

India Economics | GDP growth

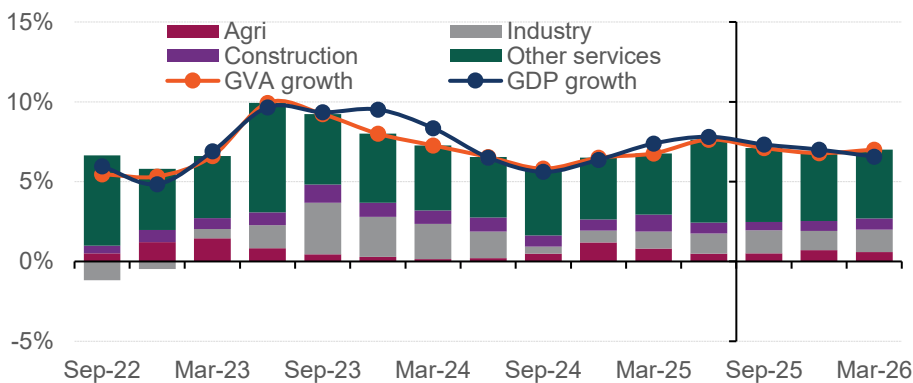
Upgrading growth forecasts; consensus trend-growth upgrades likely

We raise India's FY26 GDP growth forecast to top-of-the-street 7.2% YoY. Simultaneous fiscal and monetary tightening hurt growth in FY25. While we expected the monetary easing and slower pace of fiscal tightening to help growth in FY26, GST cuts and earlier-than-expected revival in credit growth have boosted high-frequency indicators. We also expect better growth in FY26 to push up trend-growth assumptions, which have been depressed by slowing nominal growth. Inflation should rise as unnaturally low food prices reverse and economic slack eases. Low costs of equity and debt capital and the deregulation drive at the centre, state, and regulators should help sustain this growth.

November 13, 2025

Upgrading projections

Exhibit 1 - Raising FY26 GDP growth to 7.2%, with limited 2H slowdown



Source: MOSPI, Axis Bank Research

Raising FY26 GDP growth to 7.2%, as GST reset helps monetary transmission

We have long held that in the absence of the fiscal and monetary headwinds that slowed GDP growth in FY25, FY26 would see a revival, as trend growth is faster. Data and anecdotes post the GST changes point to an improvement in growth momentum in October, and credit growth has revived two months ahead of our earlier expectation (Fig 3), with rising disbursements on past sanctions (Fig 4). Healthy growth in high-frequency indicators in proxies for construction (good cement demand), transport (auto sales), and labour markets (low NREGA demand, drop in PLFS unemployment) show the fiscal impulse was effective. We raise our projections of real FY26 GDP growth to above-consensus 7.2% (Fig 1-2).

Falling cost of capital, EODB steps are growth enablers

Cost of capital has been falling, with sovereign bond yields near record lows (excluding crisis periods), and high P/E multiples offering cheap equity capital. We expect the temporary tightening of liquidity due to FX defence (Fig 16-17), demand for currency notes (Fig 18) and higher bank profitability (Fig 19) to reverse ([link](#)). Both the centre and state governments are also working on ease-of-doing-business (EODB), supported by regulators focusing on removing bottlenecks, and undoing rules which were written in a different context.

Growth recovery can also move up trend growth estimates

After a prolonged period of downgrades (Fig 8), GDP upgrades have started, largely as expected ([link](#)). Early upgrades were mostly due to the 1Q growth surprise: even the MPC's upward revision for FY26 had cut growth forecasts for 2-4QFY26. A steady deceleration in nominal growth (Fig 9) was a driver, showing in weak tax collections (Fig 10) and earnings growth (Fig 11). However, this was only due to lower inflation (Fig 12), driven by the (likely unrepeatable) largest and longest food price drop in 10 years (Fig 13), and slack in the economy. We expect both to, pushing nominal growth back to double-digits (Fig 14). Growth upgrades for FY26 are likely to push up trend growth assumptions as well, in our view.

