

A better picture of GDP

As Mospi released GDP numbers on new base year of 2022-23, the new series, incorporating improved data sources and several methodological changes, is expected to reflect economic reality more accurately

Consumption demand recovers in FY26, but govt spending flat

AUHONA MUKHERJEE
New Delhi, 27 February

Growth in private final consumption expenditure (PFCE) is expected to accelerate to 7.7 per cent in 2025-26 (FY26), compared to 5.8 per cent in 2024-25 (FY25), according to the data released by the National Statistics Office (NSO) on Friday.

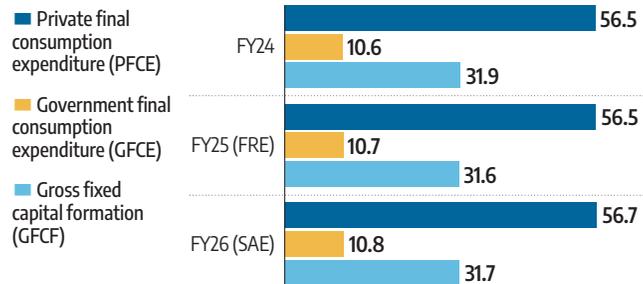
The second advance estimates of gross domestic product (GDP) for FY26, using the revised base year, showed that the share of PFCE, which represents consumption demand in the economy, in nominal gross domestic product (GDP) was expected to rise by 20 basis points to 56.7 per cent in FY26 from 56.5 per cent in FY25.

Investment demand as represented by gross fixed capital formation (GFCF) is estimated to accelerate in FY26 to 7.1 per cent from 6.4 per cent in FY25 in real terms.

Rumki Majumdar, economist, Deloitte India said investment activity seems to have strengthened in FY26.

"While government capital expenditure remains strong, we are also seeing early signs of a pickup in private investment. With consumption coming in at 8.7 per cent, we expect invest-

Investment and consumption Share in GDP at current prices (in %)



FRE: First revised estimates; SAE: Second advance estimates Source: NSO



ment spending to only improve going forward," she added.

"The new series is different from the earlier one insofar as the gross fixed capital formation (GFCF) rate is higher at 31.7 per cent of GDP while share of consumption is lower at

56.7 per cent," said Madan Sabnavis, chief economist, Bank of Baroda.

Government spending, represented by government final consumption expenditure (GFCE), is also expected to rise slightly to 6.6 per cent in FY26

from 6.5 per cent in the preceding year. The share of GFCE in nominal GDP is also expected to rise to 10.8 per cent from 10.7 per cent in FY25.

The share of other components in GDP measured from the demand side include change in stocks (1.2 per cent), valuables (1.7 per cent), net exports (1.7 per cent) and discrepancies (-0.3 per cent). Additionally, the third quarter (Q3) of FY26 is expected to see recovery in consumption demand with PFCE rising to 8.7 per cent after dipping to 8 per cent in the second quarter (Q2) of FY26. However, growth in government spending and investment demand are expected to decelerate in Q3 with GFCE easing to 4.7 per cent from 6.6 per cent in Q2 of FY26, and GFCF slowing to 7.8 per cent from 8.4 per cent previously.

"The new series underlines private consumption as the leading driver of growth this fiscal, while the FAE (first advance estimates) under the older series called out fixed investment. For next financial year, we expect real GDP growth to remain healthy, with support from private consumption and investment, and likely steady global growth," said Dharmakirti Joshi, chief economist, Crisil Ltd.

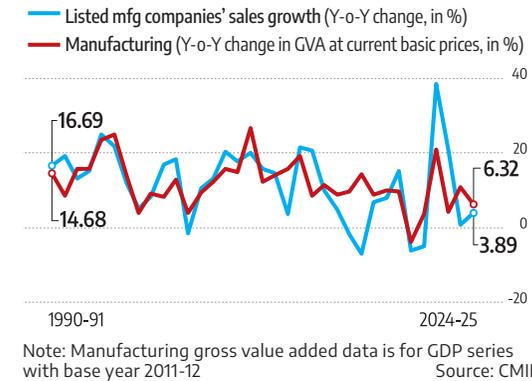
India Inc: Eye on revised mfg maths amid capex push

SACHIN P MAMPATTA
Mumbai, 27 February

Indian companies may keep a close eye on manufacturing numbers under the new gross domestic product (GDP) series with a revised base year of 2022-23, released on Friday. Previous years have seen differences with manufacturing growth reported in corporate results lagging expansion in manufacturing recorded under the previous GDP series (2011-12 base year). For listed manufacturing firms, growth lagged in seven of the previous 10 years.

The divergence in company results and manufacturing growth recorded in the country has been large at times. For example, the rate of growth in manufacturing gross value added (GVA) at current basic prices year-on-year for 2014-15 was 9.62 per cent. Listed manufacturing companies had seen -1.89 per cent in the same year. Current prices are used because they are not inflation-adjusted and are comparable to figures for company sales, which are also reported without inflation adjustment.

Keeping track



Note: Manufacturing gross value added data is for GDP series with base year 2011-12 Source: CMIE

Manufacturing GVA was up 10.94 per cent in 2023-24, while listed companies saw sales growth of 0.63 per cent. Differences in methodology may have contributed, and the latest GDP series brings in additional data sources and methodological changes for greater accuracy for calculating real growth (after adjusting for inflation). The latest numbers, released on Friday, show that the average share of manufacturing in GDP at current prices between FY23 and FY26 has increased to 13.3 per cent under the new series com-

pared to 12.9 per cent earlier. Manufacturing GVA growth has seen some changes in the latest series compared to the old. Quarterly manufacturing growth numbers are lower for the first quarter of FY26 (10.07 per cent under the new series compared to 10.13 per cent under the old) and higher for the second quarter (13.11 per cent vs 11.68 per cent). Manufacturing growth in the third quarter came in even higher, at 13.25 per cent under the new series. This gains importance in the light of a record announcement of

new manufacturing projects by Indian entities. Announcements were at ₹17.94 trillion for FY25, the highest in the Centre for Monitoring Indian Economy data for more than 30 years. Quarterly numbers since then suggest figures have moved higher. New project announcements worth ₹22.5 trillion were recorded on a rolling four-quarter basis as of December 2025.

"While it was being expected that manufacturing could have a slightly lower bias due to double deflation, the new series numbers reflect that perhaps both organised and unorganised segments have done better," said Sachchidanand Shukla, group chief economist, Larsen & Toubro. He pointed out that the economy had undergone technological and legislative changes since the last time the government changed the way it calculated GDP and value added more than a decade ago. This is likely to have resulted in significant structural changes in the economy.

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