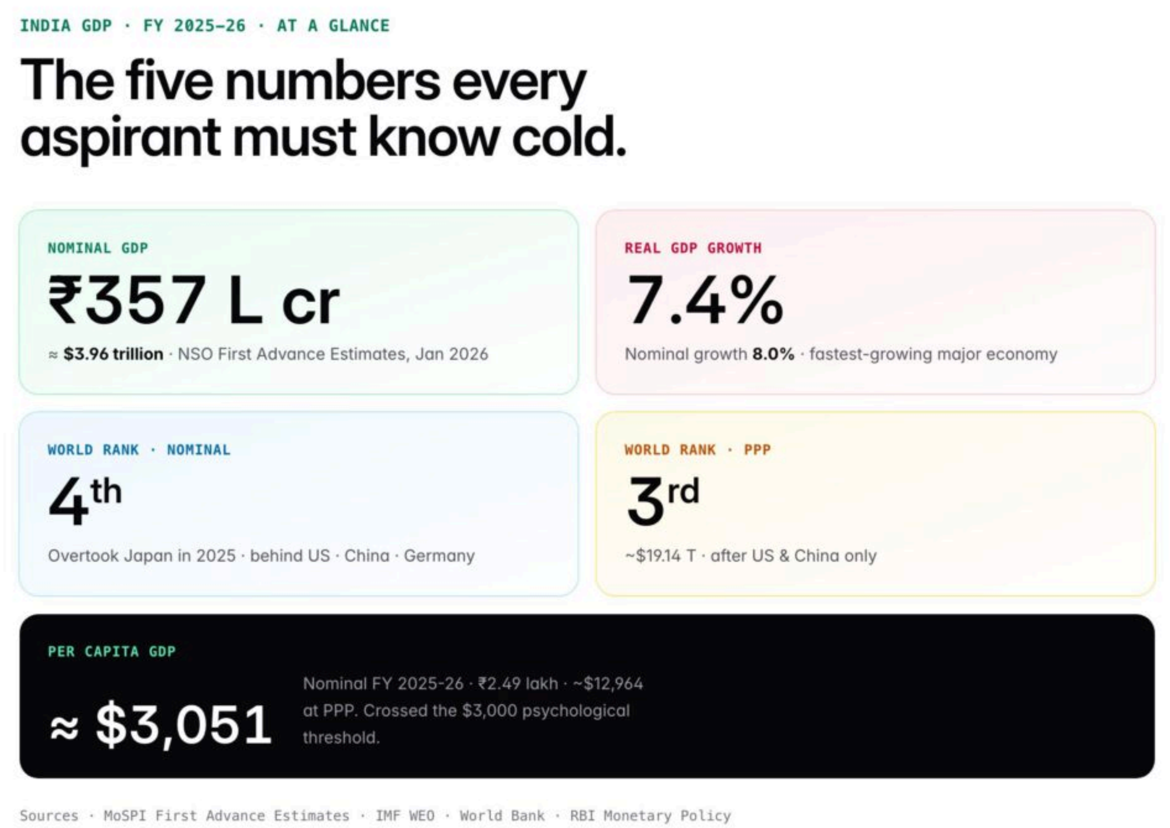
India's GDP at a Glance (FY 2025-26)



Understanding GDP: Basics

What is GDP?

Gross Domestic Product (GDP) is the total monetary value of all **final goods and services** produced within a country's borders in a given time period (typically a year or quarter).

Key features:

- Measures **economic output** within geographical boundaries
- Includes production by both domestic and foreign firms within the country
- Excludes production by Indian firms abroad
- Calculated by the **National Statistical Office (NSO)** under MoSPI

Nominal vs Real GDP

Measure	Meaning	India FY 2025-26
Nominal GDP	At current market prices	₹357 lakh crore
Real GDP	At constant (base year) prices	₹194 lakh crore
Growth	Nominal: 8.0% / Real: 7.4%	—

Real GDP is the more meaningful indicator — it strips out inflation and shows true economic growth. India's **base year for GDP calculation** is currently **2011-12**, though a new base year (2021-22 or 2022-23) is under consideration.