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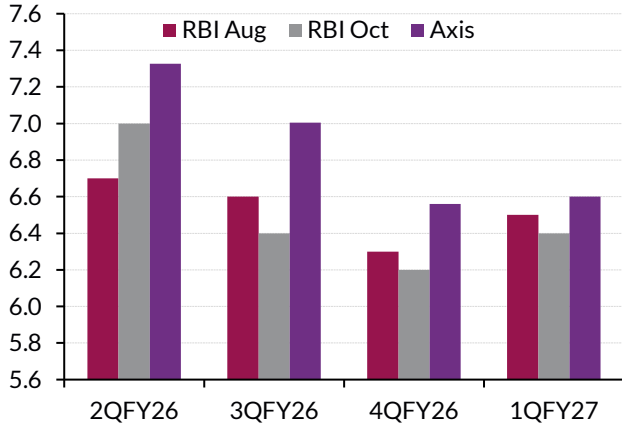
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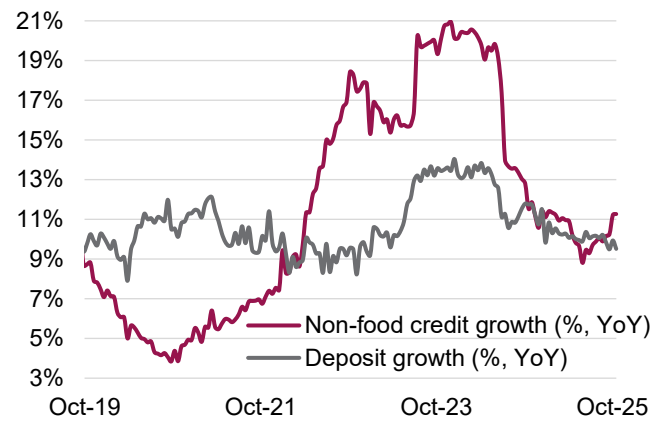
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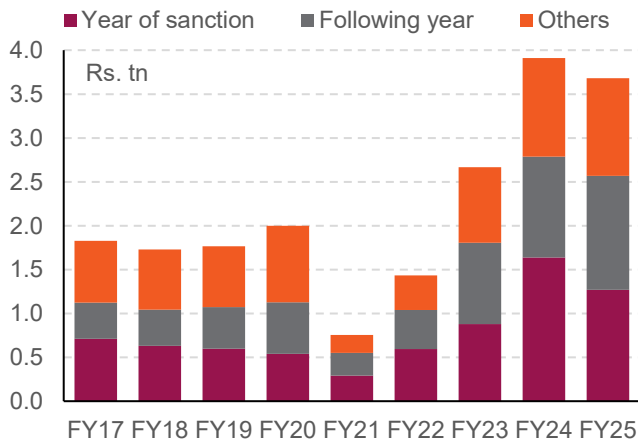
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Exhibit 2 - Growth forecasts above RBI estimates, which kept FY26 contained after 1Q surprise


