

2QFY26 GDP Preview

India Economy | Update

November 20, 2025

2QFY26 GDP seen at 7.0%; FY26 GDP raised to 7%

Key Points

- GVA growth in 2QFY26 is seen at 7.1%, above our earlier estimate of 6.3%, while GDP growth is at 7.0% (earlier estimate: 6.5%). We also revise our FY26 GDP growth estimate upwards to 7% from 6.5% supported by a better-than-expected growth in 2QFY26 and strong festive demand.
- Agriculture & allied sector growth is projected at 3.5% in 2QFY26 supported by healthy Kharif sowing and a good Rabi harvest. Industry (ex. construction) is expected to grow 7.3% YoY in 2QFY26 vs 5.8% in 1QFY26, supported by an estimated 8.5% YoY growth in manufacturing on the back of robust corporate profitability, a low base, and a muted deflator.
- Services (including construction) is likely to slow to 7.6% YoY in 2QFY26, down from 9.0% in 1QFY26. Robust construction sector growth at 10.5% YoY is expected to be offset by a slowdown in public administration and defence services due to muted growth in government revenue expenditure.
- Core GVA is seen at 7.8% YoY in 2QFY26 vs 8% in 1QFY26. While GDP growth remains relatively healthy on account of monetary and fiscal policy support, growth in 2HFY26 may slow on a higher base, even though festive demand has been robust. With inflation likely to undershoot the RBI's estimate, we see room for a 25bps rate cut in December.

Manufacturing supported by resilient corporate profitability, deflator, and low base:

Agriculture & allied sector growth is projected at 3.5% in 2QFY26, supported by healthy Kharif sowing and a good Rabi harvest. Industry (ex. construction) is expected to grow 7.3% YoY in 2QFY26 vs 5.8% in 1QFY26, supported by an estimated 8.5% YoY growth in manufacturing on the back of robust corporate profitability, a low base (2.2% growth in 2QFY25), and a muted deflator. Operating profitability of BSE 500 companies rose 8.4% YoY while for BSE 500 (ex. banks) it was up 11.2% YoY. Manufacturing, as measured by the Index of industrial production (IIP), rose 4.9% YoY. Mining is expected to decline 0.4% YoY in line with IIP-mining whereas electricity, gas, and water supply is expected to grow 3.7% YoY in line with IIP-electricity.

Services sector to see slowdown on muted government revenue expenditure: Services (including construction) is likely to slow to 7.6% YoY in 2QFY26 down from 9.0% in 1QFY26. Construction is expected to grow 10.5% YoY in 2QFY26, supported by robust growth in cement and steel, and government capital expenditure. Trade, hotels, transport and communication is expected to slow to 7% YoY in 2QFY26 vs 8.6% in 1QFY26. Traffic indicators were mixed. Air traffic growth declined 2.8% YoY in 2QFY26 while port traffic was largely flat from the previous quarter and rail traffic picked up. Petrol consumption slowed marginally from the previous quarter whereas diesel consumption improved. Financial, real estate, and professional services is expected to grow 8% YoY in 2QFY26, down from 9.5% YoY in 1QFY26. Credit and deposit growth slowed at the margin while growth in insurance premiums also moderated. Central government revenue expenditure (net of interest and subsidies) declined 10.7% YoY while salaries & wages of central and state governments remained under pressure. We expect public administration, defence, and other services to grow 6% YoY in 2QFY26, slowing from 9.8% in 1QFY26.

