SBI Research

We expect Q1 FY27 GDP Growth ~8.0% 🤞

As against RBI's projection of 7.0%, our Nowcasting Model indicates 8% GDP growth for Q1 FY27…Almost all leading indicators corroborate this

Issue # 17, FY27 Date 11-August-2026

Executive Summary

- **Our Q1FY27 GDP growth estimate stands at ~8%...**The underlying momentum remains broad-based... We track more than 50 leading indicators across consumption and demand, agriculture, industry, services and other sectors, with **86% showing acceleration in Q1 FY27,** compared with 69% in Q1 FY26
- Consumption and demand remain resilient... **High-frequency demand indicators continue to support growth outlook**, while industrial activity remains broadly satisfactory barring a few pockets… while Services provide further support... other indicators also corroborate our 8% growth estimate
- Government capex remains supportive... Capex spending by 20 states stood at 10.5% of BE in Q1 FY27, against 10.9% in Q1 FY26, grew 5.5% YoY; **central capex rose to 27.8% of BE from 24.5%, registering 23.7% growth**
- Since Q2 FY26, credit continue to grow till now. **SCBs credit growth accelerated to 17.7% and deposits at 12.7% for the fortnight ended 15 July 2026**… As per current trends, in FY27, aggregate deposit is estimated to grow by 14.5%-15%, while credit growth is expected at 16%-17%... Selected banks quarterly results indicate, improvement in efficiency indicators across the banks
- Monsoon conditions have improved... A nearly 40% rainfall deficit in June was partly offset by surplus rainfall in July and normal rains in August, bringing the overall deficit down to around 12%; positive IOD conditions could also partly offset the impact of El Nino
- **Data of July high frequency indicators and monsoon progress suggest continued growth momentum… Thus, we believe that going forward growth is likely to be robust…**
- The rupee after breaching Rs 96/$, the currency recovered but has since moving around Rs 95-95.5/$, warranting a calibrated policy response from the RBI… **It is important to keep rupee depreciation at the bay for financial stability concerns… The recent depreciation calls for stronger signaling...**

Our Number – 8.0%

Nowcast and Forecast Methodology to Estimate GDP

Methodology for Nowcasting and Forecasting…

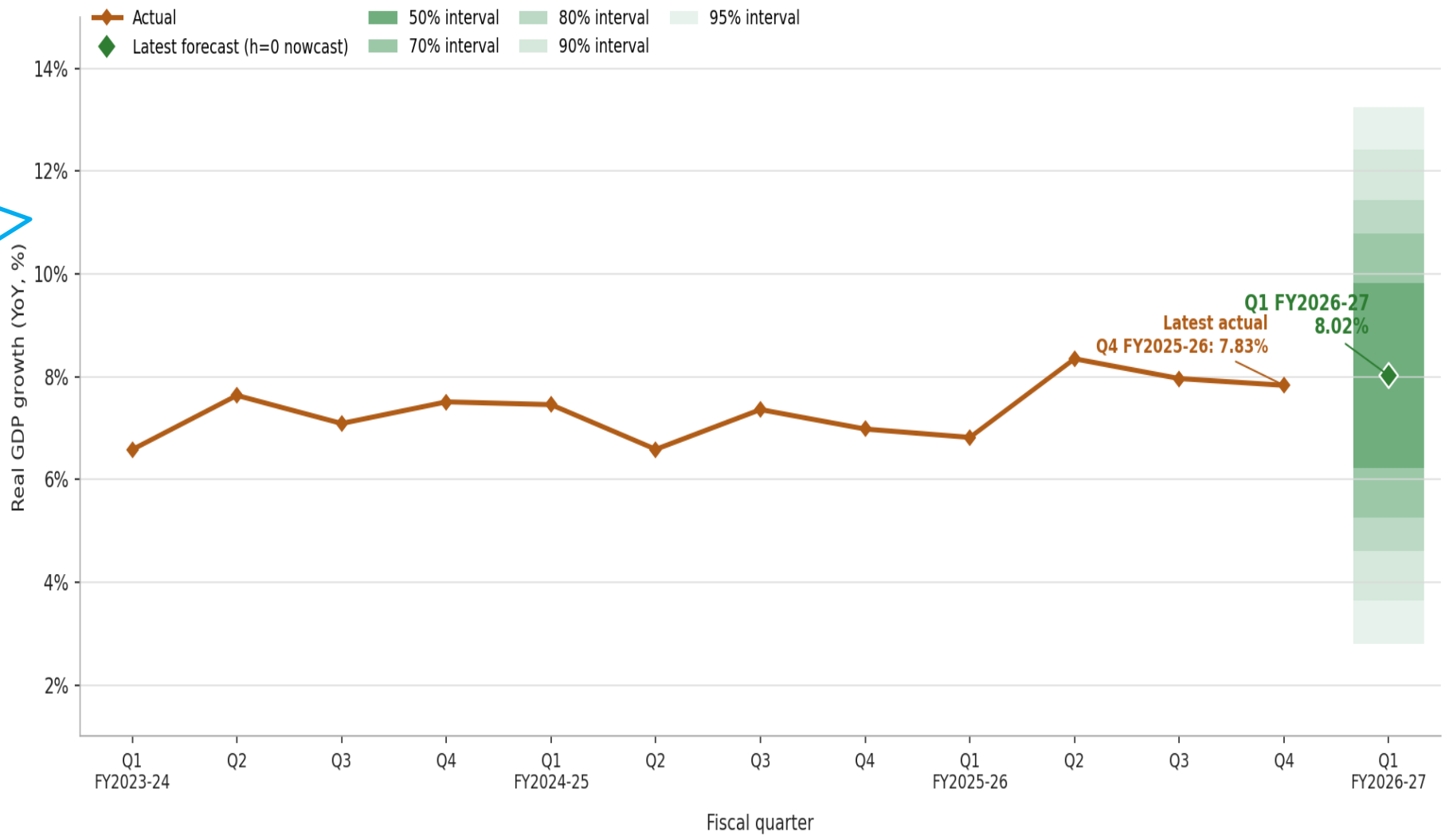
❑ Our model uses 54 high frequency indicators across agriculture, industry and services and used a Dynamic Factor model with time varying parameters for nowcasting. This allows us to capture the dynamic changes in the inputs

