

Q2FY26 GDP surpasses expectations, underscoring macroeconomic resilience

India's Q2FY26 GDP growth accelerated to a six-quarter high of 8.2% YoY, surpassing market expectations (Reuters: 7.3%) and the RBI's 7% projection. This lifted H1FY26 growth to 8%, well above 6.1% a year earlier, reaffirming India's position as the fastest-growing major economy and underscoring the resilience of domestic demand. Nominal GDP growth, however, eased to a four-quarter low of 8.7%, narrowing the real–nominal gap to a six-year low amid muted tax receipts. Growth was driven by strong private consumption and robust investment, partly offset by a decline in government consumption. Private consumption benefited from income tax rationalisation, easing borrowing costs, improving rural conditions, and subdued inflation, even as some high-frequency indicators showed mixed trends. Gross fixed capital formation remained a key driver, buoyed by strong government capex and a gradual pickup in private investment amid healthier balance sheets, steady capacity utilisation and supportive financial conditions. External demand benefitted from front-loaded exports ahead of US tariff adjustments, though its durability hinges on clarity around the evolving trade framework. On the supply side, GVA expanded at an eight-quarter high of 8.1% YoY, supported by robust manufacturing activity and continued strength in services, particularly financial, real estate, & business services.

Consumption demand is likely to remain firm, supported by a confluence of tailwinds including festive and wedding-related spending, the lagged and combined effects of fiscal and monetary measures, sustained momentum in public capex, improved rabi prospects, and accommodative financial conditions. With robust real growth alongside moderate inflation, the economy appears to be moving toward a “Goldilocks” configuration. This balance is expected to reinforce MPC's inclination toward policy continuity in the December meeting, helping preserve the disinflation trajectory while supporting the ongoing expansion cycle.

- Q2FY26 GDP surges to a six-quarter high of 8.2%...:** The Indian economy grew 8.2% YoY in Q2FY26, significantly outperforming median market expectations (Reuters: 7.3%) and the RBI's 7% forecast. The strength partly reflects a favourable base (5.6% in Q2FY25), the impact of a muted deflator amid benign inflation, front-loaded merchandise exports ahead of US tariff changes in late August, and continued buoyancy in government capex. Growth was also supported by stronger corporate earnings in manufacturing and services and an improved kharif crop, aided by stable monsoon, reservoir and sowing conditions. GVA rose 8.1% YoY, driven by a sharp rebound in manufacturing and steady momentum in services.

GDP growth in Q2FY26 beats estimates; marks a six-quarter high of 8.2% YoY in Q2, with nominal growth easing further to a four-quarter low of 8.7%

Nominal GDP growth, however, eased to a four-quarter low of 8.7% YoY, narrowing the real–nominal gap to a 24-quarter low of 0.5pp—a reflection of subdued inflation. The soft nominal print also points to underlying demand moderation and is mirrored in slower central government tax collections, which reached 45% of FY26BE in Apr–Oct (vs. 50.5% a year ago).

- ...supported by accelerated growth in consumption...:** Private final consumption expenditure grew at an accelerated pace of 7.9% YoY led by gains emanating through income tax rationalisation, easing interest rates, buoyant agriculture and rural conditions and subdued inflation. This was partly offset by deferred consumption discretionary spending ahead of the GST rationalisation effective end-September. Consumption growth continued to be aided by rural demand as seen in FMCG rural volume growth of 7.7% YoY, well above urban growth of 3.7% and highlighting an uneven pace of consumption recovery.¹ However, muted performance in some of the high frequency indicators — domestic passenger car sales (average: -2.2% YoY in Q2), vehicle registrations (2.1% YoY), GST collections

GDP growth in Q2 was led by healthy private consumption, investment and exports even as government expenditure declined.

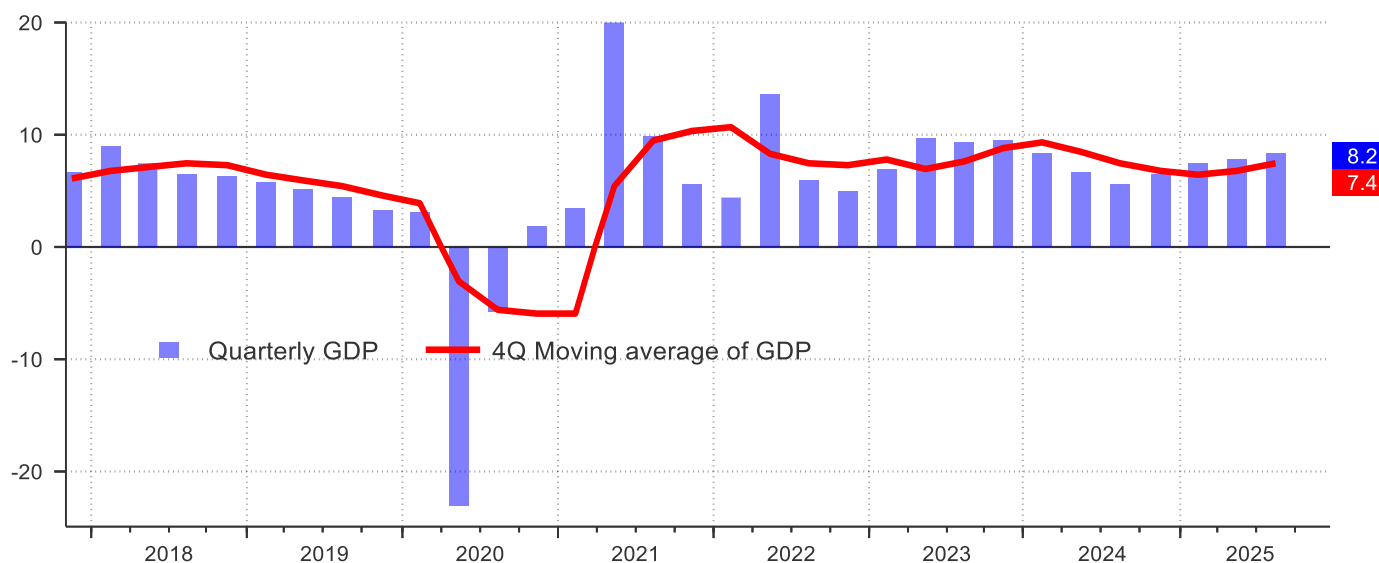
¹ <https://nielseniq.com/global/en/news-center/2025/niq-gst-2-0-sparks-short-term-dip-in-fmcg-demand/>

