

GDP base revision: size smaller, but growth dynamics clearer, better

India's GDP base revision corrects statistical distortions and offers a clearer view of underlying growth: methodological changes, particularly better deflators, have reduced volatility in real output, eliminated the GDP-GVA wedge, and clarified consumption-investment dynamics. Nominal GDP is now about 4% smaller, driven by downward revisions to services. Services' share is 2pp lower, industry share 0.6pp higher, and agriculture 1.4pp higher. The downward revision in base is primarily due to FY23 – the old series over-estimated post-Covid recovery in the informal economy. But growth in GFCF and PFCE in FY26 is stronger in the new series. We maintain 7.5% for FY27.

01 Mar 2026

 Economic Growth
 GDP base revision

Exhibit 1: In the new series growth looks more representative of economy

	Share of GVA	Real Growth (YoY%)				
		FY24	FY25	1Q FY26	2Q FY26	3Q FY26
Agriculture	19%	2.6%	4.2%	4.2%	2.3%	1.4%
Industry	28%	10.9%	8.3%	7.2%	10.6%	9.7%
Manufacturing	14%	12.7%	9.3%	10.6%	13.2%	13.3%
Construction	8%	9.9%	7.3%	5.4%	8.7%	6.6%
Services	53%	7.0%	7.9%	7.8%	9.3%	9.5%
Financial services etc	26%	5.5%	10.0%	8.8%	9.9%	11.2%
GVA at basic prices		7.2%	7.3%	7.0%	8.6%	7.8%
GDP at market prices		7.2%	7.1%	6.7%	8.4%	7.8%

	Share of GDP	Real Growth (YoY%)				
		FY24	FY25	1Q FY26	2Q FY26	3Q FY26
Private consumption	56%	5.8%	5.8%	9.2%	8.0%	8.7%
Gov. consumption	11%	0.6%	6.5%	5.8%	6.6%	4.7%
Gross capital formation	34%	8.7%	6.1%	4.2%	6.8%	7.7%
Investments (GFCF)	32%	7.3%	6.4%	4.9%	8.4%	7.8%

Source: MoSPI, Axis Bank Research

New base: GDP size shrinks, but a clearer picture of underlying economy

After the base revision, India's nominal GDP is now 4% smaller (Fig 1); some had expected it to rise 8-10%. This cut is entirely due to a downward revision in services, primarily in Trade, hotels, transport and communication (Fig 3, 4). Finance is estimated to be larger than in the old series due to expansion of coverage of private NBFCs, while PADS (Public Adm, Defence) has been revised lower (adjustment to pension payments). The share of services in GDP falls 2% (Fig 9), industry rises 0.6pp to 28%, and Agriculture rises 1.4pp to 19%.

Methodological changes resolve statistical issues like deflator, growth stabler

As expected, the use of the double-deflator reduces volatility in GVA at constant prices (primarily due to services, Fig 10-13). The GVA-gap in current prices between the two series is much lower, implying the deflator was the challenge (in both services and industry, Fig 15-18; Fig 26 has methodological changes). Lower volatility in govt consumption (Fig 21) nearly eliminates the GDP-GVA wedge (Fig 19) – earlier the cause of much consternation. New series GFCF growth is notably higher in 1HFY26: was lower in old series (Fig 22-23).

We retain our above consensus FY27 growth forecast at 7.5%

The 4pp reduction in nominal GDP makes the centre's FY31 debt-to-GDP target tougher but has minimal (if not a slightly positive) impact on bond demand-supply. The estimated ~7pp cut in real output is mostly for FY23, reflecting slower revival in the informal economy post-Covid. But we expect their growth to be faster now. The end to growth downgrades we anticipated in Feb-2025 ([link](#)) has now moved to strong upgrades. In FY27, negligible fiscal consolidation and macroprudential ([link](#)) and monetary easing imply better growth.