❑ **For details of our model description kindly refer our Special Report dated 11-May-2026** **(Click Here for the Report)**

Block	No. series	Examples
Autos	3	Commercial Vehicle sales, Passenger vehicle sales, Tractor sales
External global	6	Baltic Dry Index, Crude prices, Foreign Exchange Rate, US Industrial Production, US PMI Mfg.
Financial	6	Aggregate Bank Credit, Agri Credit, Broad Money (M3), Deposit, FDI Inflows
Fiscal	4	Capex Monthly, Gross Taxes, Revenue Expenditure less Interest Payment
Other	2	Fertilizers wholesale, Fuel consumption-Petroleum coke
Prices	6	CPI All, CPI Non-Food, WPI All, WPI Food, WPI Manufactured products
Production	10	Cement Production, Coal, Crude Oil, Natural Gas, Power supply
Services Transport	12	Airport Cargo, Export/Import of Goods & Services, Foreign Investment, Freight Traffic
Survey Uncertainty	5	PMI Mfg, PMI Serv, CEIC Leading Indicator, Economic Policy Uncertainty Index, SBI Composite Index

Estimates for Q1 FY27 GDP stands at 8.0%....

Based on our model, we project the real GDP growth for first quarter of FY27 to be 8%



The Reasons

All Leading indicators corroborate the 8% Growth

Leading Indicators are showing acceleration…

- We track 50 leading indicators in consumption and demand, Agri, Industry, service and other indicators, all of which indicate higher acceleration in growth in Q1 FY27 (as compared to Q1 FY26). **The percentage of indicators showing acceleration is 86% in Q1 FY27, compared to 69% in Q1 FY26**

Mapping of Leading Indicators with GDP Growth			
Year	Quarter	GDP Growth (%) (Base: 2022-23)	% of indicators showing acceleration
FY24	Q1 FY24	6.6	70
	Q2 FY24	7.6	80
	Q3 FY24	7.1	80
	Q4 FY24	7.5	86
	Full FY	**7.2**	-
FY25	Q1 FY25	7.5	78
	Q2 FY25	6.6	71
	Q3 FY25	7.4	74
	Q4 FY25	7.0	72
	Full FY	**7.1**	-
FY26	Q1 FY26	6.8	69
	Q2 FY26	8.3	78
	Q3 FY26	8.0	83
	Q4 FY26	7.8	85
	Full FY	**7.7**	-
FY 27	Q1 FY 27(P)	8	86
Source: SBI Research, (P) SBI Projections			

$$\%\ of\ indicators\ showing\ acceleration = \frac{No\ of\ indicators\ showing\ high\ and\ moderate\ growth}{Total\ no\ of\ indicators}$$

Leading Indicators of Consumption and Demand

	Jan-26	Feb-26	Mar-26	Q1 FY27 Apr-26	Q1 FY27 May-26	Q1 FY27 Jun-26
Consumption and demand (YoY%)						
Domestic Passenger Vehicle	12.6	10.6	16.0	25.4	27.3	24.1
Petroleum Consumption: Diesel	3.3	4.3	8.0	0.9	1.6	6.2
Electricity Demand	3.8	1.0	0.8	3.0	10.8	11.5
Number of Telecom Subscribers (Wireless and wireline)	9.46	9.60	10.05	10.38	10.50	9.89
Consumer Credit	14.9	15.2	16.2	16.0	15.4	15.8
Rural Wages	17.7	17.4	17.0	16.7	16.4	-
Domestic Two Wheelers	26.2	35.2	19.3	28.4	14.9	18.7
Domestic Three wheelers	30.2	29.0	21.4	32.8	31.1	26.1
Tractor Sales-Domestic	43.0	34.2	29.1	26.8	19.6	11.9
Total Vahan Registration	18.1	26.5	26.2	13.7	11.3	23.6
E-vehicle registration	23.1	33.6	28.6	35.4	38.7	55.3

Robust consumption and demand indicators exhibiting continued resilience of Indian economy

Leading Indicators of Manufacturing-Industry

	Jan-26	Feb-26	Mar-26	Q1 FY27 Apr-26	Q1 FY27 May-26	Q1 FY27 Jun-26
Industry (YoY%)						
IIP: General	4.1	4.4	3.0	4.9	5.0	7.3
Manufcturing PMI	55.4	56.9	53.9	54.7	55.0	54.2
SBI Composite Index (monthly)	55.8	55.7	54.9	55.3	55.2	55.5
Corporate (Industry) Credit	12.1	13.5	15.0	15.1	17.5	19.2
Finished Steel Consumption	3.5	12.8	14.7	8.1	9.6	7.7
Bitumen Consumption	7.6	10.6	3.1	-52.2	-41.9	-18.4
Coal Output	0.9	1.4	-4.0	-9.0	-9.5	1.4
Steel Output	13.8	9.9	9.6	4.7	5.1	4.6
Cement Output	11.3	9.1	4.7	8.3	8.4	9.8
Electricity Generation	5.1	2.3	0.8	5.5	11.2	9.8
Jocata Sumpoorn Index	0.62	0.63	0.65	0.58	0.58	-