(1.9% YoY), domestic passenger traffic (1.2% YoY) partly weighed on overall consumption.

- **...As well as investment:** Gross fixed capital formation grew by 7.3% YoY led by healthy growth in Government capex (31% YoY in Q2) and reflects a stable uptick in private capex spending. Investment rate — as measured by nominal GFCF as a percentage of GDP — continues to remain stable at 30.5%. Exports grew by 5.6% YoY supported by a low base effect (3% YoY in Q2 FY25) and sequential momentum from front-loaded shipments to the US ahead of the tariff implementation and sustained momentum in net services, reflected in average net exports growth of ~14% YoY in Q2. Government final expenditure contracted by 2.7% YoY — second time in three quarters — with the revenue expenditure of Central Government less subsidies and interest payments lower by 13% YoY.
- **GVA growth accelerates to an eight quarter of 8.1% YoY:** GVA growth also came in at an eight-quarter high of 8.1% YoY in Q2FY26, significantly higher than 5.8% YoY in Q2FY25, supported by a broad-based expansion across sub-sectors. Manufacturing GVA expanded at an accelerated pace of 9.1% YoY— a six-quarter high — partly supported by healthy growth in IIP manufacturing (4.3% YoY in Q2) and improved corporate earnings. The services sector sustained strong momentum, expanding by 9.2% YoY, with gains broad-based across sub-segments. Growth was led by financial services, real estate, and business services, which posted a nine-quarter high growth of 10.2% YoY. Although agricultural GVA growth has moderated for three consecutive quarters, the sector's expansion remains steady, supported by robust kharif output as reflected in the First Advance Estimates (FAE) of major crops.²
- **H1 growth on strong footing; outlook remains promising:** The Indian economy grew by a strong 8% YoY in H1FY26, well above the 6.1% pace a year ago, supported by broad-based expansion across sectors except government consumption. While some moderation is expected in H2, momentum should remain resilient, driven by festive and wedding-led demand, combined boost from fiscal and monetary policy, continued traction in capital expenditure, and favourable agricultural prospects aided by improved rabi sowing and healthy reservoir levels. On the investment side, steady capacity utilisation, stronger balance sheets, and supportive financial conditions create a conducive backdrop for a further pickup in private capex. That said, clarity on the US–India trade deal will be critical for sustaining merchandise export momentum, which has softened recently. Overall, the economy is moving toward a “Goldilocks” configuration of solid growth and benign inflation — a mix that may prompt RBI’s MPC to defer a rate cut in its December meeting.

GVA growth accelerated to an eight-quarter high of 8.1% YoY in Q2, led by a broad-based expansion across sub-sectors.