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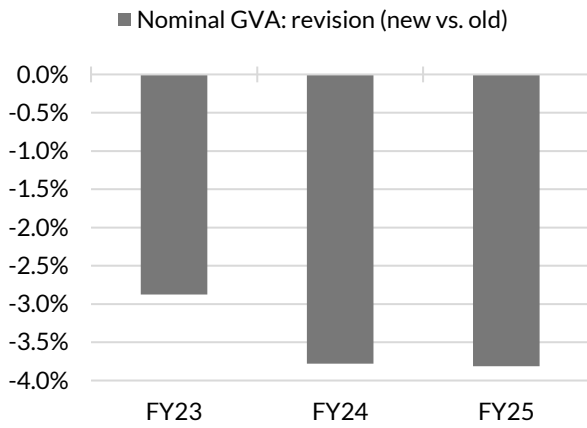
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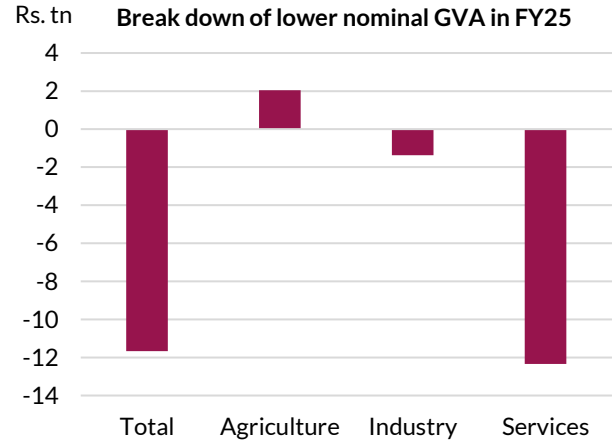
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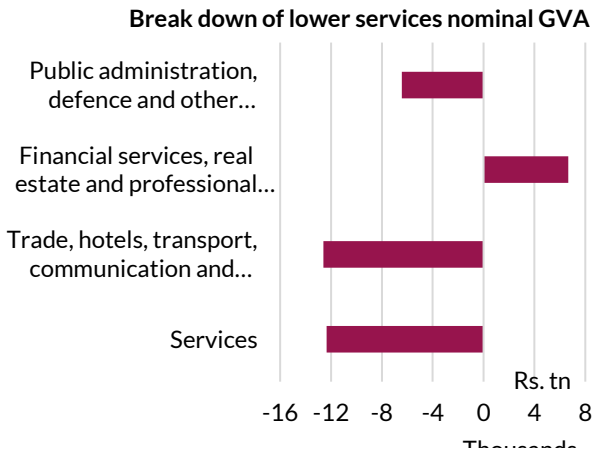
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Exhibit 2 - The Nominal GDP is now ~4% smaller...


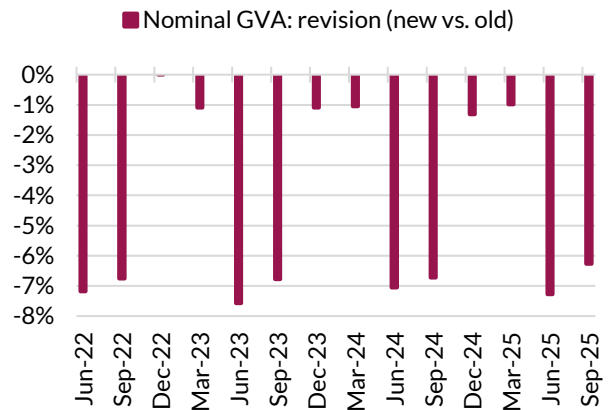
Source: MoSPI, Axis Bank Research

Exhibit 3 - ...due to downward revision in services GVA


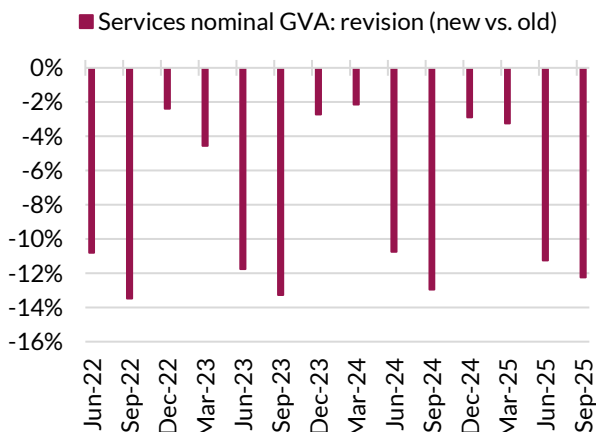
Source: MoSPI, Axis Bank Research

Exhibit 4 - Services GVA revised lower due to trade hotels etc.; financial services revised higher


