TRENDS &TIDES

India’s GDP growth accelerates to 8.2% YoY in Q2FY26

Real GDP growth rises to 8.2% YoY in Q2FY26, surpassing expectations

Manufacturing and financial services+ sectors drive the improvement in Q2 growth

Real Growth YoY%	Share	FY25	FY25				FY26	
Sector	FY25		Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	**14%**	**4.6%**	**1.5%**	**4.1%**	**6.6%**	**5.4%**	**3.7%**	**3.5%**
Industry	**22%**	**4.5%**	**7.8%**	**2.1%**	**3.5%**	**4.7%**	**5.8%**	**7.9%**
Mining	2%	2.7%	6.6%	(0.4%)	1.3%	2.5%	(3.1%)	(0.0%)
Manufacturing	17%	4.5%	7.6%	2.2%	3.6%	4.8%	7.7%	9.1%
Electricity	2%	5.9%	10.2%	3.0%	5.1%	5.4%	0.5%	4.4%
Services	**64%**	**7.5%**	**7.2%**	**7.4%**	**7.5%**	**7.9%**	**9.0%**	**9.0%**
Construction	9%	9.4%	10.1%	8.4%	7.9%	10.8%	7.6%	7.2%
Trade, Hotels, Transport, Communication	18%	6.1%	5.4%	6.1%	6.7%	6.0%	8.6%	7.4%
Financial services, Real estate, Professional Services	24%	7.2%	6.6%	7.2%	7.1%	7.8%	9.5%	10.2%
Public Admin, Defence &Other Services	13%	8.9%	9.0%	8.9%	8.9%	8.7%	9.8%	9.7%
Real GVA	**100%**	**6.4%**	**6.5%**	**5.8%**	**6.5%**	**6.8%**	**7.6%**	**8.1%**
Real GDP		**6.5%**	**6.5%**	**5.6%**	**6.4%**	**7.4%**	**7.8%**	**8.2%**

Source: MOSPI, 360 ONE Asset Research

The manufacturing sector growth rises on the back of higher operating profit growth of listed manufacturers and an uptick in IIP manufacturing growth.

The construction sector reports marginally weaker growth in line with the slowdown in cement production

Financial services+ reports strong growth despite flat credit and deposit growth, stagnant IT sector performance, and mixed other indicators

Gross Value Added (GVA), a better indicator of economic growth than GDP, also improved to 8.1% YoY in Q1FY26 from 7.6% in Q1FY26

GDP = GVA + (indirect taxes – subsidies)

Private consumption and fixed investment growth remain robust in Q2

Net exports and government consumption act as drags on Q2FY26 GDP growth

Real Growth YoY%	Share FY25	FY25	FY25				FY26	
			Q1	Q2	Q3	Q4	Q1	Q2
Consumption Expenditure	**66%**	**6.5%**	**7.0%**	**6.1%**	**8.3%**	**4.7%**	**7.1%**	**6.5%**
Private Consumption	56%	7.2%	8.3%	6.4%	8.1%	6.0%	7.0%	7.9%
Government Consumption	9%	2.3%	-0.3%	4.3%	9.3%	-1.8%	7.5%	-2.7%
Gross Capital Formation	**37%**	**6.7%**	**6.2%**	**7.7%**	**4.9%**	**7.8%**	**7.3%**	**5.1%**
Fixed Investments	34%	7.1%	6.7%	6.7%	5.2%	9.4%	7.8%	7.3%
Changes in Stocks	2%	4.5%	7.5%	2.1%	3.5%	4.8%	5.9%	7.4%
Valuables	1%	0.6%	-23.1%	25.8%	-0.5%	-29.8%	-22.5%	-22.7%
Exports	**22%**	**6.3%**	**8.3%**	**3.0%**	**10.8%**	**3.9%**	**6.3%**	**5.6%**
Less Imports	**23%**	**-3.7%**	**-1.6%**	**1.0%**	**-2.1%**	**-12.7%**	**10.9%**	**12.8%**
Real GDP	**100%**	**6.5%**	**6.5%**	**5.6%**	**6.4%**	**7.4%**	**7.8%**	**8.2%**

Solid private consumption growth suggests limited disruption from GST-related consumption postponement

Fixed investments report healthy growth due to strong central government capital expenditure

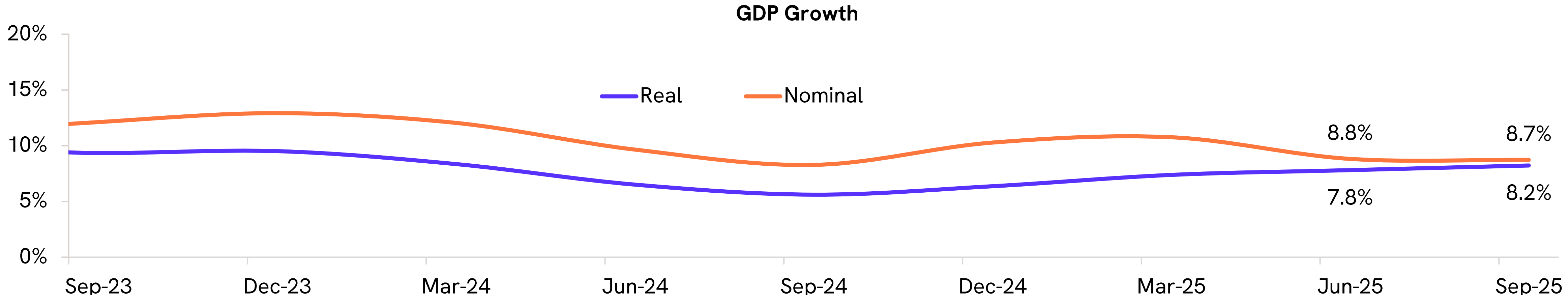
Net exports (exports minus imports) negatively contribute to GDP as import growth outpaces export growth in real terms