² <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2194726®=3&lang=2>

Figure 1: India quarterly GDP growth trend


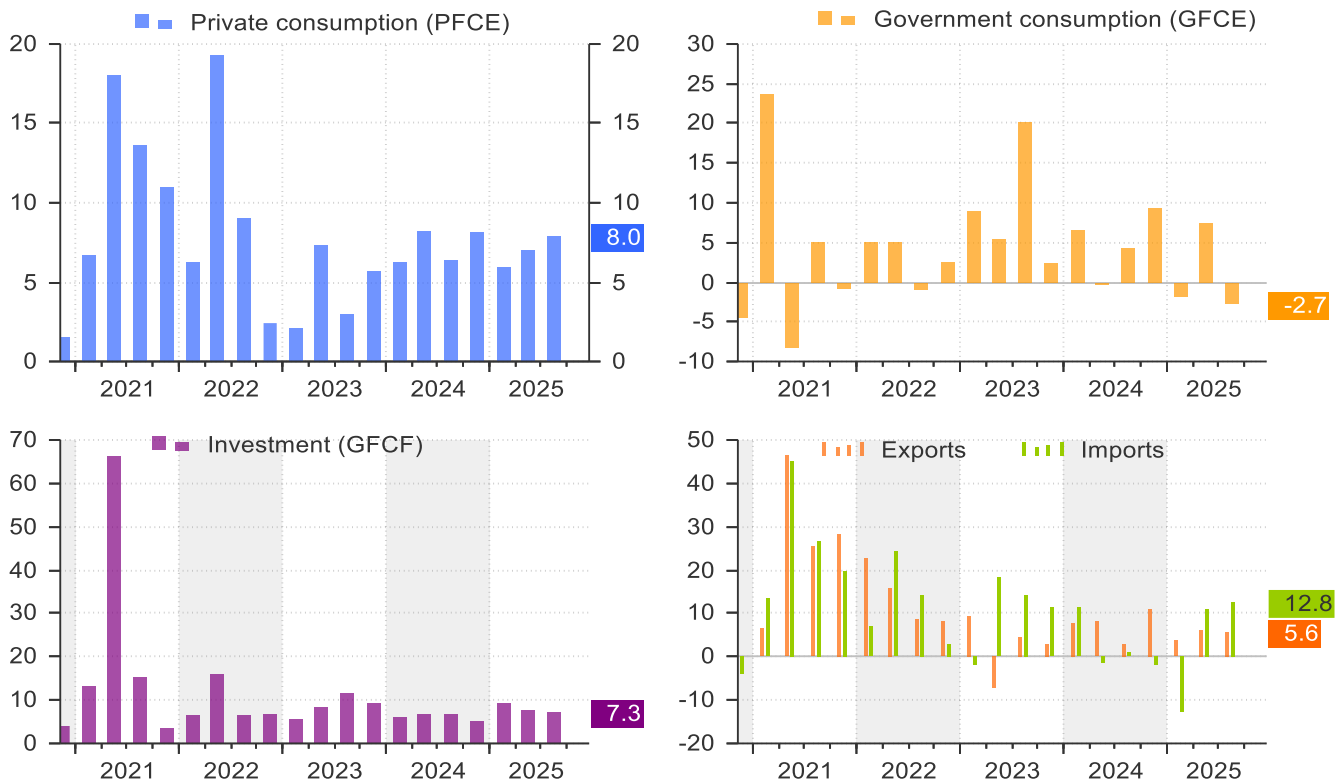
Source: LSEG Workspace, NSE EPR.

Table 1: Quarterly GDP growth trend (2011-12=100) (%YoY)

	FY24				FY25				FY26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross Domestic Product (GDP)	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4	7.8	8.2
Private Consumption (PFCE)	7.4	3.0	5.7	6.2	8.3	6.4	8.1	6.0	7.0	7.9
Government Consumption (GFCE)	5.3	20.1	2.3	6.6	-0.3	4.3	9.3	-1.8	7.5	-2.7
Gross Capital Formation (GCF)	8.9	11.9	12.4	9.1	6.2	7.7	4.9	7.8	7.3	5.1
Gross Fixed Capital Formation (GFCF)	8.4	11.7	9.3	6.0	6.7	6.7	5.2	9.4	7.8	7.3
Exports	-7.0	4.6	3.0	7.7	8.3	3.0	10.8	3.9	6.3	5.6
Imports	18.0	14.3	11.3	11.4	-1.6	1.0	-2.1	-12.7	10.9	12.8
Gross Value Added (GVA)	9.9	9.2	8.0	7.3	6.5	5.8	6.5	6.8	7.6	8.1
Agriculture	5.7	3.7	1.5	0.9	1.5	4.1	6.6	5.4	3.7	3.5
Industry	7.3	15.1	11.8	9.5	8.5	3.8	4.8	6.5	6.3	7.7
Mining and Quarrying	4.1	4.1	4.7	0.8	6.6	-0.4	1.3	2.5	-3.1	0.0
Manufacturing	7.3	17.0	14.0	11.3	7.6	2.2	3.6	4.8	7.7	9.1
Electricity	4.1	11.7	10.1	8.8	10.2	3.0	5.1	5.4	0.5	4.4
Construction	9.2	14.6	10.0	8.7	10.1	8.4	7.9	10.8	7.6	7.2
Services	12.5	7.5	8.3	7.8	6.8	7.2	7.4	7.3	9.3	9.2
Trade, Hotels, Trans., Storage, Comm.	11.0	5.4	8.0	6.2	5.4	6.1	6.7	6.0	8.6	7.4
Fin. Svcs, Real Estate & Business Svcs.	15.0	8.3	8.4	9.0	6.6	7.2	7.1	7.8	9.5	10.2
Public Admin., Defence & Other Svcs.	9.3	8.9	8.4	8.7	9.0	8.9	8.9	8.7	9.8	9.7