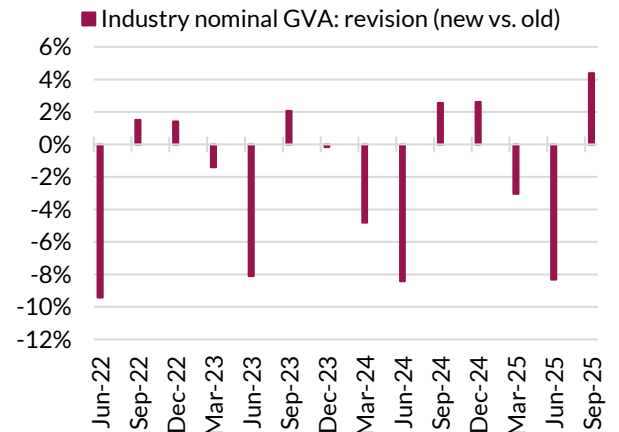
Source: MoSPI, Axis Bank Research

Exhibit 5 - Seasonality effect: GVA downward revisions mostly concentrated in 1Q, 2Q


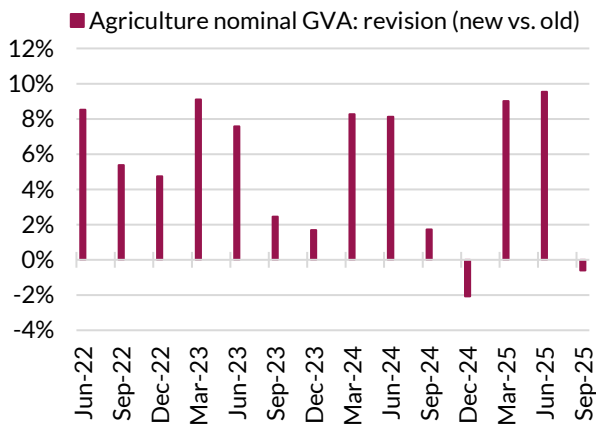
Source: MoSPI, Axis Bank Research

Exhibit 6 - This is largely driven by services (2Q>1Q)


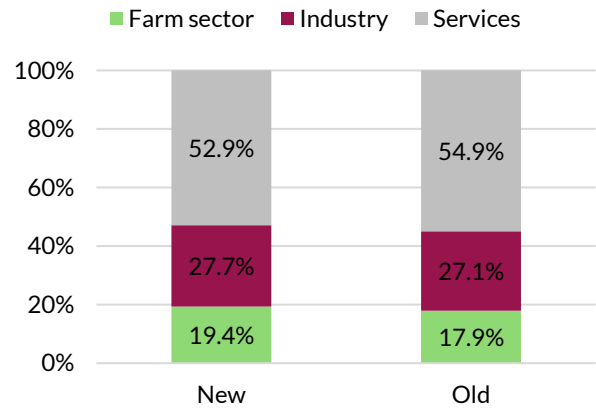
Source: MoSPI, Axis Bank Research

Exhibit 7 - But in industry, revisions are mostly in 1Q


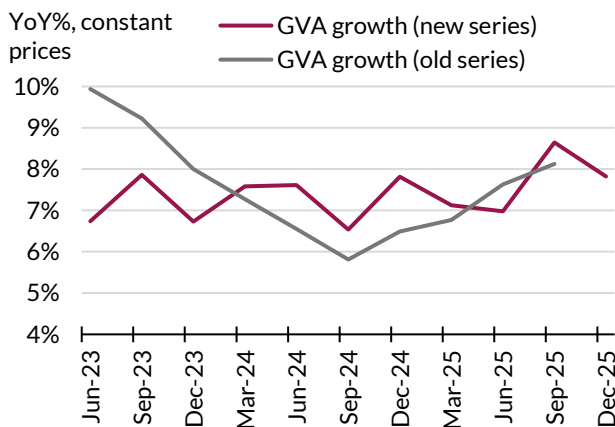
Source: MoSPI, Axis Bank Research

Exhibit 8 - Agriculture nominal GVA revised higher (mostly in quarter ending Mar, Jun)


