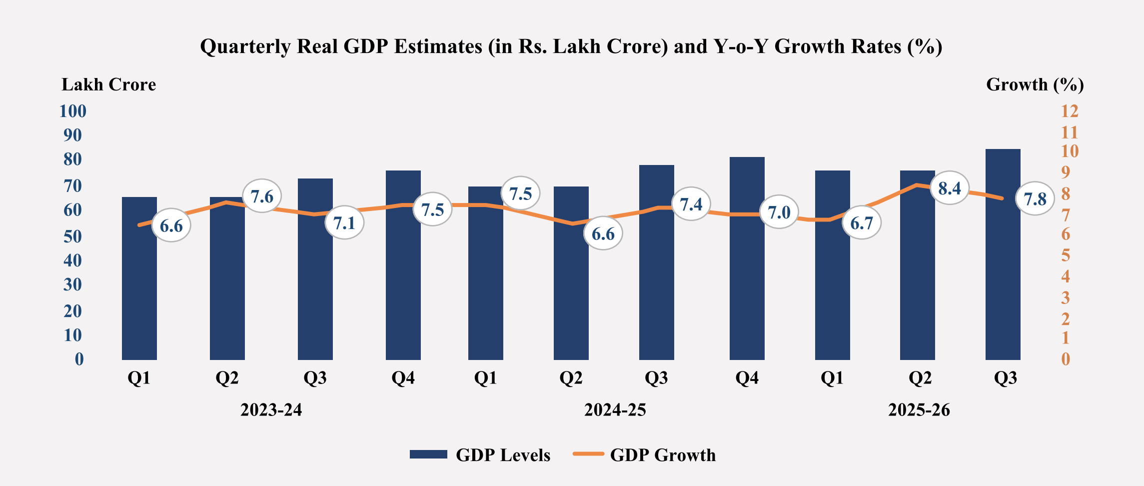
India's GDP – Revised Estimates and Structural Changes

The **Real GDP growth** for FY 2025–26 is estimated at **7.6%,** an improvement over the **7.1% growth recorded in FY 2024–25, while the Nominal GDP is projected at 8.6%.** On a **quarterly basis,** Real GDP registered a **7.8% year-on-year expansion in Q3 FY 2025–26.**



The Ministry of Statistics and Programme Implementation (MoSPI) has introduced a new series of **Annual and Quarterly National Accounts with 2022–23 as the base year.** This replaces the earlier GDP series that used **2011–12 as the base year**. Financial Year (FY) 2022–23 has been chosen as the new base year because it represents a **recent, stable year following the COVID disruption and offers comprehensive data availability across sectors.**

Under the revised GDP series (base year 2022–23), growth estimates for recent years have undergone notable recalibration. For FY 2023–24, growth has been revised downward from approximately **9.2% under the old series to 7.2%** under the new framework. In contrast, FY 2024–25 has been revised upward from around **6.5% to 7.1%**. Similarly, the growth estimate for FY 2025–26 has been marginally increased from the **First Advance Estimate of 7.4% to 7.6%** under the revised series. This recalibration carries implications for key fiscal indicators that are expressed as a share of GDP, such as the **fiscal deficit-to-GDP** and **debt-to-GDP ratios**, which could now appear relatively higher due to the lower denominator.

These revisions indicate that the previous series required structural and methodological updates to better reflect the evolving structure of the economy and present a more accurate and realistic assessment of growth.

In a base year revision, updates are introduced to reflect structural shifts in the economy, integrate more comprehensive data sources and broaden coverage.

Key Improvements in the New GDP Series (Base Year 2022–23)

- **Better separation of activities in multi-activity companies**

  Improved estimation of the Private Corporate Sector by separately identifying different business activities within the same enterprise.

- **Wider coverage of the unincorporated sector**

  Use of annual survey data to better capture trends and changes in small and informal businesses.

- **Improved deflation methods**

  Adoption of double deflation for Agriculture and Manufacturing, and volume/single extrapolation methods for other sectors.

- **Improved benchmarking for quarterly GDP**

  The Proportional Denton Method has replaced the earlier Pro-Rata method for more accurate quarterly estimates.