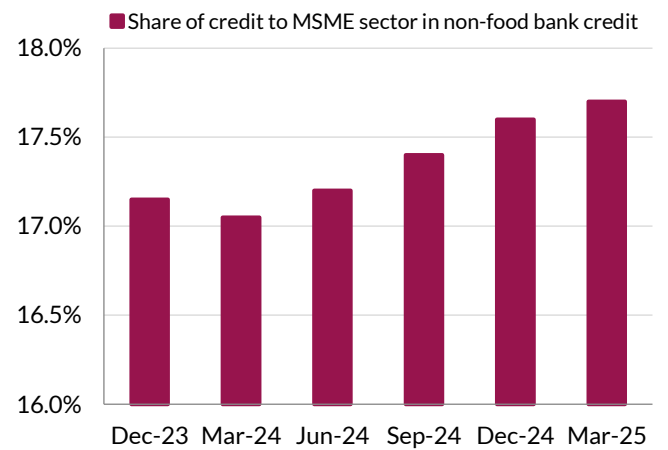
Source: MOSPI, RBI, Axis Bank Research

Exhibit 3 - Non-food credit growth is now above 11%


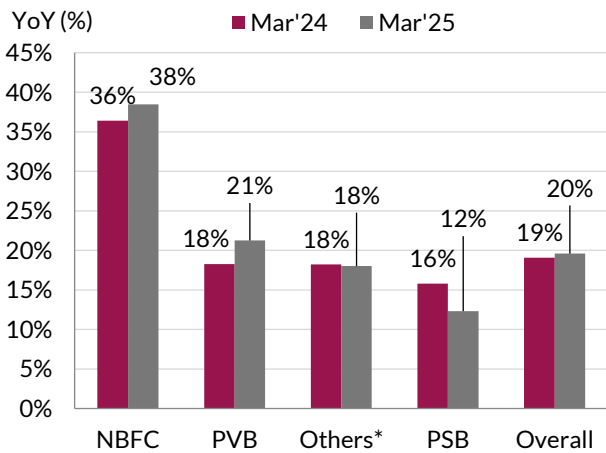
Source: RBI, Axis Bank Research

Exhibit 4 - Higher disbursals of past sanctions in FY26


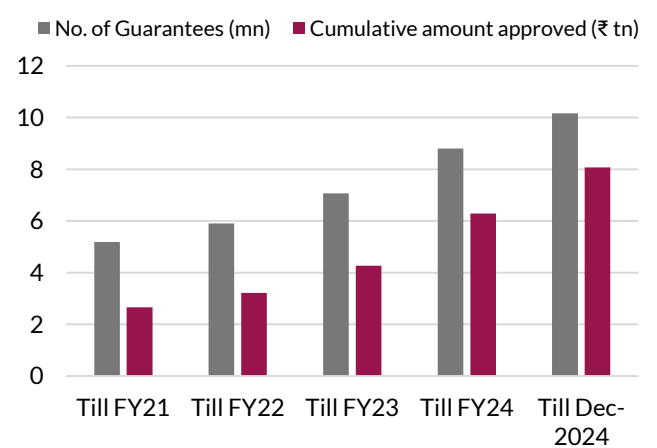
Source: RBI, Axis Bank Research

Exhibit 5 - Share of MSME credit in non-food credit