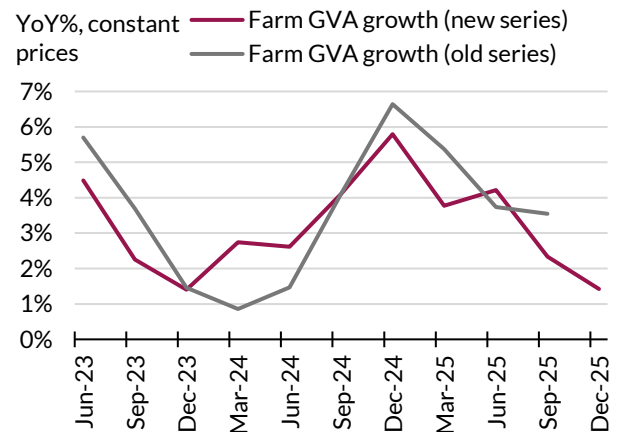
Source: MoSPI, Axis Bank Research

Exhibit 9 - In current prices, farm sector and industry's share are 1.4% and 0.6% higher; services is 2.1% lower


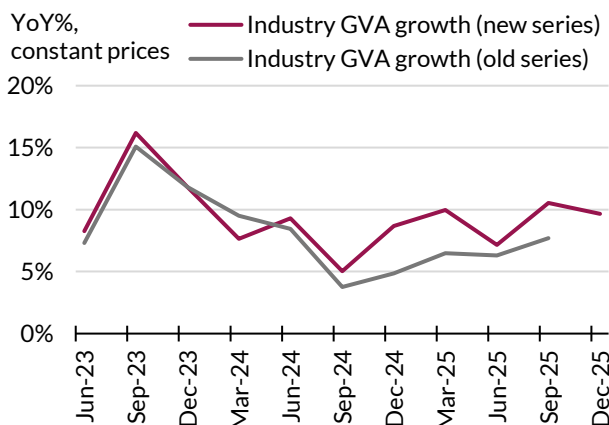
Source: MoSPI, Axis Bank Research

Exhibit 10 - Growth rates in the new series less volatile


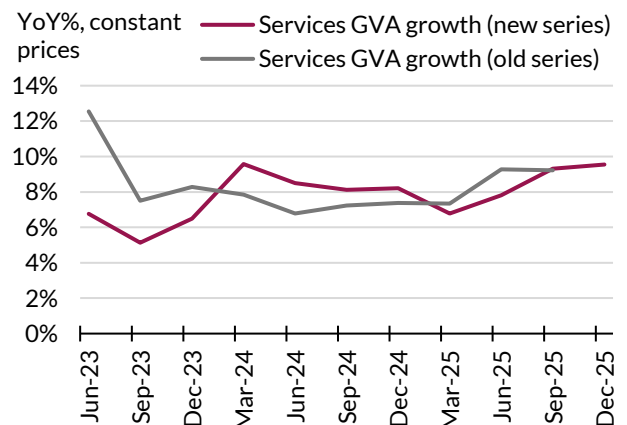
Source: MoSPI, Axis Bank Research

Exhibit 11 - Farm sector growth slowed in 3QFY26


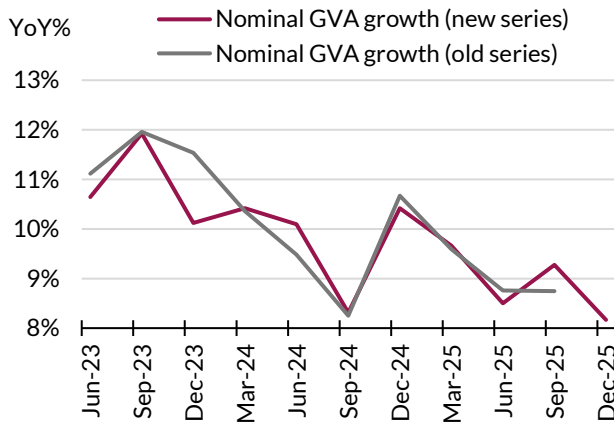
Source: MoSPI, Axis Bank Research

Exhibit 12 - Industry growth has been better


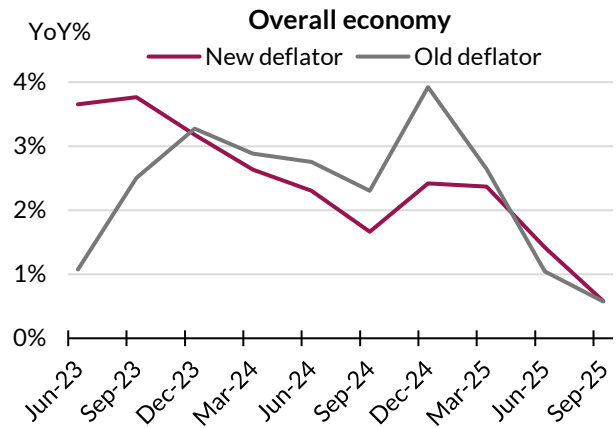
