

NSO ESTIMATES GDP GROWTH AT 7.4% IN FY26:GROWTH IS LIKELY TO BE HIGHER ONCE THE NEW BASE IS RELEASED

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The 1st advance estimate (AE) of GDP for FY26 indicates GDP growth at 7.4% as compared to 6.5% in FY25. The GVA growth is estimated at 7.3%. Nominal GDP growth is estimated at 8%. **Historically, the difference between RBI's estimate and NSO's estimate is always in the range of 20-30 bps and hence the 7.4% estimate of FY26 is quite expected and reasonable.** We, however, believe that GDP growth for FY26 would be around 7.5% with upward bias. The second advance estimates, incorporating additional data and revisions, are scheduled to be released on February 27, 2026. So, all these numbers are expected to change with the base revision to 2022-23.

On the expenditure side, the heads that have positively contributed include the government consumption with a growth of 5.2% in real terms. Exports have also held the forte with positive growth of 6.4%. Private consumption growth was tad lower at 7.0%, possibly due to slowdown in agriculture sector. Per capita consumption expenditure registered a growth 6.1%. Uptick in government consumption, traction in services has held up the demand in FY26, cushioning the impact of external headwinds.

Capital formation that has slowed last year has recovered in FY26. The real growth in capital formation at 7.8% was higher by 70 bps from last years' growth. The nominal capital formation growth was also higher indicating revival in investment demand. Imports have registered a growth of 9% in nominal terms but registered a growth of 14.4% in real terms. However, this is expected to moderate in FY27 given the outlook on energy prices.

Fiscal deficit at the end of Nov'25 stood at Rs 9.8 lakh crore or 62.3% of BE. We believe that even though the tax revenue are likely to be lower than the budgeted for FY26, non-tax revenue will be on the higher side thereby not impacting the overall receipts much. Total expenditure is also expected to be lower, leading to fiscal deficit of Rs 15.85 lakh crore compared to the budgeted Rs 15.69 lakh crore. With the new GDP figure fiscal deficit as % of GDP is likely to remain unchanged at 4.4%.

NSO ESTIMATED GDP TO GROW BY 7.4% IN FY26

- ◆ The 1st advance estimate (AE) of GDP for FY26 indicates GDP growth at 7.4% as compared to 6.5% in FY25. The GVA growth estimate is 7.3%. Nominal GDP growth is estimated to increase by 8.0% in FY26 vis-à-vis 9.8% in FY25.
- ◆ Historically, the difference between RBI's estimate and NSO's estimate is always in the range of 20-30 bps and hence the 7.4% estimate of FY26 is quite expected and reasonable. We, however, believe that GDP growth for FY26 would be around 7.5% with upward bias.
- ◆ The momentum in growth also trickle down to per capita national income, which is expected to increase by Rs 16,025 yearly to Rs 2,47,487 in FY26.
- ◆ Agri. and Allied Activities are likely to grow by 3.1% in FY26 as against previous year's growth of 4.6%.
- ◆ The services sector remains the key growth engine, estimated to grow by 9.1% in FY26, compared to last year growth of 7.2%. All the sub-sectors under services are estimated to grow at a higher pace, compared to last year.

GDP Estimates RBI Vs CSO			
Year	RBI (Final projection)	CSO (1AE)	Difference
FY17	7.1	7.1	0
FY18	6.7	6.5	-0.20
FY19	7.4	7.2	-0.20
FY20	5.0	5.0	0
FY21	-7.5	-7.7	-0.20
FY22	9.5	9.2	-0.30
FY23	6.8	7.0	0.20
FY24	7.0	7.3	0.30
FY25	6.6	6.4	-0.20
FY26	7.3	7.4	0.10

Source: SBI Research

- With a robust manufacturing growth of 7.0% in FY26, Industry sector is expected to grow at 6.0%, compared to last year growth of 5.9%. Mining is expected to decelerate by 0.7% in FY26 as compared to a growth of 2.7% in FY25.
- The second advance estimates, incorporating additional data and revisions, are scheduled to be released on February 27, 2026. So, all these numbers are expected to change with the base revision to 2022-23.