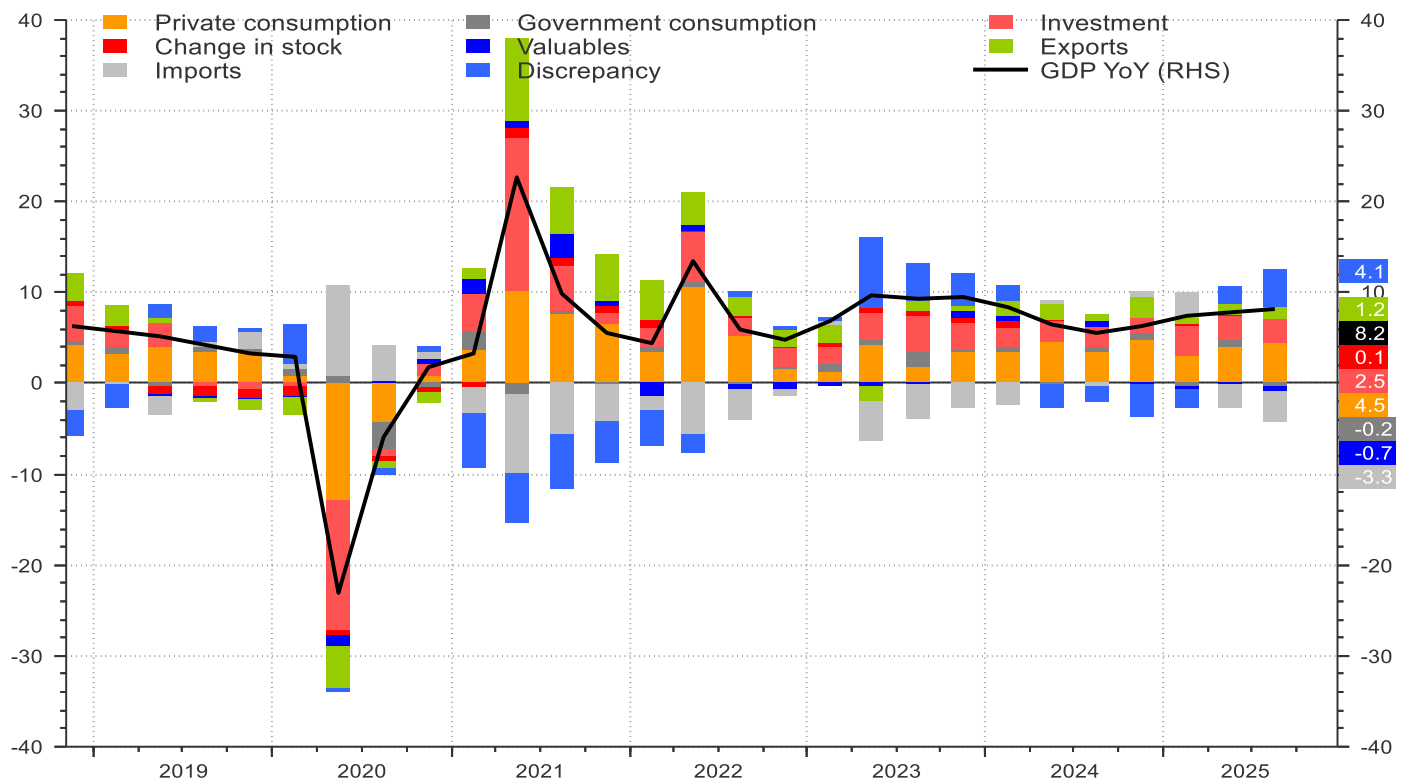
Source: CSO, NSE EPR.

Figure 2: Quarterly GDP growth by expenditure (%YoY)

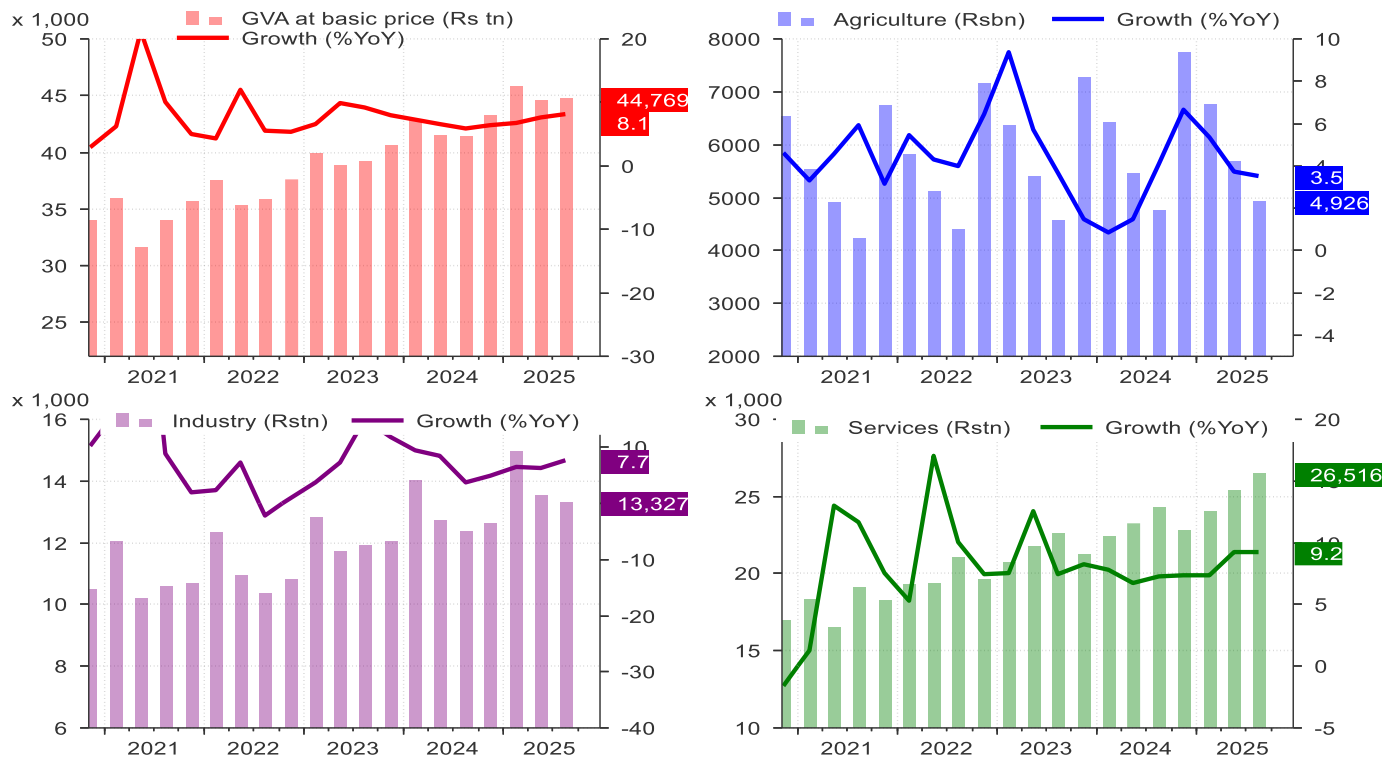


Source: LSEG Workspace, NSE EPR.

