

INDIA'S FY26 GDP AT 7.7%; Q4 THROWS A PLEASANT SURPRISE AT 7.8%..US MARKET MELTDOWN INDICATES A DOVISH PILOT BY FED COULD ALTER THE PLAYBOOK

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Showcasing maturity and a rare sense of resilience, Indian economy grew by 7.8% in Q4 FY26 (7.0% growth in same quarter last fiscal). Buoyed by the Q4 numbers, the annual FY26 growth is estimated at 7.7% (7.1% in FY25). The GVA grew by 7.9% in Q4 and also 7.9% in FY26. Core GVA grew by 9.7% in FY26. Nominal GDP grew by 8.9% in FY26 as against 9.7% growth in FY25. Almost all sectors exhibited better growth numbers in Q4 FY26, with Industry (7.3%), and Services sector (9.9%) growing robustly, followed by agri (3.6%). Within Industry during Q4, Construction sector grew by 8.4 and manufacturing sector increased by 7.3% (10.7% in FY26). Among services (in Q4), 'Trade, hotels, transport, communication & services related to broadcasting' grew by whopping 12.5% followed by 10.4% growth in 'Financial, Real Estate & Professional Services'. The trends in expenditure heads show significant improvement in FY26, largely reflecting the sharp growth in services such Trade, Hotels, Transport and Financial services, manufacturing and construction.

Apr and May (latest available) High frequency Indicators showing above average acceleration in Growth. If the trend continue in June, we believe growth in Q1 FY27 could surpass RBI estimates of Q1 of FY27 at 6.6%.

Meanwhile, the persistent growth surprises from the official numbers as against market consensus merits a careful discussion and dissection.

Firstly, the new GDP Series better capture informal sector data. This is against the earlier GDP series that used to proxy informal sector growth rates by using formal sector data. It is now entirely possible that the informal sector is doing well thanks to several policy initiatives by the Government. For example, around 7.9 crore enterprises are now registered in ASUSE contributing to around 12% of overall GVA. Our estimates from unit-level data suggest that formalization and digitization improves labor productivity. Further, formalization has led to improved institutional credit access. Similarly, our results from PLFS data suggest that training reduces informality in employment. **With more digitization, skill development initiatives by the government, we believe that the growth momentum will continue.**

Secondly, there also seems to be a disconnect of the new GDP series growth in manufacturing and IIP manufacturing growth. While the former measures value added data, the latter production. A through research is warranted to appreciate the underling causes, especially given companies' structural shift to high-value products. As an example, on corporate results front, around 4500 listed entities of India Inc. reported top line growth of 10.3% while EBIDTA grew by around 5%. Further, Corporate ex BFSI, for Q4FY26, reported EBIDTA growth of 6% while bottom line grew by 26% though operating margin declined sequentially during Q4FY26.

Thirdly, its now an opportune time to understand the trends in private investment as the official GDP data shows investment momentum has gained momentum in FY26, with particularly a large uptick in Q4. In fact, private investment announcements in FY26 is Rs 56 lakh crore from Rs 37 lakh crore in previous year. The total investment announcements shows an increasing trend through the period from Rs 17 lakh crore in FY19 to Rs 80 lakh crore in FY26. Even the gross block of Indian Inc., represented by around 5000+ listed entities, is estimated to have increased from Rs 73.94 lakh crore as of March 2020 to Rs 145 lakh crore as of March'2026.

With the AI and associated infrastructure hype claiming a disproportionate share in stock allocation (despite warnings flashed by bond markets), the recent crash in the US stock market led by tech giants like NVIDIA, Samsung, Palantir is primarily due to thwarted market expectations of a dovish pivot by the Federal Reserve as the US economy added more than double the number of jobs (expected by market consensus) and also the unemployment remained steady in May at 4.3%. High growth tech sector is sensitive to interest rates due to duration risk (it has stepped up borrowing aggressively of late), even small changes in expected interest rates shifts the valuations in this sector violently. This played out yesterday as expectations on interest rate decisions has been recalibrated.