Except a few indicators, India's industrial growth is quite satisfactory

Leading Indicators of Services

	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26
Services (YoY%)						
PMI Sevices	58.5	58.1	57.5	58.8	59.8	57.3
Service Export	9.8	9.7	7.3	12.7	13.2	13.3
Freight Traffic: Tonn Mn	5.5	6.4	4.8	-1.4	0.0	2.9
Passenger Traffic: All Airports	3.9	0.5	-4.4	-5.3	4.5	15.7
Cargo Traffic: All Airports	9.0	17.9	0.4	10.3	11.0	22.3
Port Cargo Traffic	7.8	3.5	0.7	2.5	6.6	9.3
GST E way Bills Generated	15.8	18.8	12.9	11.8	10.9	14.5
Toll collection Amount	9.4	4.9	5.8	3.3	3.1	6.2
LIC premium	21.6	18.1	23.5	39.1	5.1	13.1
Deposits	10.6	11.2	13.5	13.3	12.2	13.3
Bank Credit	13.4	13.6	16.1	16.4	17.1	18.6

Q1 FY27

Services sector, the largest contributor to economic growth, revealed that except freight and passengers traffic all are in favour of an impressive growth for Q1

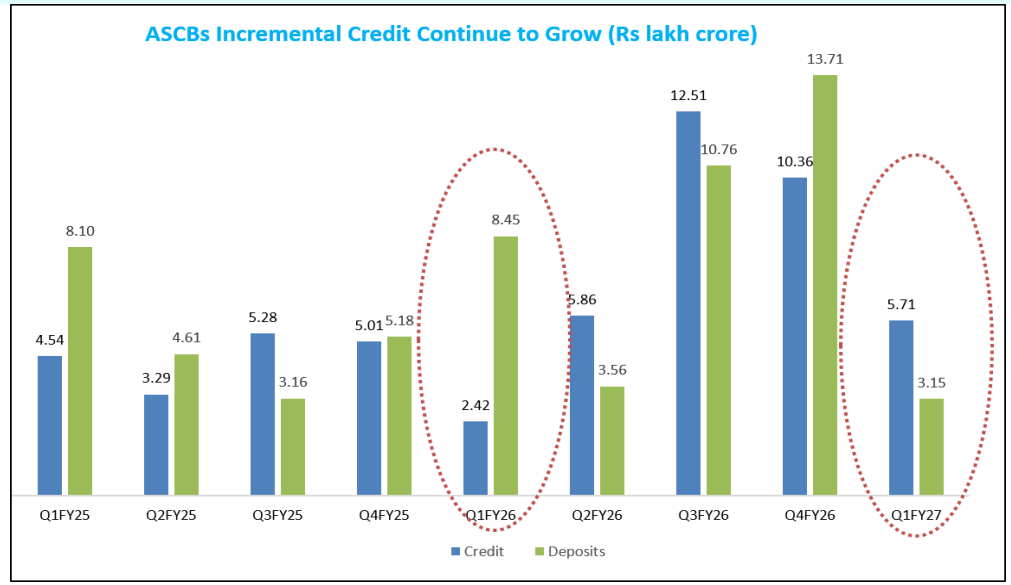
Miscellaneous Leading Indicators

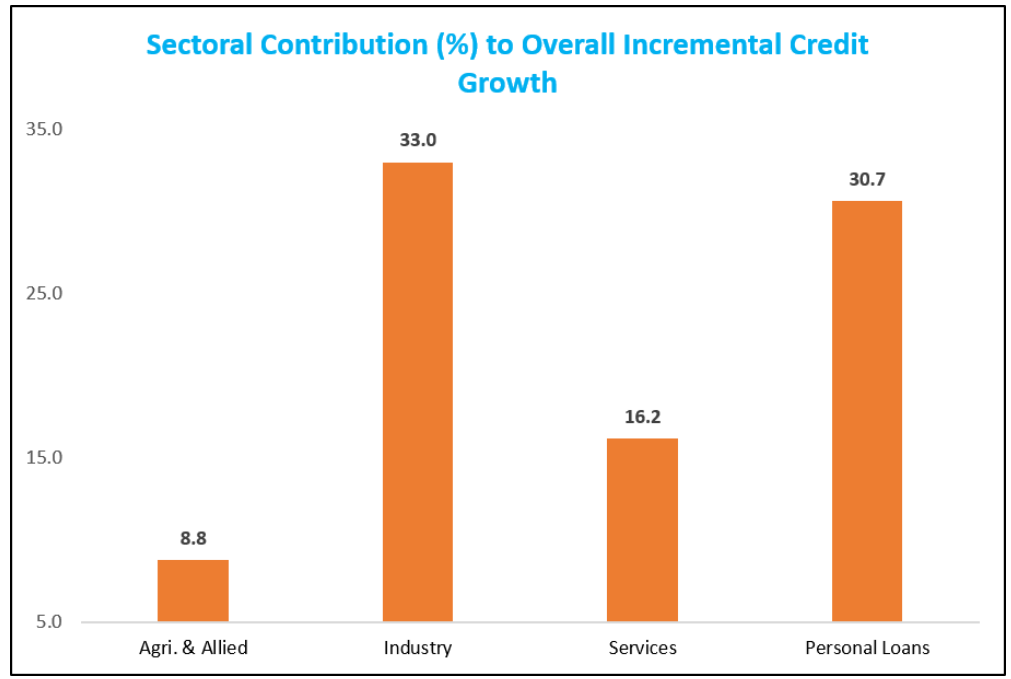
	Jan-26	Feb-26	Mar-26	Q1 FY27 Apr-26	Q1 FY27 May-26	Q1 FY27 Jun-26
Investment(YoY%)						
IIP: Capital Goods	12.4	16.5	8.5	12.0	15.5	14.2
Central Government Capex	11.2	14.5	1.6	18.8	13.4	23.7
State Government Capex	14.7	10.9	10.4	22.6	-2.0	5.5
IIP: Infrastructure and construction	12.9	10.1	5.2	6.0	6.6	7.5
Railway Freight Earning	-5.1	3.0	2.2	3.6	1.0	2.9
External Sector (YoY%)						
Exports	0.4	-0.8	-7.4	13.8	18.0	15.5
Imports (ex-oil, gold)	5.7	16.7	10.8	14.7	8.6	28.9
Imports	19.2	25.0	-6.5	10.0	20.6	31.0
Capital Goods Imports	8.0	18.0	14.4	24.4	23.2	43.5
Agri and Other Indicators (YoY%)						
Direct Taxes	9.3	5.9	5.2	8.6	10.5	11.7
OECD CLI	101.4	101.6	101.7	101.9	102.1	101.3
Economic Policy Uncertainty Index: India	170.7	323.8	268.5	205.2	271.4	240.8
Reservoir level as % of storage capacity	68.7	57.9	46.3	38.5	30.7	26.4
GST Collection	6.0	8.2	8.7	9.0	3.2	14.0