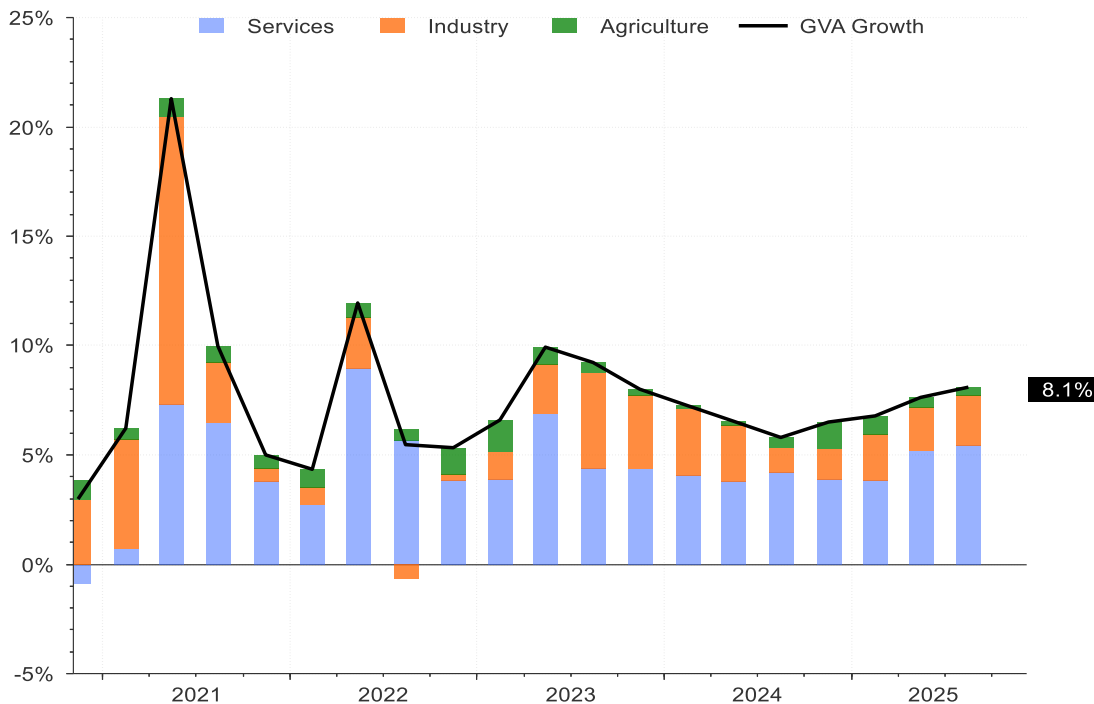
Figure 3: India GDP sector share of growth (%)



Source: LSEG Workspace, NSE EPR.

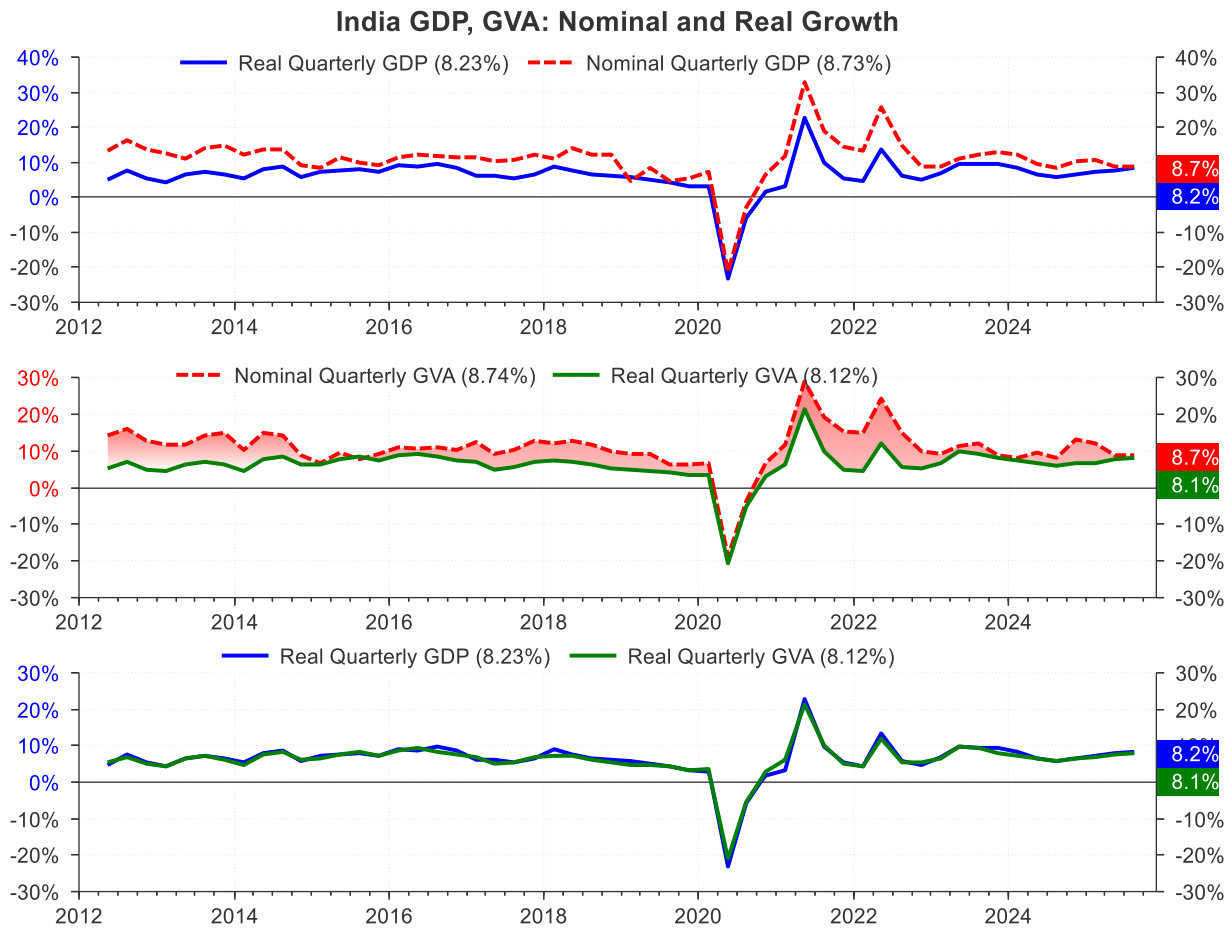
Figure 4: Gross value added (GVA) across sectors


