



India Soars beyond Tariff Winds

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India's GDP Grows 7.8% in Q1, 8.2% in Q2 and 8% in H1 2025-26

India's economic fundamentals set a new benchmark for the World economy, which, despite severe headwinds, grows well above expectations

The recent Q2 FY 2026 has surprised with high economic growth momentum despite geopolitical and geo-economic headwinds and the high level of US tariffs on India's exports. Though the IMF, in its recent update, forecast a GDP growth rate of 6.6% for the Indian economy in 2025-26, based on recent performance, economic growth is expected to surpass 7% in 2025-26.

India has become a leading global growth powerhouse, growing strongly in the post-COVID years. The dynamic reforms undertaken by the government over the last decade have built the Indian economy's strong resilience, which is now, despite global headwinds, growing robustly and surprising the world with its consistently strong trajectory. India grew 9.7% in 2021-22, 7.6% in 2022-23, 9.2% in 2023-24, 6.5% in 2024-25 and is expected to grow robustly in the current financial year.

Powerhouses of 21st Century Global Growth

Country/ GDP Growth	Q1 2025	Q2 2025	Q3 2025	Average of 2025 So Far
India	7.4	7.8	8.2	7.8
China	5.4	5.2	4.8	5.1
USA	0.5	3.0	3.0*	2.1

Source: NDIM NEO Research Centre-NNRC

The lead economic indicators, in light of the strong fundamentals of the Indian economy, have created a robust balance sheet. GDP is growing at a robust pace, inflation has fallen below 1%, exports remain steady at around 4-5%, and the capital market is growing robustly. Despite the severe global headwinds, the fundamentals of the economy remain robust.

The robust balance sheet of economic Fundamentals

Sr. No.	Indicators	Period	Performance	Remarks
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1	Real GDP	FY 2026	7.2%*	Bold economic reforms, such as the next Gen GST, FY 2026 Direct Tax rates reduction, support the consumption trajectory
2	CPI Inflation	October 2026	0.25%	Improvement in the supply side, vis-à-vis RBI's calibrated steps, supports benign inflation conditions
3	Exports	April-Oct 2026	4-5%	Government handholding to exporters and their efforts to diversify support for export growth
4	Current Account Deficit	Apr-June	0.2%	Strong performance of the services exports supports the overall current account deficit
5	Fiscal Deficit	FY 2026	4.4%	The calibrated steps by the Government and robust GST collections support fiscal performance

Source: NDIM NEO Research Centre-NNRC
*NDIM NEO Research Centre Estimates

The overall macroeconomic landscape reflects a robust balance sheet of India's economic fundamentals in FY 2026, supported by reforms-driven momentum and prudent policy actions. Real GDP growth is estimated at 7.2% in FY 2026, driven by bold structural reforms, including the Next-Gen GST framework and the FY 2026 rationalisation of direct tax rates. These steps have improved consumption sentiment, strengthened business confidence, and supported growth across manufacturing, services, and exports.

Inflation dynamics have also turned favourable. CPI inflation fell sharply to 0.25% in October 2026, aided by improved supply-side conditions, efficient logistics, and the RBI's calibrated monetary policy. This benign inflation trajectory has boosted purchasing power and encouraged investment decisions.

On the external front, exports grew by 4–5% during April–October 2026, supported by targeted government initiatives, diversification of export markets, and competitiveness-building measures. The strong performance of services exports has helped contain the current account deficit despite global uncertainties.

Fiscal indicators continue to display discipline. The government's calibrated fiscal consolidation strategy, combined with buoyant GST collections, is improving fiscal deficit outcomes for FY 2026. Together, these indicators underscore India's resilient macroeconomic fundamentals and supportive policy environment.

