

Macro Insights

28th November, 2025

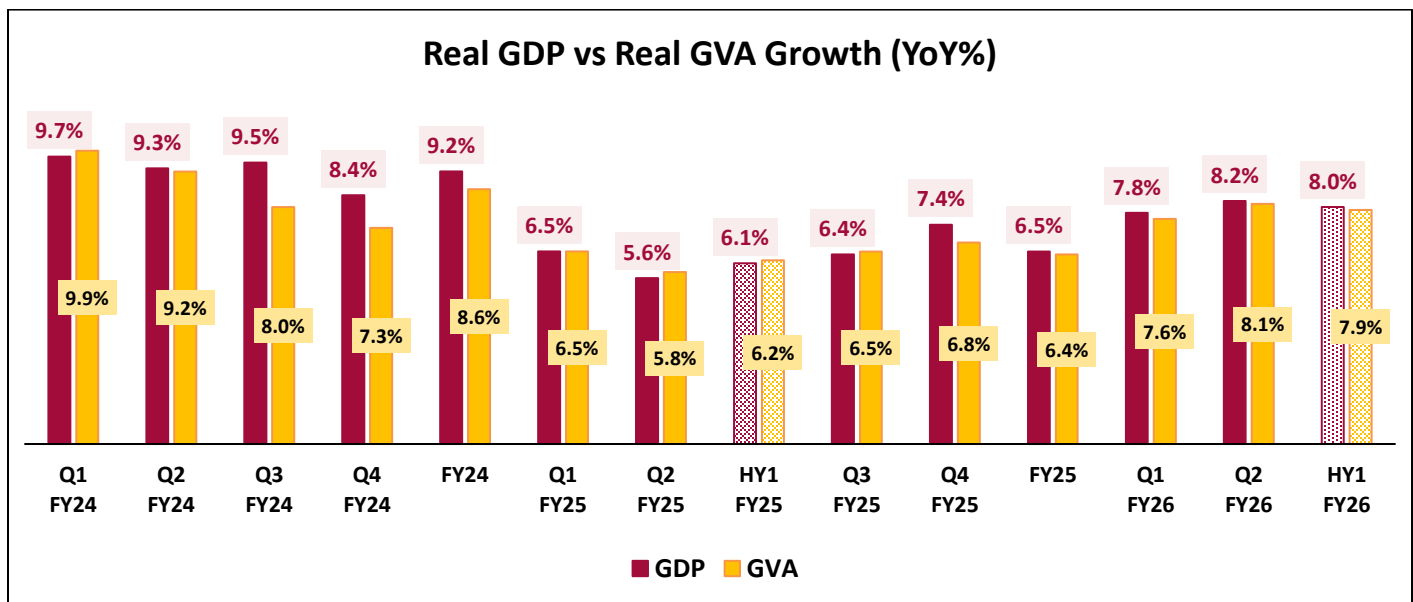
India's GDP growth shoots to 6 quarter high at 8.2% in Q2 FY26, GVA grows by 8.1%

India's **Real Gross Domestic Product (GDP)** for Q2 FY26 grew by 8.2%, against the growth rate of 5.6% recorded in Q2 FY25. In Q1FY'26, Real GDP grew at 7.8%. **Nominal GDP growth** stood at 8.7%.

Real GVA grew by 8.1% while **Nominal GVA** grew at 8.7% in Q2 FY'26.

Highlights

- ☞ Agriculture Sector grew 3.5% in Q2 FY'26 as against 4.1% in Q2 FY25.
- ☞ Further, the secondary sector consisting of manufacturing and electricity industries recorded a growth of 8.1% against 4.0% in Q2 FY'25. Manufacturing Sector recorded the growth of 9.1% in Q2FY'26 as against growth 2.2% in Q2FY'25.
- ☞ The tertiary sector has shown the highest growth of 9.2% in Q2FY'26 against the growth of 4.0% in Q2FY'25.
- ☞ In tertiary sector highest growth was observed in Financial, Real Estate and Professional Services with 10.2% in Q2FY'26 against 6.1% in Corresponding period last year.



Source: MoSPI (NSO), PNB (EIC)

Components of GDP

- **Growth in Private Final Consumption Expenditure**, which constitutes the highest share at 55.9% in GDP, grew by 7.9% in Q2 FY26, higher than 6.4% in Q2 FY25.
- **Government Final Consumption Expenditure** decreased by 2.7% on YoY basis in Q2 FY26, marking a significant decline from 4.3% in the same quarter of the previous year.
- **The growth in Gross Fixed Capital Formation**, which denotes investment in the economy, remained resilient at 7.3% in Q2 FY26 higher than Q2 FY25 at 6.7%.
- **Exports growth** moderated to 5.6 per cent in Q2 FY26 from 6.3% in Q1 FY26. It was expected due to the imposition of a 50 per cent US tariff on certain Indian goods, effective August 27, 2025. However, strong services exports helped sustain India's overall export growth, preventing a more significant downturn.