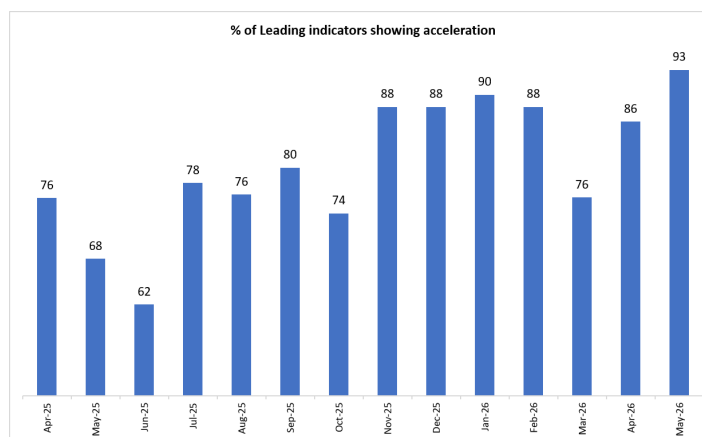
GDP GREW BY 7.8% IN Q4 FY26; 7.7% IN FY26

- India's economy grew by 7.8% in Q4 FY26 as against 7.0% growth in same quarter last fiscal. Riding on Q4 numbers, the annual FY26 growth is estimated at 7.7% as against 7.1% in FY25. The GVA grew by 7.9% in Q4 and also 7.9% in FY26. Core GVA grew by 9.7% in FY26. Nominal GDP grew by 8.9% in FY26 as against 9.7% growth in FY25.
- Almost all sectors exhibited better growth numbers in Q4 FY26. While industry grew by 7.3%, the services sector grew by 9.9% in Q4. Within Industry during Q4, Construction sector grew by 8.4 and manufacturing sector increased by 7.3%.
- Agriculture sector grew by 3.6% in Q4 FY26. For FY26, Agriculture GVA grew by 3.0% in FY25 as against 4.2% growth in FY25.
- Among services (in Q4), 'Trade, hotels, transport, communication & services related to broadcasting' grew by whopping 12.5% followed by 10.4% growth in 'Financial, Real Estate & Professional Services'. On a yearly basis services sector grew by 9.3% in FY26 as against 7.9% in FY25. 'Public administration, defence and Other Services' while grew by merely 5.8% in Q4, it was the highest growth in 6-quarters.
- While there are revisions in all three quarters (Q1-Q3 of FY26), the magnitude was not substantial and on annual basis the GDP growth revised upwards by 18 bps to 7.7%.
- We believe that despite the external headwinds, the Indian economy is poised to remain the **fastest-growing major economy in FY27 (GDP growth expected at 6.6%) by leveraging its sound macroeconomic fundamentals**, robust financial sector and commitment towards sustainable growth.
- Apr and May (latest available) High frequency Indicators showing above average acceleration in Growth. If the trend continue in June, we believe growth in Q1 FY27 could surpass RBI estimates.
- Furthermore, deflator might also increase to 6.5-7% from our earlier estimate of 4.5-5%, thereby impacting the nominal GDP growth which might even increase to 12.5%-13% compared to the budgeted estimate of 10%.**

Quarterly Estimates of GVA(% YoY) at Basic Prices by Sectors										
Sectors	FY25					FY26				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Agriculture	2.6	4.1	5.8	3.8	4.2	4.4	2.7	1.7	3.6	3.0
Industry	9.3	5.0	8.7	10.0	8.3	7.0	10.3	9.5	7.3	8.5
Mining & quarrying	11.9	8.3	13.1	12.9	11.7	4.5	6.1	4.7	5.4	5.2
Manufacturing	9.4	4.9	10.8	11.8	9.3	10.4	12.7	12.8	7.3	10.7
Electricity, gas, water supply & other utility	9.2	-0.2	0.6	2.1	2.9	-2.0	3.6	1.5	4.1	1.7
Construction	8.7	6.1	6.4	8.0	7.3	5.3	8.9	6.7	8.4	7.4
Services	8.5	8.1	8.2	6.8	7.9	8.0	9.2	9.9	9.9	9.3
Trade, hotels, transport, communication & services related to broadcasting	6.9	6.6	6.7	6.3	6.6	9.7	10.5	11.2	12.5	11.0
Financial, real estate & professional service	10.3	10.0	11.1	8.8	10.0	9.2	10.3	11.6	10.4	10.4
Public administration, defence and Other	6.9	6.0	4.4	3.2	5.0	4.0	5.4	4.9	5.8	5.0
Total GVA at Basic Price	7.6	6.5	7.8	7.1	7.3	7.1	8.6	8.0	7.9	7.9
GDP	7.5	6.6	7.4	7.0	7.1	6.8	8.3	8.0	7.8	7.7

