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# GDP expand by 7.8% in Q1FY27

*India's GDP growth surprised positively as it accelerated by 7.8% in Q1FY27, following a 6.9% growth in Q1FY26. Manufacturing and services aided in providing stupendous growth. Significant traction has been noted in consumption demand. Despite the ongoing geopolitical development at play, the economy continues to reflect the resilience across sectors. Given the revival in the monsoon, agriculture sector is expected to rebound. Overall, we expect economy to clock 7% growth in FY27, supported by strong growth in H1FY27 with risks evenly balanced on external front.*

## Q1FY27 GDP expands

GDP growth in Q1FY27 surged to 7.8% from 6.9% in Q1FY26 on a YoY basis. This was higher than our expectation of 7.2%. Sharp acceleration was noted in investment spending as it registered a growth of 11.9% against a growth of 5.8% in the previous year of the same quarter. Additionally, strength was also noted in the consumer spending in Q1 as it clocked a growth of 7.1% against 6.8% in the Q1FY26. Exports registered growth as it expanded by double digit to 12% in Q1FY26 (6% earlier). Growth in government spending was tad lower at 4.3% against 4.5% growth last year. Some weakness was noted in imports with growth declining by (-) 1.1% against an expansion of 5.3% in Q1FY26.

In nominal terms, GDP growth has expanded at a faster pace of 10.3% from 8.1% in Q1FY26. Private consumption spending has registered strong growth of 9.9% from 8.3% growth in the previous year. Government spending has also been higher in Q1 with a growth of 9.5% (4% in Q1FY26). Moreover, investment too has recorded robust growth of 20.4% (from 5.4% in Q1FY26) for the same period. Both exports and imports have also registered strong growth of 25.8% (from 5.7%) and 30.9% (from 5.7%) respectively in Q1FY27.

## GVA moderates

GVA registered a growth 8.2% in Q1FY27 compared with a growth of 7.0% in Q1FY26. Strong growth was noted across a range of sectors. Manufacturing sector continue to shine brightly as it registered a healthy growth of 9.2% in Q1 compared with 8.3% in the same quarter of last year supported by strong corporate earnings. Electricity growth sprinted ahead with a growth of 8.9% after declining by (-) 1.8% in Q1FY26. Construction sector too strengthened with a growth of 7.7% against 5.2% growth in Q1FY26. Services sector rose led by expansion in financial services (12.1% from 8.8%) and public admin (7.5% from 4.6%) sector. Though, trade, hospital, transport registered marginally slower growth at 8.5% in Q1FY27 (from 9.8%). In contrast, tepid growth was noted for mining sector as it registered a contraction at (-) 2.4% after expanding by 12.4% in Q1FY26. Furthermore, sluggish pace of growth was noted in agriculture sector at 3.6% from 4.4% in Q1FY26 given aggravated heatwave conditions and delayed arrival of South-West monsoon.

## Outlook for FY27

India's GDP growth is expected to clock growth of 7% in FY27, much higher than RBI's forecast of 6.7%. The growth is likely to moderate in H2, though it is expected to perform much better in H1FY27. This has also been reflected with some high frequency indicators such as pickup in monsoon activity in Jul'26 and Aug'26 which will result in broad based improvement in consumption sector. Both exports and imports are expected to perform better in the near term. Even as the uncertainty pertaining to war continues to loom large, we expect Indian economy to clock 7% growth this year, with risks evenly balanced.

**Table 1: GDP rose by 7.8% in Q1FY27**

| Sectors (%) | Q1FY26 | Q2FY26 | Q3FY6 | Q4FY26 | Q1FY27 |
|---|---|---|---|---|---|
| Agriculture, forestry and fishing | 4.4 | 3.2 | 1.9 | 3.9 | **3.6** |
| Mining and quarrying | 12.4 | 21.6 | 3.3 | (2.9) | **(2.4)** |
| Manufacturing | 8.3 | 10.0 | 9.0 | 7.9 | **9.2** |
| Electricity, gas, water supply and other utility services | (1.8) | 3.8 | 1.9 | 4.8 | **8.9** |
| Construction | 5.2 | 7.8 | 7.0 | 8.7 | **7.7** |
| Trade, hotels, transport, communication & services related to broadcasting | 9.8 | 10.6 | 11.7 | 12.9 | **8.5** |
| Financial, real estate & professional services | 8.8 | 9.9 | 10.9 | 12.3 | **12.1** |
| Public administration and Defence | 4.6 | 5.7 | 6.6 | 8.0 | **7.5** |
| GVA at basic prices | 7.0 | 8.3 | 7.6 | 8.7 | ***8.2*** |
| GDP | 6.9 | 8.1 | 7.7 | 8.6 | ***7.8*** |

Source: CEIC, Bank of Baroda Research



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