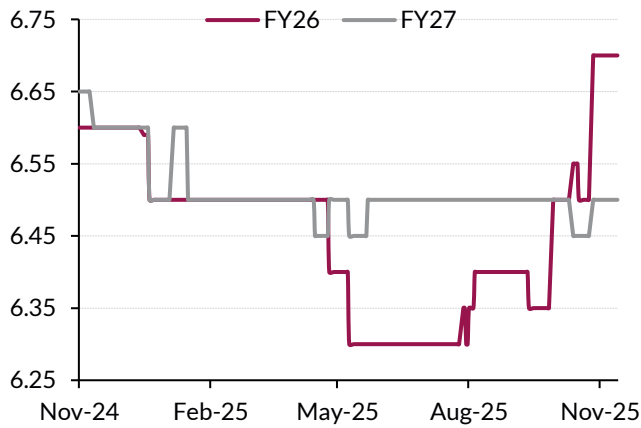
Source: RBI, Axis Bank Research

Exhibit 6 - MSMEs growing credit at 2x the system rate


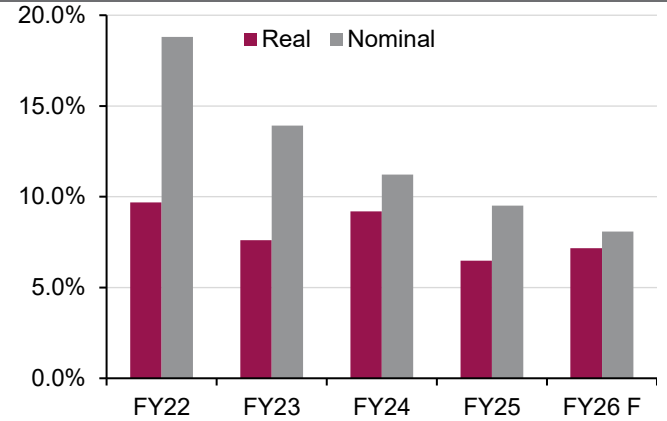
Source: RBI, Axis Bank Research

Exhibit 7 - MSE credit guarantee coverage up 3x


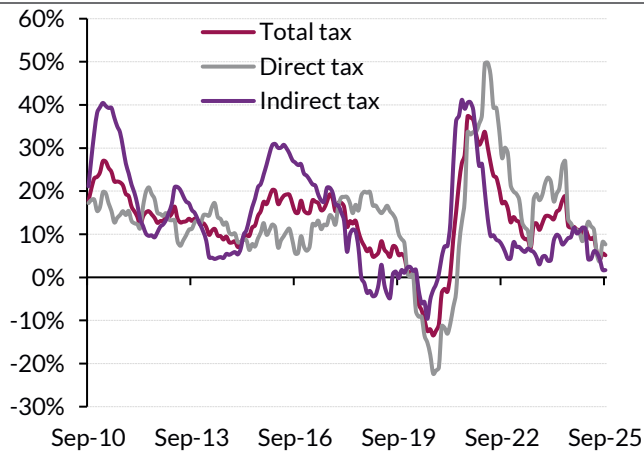
Source: MSME annual report, Axis Bank Research