Other miscellaneous indicators also corroborate with our 8% growth numbers

Higher Credit Growth is historically associated with Strong Economic Growth

- Since Q2FY26, credit continue to grow till now. SCBS credit growth accelerated to **17.7% and deposits at 12.7% for the fortnight ended 15 July 2026**
- **On an incremental basis,** credit growth was Rs 5.71 lakh crore in Q1FY27, compared to Rs 2.42 lakh crore in Q1FY25, while deposits grew by Rs 3.01 lakh crore compared to Rs 8.45 lakh crore. **Last year both incremental deposits and credit growth is not comparable, as the reporting format had changed**
- **The sectoral incremental credit growth data during Q1FY27 indicates that 'industry and personal loans' has contributed ~63% of the incremental credit growth…33% by industry & 30% by Personal loans**
- The RBI figure of ~$41 bn inflows till 31st July came as a positive reprieve, chiefly with a smart FCNR(B) corpus of $36.7 bn. Overall, we estimate, FCNR (B) deposits in the range of $65-70 billion should be received overall in scheme, and including OFCB and ECB at $80-$85 bn
- **As per current trends, in FY27, aggregate deposit is estimated to grow by 14.5%-15%, while credit growth is expected at 16%-17%**





Selected Bank Results Q1 FY27

- Selected banks quarterly results indicate, improvement in efficiency indicators across the banks
- SCBs asset quality improved further to 1.7% in June'26 compared to 1.8% in March'26. The improvement in asset quality was broad-based across bank groups. Sectoral GNPA, as of March'26, Agriculture, despite improvement, continued to exhibit the highest GNPA ratio of 5.1%, industry at 1.6%, Services at 1.5% and personal loans NPA is at 1.0%.
- As per RBI FSR Report, under the base line scenario, aggregate GNPA ratio of 46 banks may edge up from 1.8% in March 2026 to 1.9% by March 2028

