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India's Real GDP Grows 7.8% as per provisional estimate

India real GDP growth was a robust **7.8%** in the April-June quarter (Q1) of FY 2025-26 over 6.5% in the previous year while nominal GDP grew 8.8%, significantly above RBI and market forecasts.

Key highlights

A Manufacturing and Investment Revival: The **manufacturing** sector grew by a strong **7.7%**, while **construction** expanded by **7.6%**. This signals that the government's sustained push for capital expenditure is having a tangible impact.

Gross Fixed Capital Formation (GFCF), a proxy for investment, grew **7.8%** against 6.7% in Q1 FY 2024-25 further reinforces this trend.

Resilience in the Services Sector: The largest contributor to India's GDP, the **services sector**, grew by **9.3%**, a substantial jump from the previous year. This indicates that demand for various services remain strong and are a reliable pillar of the economy.

Improved Agricultural Performance: The **agriculture and allied sector** showed a healthy growth of 3.7% more than doubling the pace over 1.5% in Q1 of last year helped by optimal monsoons. This is crucial for rural demand and overall economic stability.

some areas still faced challenges. The **mining and quarrying** sector contracted by **-3.1%**, while **electricity, gas, and water supply** saw a moderate growth of just **0.5%**. These figures, largely attributed to the impact of the early and widespread monsoon rains, highlight the vulnerability of certain sectors to seasonal factors.

On the **expenditure side**, **Government expenditure** bounced back with a **9.7% growth rate in nominal terms** during Q1 FY26. Partly helped by the low base of previous fiscal.

Private consumption, which is the largest component of GDP, grew by **7.0% in real terms** during Q1 FY26. While this is a slight moderation from 8.3% in the previous year, it still represents a solid and significant contribution to overall growth.

Real GVA

In Rs Lakh Crore

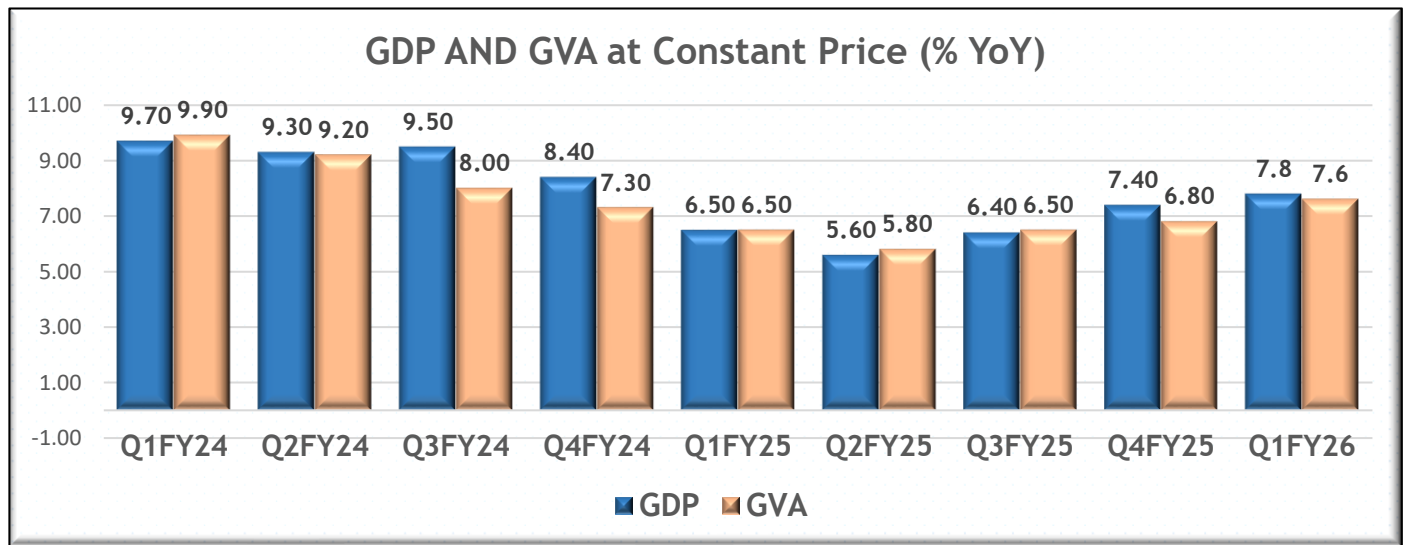
Industry	2023-24	2024-25	2025-26	Y-o-Y Q1FY26
Agriculture, Livestock, Forestry & Fishing	5.40	5.48	5.68	3.7
Industry	11.74	12.73	13.53	6.3
Mining & Quarrying	0.85	0.90	0.87	-3.1
Manufacturing	6.57	7.07	7.61	7.7
Electricity, Gas, Water Supply & Other Utility Services	0.96	1.06	1.06	0.5
Construction	3.36	3.70	3.98	7.6
Services	21.79	23.26	25.42	9.3
Trade, Hotels, Transport, Communication & Services related to Broadcasting	6.54	6.89	7.48	8.6
Financial, Real Estate & Professional Services	10.56	11.26	12.32	9.5
Public Administration, Defence & Other Services*	4.69	5.11	5.61	9.8
GVA at Basic Prices	38.92	41.47	44.64	7.6
Net Taxes	2.78	2.94	3.25	10.30
GDP	41.70	44.42	47.89	7.80