Exhibit 8 - Limited rise in market consensus growth


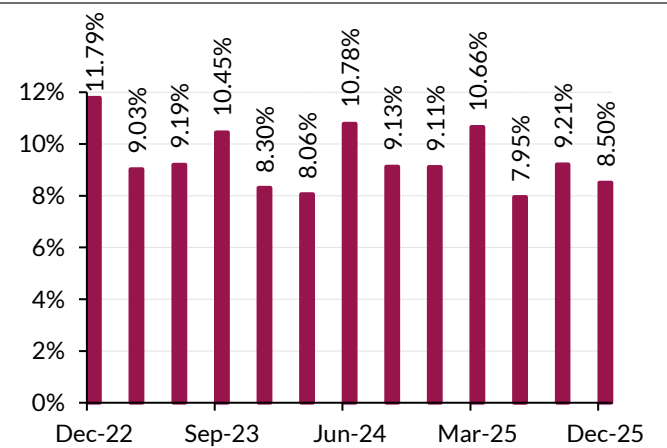
Source: Bloomberg, Axis Bank Research

Exhibit 9 - Nominal GDP progressively slowing


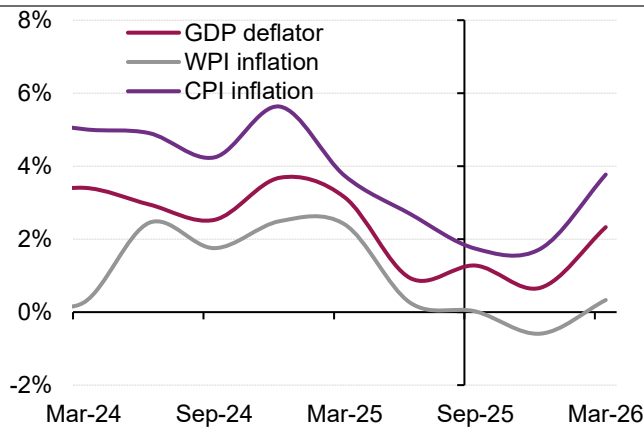
Source: MOSPI, Axis Bank Research

Exhibit 10 - Slower tax growth with NGDP


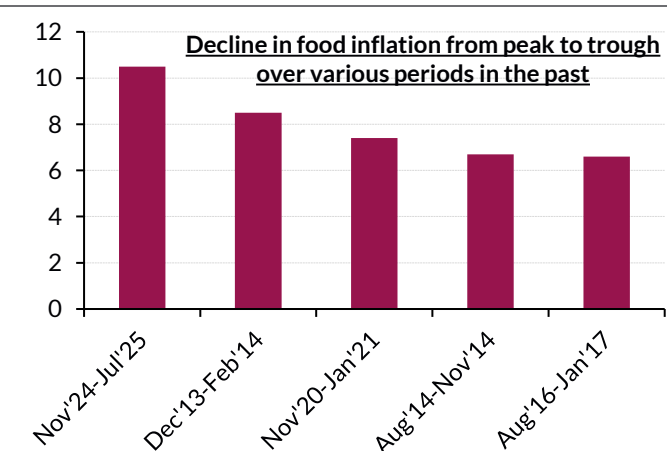
Source: CGA, Axis Bank Research

Exhibit 11 - 12m rolling EBITDA growth (BSE 500)


