular Bioenergy Scheme**, was approved in **August 2026** with an outlay of **₹23,731 crore**.
- The Scheme will be implemented from **FY 2026-27 to FY 2035-36**. It aims to increase compressed biogas production from agricultural, animal and municipal organic waste.
- Approved in July 2026, **Pradhan Mantri Surya Sarovar Yojana (PM-SSY)** has an outlay of ₹5,070 crore.
- It supports **5,000 MW** of floating solar projects with co-located energy storage, with projects sanctioned during FY 2026-27 to FY 2030-31.

Trade and Investment

- **The India-UK CETA and Agreement on Social Security** entered into force on 15 July 2026.

- It provides zero-duty access for nearly 99% of India's exports to the UK.
- **The India-Israel Bilateral Investment Agreement (BIA)** entered into force on 4 July 2026.
- It aims to strengthen bilateral economic ties and provides a more secure and predictable framework for investment.
- In June 2026, reforms were announced to **expand Foreign Portfolio Investor (FPI) participation in Government Securities**.
- Key measures include tax exemptions, wider coverage under the Fully Accessible Route and streamlined investment norms.
- The reforms are intended to attract long-term foreign capital and deepen India's debt market.
- Launched in **May 2026**, the **Bharat Maritime Insurance Pool (BMIP)** carries a sovereign guarantee of **₹12,980 crore**. It provides maritime risk cover while reducing dependence on foreign insurers amid global volatility.

Agriculture: Farm Income and Production Support

- The continuation of **Pradhan Mantri Kisan Samman Nidhi (PM-KISAN)** from FY 2026-27 to FY 2030-31 has been approved with an outlay of ₹3.15 lakh crore.
- The scheme provides eligible farmer families income support through the Direct Benefit Transfer (DBT) system.
- For **Marketing Season 2026-27**, the Government increased MSPs for **14 Kharif crops** to ensure remunerative prices for farmers. The highest absolute increases were for **sunflower seed, cotton, nigerseed and sesamum**.
- Approved in May 2026, the **Mission for Cotton Productivity (Kapas Kanti)** has an outlay of ₹5,659.22 crore for 2026-27 to 2030-31.
- It links cotton farmers with modern research and technologies, reduces pest risks, and strengthens production systems and agricultural trade.
- The **National Investment Policy for Urea-2026 (NIPU-2026)** aims to promote new investment in gas-based urea manufacturing units.
- It supports higher domestic production and India's goal of self-sufficiency in urea.
- These measures build on a decade of policy initiatives including Make in India, Production Linked Incentive (PLI) schemes, PM-KISAN, the Export Promotion Mission and others.

Conclusion

- India's economic performance at the start of 2026-27 reflects **broad-based momentum across key areas of the economy.**
- Investment has accelerated, household consumption has remained firm, while manufacturing, services and exports have provided additional support.
- More recent indicators show that this strength has carried beyond the first quarter.
- Continued government support through various policy measures has also helped maintain the pace of economic activity.

Reference

[PIB| India's GDP Growth]