Nominal GDP growth for FY27 seen at 10-10.5%

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The upcoming Union Budget, to be presented on February 1, is likely to assume nominal gross domestic product (GDP) growth between 10 and 10.5 per cent for the financial year 2026-2027 (FY27), a *Business Standard* poll of economists showed.

The first advance estimates of GDP for FY26, released earlier this month, indicated that the nominal GDP might grow by 8 per cent to ₹357 trillion during the current financial year, compared to 9.8 per cent in FY25. The Ministry of Finance will use this as the base to calculate the nominal GDP for FY27. However, the statistics ministry will release the second advance estimates of GDP for FY26 on February 27 with the new base year of 2022-23, which may change the Budget assumption for nominal GDP growth.

Nominal GDP — calculated at current market prices — factors in the effect of inflation. It is used as the base to calculate crucial macroeconomic indicators, such as debt-to-GDP ratio, fiscal deficit, and revenue buoyancy among others.

FY27 will also be the first year when the central government will shift to the debt-to-GDP ratio as the primary fiscal anchor, moving away from the practice of using the fiscal deficit as the operational target. A higher nominal GDP assumption makes it easier for the finance minister to show a narrower debt-to-GDP ratio and vice-versa. The FY26 nominal GDP growth is seen at 8 per cent due to a low inflation print.

"With inflation moving from lower levels, the deflator is expected to be 2.5 to 3 per cent. As a result, the nominal GDP growth rate is projected to be higher for the next financial year," said Madan Sabnavis, chief economist, Bank of Baroda.

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Nominal GDP growth for FY27 (Y-o-Y %)

India Ratings	9.7
Icra	9.8
Nomura	10
Bank of Baroda	10
UBS	10
HDFC Bank	10.1
CareEdge	10.1
QuantEco Research	10.4
Elara Global Research	10.5
Crisil	10.5

Source: *BS* Research

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Sabnavis expects the nominal GDP to be 10-10.1 per cent in FY27. Experts also estimate inflation to move upwards towards 3 per cent in January-March 2026 as the base effect becomes less potent and indices normalise.

Projecting a nominal GDP growth of 10.1 per cent in FY27, a CareEdge analysis said: "The domestic fundamentals remain largely resilient despite a turbulent global economic landscape... With a low base of FY26, CPI inflation is expected to average 4 per cent in FY27."

CPI inflation fell to a record low of 0.25 per cent in October but inched up to 1.33 per cent in December as food price deflation narrowed and base effects began to wane.

QuantEco Research economist Vivek Kumar expects the nominal GDP to accelerate to 10.4 per cent in FY27, predominantly due to normalisation of inflation. QuantEco said the correction in food prices has been the primary reason behind the disinflationary trend at the headline level, with GST restructuring becoming an added disinflationary impulse. "Next fiscal, both inflation metrics — WPI and CPI — are expected to be in the 3.5-4 per cent range. That is a reason for normalisation which will drive up the nominal GDP growth rate," Kumar added.