Source: LSEG Workspace, NSE EPR.

Figure 5: India GVA sector share of growth (%)


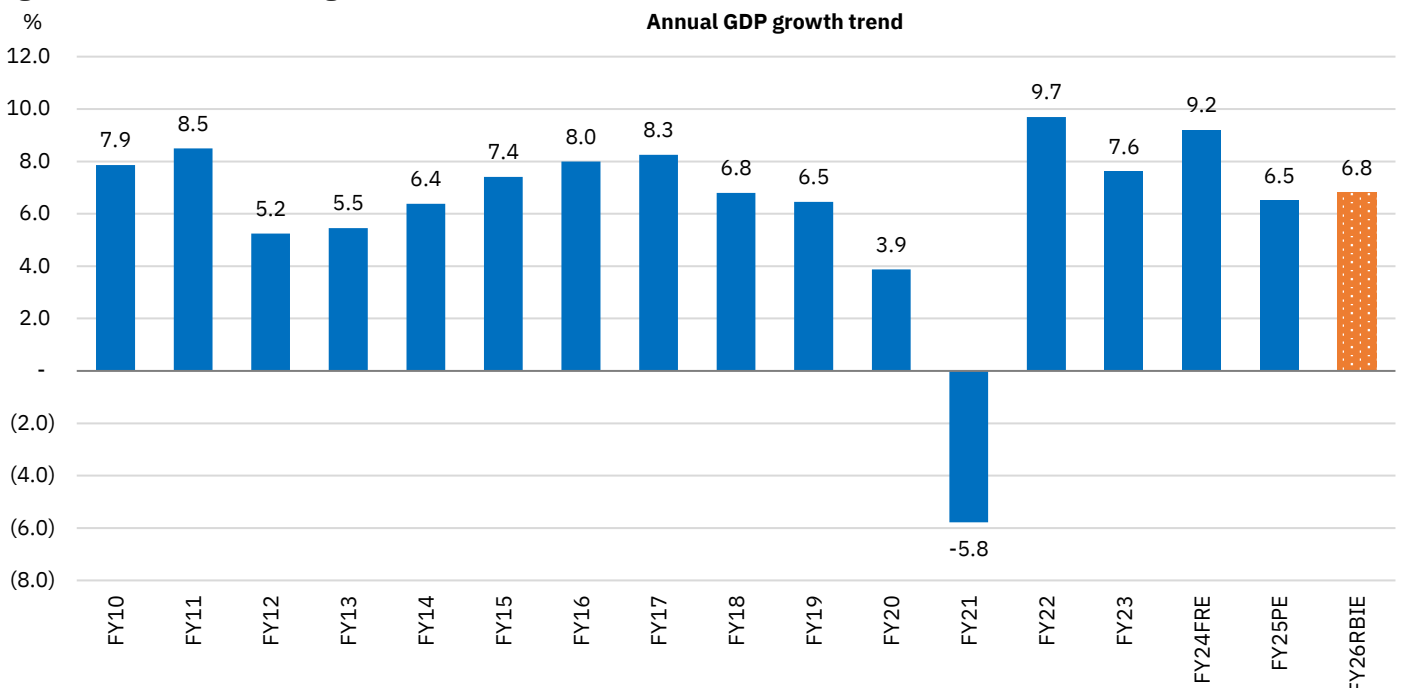
Source: LSEG Workspace, NSE EPR.

Figure 6: Quarterly trend of nominal vs. real GDP and GVA growth



Source: LSEG Workspace, NSE EPR.