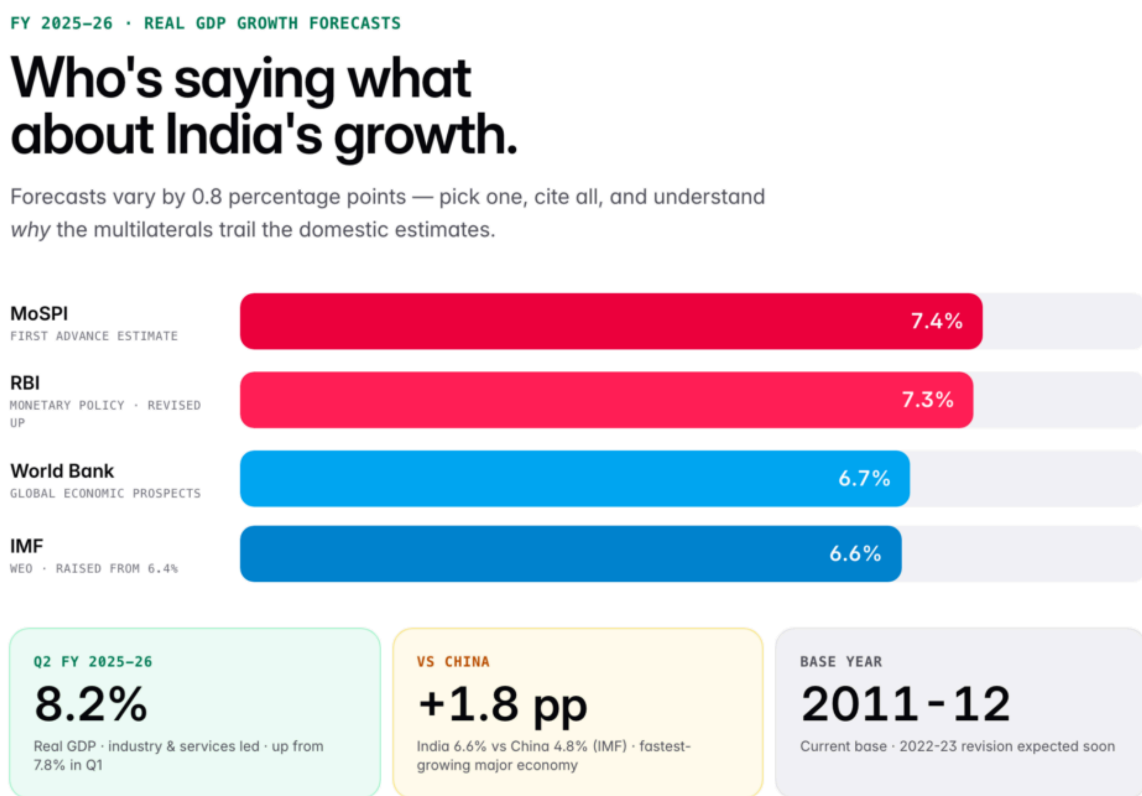
Nominal vs PPP GDP

Measure	2026 Estimate	India's Rank
Nominal GDP	~$3.96 trillion	**4th largest** (overtook Japan 2025)
PPP GDP	~$19.14 trillion	**3rd largest** (after US, China)

PPP adjusts for cost-of-living differences between countries. India's PPP GDP is higher because goods and services cost less in India than in developed economies. For comparing living standards and economic size across countries, PPP is often more meaningful.

India's GDP Growth Trajectory

Historical Growth Rates



What Drove Growth in FY 2025-26

The **First Advance Estimate (Jan 2026)** cites:

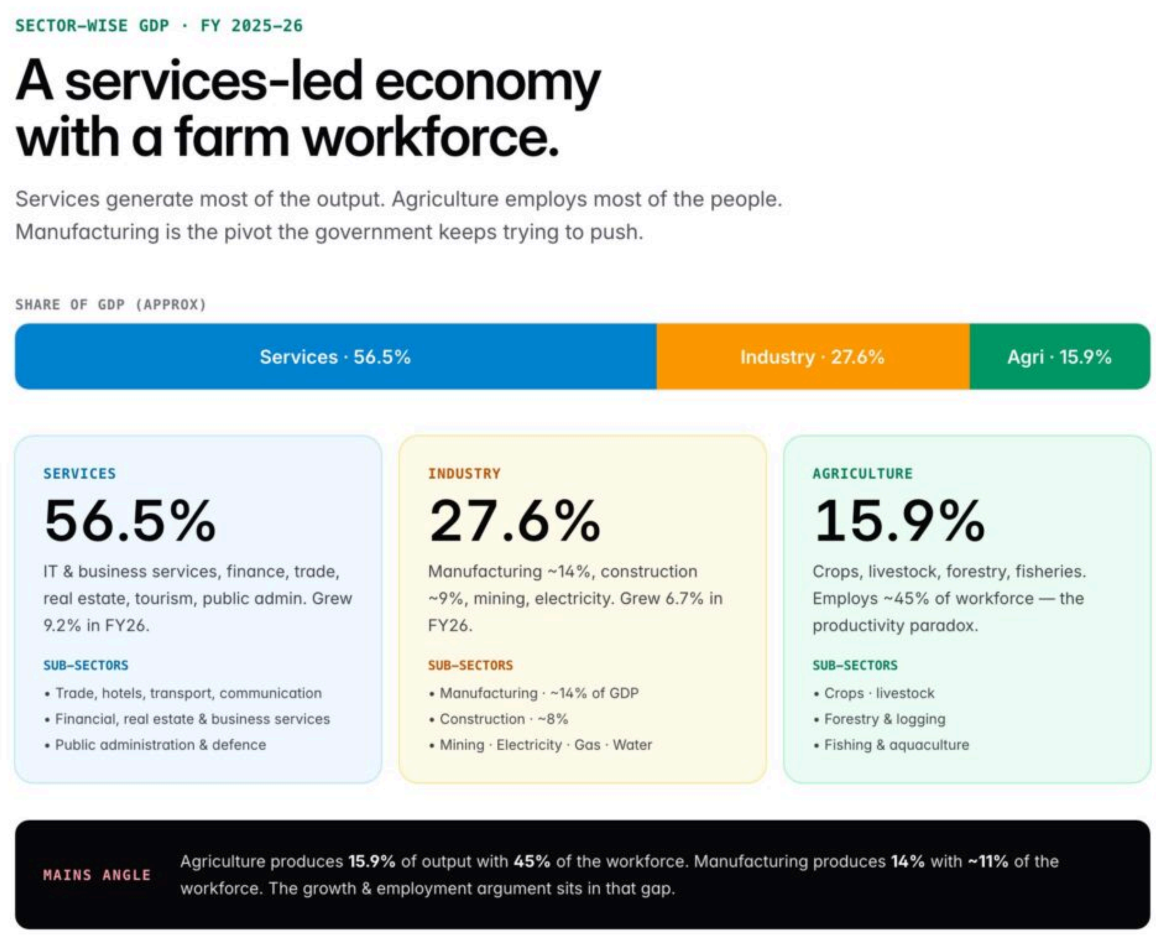
1. **Strong manufacturing revival** — PMI consistently above 55
2. **Services sector resilience** — IT, financial, real estate
3. **Agricultural recovery** — normal monsoon (2025) boosted kharif output
4. **Capex push** — Centre's capital expenditure rose sharply
5. **Consumption recovery** — rural demand rebound after slowing in FY24-25
6. **Sound macroeconomic fundamentals** — inflation under control, stable rupee