Expenditure components of GDP

In Rs Lakh Crore

Expenditure Components	2023-24	2024-25	2025-26	Y-o-Y Q1FY26
Private Expenditure	23.44	25.38	27.17	7.0
Government Expenditure	4.20	4.18	4.50	7.4
Gross Fixed Capital Formation (GFCF)	14.40	15.35	16.55	7.8
Changes in Stocks (CIS)	0.71	0.76	0.81	5.9
Valuables	0.27	0.21	0.16	-22.5
Exports	8.46	9.16	9.74	6.3
Imports	11.14	10.97	12.16	10.9
Discrepancies	1.37	0.33	1.12	2.3
GDP	41.70	44.42	47.89	7.8

GDP and GVA



India's GDP growth moderated from 9.7% in Q1 FY24 to 6.5% in Q1 FY25 before improving again to 7.8% in Q1FY26. GVA growth also followed a similar trend, slowing from 9.9% in Q1 FY24 to 6.5% in Q1 FY25 and then rising to 7.6% in Q1 FY26. The narrowing gap between GDP and GVA suggests stable tax contributions.

Sector wise GVA Deflator			
Sectors	2023-24	2024-25	2025-26
Agriculture	2.00	2.12	2.11
Industry	1.54	1.55	1.56
Mining & Quarrying	1.60	1.68	1.56
Manufacturing	1.39	1.40	1.43
Electricity, gas, water supply & Other Utility Services	1.94	1.88	1.91
Construction	1.69	1.71	1.70
Services	1.69	1.74	1.78
Trade, hotels, transport, communication & services related to broad casting	1.59	1.63	1.64
Financial, real estate & Professional Services	1.61	1.66	1.68
Public administration, defence and other Services	2.01	2.09	2.17
Total GVA at Basic Price	1.69	1.73	1.75

In Agriculture GVA deflator indicates food price volatility. In Industry, overall deflator moved modestly whereas in construction deflator increased reflecting rising input costs (like cements, steel, raw materials etc.), consistent with infrastructure expansion.

Sector wise GDP Deflator			
Expenditure Component	2023-24	2024-25	2025-26
Private Final Consumption Expenditure (PFCE)	1.79	1.87	1.91
Government Final Consumption Expenditure (GFCE)	1.82	1.89	1.93
Gross Fixed Capital Formation (GFCF)	1.55	1.58	1.58
Changes in Stocks (CIS)	1.51	1.55	1.54
Valuables	1.59	1.80	2.22
Exports	1.80	1.81	1.84
Imports	1.51	1.69	1.61
Discrepancies	0.23	-0.69	-0.62
GDP	1.73	1.78	1.80

For services sector deflator was 1.78% and overall GDP deflator in Q1FY26 was 1.80%

Implications and Outlook

- Potential for Upward Revision of Growth Forecasts:** The RBI and other financial institutions, which had a conservative outlook for FY26, will likely reconsider and revise their full-year growth forecasts upwards. This could attract more foreign investment and improve investor sentiment.
- This **strong increase in government's spending** confirms front-loading of expenditure which is a major reason for the robust GDP growth compensating muted private capex so far. However, front-loading of public capex has also resulted in fiscal deficit touching 29% during April-July vs 17.9% in the same period previous year.
- Low inflation implies that nominal GDP growth for FY26 is likely to be 8% which gives some upward bias to fiscal and debt metrics. Moreover, government will also have to undertake more expenditure to support sectors hit by US tariffs. G-Sec and SDL yields could harden.
- Real GDP growth for the entire fiscal is likely to be close to 7% notwithstanding tariff related shocks riding on the back of 7.8% growth achieved in Q1. However, this also reduces the odds of another repo rate cut.

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