Figure 7: Annual real GDP growth trend

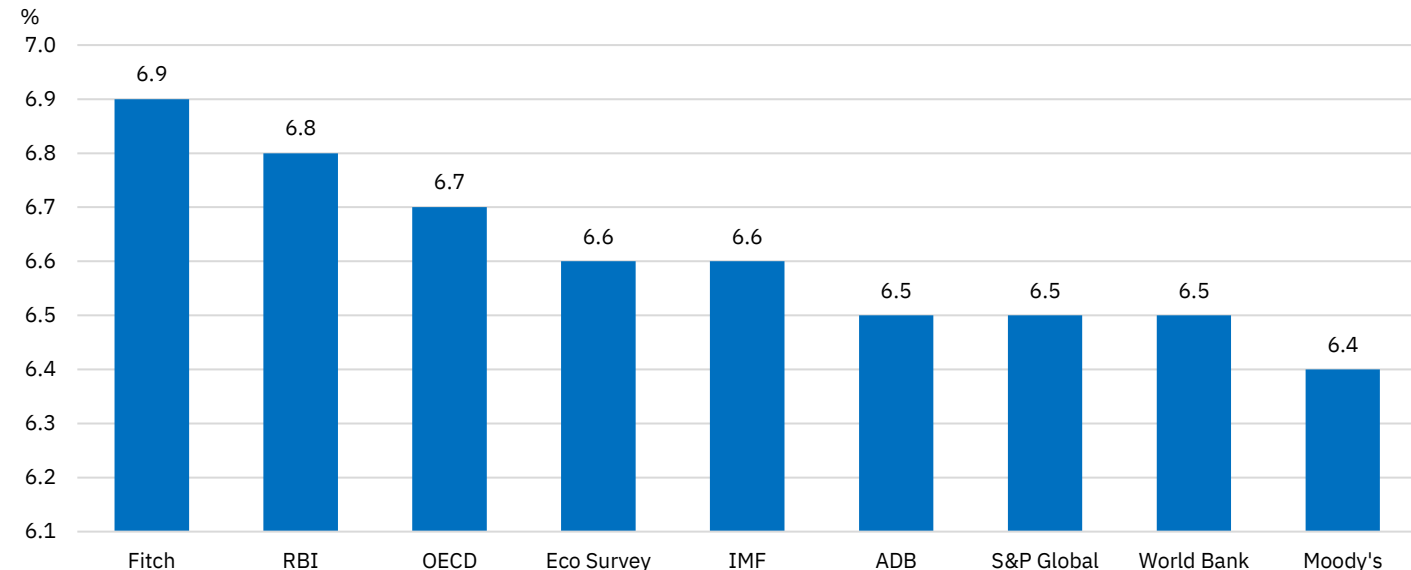


Source: CSO, CMIE Economic Outlook, NSE EPR. FRE= First Revised Estimate; PE = Provisional Estimate; RBIE = RBI Estimate.

Table 2: Half-yearly real growth trends across sectors (YoY%)

%	H1-FY23	H2-FY23	H1-FY24	H2-FY24	H1-FY25	H2-FY25	H1-FY26
Gross Domestic Product (GDP)	9.6	5.9	9.5	8.9	6.1	6.9	8.0
Private Consumption	13.8	2.3	5.1	6.0	7.3	7.1	7.5
Government Consumption	2.2	6.2	11.9	4.8	1.9	2.6	2.5
Gross capital formation	10.4	5.1	10.4	10.6	7.0	6.4	6.2
Gross Fixed Capital Formation	11.0	6.1	10.1	7.6	6.7	7.4	7.6
Exports of goods & services	11.9	8.8	-1.2	5.4	5.5	7.1	5.9
Imports of goods & services	18.7	0.5	16.1	11.3	-0.2	-7.3	11.8
Gross Value Added (GVA)	8.6	6.0	9.6	7.6	6.2	6.6	7.9
Agriculture	4.2	7.8	4.8	1.2	2.7	6.0	3.6
Industry	2.5	2.5	11.1	10.6	6.1	5.7	7.0
Mining and Quarrying	3.0	3.7	4.1	2.5	3.6	2.0	-1.8
Manufacturing	-2.3	-1.2	12.1	12.5	4.8	4.3	8.4
Electricity	12.3	9.2	7.9	9.5	6.5	5.2	2.4
Construction	10.5	8.0	11.8	9.3	9.3	9.4	7.4
Services	13.3	7.5	9.9	8.1	7.0	7.4	9.3
Trade, Hotels, Transport, Storage, Comm.	17.2	8.5	8.0	7.1	5.8	6.4	8.0
Fin. Svcs, Real Estate & Business Svcs.	11.3	10.2	11.6	8.7	6.9	7.5	9.9
Community, Social & Personal Svcs.	12.2	1.9	9.1	8.6	8.9	8.8	9.7

Source: CSO, NSE EPR.

Figure 8: Comparison of annual real GDP growth forecasts for India across institutions


Source: Various multi-lateral institutions, NSE EPR Notes: 1) The estimate from Economic Survey is the average of the range of 6.3-6.8% 2) For Moody's the projection is for 2026.