Source: MoSPI, Axis Bank Research

Exhibit 13 - Services 1H slowdown now behind us


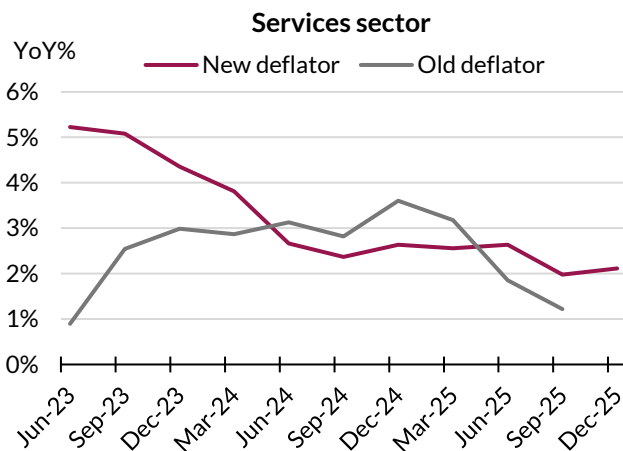
Source: MoSPI, Axis Bank Research

Exhibit 14 – Agg. nominal growth trends mostly similar; Dec-23 a notable exception


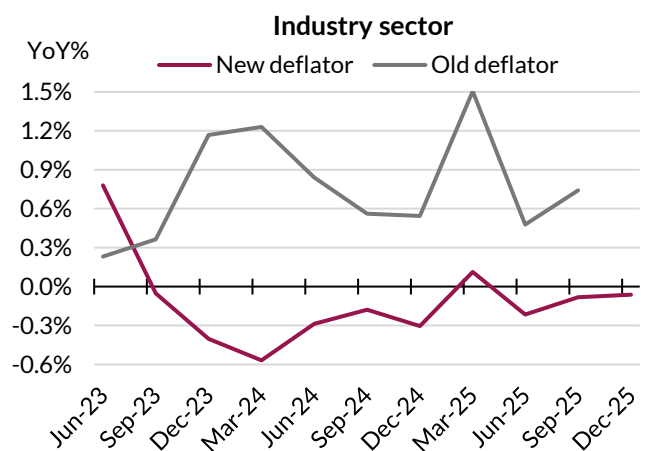
Source: MoSPI, Axis Bank Research

Exhibit 15 – Lower ‘real’ growth volatility is largely due to lower volatility in the new deflator


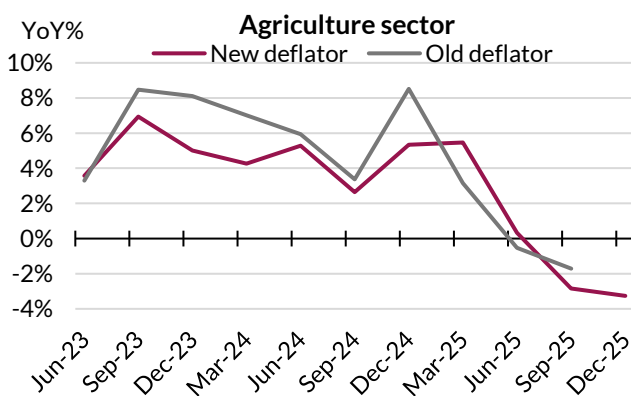
Source: MoSPI, Axis Bank Research

Exhibit 16 – The FY24 growth in services was overstated due to the wrong choice of deflator