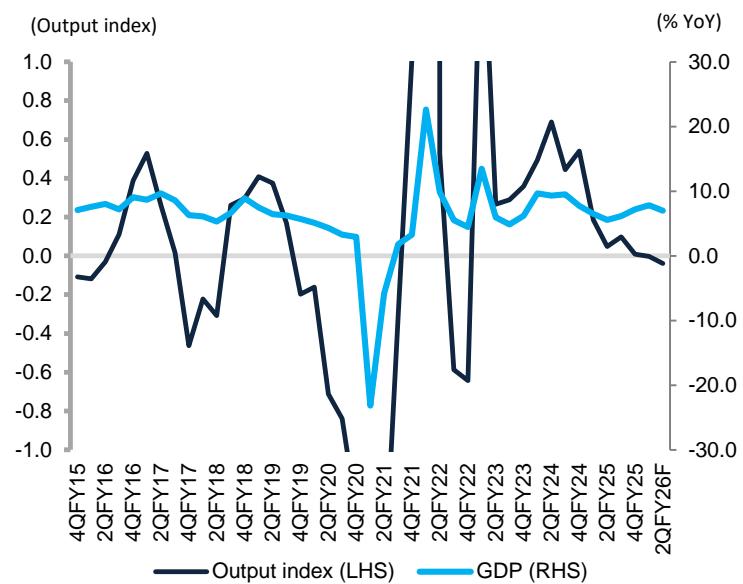
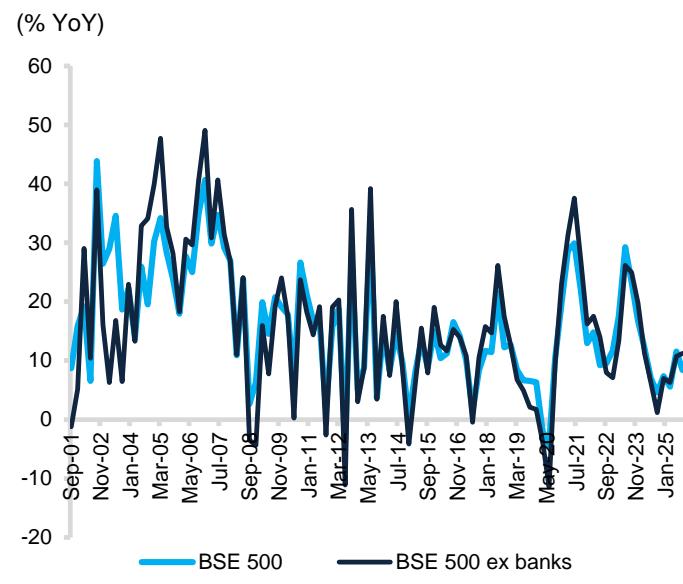
Growth remains resilient; FY26 GDP revised up to 7%: We revise up our FY26 GDP growth estimate to 7% from 6.5% supported by a better than expected 2QFY26 growth and strong festive demand. While GDP growth remains relatively healthy on the back of monetary and fiscal policy support, growth in 2HFY26 may slow on a higher base, even as festive demand has been robust. With inflation likely to undershoot the RBI's estimate, we see room for a 25bps rate cut in December. CPI inflation in FY27 is unlikely to exceed 4%, which implies high real rates in an environment of global volatility and uncertainty. 50bps of easing by the US Federal Reserve also bolsters the case for easing by the RBI. While room exists for easing of up to 50bps, RBI is likely to be cautious with further rate cuts.

Key Macro Forecasts

Particulars	FY24	FY25	FY26F
GDP (% YoY)	9.2	6.5	7.0
GVA (% YoY)	8.6	6.4	6.9
Agriculture (% YoY)	2.7	4.6	4.0
Industry ex. construction (% YoY)	11.0	4.5	6.5
Services incl. construction (% YoY)	9.2	7.5	7.7
CPI (average)	5.4	4.7	2.1
WPI (average)	-0.7	2.3	0.0
Interest rates-Repo (fiscal year end)	6.50	6.25	5.25
Fiscal deficit (% of GDP)	5.6	4.8	4.4
Current account balance (% of GDP)	-0.7	-0.6	-0.5
INR/USD (average)	82.8	84.5	88.0
10 year yields (average)	7.16	7.0	6.5
Crude oil price (US\$/bbl average)	82.1	77	65

Source: CSO, CEIC, Nirmal Bang Institutional Equities

Please refer to the disclaimer towards the end of the document.