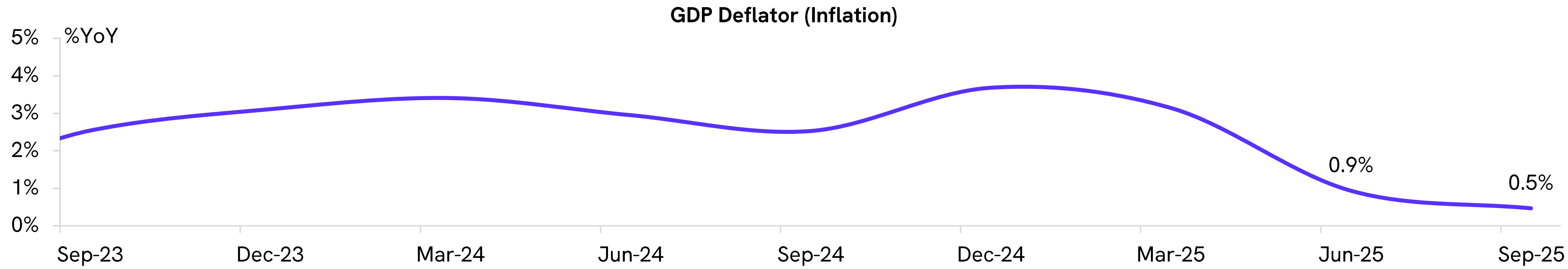
Source: MOSPI, 360 ONE Asset Research

GCF: Gross Capital Formation = Fixed Investment + Change in stocks + Valuables

Nominal GDP growth slows to 8.7% YoY in Q2 from 8.8% in Q1FY26

GDP deflator (inflation) falls to 0.5% YoY in Q2 from 0.9% in the previous quarter, driving real growth higher





Source: MOSPI, 360 ONE Asset Research

Auto sector reports strong growth following GST rate cuts

However, other leading indicators remain mixed, pointing to an uneven and still-stabilizing recovery

Indicator	Unit	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25
2 Wheeler Registrations	YoY%	3%	8%	5%	-6%	3%	7%	52%
Tractor Registrations	YoY%	7%	2%	8%	11%	32%	4%	14%
3 Wheeler Registrations	YoY%	24%	6%	7%	1%	-2%	-7%	5%
Passenger Car Registrations	Cr Nos.	5%	1%	6%	1%	4%	11%	12%
MGNREGS Work Demanded	YoY%	2.7	3.8	3.5	2.0	1.4	1.4	1.3
Airport Passengers Handled	YoY%	10%	3%	4%	-1%	1%	-1%	
E-way Bill Generations	YoY%	23%	19%	19%	26%	22%	21%	8%
GST Collections	YoY%	13%	16%	6%	8%	6%	9%	5%
Steel Consumption	YoY%	6%	8%	9%	9%	8%	8%	3%
Cement Production	YoY%	6%	8%	6%	14%	7%	7%	
Steel Prodution	YoY%	7%	7%	11%	14%	14%	14%	8%
Air Cargo Handled	YoY%	11%	5%	0%	4%	5%	2%	
Railway Freight	YoY%	4%	3%	1%	0%	9%	4%	
Port Cargo	YoY%	7%	4%	6%	4%	2%	11%	
PMI Manfuacturing	Index	58.2	57.6	58.4	59.1	59.3	57.7	59.2
PMI Services	Index	58.7	58.8	60.4	60.5	62.9	60.9	58.9

Source: CMIE, 360 ONE Asset Research

Outlook: FY26 GDP growth is expected to be around 7-7.3% YoY

Global economic uncertainty, US import tariffs and global financial market volatility pose downside risk to growth