Components of GVA

- **India's agricultural GVA growth** moderated to 3.5% in Q2 FY26, down from 3.7% in Q1 FY26 and 4.1% in Q2 FY25, following a consistent downward trend since Q4 FY25. The erratic and unevenly distributed monsoons during the crucial Kharif crop season impacted the growth.
- **The growth in the Industry Sector** doubled to 7.7% in Q2 FY26, from 3.8% in Q2 FY25.
- **The growth rate of Services sector** was broadly in line with the previous quarter as it grew by 9.2% in Q2 FY26 compared to 9.3% in the previous quarter. However, the growth was higher than the 7.2% recorded in the same period last fiscal.

Views

- The growth of GDP at 8.2% for Q2FY'26 has beaten all the expectations led by statistically favorable deflator effects, effects of monetary & regulatory measures and lesser than anticipated impact of Tariff measures on India's exports.
- The growth in **Gross Value Added (GVA)**, a measure of economic activity excluding subsidies and taxes, was also robust at around 8.1% with strong growth in Financial, Real Estate and Professional Services at 10.2% in Q2 FY'26.
- **For H1FY'26, real GDP** estimates grew at 8.0% while **nominal GDP 8.8%**. The **real GVA** showed growth of 7.9% while **nominal GVA** for H1FY'26, 8.8%.
- Manufacturing and services sectors showing strong expansion, with the tertiary sector growing around 9.2% in Q2 FY26. Private consumption and rural demand are recovering strongly. Inflation easing, improving household purchasing power. Government expenditure and gross fixed capital formation also contributed positively to the growth of GDP.
- **India's GDP growth is expected to remain robust around 6.5-6.8% for FY26**, with projections indicating India will become the world's third-largest economy by 2030, crossing \$7 trillion in nominal GDP. The country also aims to reach a \$5 trillion economy by 2027, supported by ongoing economic reforms and momentum.

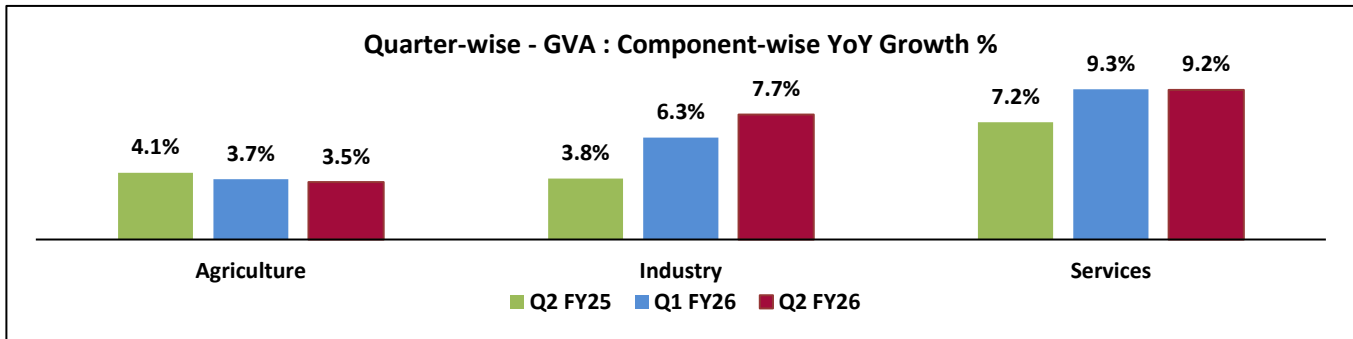
Table1

Quarter-wise - YoY Growth of the Major Components of GDP (%)			
Item	Q2 2024-25	Q1 2025-26	Q2 2025-26
Private Final Consumption Expenditure (PFCE)	6.4%	7.0%	7.9%
Government Final Consumption Expenditure (GFCE)	4.3%	7.4%	-2.7%
Gross Fixed Capital Formation (GFCF)	6.7%	7.8%	7.3%
Change in Stocks	2.1%	5.9%	7.4%
Valuables	25.8%	-22.5%	-22.7%
Exports	3.0%	6.3%	5.6%
(Less) Imports	1.0%	10.9%	12.8%
Discrepancies	-0.5%	2.3%	3.3%
GDP	5.6%	7.8%	8.2%