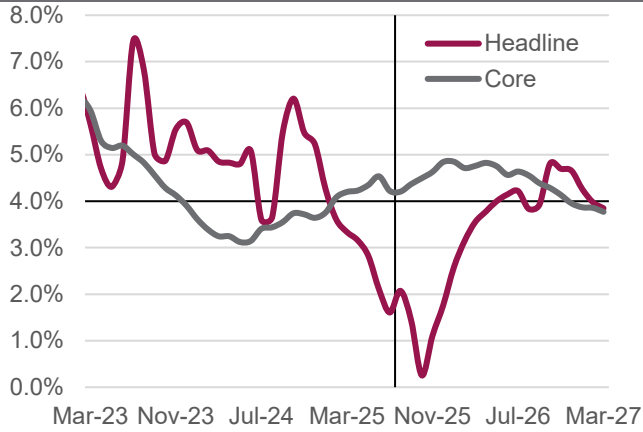
Source: Bloomberg, Axis Bank Research

Exhibit 12 - Lower NGDP growth on inflation


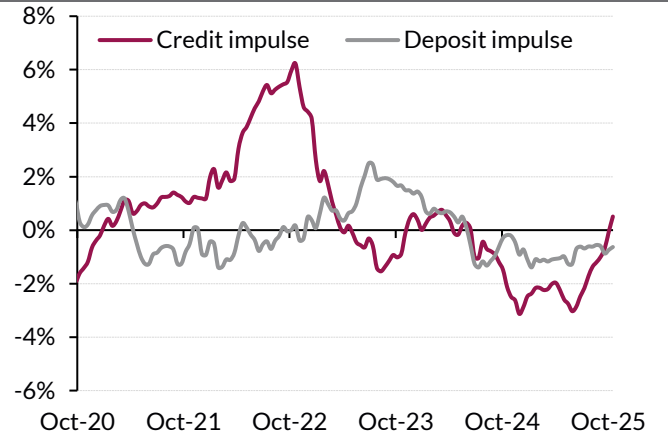
Source: MOSPI, Axis Bank Research

Exhibit 13 - Food disinflation largest and longest in 10y


Source: RBI, Axis Bank Research

Exhibit 14 - Inflation likely to recover in FY27


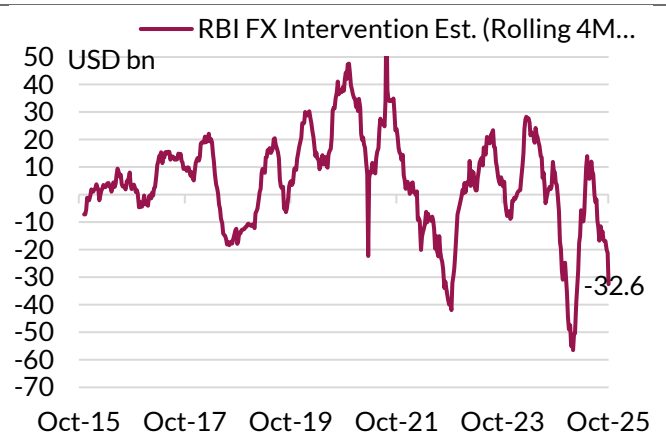
Source: RBI, Axis Bank Research

Exhibit 15 - Deposit impulse remains weak


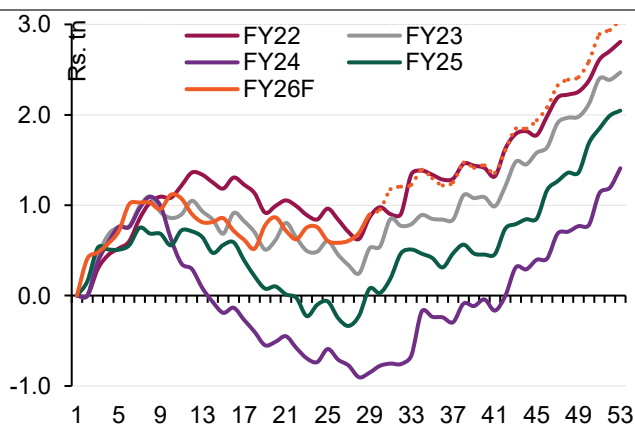
Source: RBI, Axis Bank Research

Exhibit 16 - RBI been defending INR heavily

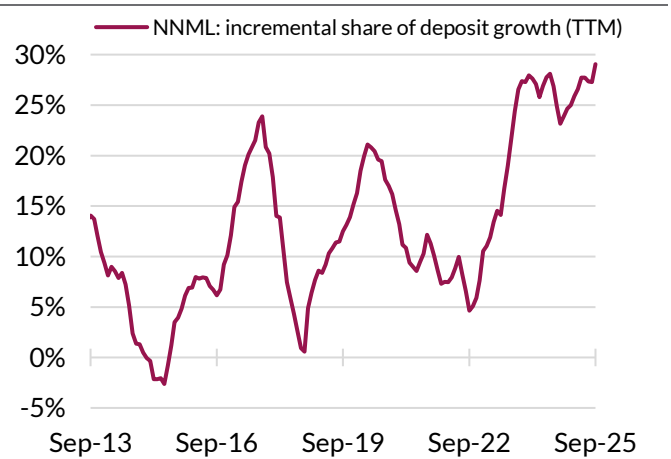

Source: Bloomberg, Axis Bank Research

Exhibit 17 - With over USD 30 bn estd. In 4 months


Source: RBI, Axis Bank Research

Exhibit 18 - CIC drained Rs. 1 tn from deposits FYTD


Source: RBI, Axis Bank Research

Exhibit 19 - Profitability boosting money held as capital rather than deposits


Source: RBI, Axis Bank Research

Exhibit 20 - : Extract of India high-frequency indicators – positives in transport, credit, energy, construction and rural – with Oct slowdown on the festive season