Revision in GDP and GVA Growths							
Quarter		GVA			GDP		
		Old	New	Change in bps	Old	New	Change in bps
FY26	Q1	7.0	7.1	11	6.7	6.8	9
	Q2	8.6	8.6	-7	8.4	8.3	-6
	Q3	7.8	8.0	16	7.8	8.0	15
	Q4	-	7.9	-	-	7.8	-
	Annual	7.7	7.9	19	7.6	7.7	18
Source: MOSPI & SBI Research, old(27.02.2026) and New							

Source: MOSPI & SBI Research, old(27.02.2026) and New



INFORMAL SECTOR NOW BETTER CAPTURED IN NEW GDP SERIES

- New GDP Series by using data from ASUSE and PLFS better capture informal sector data. Around 7.9 crore enterprises are registered in ASUSE contributing to around 12% of overall GVA. Our estimates from unit-level data suggest that formalization and digitization improves labor productivity. Further, formalization has led to improved institutional credit access. Similarly, our results from PLFS data suggest that training reduces informality in employment. **With more digitization, skill development initiatives by the government, we believe that the growth momentum will continue.**

WEDGE BETWEEN GVA MANUFACTURING & IIP MANUFACTURING

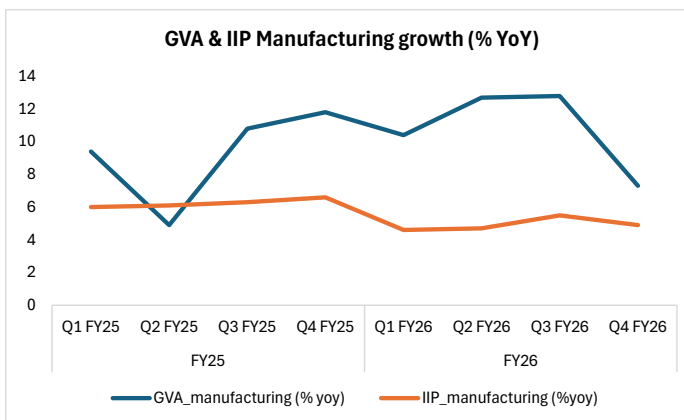
- While the manufacturing GVA rose by only 7.3% in Q4 FY26 it is still higher than the growth rate of IIP manufacturing (4.9%). While we comprehend that both the measures are different as IIP manufacturing measures growth of physical production (volume/quantity), the GVA manufacturing measures value of output minus the cost of inputs.
- There is always a wedge between the growth rate of these two indicators and a through research is warranted to appreciate the underling causes. One of the most probable reasons of the wedge is the companies structural shift to high-value products. Sectors such as electronics, precision machinery, specialized chemicals, etc. focus more on premium goods which will naturally generate higher value addition per product. This will subsequently boost GVA without necessarily triggering a spike in overall physical volumes and hence we experience a higher manufacturing GVA with a moderated IIP manufacturing. This indicates the changing preferences towards high value products.

GDP EXPENDITURE SIDE

- The trends in expenditure heads show significant improvement in FY26, largely reflecting the sharp growth in services such Trade, Hotels, Transport and Financial services, manufacturing and construction.
- The real private consumption growth has recovered in new series from 5.9% to 7.7% in FY26. Capital formation, growth has reached 8.2%, the highest in new series so far. Exports and imports grew at similar pace seen in the last year, respectively at 6.3% and 5.6% in FY26.
- The quarterly figures however show some important trends. First, exports and imports both have slowed absorbing the impact of war in West Asia in March. All other heads have moved as per expectation in Q4FY26.