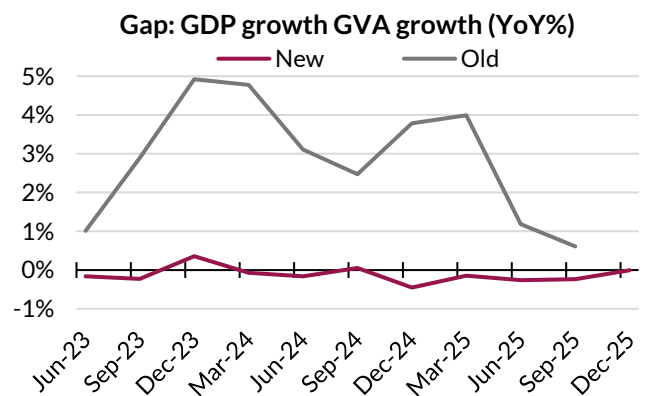
Source: MoSPI, Axis Bank Research

Exhibit 17 – The effect of new methodology is mostly prominently visible in industrial sector


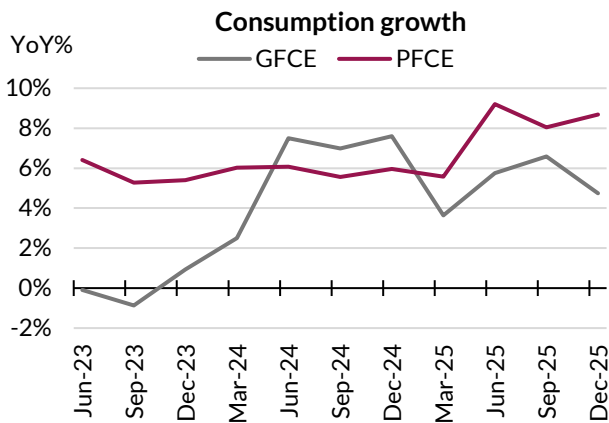
Source: MoSPI, Axis Bank Research

Exhibit 18 – Lower volatility in farm sector deflator too


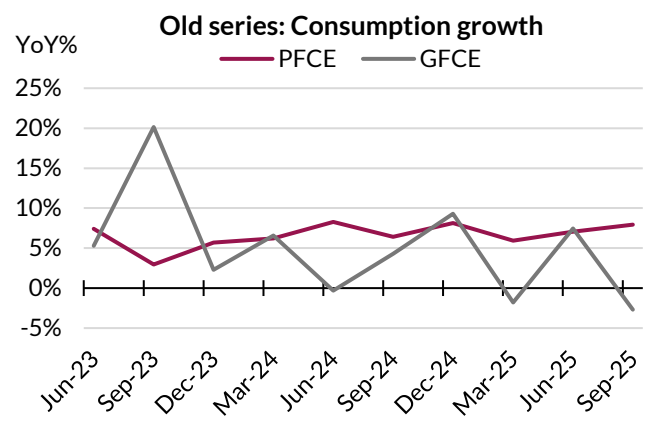
Source: MoSPI, Axis Bank Research

Exhibit 19 – The GDP-GVA wedge is also lower


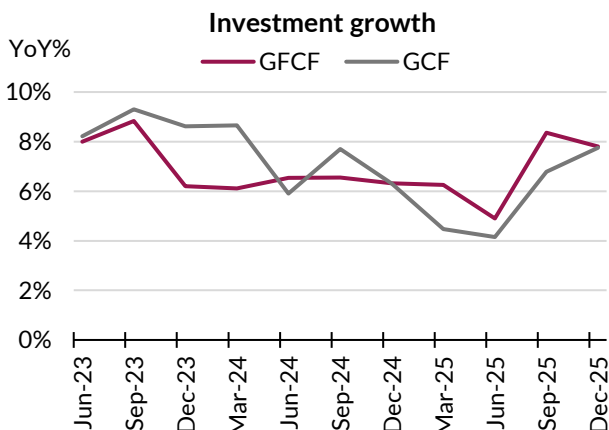
Source: MoSPI, Axis Bank Research

Exhibit 20 - In the new series, consumption growth stronger in FY26, govt. spending trends more realistic