Exhibit 1: Proprietary output index suggests growth may be bottoming out

Exhibit 2: Operating profitability of BSE companies healthy in 2QFY26


Source: CSO, CEIC, Nirmal Bang Institutional Equities

Source: Ace Equity, Nirmal Bang Institutional Equities

Exhibit 3: 2QFY26 GDP seen at 7.0% and GVA at 7.1%; FY26 GDP raised to 7%

	% of GDP	FY23	FY24	FY25	FY26F New	FY26F Old	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26	2QFY26F New	2QFY26F Old	3QFY26F	4QFY26F
Agriculture	14.1	6.3	2.7	4.6	4.0	4.0	1.5	4.1	6.6	5.4	3.7	3.5	4.0	4.0	4.0
Industry excluding construction	20.8	0.0	11.0	4.5	6.5	5.9	7.8	2.1	3.5	4.7	5.8	7.3	6.1	7.0	5.8
Mining and Quarrying	2.3	3.4	3.2	2.7	0.6	1.0	6.6	(0.4)	1.3	2.5	(3.1)	(0.4)	4.0	3.0	3.0
Manufacturing	16.5	(1.7)	12.3	4.5	7.4	6.6	7.6	2.2	3.6	4.8	7.7	8.5	6.5	7.5	6.0
Electricity gas and water supply	2.1	10.8	8.6	5.9	4.5	5.0	10.2	3.0	5.1	5.4	0.5	3.7	5.0	7.0	7.0
Services including construction	56.9	10.2	9.2	7.5	7.7	7.2	7.2	7.4	7.5	7.9	9.0	7.6	6.8	7.3	7.0
Construction	7.6	9.1	10.4	9.4	8.4	7.5	10.1	8.4	7.9	10.8	7.6	10.5	7.0	8.0	7.5
Trade, hotels etc.	17.3	12.3	7.5	6.1	7.4	7.0	5.4	6.1	6.7	6.0	8.6	7.0	6.7	7.0	7.0
Finance, insurance, real estate etc.	20.5	10.8	10.3	7.2	8.0	7.0	6.6	7.2	7.1	7.8	9.5	8.0	6.8	7.5	7.0
Public administration, defence, and other services	11.5	6.7	8.8	8.9	7.3	7.5	9.0	8.9	8.9	8.7	9.8	6.0	6.7	6.8	6.7
GVA at basic price	-	7.2	8.6	6.4	6.9	6.4	6.5	5.8	6.5	6.8	7.6	7.1	6.3	6.6	6.3
GDP at market price	-	7.6	9.2	6.5	7.0	6.5	6.5	5.6	6.4	7.4	7.8	7.0	6.5	6.7	6.4
GDP by expenditure															
Private cons. exp. (PCE)	56.7	7.5	5.6	7.2	7.1	6.5	8.3	6.4	8.1	6.0	7.0	-	-	-	-
Govt. cons. exp. (GCE)	10.0	4.3	8.1	2.3	7.2	5.0	(0.3)	4.3	9.3	(1.8)	7.4	-	-	-	-
Gross fixed cap. formation (GFCF)	32.0	8.4	8.8	7.1	7.5	6.5	6.7	6.7	5.2	9.4	7.8	-	-	-	-
Net exports															
Exports	20.8	10.3	2.2	6.3	2.0	3.0	8.3	3.0	10.8	3.9	6.3	-	-	-	-
Imports	23.0	8.9	13.8	(3.7)	5.0	6.5	(1.6)	1.0	(2.1)	(12.7)	10.9	-	-	-	-

Source: CSO, CEIC, Nirmal Bang Institutional Equities

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Team Details:			
Name	Email Id	Direct Line	
Krishnan Sambamoorthy	Head of Research	krishnan.s@nirmalbang.com	+91 22 6273 8210
Seshagiri Ranganathan	Head of Sales	seshagiri.r@nirmalbang.com	+91 22 6273 8228
Dealing			
Ravi Jagtiani	Dealing Desk	ravi.jagtiani@nirmalbang.com	+91 22 6273 8230, +91 22 6636 8833
Michael Pillai	Dealing Desk	michael.pillai@nirmalbang.com	+91 22 6273 8102/8103, +91 22 6636 8830

Nirmal Bang Equities Pvt. Ltd.

Correspondence Address

B-2, 301/302, Marathon Innova,
Nr. Peninsula Corporate Park,
Lower Parel (W), Mumbai-400013.

Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010