Table 3: High frequency indicators

Indicators		Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Consumption								
Auto volumes - passenger (domestic)	YoY%	-3.9	-5.4	-12.2	-15.3	-0.5	-6.9	0.8
2W volumes (domestic)	YoY%	11.4	-16.7	2.2	-3.4	8.7	7.1	6.7
Tractor volumes	YoY%	25.4	7.7	9.1	10.5	8.0	28.3	45.4
Vehicle registrations	YoY%	0.3	4.0	6.0	5.7	-3.6	3.7	6.3
Personal loans	YoY%	11.7	11.9	11.1	12.1	11.9	11.8	11.8
IIP-Consumer durables	YoY%	6.9	6.2	-0.9	2.8	7.3	3.5	10.2
IIP-Consumer non-durables	YoY%	-4.0	-2.7	-1.0	-0.9	0.5	-6.4	-2.9
Petrol Consumption	YoY%	5.7	5.0	9.2	6.9	5.9	5.5	8.0
Diesel Consumption	YoY%	0.9	4.2	2.1	1.5	2.4	1.2	6.6
GST collections	Rs lakh cr	2.0	2.4	2.0	1.8	2.0	1.9	1.9
MGNREGA Work Demand	YoY%	1.6	-9.7	1.1	3.6	-11.5	-25.4	-26.9
CPI	YoY%	3.3	3.2	2.8	2.1	1.6	2.1	1.4
WPI	YoY%	2.3	0.9	0.1	-0.2	-0.6	0.5	0.1
Investment								
IIP-Capital goods	YoY%	3.6	14.0	13.3	3.0	6.8	4.5	4.7
Central government capex	YoY%	67.2	61.0	38.7	43.7	-10.5	113.1	30.9
IIP- Infra/ construction goods	YoY%	9.9	4.7	6.7	6.7	13.7	10.4	10.5
External sector								
Merchandise exports	YoY%	0.8	-3.8	-1.2	-1.3	13.4	6.1	6.7
Merchandise imports	YoY%	11.4	20.0	-1.3	-3.4	8.6	-10.1	16.7
Non-POL, Non-gold and silver imports	YoY%	4.1	18.6	11.1	-0.4	7.6	-0.6	12.8
Services (net)	YoY%	35.3	18.8	23.8	19.8	12.2	12.2	17.3
Foreign exchange reserves	US\$ bn	665.4	688.1	691.5	702.8	698.2	694.2	700.2
Business activity								
IIP	YoY%	3.9	2.6	1.9	1.5	4.3	4.1	4.0
IIP-Manufacturing	YoY%	4.0	3.1	3.2	3.7	6.0	3.8	4.8
Core sector: Coal	YoY%	1.6	3.5	2.8	-6.8	-12.3	11.4	-1.2
Core sector: Steel	YoY%	8.7	4.4	7.4	9.7	16.6	13.6	14.1
Core sector: Cement	YoY%	12.2	6.3	9.7	8.2	11.6	5.4	5.3
Core sector: Electricity	YoY%	7.5	1.8	-4.7	-1.2	3.7	4.2	2.1
Manufacturing PMI	Index	58.1	58.2	57.6	58.4	59.1	59.3	57.7
Domestic cargo traffic	YoY%	4.9	16.6	2.3	2.6	4.8	7.1	2.8
International cargo traffic	YoY%	3.3	8.6	6.8	-1.2	4.2	4.5	2.3
Port cargo	YoY%	6.8	5.8	1.0	2.9	2.8	5.0	8.1
E-way bills	YoY%	20.2	23.4	18.9	19.3	25.8	22.4	21.0
Services/ banking								
Services PMI	Index	58.5	58.7	58.8	60.4	60.5	62.9	60.9
Domestic passengers traffic	YoY%	9.9	9.7	2.6	3.7	-2.6	-0.5	-2.5
International passengers traffic	YoY%	6.8	13.0	5.0	3.4	5.5	7.8	7.3
Bank deposit	YoY%	10.3	9.8	9.9	10.1	10.2	8.4	8.3
Bank credit	YoY%	11.0	10.1	9.0	9.5	10.0	10.0	10.4
Banking system liquidity (Net injection(+)/absorption(-))	Rs lakh crore	-1.7	-1.4	-2.4	-2.6	-2.7	-2.7	-1.6

Source: CMIE Economic Outlook, NSE EPR

Table 4: Cross-country comparison of GDP growth (YoY%)

Country	Q1-2023	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	Q2-2025	Q3-2025
Brazil	4.4	3.9	2.4	2.4	2.6	3.3	4.0	3.6	2.9	2.2	
China	4.7	6.5	5.0	5.3	5.3	4.7	4.6	5.4	5.4	5.2	4.8
EU	1.4	0.1	-0.1	0.2	0.3	0.9	1.4	1.6	1.5	1.4	
Japan	2.2	1.4	0.9	0.5	-0.8	-0.7	0.5	1.0	1.8	2.0	1.1
France	1.7	1.3	1.1	1.6	1.5	0.8	1.8	0.7	0.3	0.7	0.5
UK	0.8	0.5	0.4	-0.2	0.7	1.1	1.2	1.5	1.3	1.2	
US	2.5	3.0	3.2	2.9	3.1	3.0	2.7	2.6	2.3	2.0	
Germany	-0.0	-1.1	-1.3	-1.0	-1.1	-0.3	-0.2	-0.4	0.0	-0.1	0.3
South Korea	1.3	1.2	1.5	2.2	3.4	2.2	1.4	1.1	-0.0	0.6	1.7
India	6.9	9.7	9.3	9.5	8.4	6.5	5.6	6.4	7.4	7.8	8.2
South Africa	0.5	2.0	-0.8	1.6	0.5	0.4	0.4	0.8	0.8	0.6	
Mexico	3.9	3.5	3.6	2.5	1.5	2.2	1.5	0.6	0.8	0.1	-0.1
Russia	-0.9	5.3	6.2	5.3	5.4	4.3	3.3	4.5	1.4	1.1	
Indonesia	5.0	5.2	4.9	5.0	5.1	5.0	4.9	5.0	4.9	5.1	5.0

Source: CEIC, NSE EPR

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