

New GDP series upgrades FY26 growth to 7.6%, but lowers size of India's economy

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According to the new series, the gross domestic product (GDP) is estimated to grow at 7.6% during the current fiscal. File | Photo Credit: Getty Images/iStockphoto

India's economic growth is expected to touch 7.6% in the current financial year 2025-26 as per the second advance estimates of gross domestic product (GDP) based on the new and updated series released by the government on Friday (February 27, 2026). This is faster

than the 7.4% predicted in the first advance estimates for 2025-26 released in January, which was based on the older series.

The new series of data, released by Statistics Secretary Saurabh Garg and Chief Economic Advisor (CEA) V. Anantha Nageswaran, has incorporated several improvements, including an updated base year of 2022-23 from the earlier 2011-12, as well as several new data sets to improve the representativeness and granularity of the data.

The new series has revised downward the growth for 2023-24 to 7.2% from the 9.2% estimated in the old series, and has revised upward the growth for 2024-25 to 7.1% from the earlier estimate of 6.5%.

According to the new data, India's nominal GDP — which is essentially the size of the economy — has been revised downward for the three years spanning 2023-26, which will have a negative impact on several fiscal ratios pegged to these numbers, such as the fiscal deficit-to-GDP ratio and the debt-to-GDP ratio.

The government also released the GDP growth data for the third quarter of 2025-26 based on the new series, which stood at 7.8% as compared to 8.4% in the second quarter, and 6.7% in the first quarter.

Growth in the current year

As per the second advance estimates for 2025-26, the secondary sector is expected to grow at 9.5%, up from 7.3% in 2024-25. This growth is to largely be driven by the manufacturing sector, which is estimated to grow 12.5% in 2025-26 as compared to 8.3% in the previous year. The construction sector is set to grow at 6.9%, down from 7.1% over the same period.

Notably, the primary sector is expected to see a significant slowdown, with growth expected to be 2.8% in 2025-26 as compared to 5% in the previous year. This is due to growth in the agriculture sector expected to slow to 2.5% in 2025-26 from 4.3% in 2024-25, and in the mining and quarrying sector to 5% from 11.2% over the same period.

The tertiary sector, comprising the services sectors, is expected to see growth to quicken to 8.9% in FY26, up from 8.3% in the previous year. This is a result of double-digit growth in the trade, hotels, transport and communication grouping (10.3%), and the financial, real estate, IT, and professional services grouping (10%).

Impact on fiscal maths

The data in the new series shows that the size of the economy is expected to be ₹345.47 lakh crore in 2025-26, which is about 3.3% smaller than what was predicted in the first advance estimates based on the old series.

Further, the size of the economy in both 2023-24 and 2024-25 has been revised downward by 3.8% each. According to economists, this would not only revise upwards the government's fiscal deficit ratios over the past few years, but would also make its planned debt reduction path a significantly steeper one.

“On a current-price basis, nominal magnitudes for 2023-24 to 2025-26 are lower than those under the old series,” D.K. Srivastava, Chief Policy Advisor at EY India said. “This also means the overall size of the economy now appears smaller.

“Since the fiscal deficit is calculated as a share of GDP, a lower GDP base automatically pushes the ratio up, raising the 2025-26 (RE) fiscal deficit estimate from 4.36% to 4.51% of GDP even though the deficit amount itself is unchanged,” he added.

According to Aditi Nayar, the new data implies that the fiscal deficit-to-GDP ratio would be around 15-20 bps higher on an average during the previous year as compared to the earlier estimates.

“Further, this would also have some bearing on the debt consolidation roadmap, with the debt-to-GDP pegged 1.9 percentage points higher at 57.5% for FY27 as against the budgeted target of 55.6%, making the consolidation path up to FY2031 relatively steeper than previously estimated,” Ms. Nayar added.

The government has set a target of bringing central government debt down to 50% of GDP (plus/minus 1 percentage point) by 2031.

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