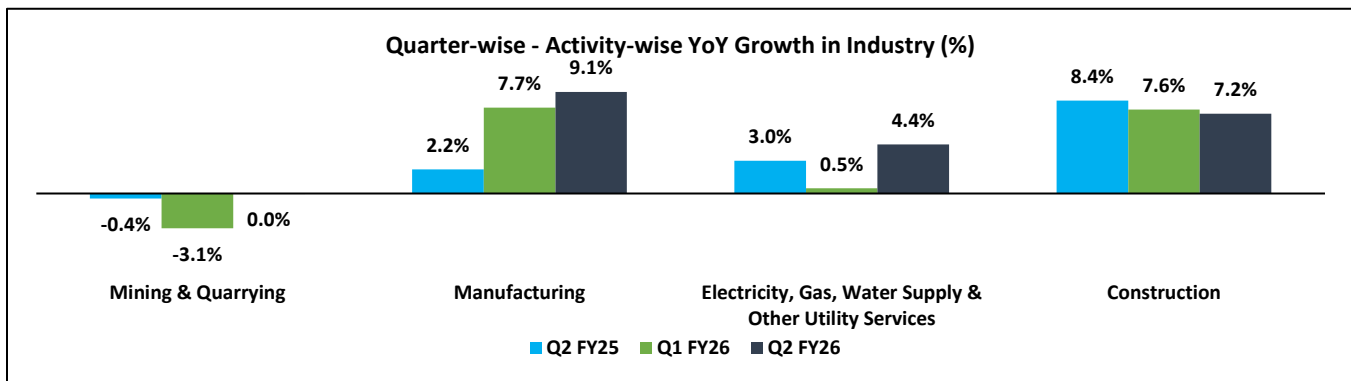
Table 2: Change of the Share of Major Components in GDP

Item		Share in GDP (%)		
		Q2 2024-25	Q1 2025-26	Q2 2025-26
A	Private Final Consumption Expenditure (PFCE)	56.0	56.7	55.9
B	Government Final Consumption Expenditure (GFCE)	9.0	9.4	8.1
C	Gross Fixed Capital Formation (GFCF)	34.7	34.6	34.4
D	Change in Stocks	1.7	1.7	1.7
E	Valuables	3.0	0.3	2.1
F	Exports	22.1	20.3	21.5
G	(Less) Imports	26.0	25.4	27.0
H	Discrepancies	-0.5	2.3	3.4
GDP (A+B+C+D+E+F-G+H)		100.0	100.0	100.0

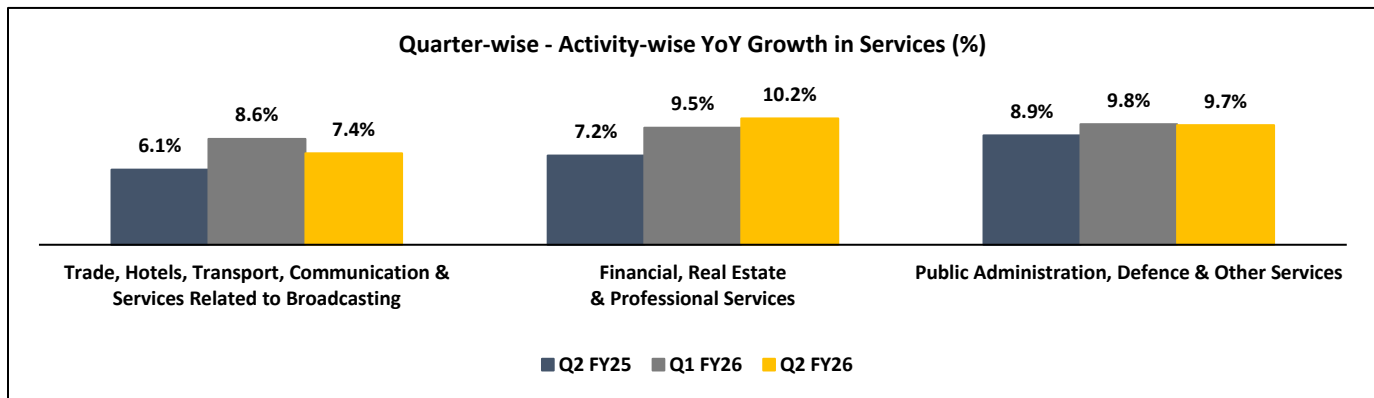
Graph 1



Graph 2: Industry - Activity-wise YoY growth



Graph 3: Services - Activity-wise YoY growth



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