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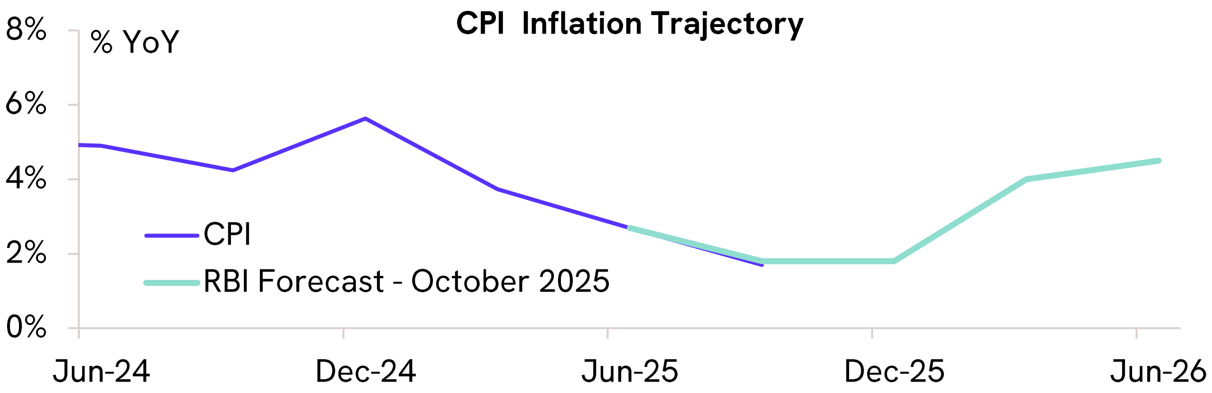
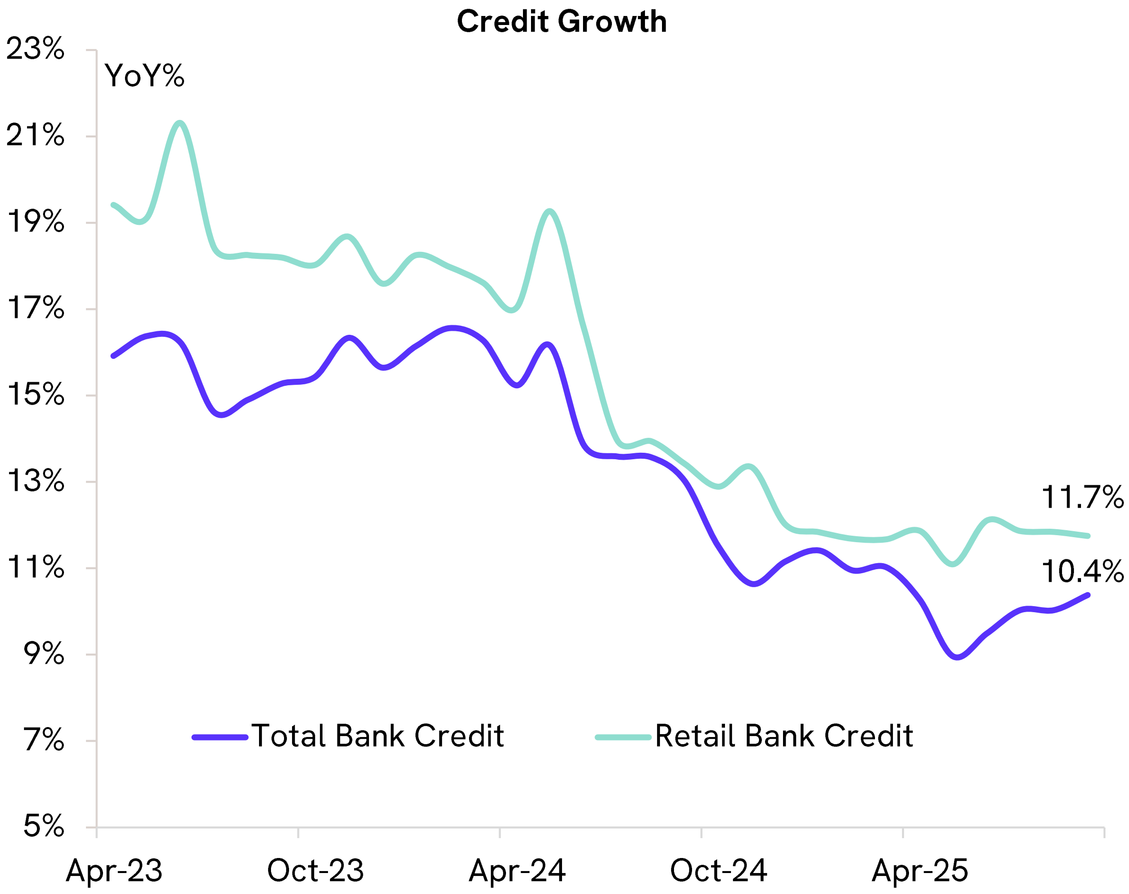
GST 2.0 could deliver a significant boost to consumption

	GST 2.0 impact on Exchequer and Consumption	Rs Bn
A	Gross revenue loss to exchequer on account of GST 2.0	930
B	Gains on account of introduction of 40% slab in GST 2.0	450
C = A-B	Net loss to exchequer on account of GST 2.0/ Potential gain to the consumer	480
D	Impact of withdrawal of compensation cess	1,671
C + D	**Net consumption boost**	**2,151**

However, with inflation appearing to have bottomed out, technical factors may now exert downward pressure on real GDP growth



RBI regulatory easing should boost the credit growth



Source: CMIE, RBI, MOSPI, Ministry of Finance, 360 ONE Asset Research

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