The Quarterly Estimates of Gross Domestic Product (GDP) for Q2 FY 2025-26 (July–September 2025) present a comprehensive picture of India's economic performance. Real GDP in Q2 FY 2025-26 grew by 8.2%, rising to ₹48.63 lakh crore from ₹44.94 lakh crore in the same quarter (Q2 FY 2025) of the previous year. Nominal GDP increased by 8.7%, touching ₹85.25 lakh crore. Alongside GDP, Real GVA expanded by 8.1%, supported by robust growth across major sectors. Nominal GVA also grew 8.7%.

The strong economic expansion was driven primarily by the secondary and tertiary sectors. The secondary sector posted 8.1% real GVA growth, led by a sharp 9.1% expansion in manufacturing and 7.2% growth in construction. Utilities (electricity, gas, water supply) grew at 4.4%.

The tertiary sector, which accounts for the largest share of nominal GVA (60%), grew by 9.2%. Within it, Financial, Real Estate & Professional Services recorded the highest growth at 10.2%, followed by Public Administration,

Defence & Other Services (9.7%) and Trade, Hotels, Transport, Communication & Broadcasting Services (7.4%). The primary sector also remained resilient, expanding by 3.5%, with agriculture leading the way at 3.5%.

India's Economic Resilience So Far

Sr. No.	Period & Growth	Performance
1	Q1 FY 2025-26	7.8%
2	Q2 FY 2025-26	8.2%
3	H1 FY 2025-26	8.0%
4	Nominal GDP Q2	8.7%
5	Secondary Sector Q2 FY 2025-26	8.1%
6	Tertiary Sector Q2 FY 2025-26	9.2%
7	Manufacturing Q2 FY 2025-26	9.1%
8	Construction Sector FY 2025-26	7.2%
9	Financial Real Estate & Professional Services Q2 FY 2025-26	10.2%
10	Agriculture and Allied Services Q2 FY 2025-26	3.5%
11	Electricity water supply and other utilities	4.4%
12	Private Final Consumption Expenditure PFCE Q2 FY 2025-26	7.9%

Source: NDIM NEO Research Centre-NNRC, Compiled from MOSPI, Q2 FY 2025-26 GDP Estimates

Private Final Consumption Expenditure (PFCE), a key driver of domestic demand, grew by 7.9%, up from 6.4% last year. Gross Fixed Capital Formation (GFCF) rose by 7.3%, reflecting continued investment momentum. External sector data show exports rising 5.6% and imports rising 12.8%, indicating strong domestic demand but widening the trade deficit.

For the H1 FY 2025-26 (April–September), India's Real GDP grew by 8.0%, improving significantly from 6.1% in H1 FY 2024-25. Real GVA for the half-year increased by 7.9%, supported by higher manufacturing and services output. Within the tertiary sector, financial and professional services grew 9.9%, and public administration/defence services expanded 9.7%. Manufacturing grew 8.4% in H1, demonstrating sustained industrial strength compared to last year.

This economic resilience has been supported by the bold economic reforms undertaken by the Government, first in the Union Budget 2025-26, which provided a significant bonanza of tax reliefs to the middle class, support to vulnerable segments of the economy, and handholding for MSMEs. These reform measures were further supported by the Next Gen GST reforms, rationalising the tax rates and slabs. The consumption trajectory has been significantly supported by these recent bold economic reforms, which have created a virtuous cycle of economic growth and advanced the economy to more than 8% growth in Q2 FY 2025-26.

The impact of severe Trump Tariffs on the growth trajectory has been fully mitigated, and the export trajectory is performing very well, with exports growing by more than 4% as the diversification process takes off. Exports are growing significantly to Spain, the UAE, the Netherlands, Australia, Hong Kong, and Brazil. The diversified export

trajectory, driven by strengthened supply chains in these growing markets, is expected to elevate India's exports towards its ambitious 2030 targets.

Going ahead, India's economic growth is expected to remain resilient and robust in the coming years, as the IMF forecasts more than 6.5% growth and acknowledges India's growing resilience amid growing global uncertainties. The focus on reducing the costs of doing business, particularly the costs of finance, logistics, and compliance, would go a long way towards further strengthening India's economic resilience and its journey towards Viksit Bharat.

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