GENERAL DEMAND AND EXPENDITURES

- The FAE of the GDP in general shows a flat aggregate demand in FY26. The heads that have positively contributed include the government consumption with a growth of 5.2% in real terms. Exports have also held the forte with positive growth of 6.4%. Private consumption growth was tad lower at 7.0%, possibly due to slowdown in agriculture sector. Per capita consumption registered a growth 6.1%. Uptick in government consumption, traction in services has held up the demand in FY26, cushioning the impact of external headwinds.
- Capital formation that has slowed last year has recovered in FY26. The real growth in capital formation at 7.8% was higher by 70 bps from last years' growth. The nominal capital formation growth was also higher indicating revival in investment demand.
- Imports have registered a growth of 9% in nominal terms but registered a growth of 14.4% in real terms. However, this is expected to moderate in FY27 given the outlook on energy prices.

GOVERNMENT EXPENDITURE & FISCAL SITUATION

- Monthly data from CGA indicates that overall expenditure has already reached 57.8% of the BE till Nov'25, with revenue expenditure at 57.5% of BE and capital expenditure at 58.7% of BE. The states capital expenditure, however, is at 38.7% of BE in Apr-Nov'2025, which indicates 9.7% yoy growth over the same period in the previous fiscal (budgeted 15% yoy growth).
- Meanwhile, net tax revenue at Rs 13.9 lakh crore was 49.1% of BE FY26 (55.9% last year). Non-tax revenue was at Rs 5.2 lakh crore or 88.6% of BE (78.3% in last year). Total receipts came at Rs 19.5 lakh crore or 55.7% of BE (last year 59.1%).

Particulars	FY26			FY25 (PE)	FY24 (1RE)
	FY26 (1AE)	H1	H2*		
1. Agriculture, forestry & fishing	3.1	3.6	2.7	4.6	2.7
2. Industry	6.0	7.0	5.4	5.9	10.8
2.1 Mining & quarrying	-0.7	-1.8	0.3	2.7	3.2
2.2 Manufacturing	7.0	8.4	5.7	4.5	12.3
2.3 Electricity, gas, water supply & other utility services	2.1	2.4	1.7	5.9	8.6
2.4 Construction	7.0	7.4	6.7	9.4	10.4
3. Services	9.1	9.3	9.0	7.2	9.0
3.1. Trade, hotels, transport, communication & services related to broadcasting	7.5	8.0	7.1	6.1	7.5
3.2. Financing, insurance, real estate & bus. Services	9.9	9.9	10.0	7.2	10.3
3.3. Public administration, defence and Other Services	9.9	9.7	10.1	8.9	8.8
Total GVA at Basic Prices	7.3	7.9	6.8	6.4	8.6
GDP	7.4	8.0	6.9	6.5	9.2

Source: NSO, MOSPI, SBI Research; *SBI calculation based on AE

Particulars	Expenditure Growth Rates (YoY%) at Constant Prices			FY25 (PE)	FY24 (1RE)
	FY26 (1AE)	H1	H2*		
Total final consumption expenditure	6.8	6.8	6.8	6.5	5.9
Private final consumption expenditure	7.0	7.5	6.6	7.2	5.6
Government final consumption expenditure	5.2	2.5	7.7	2.3	8.1
Gross fixed capital formation	7.8	7.6	8.1	7.1	8.8
Change in Stocks	4.9	6.6	3.3	4.5	53.4
Valuables	-10.6	-22.6	5.1	0.6	14.4
Exports	6.4	5.9	6.8	6.3	2.2
Less Imports	14.4	11.8	17.4	-3.7	13.8
Discrepancies	0.7	2.8	-1.3	-1.6	0.8
GDP	7.4	8.0	6.9	6.5	9.2

Source: NSO, MOSPI, SBI Research; *SBI calculation based on AE, Discrepancies as given as % share in GDP

- Fiscal deficit at the end of Nov'25 stood at Rs 9.8 lakh crore or 62.3% of BE. We believe that even though the tax revenue are likely to be lower than the budgeted for FY26, non-tax revenue will be on the higher side thereby not impacting the overall receipts much. Total expenditure is also expected to be lower, leading to fiscal deficit of Rs 15.85 lakh crore compared to the budgeted Rs 15.69 lakh crore. With the new GDP figure fiscal deficit as % of GDP is likely to remain unchanged at 4.4%.
- The budgeted debt to GDP has also been revised downward marginally by 7 bps to 56.07% of GDP.

Fiscal Arithmetic (Rs lakh crore)			
	FY25 PE	FY26 BE	FY26 AE
Fiscal Deficit	15.8	15.7	15.8
% of GDP	4.8	4.4	4.4
<i>Memo:</i>			
Nominal GDP	330.1	364.2	357.1

Source: SBI Research

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