Banks' Financial Results: Q1 FY27

Bank	Net profit (Rs crore)			Deposits Growth	Credit Growth	Gross NPA(%)		NIM(%)		CRAR(%)	
	Q1 FY 26	Q1 FY 27	% YoY	YoY%	YoY%	Q1 FY 26	Q1 FY 27	Q1 FY 26	Q1 FY 27	Q1 FY 26	Q1 FY 27
SBI	19160	21121	10.2	9.7	18.6	1.83	1.47	2.89	2.86	14.6	15.7
BOB	4541	1278	-71.9	13.8	17.4	2.28	1.99	2.91	2.77	17.6	16.3
UBI	4116	5332	29.5	3.5	12.5	3.52	2.65	2.76	2.80	18.3	18.5
Canara Bank	4752	4856	2.2	11.6	18.0	2.69	1.57	2.55	2.52	16.5	17.2
PNB	1675	5253	213.6	8.5	12.7	3.78	2.78	2.70	2.50	17.5	18.1
Indian Bank	2973	3273	10.1	13.5	13.9	3.01	1.86	3.23	3.29	17.8	17.6
BOI	2252	3068	36.2	14.9	18.6	2.92	1.81	2.55	2.52	17.4	18.7
BOM	1593	2020	26.8	12.9	26.9	1.74	1.45	3.95	3.79	20.1	18.6
CBI	1169	1324	13.3	11.7	28.6	3.13	2.60	3.16	3.06	17.7	18.3
IOB	1111	1659	49.3	13.7	22.8	1.97	1.33	3.04	3.37	18.3	19.4
UCO Bank	607	656	8.1	11.3	21.2	2.63	2.08	2.96	3.05	18.4	19.0
P & S Bank	269	331	23.0	12.2	19.3	3.34	2.21	2.52	2.53	17.9	17.6
Total PSBs*	**44218**	**50171**	**13.5**	**10.4**	**17.6**	**2.74**	**1.98**	**2.94**	**2.92**	**17.7**	**17.9**
HDFC Bank	17370	19060	9.7	14.7	12.4	1.40	1.20	3.50	3.30	19.9	19.6
ICICI Bank	12768	14805	16.0	14.0	19.6	1.67	1.38	4.34	4.36	16.8	16.8
Axis Bank	5806	7114	22.5	18.2	19.1	1.57	1.28	3.80	3.46	16.9	16.7
Kotak Bank	3282	4123	25.6	11.7	15.2	1.48	1.18	4.65	4.53	23.0	22.8
Indusind Bank	604	1037	71.7	4.4	-2.2	3.64	3.25	3.46	3.57	16.6	17.2
IDBI Bank	2007	2115	5.4	9.8	22.2	2.93	2.30	3.68	3.61	25.4	26.9
Federal Bank	862	1177	36.5	15.3	15.0	1.91	1.52	2.94	3.33	16.0	17.0
IDFC Bank	463	1075	132.4	16.6	20.6	1.97	1.51	5.71	5.96	14.9	15.1
Bandhan Bank	372	502	34.9	6.6	16.4	5.00	3.10	6.40	6.20	19.1	18.2
Yes Bank	801	1071	33.7	14.3	18.3	1.60	1.30	2.50	2.70	16.2	15.1
RBL Bank	200	254	26.7	10.7	23.1	2.78	1.30	4.50	4.13	15.4	33.3
Total major Pvt. Banks*	**44535**	**52332**	**17.5**	**14.0**	**15.3**	**2.36**	**1.76**	**4.13**	**4.10**	**18.2**	**19.9**

State wise Capex is lagging behind but growth rate is higher

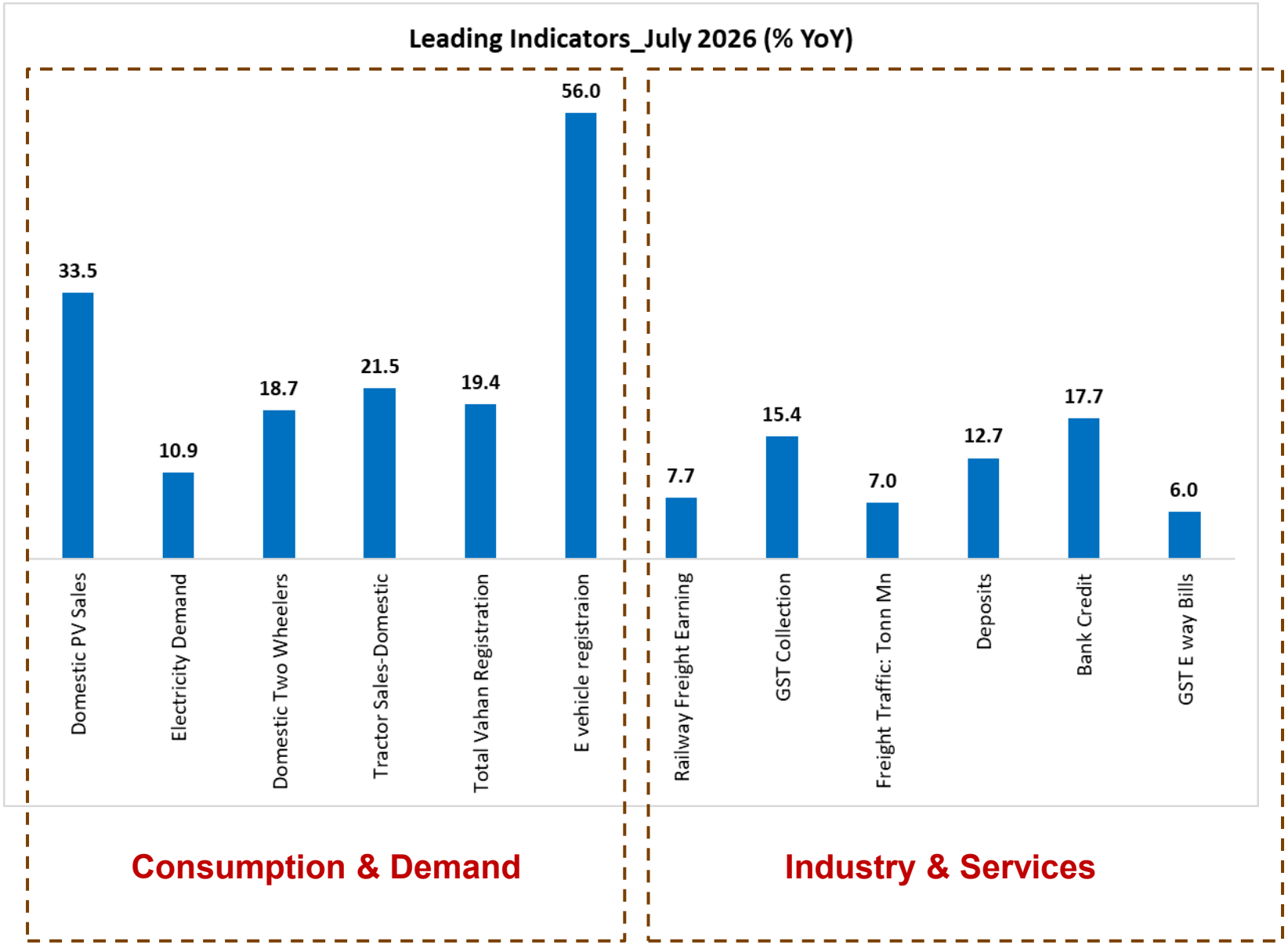
- Overall, 20 states capex spending at 10.5 % of BE in Q1 FY 27, lower than Q1 FY 26(10.9%), However growth stands at 5.5%