CORPORATE RESULT Q4FY26

- Indian Inc. in Q4FY26, around 4500 listed entities, reported top line growth of 10.3% while EBIDTA grew by around 5%.
- Further, Corporate ex BFSI, for Q4FY26, reported EBIDTA growth of 6% while bottom line grew by 26%.
- However, operating margin declined sequentially during Q4FY26. EBIDTA margin, on aggregate basis of around 3881 companies, declined by 78 bps to 13.95% in Q4FY26 as compared to 14.73% in Q3FY26.



Quarterly Estimates(% YoY) of Expenditures on GDP at Basic Prices										
Sectors	FY25					FY26				
	Q1	Q2	Q3	Q4	Annual	Q1	Q2	Q3	Q4	Annual
Total final consumption expenditure	6.3	5.8	6.2	5.3	5.9	8.2	7.1	7.6	6.8	7.4
Private final consumption expenditure	6.1	5.6	6.0	5.6	5.8	8.7	7.2	8.2	7.1	7.7
Government final consumption expenditure	7.5	7.0	7.6	3.6	6.5	5.8	6.6	4.6	4.9	5.5
Gross fixed capital formation	6.5	6.6	6.3	6.2	6.4	4.9	8.4	8.2	10.8	8.2
Change in Stocks	18.3	-1.5	-1.1	-5.8	1.7	5.7	11.0	14.7	10.3	10.4
Valuables	-26.7	49.4	14.5	-32.9	1.9	-28.9	-28.4	-2.8	41.3	-9.1
Exports	7.3	3.1	10.5	5.4	6.6	6.6	9.7	5.8	3.7	6.3
Less Imports	8.3	4.6	2.9	5.5	5.3	7.0	6.0	7.2	1.9	5.6
Discrepancies*	1.8	1.2	1.2	0.5	1.2	1.9	1.7	1.7	-0.3	1.2
GDP	7.5	6.6	7.4	7.0	7.1	6.8	8.3	8.0	7.8	7.7

Source: MOSPI & SBI Research, *Discrepancies is % share in GDP

Corporate Results Key parameters				
Quarter	EBIDTA Margin (%)	Growth (% yoy)		
		Net Sales	EBIDTA	PAT
Q4FY24	14.25%	5.2	14	3
Q1FY25	14.97%	5.7	-1	3
Q2FY25	14.40%	3.9	-1.5	6
Q3FY25	14.84%	5.4	5.2	9
Q4FY25	14.77%	4.6	6.4	23
Q1FY26	15.74%	3.4	8.5	14
Q2FY26	14.81%	6.8	9.6	50
Q3FY26	14.73%	8.6	7.6	8
Q4FY26	13.95%	11.4	6.1	26

Source: SBI Research; Cline; around 3800 listed entities ex-BFSI

PRIVATE INVESTMENT ANNOUNCEMENTS

- ◆ Private investment announcements in FY26 is Rs 56 lakh crore from Rs 37 lakh crore in previous year. The total investment announcements shows an increasing trend through the period from Rs 17 lakh crore in FY19 to Rs 80 lakh crore in FY26. The manufacturing sector contributes around 28.9%, followed by power sector (28.7%) and building infrastructure (23.1%) in total new investment announcements of FY26.
- ◆ Apart from new investment announcement, another important data point is addition in gross block. Gross block of Indian Inc., represented by around 5000+ listed entities, is estimated to have increased from Rs 87 lakh crore as of March 2022 to Rs 145 lakh crore as of March'2026.
- ◆ What is pertinent to mention is on an average Indian Inc have added more than Rs 13 lakh crore of gross block yearly in last five years.

New Investment Announcements

Year	Amount Rs lakh crore			% change in total investment
	Govt.	Private	Total	
FY17	10.17	4.08	14.25	-
FY18	8.23	3.92	12.16	-14.69
FY19	10.24	7.01	17.25	41.92
FY20	5.57	5.28	10.85	-37.11
FY21	5.28	5.43	10.71	-1.29
FY22	6.26	13.75	20.01	86.83
FY23	11.61	25.45	37.06	85.21
FY24	15.61	23.00	38.61	4.18
FY25	19.80	37.40	58.70	52.03
FY26	24.00	56.00	80.00	36.29

Source: Projects Today; SBI Research

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