- **Use of updated rates and ratios**

  Latest survey data and methodological studies by MoSPI and expert institutions have been incorporated.

- **Greater use of GST and administrative data**

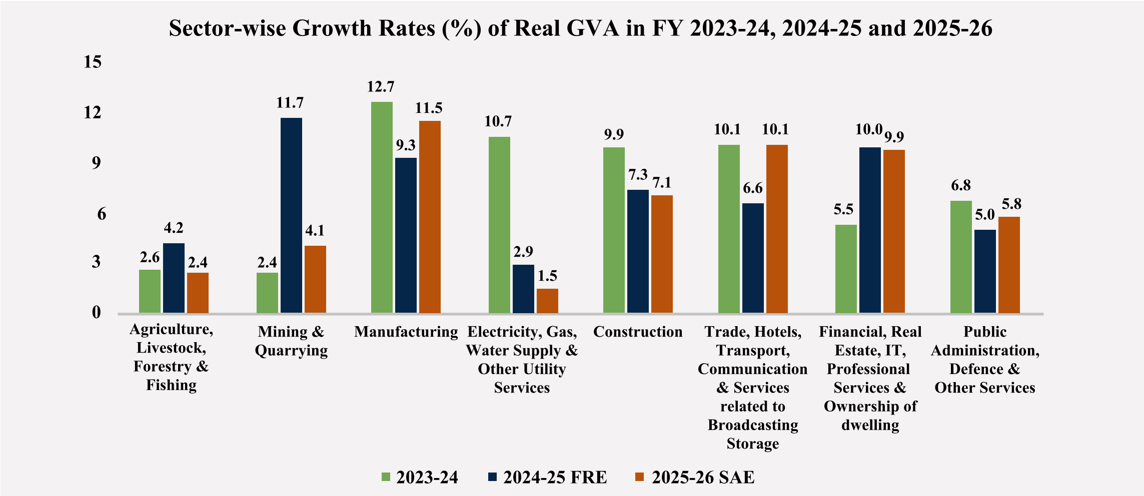
  Expanded use of GST data and other administrative sources to strengthen quarterly national accounts.

- **Better estimation of Private Final Consumption Expenditure (PFCE)**

  Adoption of the COICOP 2018 classification, along with survey and administrative data, for improved consumption estimates.

- **Reduced discrepancies through SUT integration**

  Improved consistency between production and expenditure estimates by integrating the Supply and Use Table (SUT) framework.



The improved growth trajectory in FY 2025–26 is supported by strong momentum in the **second quarter (8.4%)** and **third quarter (7.8%)**. The **manufacturing sector** continues to play a central role in driving economic resilience, posting double-digit growth in FY 2023–24 and FY 2025–26. Meanwhile, the **secondary and tertiary sectors** have also strengthened overall performance, each recording growth above **9.0% in FY 2025–26.** Within services, the 'Trade, Repair, Hotels, Transport, Communication & Services related to Broadcasting and Storage' segment recorded a notable **10.1% growth at constant prices,** indicating broad-based expansion across key segments of the economy.

Outlook

The Indian economy continues to demonstrate resilience despite intensifying global headwinds. In Q3, **growth remained firm at 7.8%**, even as the economy absorbed the first full impact of the "Trump tariffs." While **India** and the **U.S.** subsequently agreed to an interim arrangement reducing **tariffs** to **18%**, uncertainty has re-emerged following the recent U.S. Supreme Court ruling that struck down parts of the earlier tariff framework, adding renewed unpredictability to the external environment.

Although global conditions posed challenges, domestic demand supported by festive activity provided a cushion to growth. On a sequential basis, growth moderated from 8.4% in the previous quarter; however, part of this moderation may be attributable to methodological changes under the revised GDP series.

The new series, with its updated base year and improved methodologies, is expected to better capture the current structure of the economy, enhancing the relevance and accuracy of official estimates. ***Looking ahead, the growth outlook remains constructive, supported by strengthening investment activity and resilient domestic consumption. That said, the external sector may continue to face intermittent pressures. Recent geopolitical developments in the Middle East and their potential impact on crude oil prices could exert additional strain through higher import costs, thereby weighing on the external balance.***