- Central Capex is at 27.8% in Q1 FY 27 Vs 24.5 % in Q1 FY 26 and registered a growth of 23.7%

States Expenditure as % of Budgeted estimates					
State	Capital Expenditure		State	Capital Expenditure	
	Q1 FY 27	Q1 FY 26		Q1 FY 27	Q1 FY 26
Andhra Pradesh	16.6	14.9	Odisha	5.2	10.6
Bihar	9.4	16.4	Punjab	13.8	12.8
Chhattisgarh	12.1	4.4	Rajasthan	14.6	11.4
Gujarat	13.7	15.3	Tamil Nadu	5.5	7.3
Haryana	16.3	30.5	Telangana	13.9	13.0
Himachal Pradesh	15.9	20.4	Tripura	1.8	1.3
Jharkhand	8.4	14.2	Uttar Pradesh	5.8	7.5
Karnataka	6.8	7.5	Uttarakhand	8.5	5.6
Kerala	36.9	20.9	West Bengal	1.9	4.8
Madhya Pradesh	18.2	20.9	**Total states**	10.5	10.9
Maharashtra	11.4	3.5	**Central Gov**	27.8	24.5
Source: SBI Research, CGA, CAG, CEIC					

Door is only ajar…Peeping in Q2

Leading Indicators: July 2026



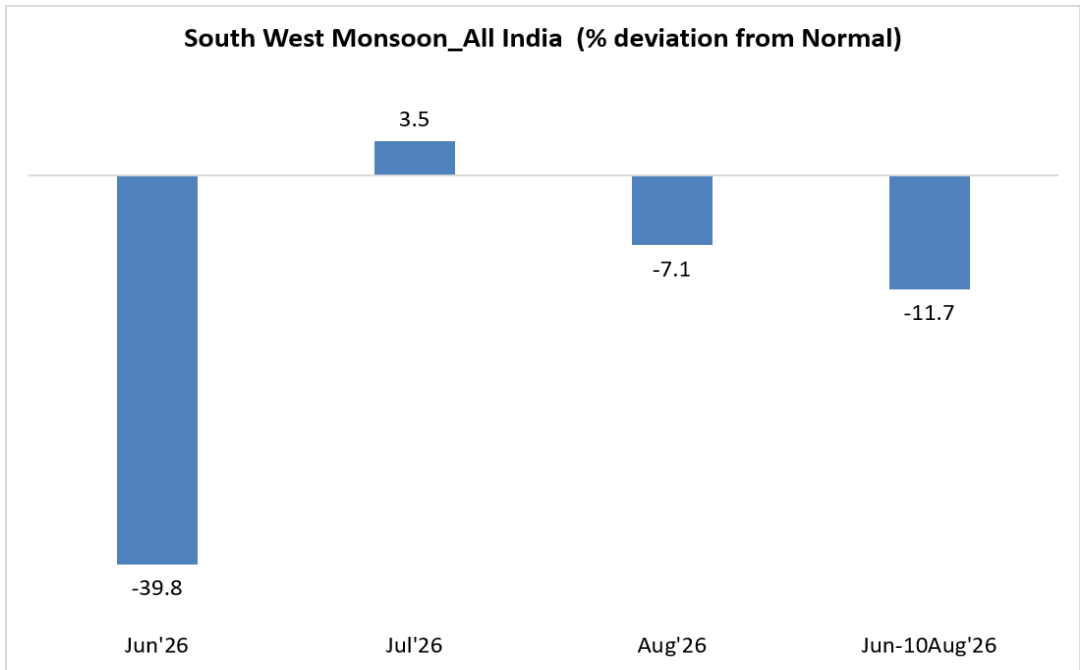
Early trends (July data and monsoon progress) indicate better prospects for Q2 also…

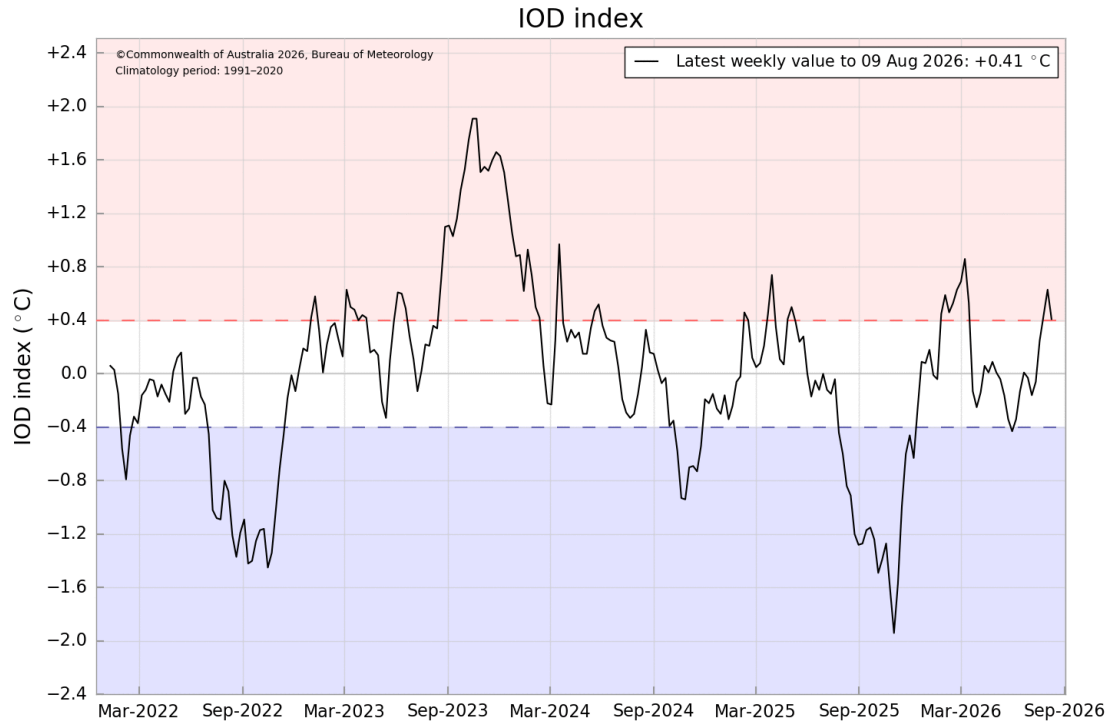
Monsoon 2026: Normal Rainfall may bring some cheers in Q2