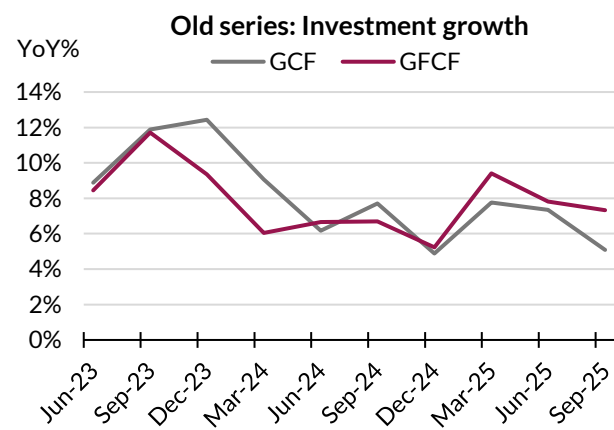
Source: MoSPI, Axis Bank Research

Exhibit 21 - In the old series, govt. spending growth was erratic, consumption growth pickup was smaller


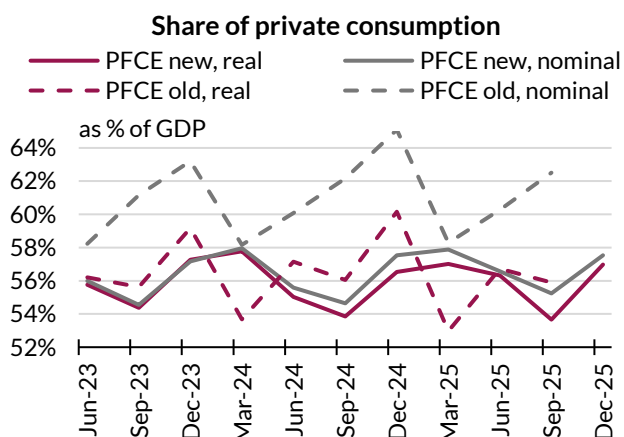
Source: MoSPI, Axis Bank Research

Exhibit 22 - Gross capital formation picking up now...


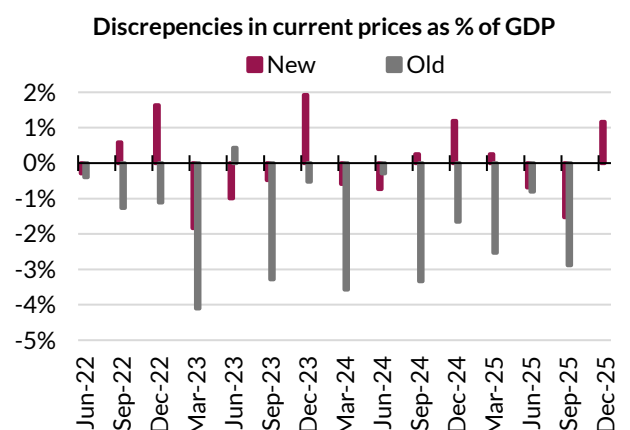
Source: MoSPI, Axis Bank Research

Exhibit 23 - ...in the old series, it was seen declining


Source: MoSPI, Axis Bank Research

Exhibit 24 - Private consumption nominal share earlier was too high, current nominal share more realistic


Source: MoSPI, Axis Bank Research

Exhibit 25 - Discrepancies (new) avg. zero vs. -2% earlier


Source: MoSPI, Axis Bank Research

Exhibit 26 – Changes in methodology in the new series

Sector	Sources upgrades	Methodology changes
Agriculture	<ol style="list-style-type: none"> Usage of quarterly estimates of various crops Updated rates and ratios using new studies like grass and fodder study, fisheries studies and on milk & related products 	Use of double deflation
Industry	<ol style="list-style-type: none"> Use of GST data for estimating quarterly GDP Form MGT-7/7A filings (disaggregated activity data of private corporates) 	<ol style="list-style-type: none"> Deflator: Use of double deflation for manufacturing. Volume extrapolation for mining and construction. Usage of item-level CPI and WPI data for deflation Revisions in quarterly estimation methodology: Segregation of multi-activity private corporations (usage of activity-wise data instead of putting output in their main activity)
Services	Usage of Services Accounting Codes (SAC) wise and constitution of business wise GST data	Deflator: Use of volume and single extrapolation instead of CPI and WPI
Private consumption	<ol style="list-style-type: none"> Quarterly series to use HCES data Adoption of COICOP classification Broader usage of administrative data for quarterly compilations (GST, e-VAHAN) 	In the old series, the household sector was estimated using growth rates between surveys or proxy indicators. Now, direct estimates from annual and quarterly surveys (ASUSE & PLFS) to be used for small & household enterprises
Govt. spending	Public Finance Management System (PFMS): Data from the PFMS to compile central government estimates and allocate them among states allowing the use of actual expenditure data	
Discrepancies		Integration of Supply and Use Tables framework to synchronize production and expenditure side

