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Q4 GDP may get tweaked

Later in the week, Mospi is expected to announce provisional numbers of growth in Q4FY26 and revised numbers for FY26 growth. As per the implied growth calculations, it is clear that real GDP in Q4FY26 is expected to come in at 7.3%, up from 7.1% in Q4FY25. This will be helped by pickup in growth in utilities and services segments. Agriculture, mining, manufacturing and construction sectors are projected to report slower growth in Q4FY26 vis-à-vis Q4FY25. However, given the updated information available, we believe, both headline and sub-segment numbers will get revised. The updated information is on the impact of US-Iran war on prices, corporate results and other high frequency indicators (air fares, bank credit and deposit growth). For Q4FY26, the economy is projected to grow at 7.2-7.3%. Agriculture, mining, manufacturing and trade, hotels, transport sectors may note some downward revisions, while utilities and construction sector are expected to lift up growth. Going ahead for FY27, growth will be slightly lower at 6.5-6.8%, as bulk of the impact of the US-Iran war will be felt in Q1FY27.

Q4FY26 GDP Estimates

The Q4FY26 numbers, due to be released later in the week by Mospi are important for 2 reasons: first, the numbers will incorporate central government fiscal account data for Mar'26 and even the corporate results for a majority of the companies, to give more accurate number of growth in the last quarter. Secondly, since the beginning of the US-Iran war in Mar'26, we will now have some quantifiable impact of it on growth, even if the impact is expected to be only marginal. On the domestic consumption and production front, numbers will continue to reflect resilience in activity.

As per the last release by Mospi, we have provisional numbers for FY26 GDP. We also have GDP data for first three quarters of FY26. Using these datasets, we know what the implied growth in Q4FY26 would be. India's real GDP is expected to moderate to 7.3% in Q4FY26 from 7.8% in Q3FY26. However, compared with same period last year (Q4FY25), growth will be higher from 7%. We expect Q4FY26 growth to range between 7.2-7.3%, the rationale for which is explained below.

Our rationale is against the backdrop that given the crisis in West Asia, in early Mar'26 alone, price of commercial LPG had increased by Rs 142.5/cylinder. Also, domestic LPG cylinder cost rose by Rs 60. In addition, price of bulk diesel (sold for industrial use) rose by Rs 22/lt, and gas cuts were announced for almost all companies (manufacturing: ~20% cut; fertilizers: ~30% cut; refineries: ~35-40% cut). Noting this, we observe that:

- The net tax on products number is expected to be revised lower. This will be due to higher subsidy bill of the government owing to rise in fertilizer costs. As per World Bank's pink sheet data, cost of Urea jumped by ~84% (YoY) in Mar'26, following 19.5% growth registered in Mar'25. Cost of DAP (7%) and TSP (16.6%) also went up in Mar'26. Cost of natural gas rose by 7-8%.
- This would also have marginal impact on agriculture growth, which is anyway projected to slowdown to 2.1% in Q4FY26 from 3.8% in Q4FY25. Rise in input costs along with

abnormally high temperatures (~4°C to 8°C higher than normal) in Mar'26 could have possibly impacted summer/Zaid crops.

- On the industry side, mining sector is expected to clock in 1.7% growth, down from 12.9% in Q4FY25, and manufacturing is projected to moderate less sharply to 9.3% from 11.8%. Actual numbers in this segment will be interesting to note. Corporate results for a sample of 1,506 companies suggests that net sales of non-BFSI sector rose by 10.9% in Q4FY26, up from 3.4% in Q4FY25. Profit growth eased a tad but still remained in double digit (10.5% versus 11.6%), as rise in input costs impacted margins. The impact of gas cuts to manufacturing sector may lead to downward revision of growth in this segment, to below 9.3% mark.
- In contrast, the sub-industry index of utilities and construction may get revised upwards. As per the implied growth, electricity industry is projected to report 2.7% rise in growth, up from 2.1% in Q4FY25. Given the beginning of intense heatwave conditions in the country in Mar'26, this number could be revised upwards. Further, as per the corporate results, construction sector appears to have held ground. Infrastructure companies reported 11.1% rise in net sales (4.3% in Q4FY25) and 20% rise in PAT (-0.9%). Therefore, construction sector growth can be revised upwards from estimated growth of 7.6% in Q4FY26 (8% in Q4FY25). Rise in central government's capex by 11.7% between Jan-Feb'26 from (-) 4.1% decline during the same period of last year, will also be supportive of construction sector growth in Q4.
- For services, overall growth is projected at 9.1% (up from 6.8% in Q4FY25), with growth across sub-segments estimated to rise. Growth in trade, hotels, transport is estimated at 9.7% (6.3%); financial, real estate & professional services at 9.6% (8.8%); and public admin and defence at 7.5% (3.2%). Here mixed trends could be visible. Growth in financial, real estate and public administration segment could be stronger, while that in trade, hotels segment could edge downwards. Bank credit growth in Jan-Mar'26 averaged at 14.3% versus 11.2% in Q4FY25 and deposit growth averaged at 11.7% versus 10.4% during the same period last year. Government's revenue expenditure (net of interest payments) also fell at slower pace in Jan-Feb'26 period (-5.6%) versus last year during the same time (-9%). In contrast, growth in trade and hotels segment may get impacted due to higher input costs (cylinder prices, air fares) and compressed margins.

Outlook for FY27

Growth in FY27 is expected to feel bulk of the impact of the ongoing crisis in West Asia. In Q1FY27, between Apr'26 and start of Jun'26, price of commercial LPG cylinder has risen by more than Rs 1,200 per cylinder. Price of CNG and regular petrol and diesel has also gone up. International oil prices on an average are still up by ~58% vis-à-vis last year during the same period. There is no decisive end to the war that is visible in the immediate future, and even if the war ends today, it will still take months for supply chains to normalise. This along with the projection of below normal monsoon and continued heatwave conditions in most part of the country in Jun'26 will also impact growth. Agriculture and service sector growth is most at risk. Industries will also continue to face elevated input costs. As a result, we expect growth in agriculture and allied activities to slow down to 2.2-2.3% in FY27 from 2.4% in FY26, growth in industry will be lower at 7-8% (9.5% in FY26), and that of services will be

weaker at 7.5-8% (8.7% in FY26), bringing the headline GDP number to 6.5-6.8% in FY27, down from 7.6% in FY26. The FY26 data can be revised marginally lower, accounting for more accurate Mar'26 data available on corporate results and government's fiscal accounts.

Table 1: GDP expected to grow by 7.2-7.3% in Q4FY26

Sectors (%)	Q4FY25	Q1FY26	Q2FY26	Q3FY6	Q4FY26
Agriculture, forestry and fishing	3.8	4.2	2.3	1.4	2.1
Mining and quarrying	12.9	4.5	6.1	4.7	1.7
Manufacturing	11.8	10.6	13.2	13.3	9.3
Electricity, gas, water supply and other utility services	2.1	-1.9	3.9	1.5	2.7
Construction	8.0	5.4	8.7	6.6	7.6
Trade, hotels, transport, communication & services related to broadcasting	6.3	9.4	10.4	11.0	9.7
Financial, real estate & professional services	8.8	8.8	9.9	11.2	9.6
Public administration and Defence	3.2	4.3	6.9	4.5	7.5
GVA at basic prices	7.1	7.0	8.6	7.8	7.3-7.4
GDP	7.0	6.7	8.4	7.8	7.2-7.3

Source: CEIC, Bank of Baroda Research

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