Despite a sluggish start and a ~40% rainfall deficit in June 2026, July surplus showers and August normal rains reduced the overall nationwide shortfall to roughly 12% only…IOD is still positive and may nullify the impact of ongoing El Niño

IMD predict below-normal rainfall (less than 94% of LPA) over the country during the second half of the Southwest Monsoon season (Aug-Sep)

Kharif sowing and reservoir levels are satisfactory





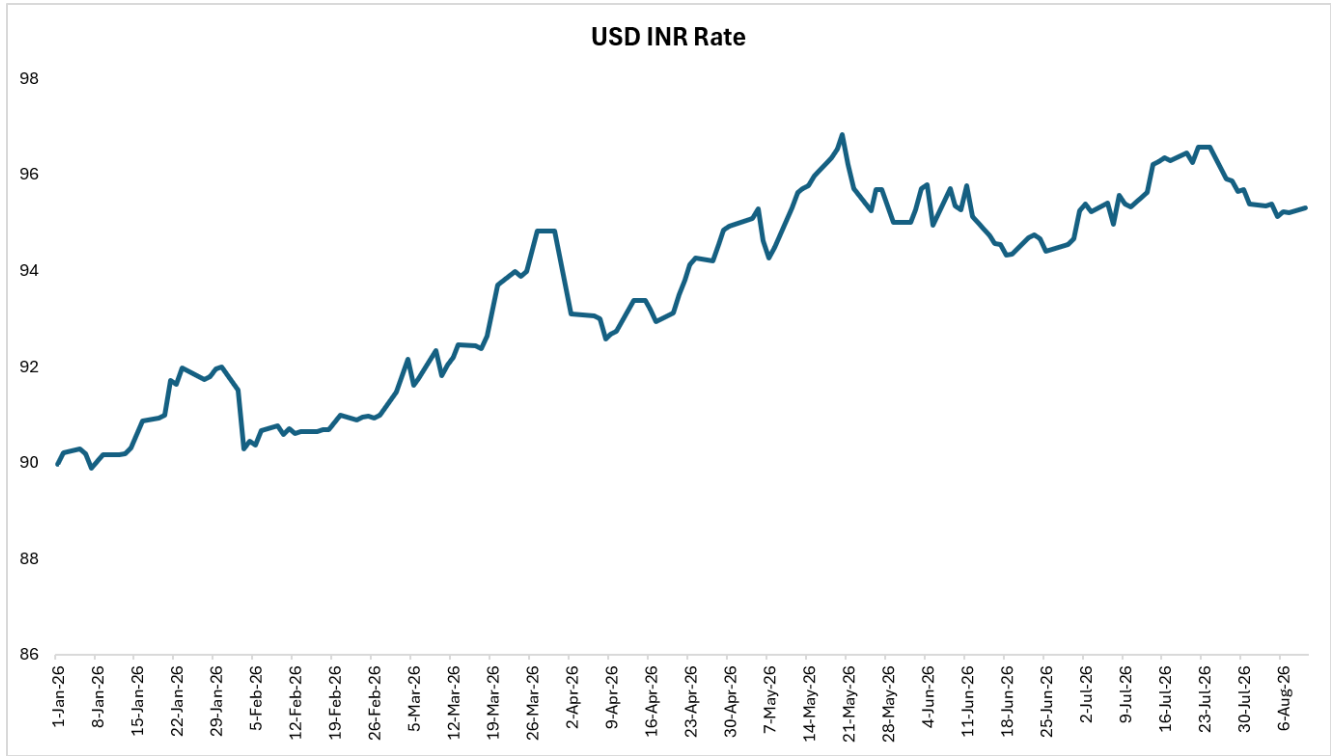
Source: CEIC, IMD

Keeping further Rupee depreciation at the bay….