Source: MoSPI, Axis Bank Research

Exhibit 27 – Reasons for data revisions in the new series

Sector	Level estimate (FY23)	FY24	FY25
Agriculture & Allied sector	Crop: (i) Inclusion of new fruits and vegetables (ii) Updation of rate and ratio for production of grass and fodder (iii) drop in input value (electricity, diesel) Livestock, fisheries: Increased input rate Forestry: Updated state-wise input rate	Revised prices received from states.	Prices provided by States have been used in place of use of WPI adjusted price in provisional estimates
Mining & Quarrying	No significant change	Revision of data of Minor Minerals by States. Change in Methodology for constant price estimation based on volume extrapolation in place of single deflation.	Use of detailed data from MCA and States against indicator (Index of Industrial Production (IIP)) based provisional estimates
Manufacturing	Segregation of multi-activity of Private Corporate data of MCA.	No significant change in growth rate	Use of detailed MCA, NDE and ASUSE & PLFS data in lieu of provisional estimates based on limited data. Use of double deflation and single extrapolation in the new series in place of single deflation (old series) for constant price estimate
Electricity, Gas, Water supply & Other utility services	Use of direct estimate from ASUSE and PLFS data for the quasi-corporate and household sector in new series in place of indicators-based estimates in old series	Same as for 2022-23 for current price estimates. Volume extrapolation (Electricity, Gas) and Single Extrapolation (for Others) in the new series in place of single deflation used in old series.	Use of detailed data from MCA, Non-Department Enterprises (NDE), Government Budget documents and ASUSE as against Indicator based provisional estimates
Construction	Updated/ revised Rates and ratios based on latest survey undertaken by National Sample Survey (NSS) on Construction are used in new series.	Use of latest ASI data for deriving total production and availability of input items for construction. Use of single extrapolation in place of single deflation for constant price estimates	Same as above
Trade, Repair, Hotel & Restaurants	Use of direct estimate from ASUSE and PLFS data for the quasi-corporate and household sector in new series in place of indicators-based estimates in old series.	Same as for 2022-23 for current price estimates.	Same as above
Transport, Storage, Communication & broadcasting	Same as above	Same as above	Same as above

Continued...

Sector	Level estimate (FY23)	FY24	FY25
Financial services	Expansion of coverage of private Non-Banking Financial Corporations (NBFCs) using MCA data.	No significant change in the growth rate.	No significant change in the growth rate
Real estate, Professional services and Ownership of dwelling	In the new series, estimate of the total dwelling has been updated based on the projected population (source: MoH&FW) and the latest household size from survey data	Use of ASUSE & PLFS data in place of indicator growth derived from Corporate sector for unincorporated sector. Single extrapolation based on CPI of relevant items in place of single deflation using mix of CPI, WPI.	Use of detailed data from MCA, Non-Department Enterprises (NDE), Government Budget documents and ASUSE as against Indicator based provisional estimates.
Public administration and Defence	Due to adjustment in pension payments	Estimates of States and Defence are based on actual Expenditure instead of Revised Estimates	Use of detailed data from Government Budget documents and states as against Indicator based provisional estimates
Other services	For quasi-corporate and household sector, instead of extrapolation using inter survey growth of NSS, annual results of ASUSE & PLFS have been used.	Use of ASUSE & PLFS data in place of indicators from Inter-survey growth for unincorporated sector. Single extrapolation based on CPI of relevant items against single deflation using CPI of the same items for constant price estimates.	Use of detailed data from MCA, Non-Department Enterprises (NDE), Government Budget documents and ASUSE as against Indicator based provisional estimates.

Source: Annexure V of the GDP press release ([link](#)), MoSPI

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