Leading Indicator	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
Gol Spends (Ex. Interest) (INR value)	4%	31%	5%	30%	19%	-26%	17%	26%	11%	15%	5%	-16%	8%	
GST collections (value in INR)	6%	9%	9%	7%	12%	9%	10%	13%	16%	6%	8%	6%	9%	5%
Rail Freight (weight)	-1%	1%	1%	10%	0%	4%	-2%	7%	-1%	2%	1%	8%	4%	2%
Port Cargo (weight)	6%	-3%	-5%	3%	6%	8%	12%	7%	4%	6%	4%	3%	11%	12%
Passenger traffic: All airports	8%	10%	13%	10%	13%	11%	9%	10%	2%	4%	-1%	1%	-1%	
Cargo traffic: All airports	18%	15%	8%	8%	7%	-5%	4%	11%	5%	0%	4%	5%	3%	
Hotel revenue per room	12%	10%	23%	8%	10%	15%	14%	20%	5%	9%	0%	4%	8%	
PMI Services	57.7	57.9	58.4	60.8	56.5	59.0	57.7	59.1	58.8	60.7	60.5	62.9	60.9	
Non-food credit growth YoY%	14%	12%	11%	11%	11%	11%	12%	10%	9%	9%	10%	9%	11%	
Credit to industry YoY%	10%	6%	6%	5%	6%	6%	7%	7%	5%	4%	6%	7%	7%	
Credit to wholesale & retail trade YoY%	24%	17%	19%	18%	18%	15%	16%	14%	11%	10%	13%	12%	12%	
Credit to NBFCs YoY%	8%	4%	5%	7%	8%	6%	6%	4%	0%	4%	3%	3%	4%	
Unsecured Household credit	16%	12%	14%	12%	10%	9%	9%	9%	9%	9%	8%	8%	8%	
CV registrations (FADA) (units)	-8%	10%	-3%	-3%	11%	13%	4%	4%	-9%	38%	-5%	3%	-3%	11%
Diesel Consumption (volume)	-2%	0%	8%	6%	4%	-1%	0%	4%	2%	2%	2%	1%	7%	0%
Petrol Consumption (volume)	3%	9%	10%	11%	7%	4%	6%	5%	9%	7%	6%	5%	8%	7%
Electricity Consumption (units)	1%	1%	0%	6%	3%	3%	7%	2%	-5%	-2%	5%	4%	3%	-6%
Tractor Sales (TMA) (Volume)	4%	22%	-1%	14%	11%	36%	25%	8%	9%	10%	8%	28%	45%	
All India retail sales (RAI) YoY%	5%	7%	7%	5%	5%	4%	6%	4%	5%	8%	8%	8%		
Vehicle Registrations (VAHAN) (volume)	-9%	33%	12%	-12%	8%	-6%	0%	4%	6%	6%	-4%	4%	5%	40%
PV registration (FADA) (units)	-17%	36%	-11%	0%	18%	41%	9%	4%	0%	6%	3%	5%	9%	15%
2-Wh registration (FADA) (units)	-8%	37%	16%	-17%	5%	6%	-1%	-8%	8%	5%	-6%	3%	7%	53%
Total Exports (Ex Oil, Gold)	12%	25%	20%	13%	13%	3%	3%	13%	8%	4%	12%	4%	9%	
Total Imports (Ex Oil, Gold)	9%	11%	12%	7%	18%	1%	-2%	15%	9%	2%	9%	-1%	12%	
Cement Prodn (weight)	8%	3%	13%	10%	14%	11%	12%	6%	10%	8%	12%	5%	5%	
Steel Prodn (weight)	2%	6%	11%	7%	5%	7%	10%	4%	7%	10%	17%	14%	14%	
Coal Prodn (weight)	3%	8%	8%	5%	5%	2%	2%	3%	3%	-7%	-12%	11%	-1%	
IIP (Index)	3%	4%	5%	4%	5%	3%	4%	3%	2%	2%	4%	4%	4%	
IIP capital goods	3%	3%	9%	11%	10%	8%	4%	14%	13%	3%	7%	4%	5%	
PMI Manufacturing	56.5	57.5	56.5	57.4	56.4	56.3	57.6	58.4	57.6	58.4	59.1	59.3	57.7	
Core IIP YoY%	2%	4%	6%	5%	5%	3%	5%	1%	1%	2%	4%	7%	3%	
FASTag Payments	10%	10%	14%	13%	19%	18%	14%	22%	20%	18%	20%	26%	20%	9%
E-way Bills No.	19%	17%	16%	18%	23%	23%	20%	23%	19%	19%	25%	22%	21%	8%
MNREGA - Persons Demanded Work (Cr)	1.89	1.99	2.16	2.58	2.71	2.66	2.36	2.73	3.79	3.55	2.02	1.42	1.39	1.28
Naukri Jobspeak Index	-4%	10%	2%	9%	4%	4%	-1%	9%	0%	11%	7%	3%	10%	-9%
UPI (value)	31%	37%	24%	28%	28%	20%	25%	22%	23%	20%	22%	21%	21%	16%

Source: Multiple data sources available on request, Axis Bank Research

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