Rupee has recently come under renewed depreciation pressure, although it has made some recovery from the sharp weakening that saw it breach Rs 96 mark, with the currency subsequently stabilizing around the Rs 95-95.5 level

In this uncertain global environment, a calibrated policy response by RBI remains important

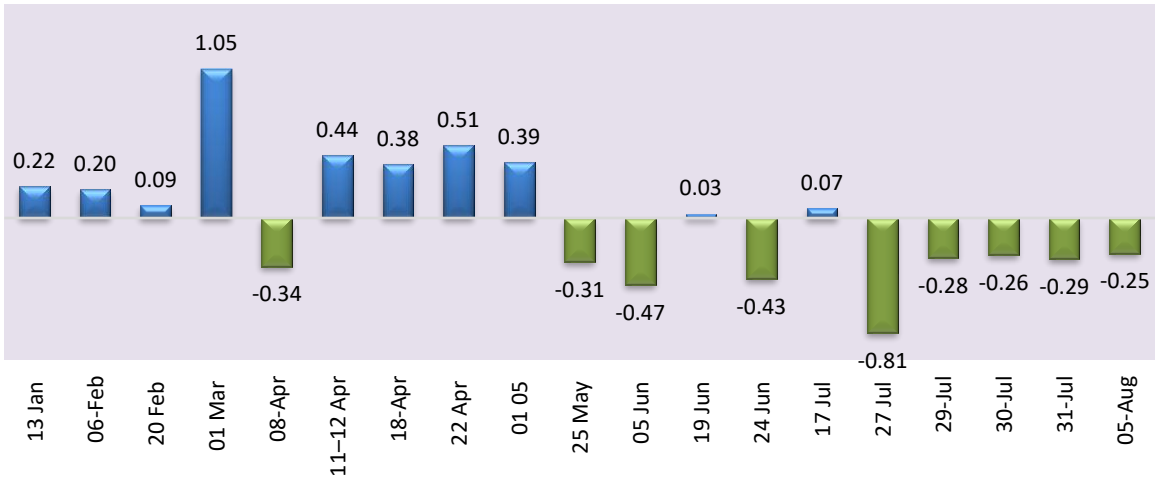
A combination of timely intervention and well-calibrated policy signals would therefore help smooth short-term fluctuations and ensure financial stability



Source: Bloomberg; SBI Research

Rupee response to RBI signals…Communication matters!

RBI Remarks and Rupee movement



Source: SBI Research, Bloomberg
Note: Dates are identified through RBI Statements, MPC Documents, and Media Interviews ; Blue shows depreciation; Green shows appreciation

13 Jan 2026 Sanjay Malhotra Governor **Source:** NDTV Profit interview Market will determine the rupee; RBI acts only to curb excessive volatility.	**6 Feb 2026** Sanjay Malhotra Governor **Source:** MPC press conference RBI does not target a specific rupee level.	**1 Mar 2026** Sanjay Malhotra Governor **Source:** Economic Times interview The rupee is driven by demand and supply in the FX market.	**8 Apr 2026** Sanjay Malhotra Governor **Source:** April MPC statement Intervention is only to smooth excessive and disruptive volatility.
22 Apr 2026 T. Rabi Sankar Deputy Governor **Source:** CCIL / Business Standard event Rupee movement depends on market factors; RBI intervenes only against volatility.	**25 May 2026** Sanjay Malhotra Governor **Source:** Mint interview The rupee appears undervalued in nominal and REER terms.	**5 Jun 2026** Sanjay Malhotra Governor **Source:** June MPC statement The rupee should be market-determined; RBI ensures orderly price discovery.	**19 Jun 2026** Poonam Gupta Deputy Governor **Source:** June MPC minutes Exchange-rate depreciation can raise imported inflation.
17 Jul 2026 Sanjay Malhotra Governor **Source:** DD News interview The rupee has been broadly stable relative to peer currencies.	**27 Jul 2026** Sanjay Malhotra Governor **Source:** Hindu BusinessLine interview No change in rupee policy; intervention remains confined to excessive volatility.	**30 Jul 2026** Sanjay Malhotra Governor **Source:** Hindu BusinessLine report Rupee appears undervalued; fundamentals remain strong and policy unchanged.	**5 Aug 2026** Sanjay Malhotra Governor **Source:** RBI Monetary Policy statement Curbing excessive volatility, checking speculative behaviour and preventing disorderly movements.

Source: Compiled from RBI Statements, MPC Documents, and Media Interviews

Rupee often exhibited noticeable movements following communication on exchange rate management by RBI.
Although the direction and magnitude of these changes varied across events, the observed reactions suggest that market participants closely monitor RBI communication and rapidly incorporate policy signals and guidance into exchange rate expectations

For instance, after Governor reiterated on 1 March 2026 that the rupee is determined by market demand and supply, with the RBI intervening only to curb excessive volatility, the rupee recorded one of the largest movements in the sample

In the latest MPC, the governor stated that “The Rupee is “we will continue with our policy of it being determined by market forces, while curbing excessive volatility, checking speculative behaviour and preventing disorderly movements”

The following day Rupee appreciated by 25 paise

However, the recent depreciation signals that there is a need for stronger communication

Why Communication matters!

"Think of the relationship between a central bank and the attentive public as analogous to the relationship between a married couple. Good communication is key if the relationship is to cope well with the bumps and bruises of everyday life. While familiarity removes the need for too much explicitness in communication, changing surroundings and personal needs over time make it dangerous to take too much previous understanding for granted. Presumably, the relationship is for the long-term, and day-to-day misunderstandings do not imperil the relationship, but they can make it less pleasant or mutually beneficial" (Posen, 2002, p. 3)

Posen, Adam S (2002): "Six Practical Views of Central Bank Transparency", Working Paper, Institute for International Economics (available at http://www.iie.com/publications/papers/posen0502.pdf).

Quoted in "Communication in Central Banks- a perspective" by Rakesh Mohan the then RBI Deputy Governor

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