Comparison with Major Economies (2026)

Country	Real GDP Growth (2026E)
🇮🇳 **India**	**7.4%**
🇨🇳 China	4.5%
🇺🇸 USA	2.1%
🇯🇵 Japan	1.0%
🇩🇪 Germany	0.7%
🇬🇧 UK	1.3%
🇧🇷 Brazil	2.2%

India remains **the fastest-growing major economy** — a position it has held every year since FY 2021-22 (post-COVID).

Sector-wise Contribution to GDP



India's economy has three broad sectors. Their contribution to **Gross Value Added (GVA)** — which is GDP minus net taxes on products — paints a clearer production picture.

FY 2025-26 Sectoral Shares

Sector	GVA Share	Growth Rate (FY26)
Agriculture & Allied	~15.9%	3.8%
Industry	~27.6%	6.7%
— Manufacturing	~14.0%	4.8%
— Construction	~9.1%	8.5%
— Mining	~2.2%	2.8%
— Electricity, gas	~2.3%	6.1%
Services	~56.5%	9.2%
— Trade, hotels, transport	~18.8%	8.6%
— Finance, real estate	~23.0%	9.0%
— Public admin, defence	~14.7%	10.1%

Key Observations

Services dominance: India's services sector contributes **56.5% of GVA** — among the highest in emerging economies. This reflects India's unique growth model where services (especially IT and financial services) lead growth.

Manufacturing lag: Despite PLI schemes and Make in India, manufacturing share remains stuck at ~14%. The government aims for 25% by 2025 — clearly missed.

Agriculture's declining share: Agriculture's GVA share has dropped from ~30% in 1991 to ~16% in 2026 — but still employs ~45% of the workforce, indicating productivity gaps.

Per Capita GDP and Income

Metric	FY 2025-26	FY 2024-25
Per Capita GDP (nominal)	₹2.49 lakh	₹2.33 lakh
Per Capita GDP ($ nominal)	~$3,051	~$2,878
Per Capita GDP ($ PPP)	~$12,964	~$12,100
Per Capita NNI (net national income)	~₹2.24 lakh	~₹2.08 lakh

India crossed the **$3,000 per capita mark** in FY25-26 — a psychological threshold. However, per capita income remains below the **lower middle-income ceiling** (~$4,465 per World Bank), and far below the **upper middle-income threshold** (~$13,845).

Viksit Bharat @ 2047 target: Per capita income of $18,000-$20,000 by 2047, requiring sustained ~7%+ growth.

How GDP is Measured in India

The NSO's Three Approaches

NSO (formerly CSO) uses **three methods** to estimate GDP — they should theoretically yield identical results:

Method	What it Measures
Production (Output)	Sum of GVA across all sectors + net taxes on products
Income	Sum of all incomes — wages, rent, profit, interest
Expenditure	Private consumption + Government spending + Investment + Net exports

India primarily uses the **production approach**. Expenditure-side GDP is increasingly published too.

Quarterly and Advance Estimates

NSO releases multiple estimates:

Release	Timing
First Advance Estimate	7 January (for current FY)
Second Advance Estimate	28 February
Provisional Estimate	31 May
First Revised Estimate	31 January (next FY)
Second Revised Estimate	Later revisions
Third Revised Estimate	Final

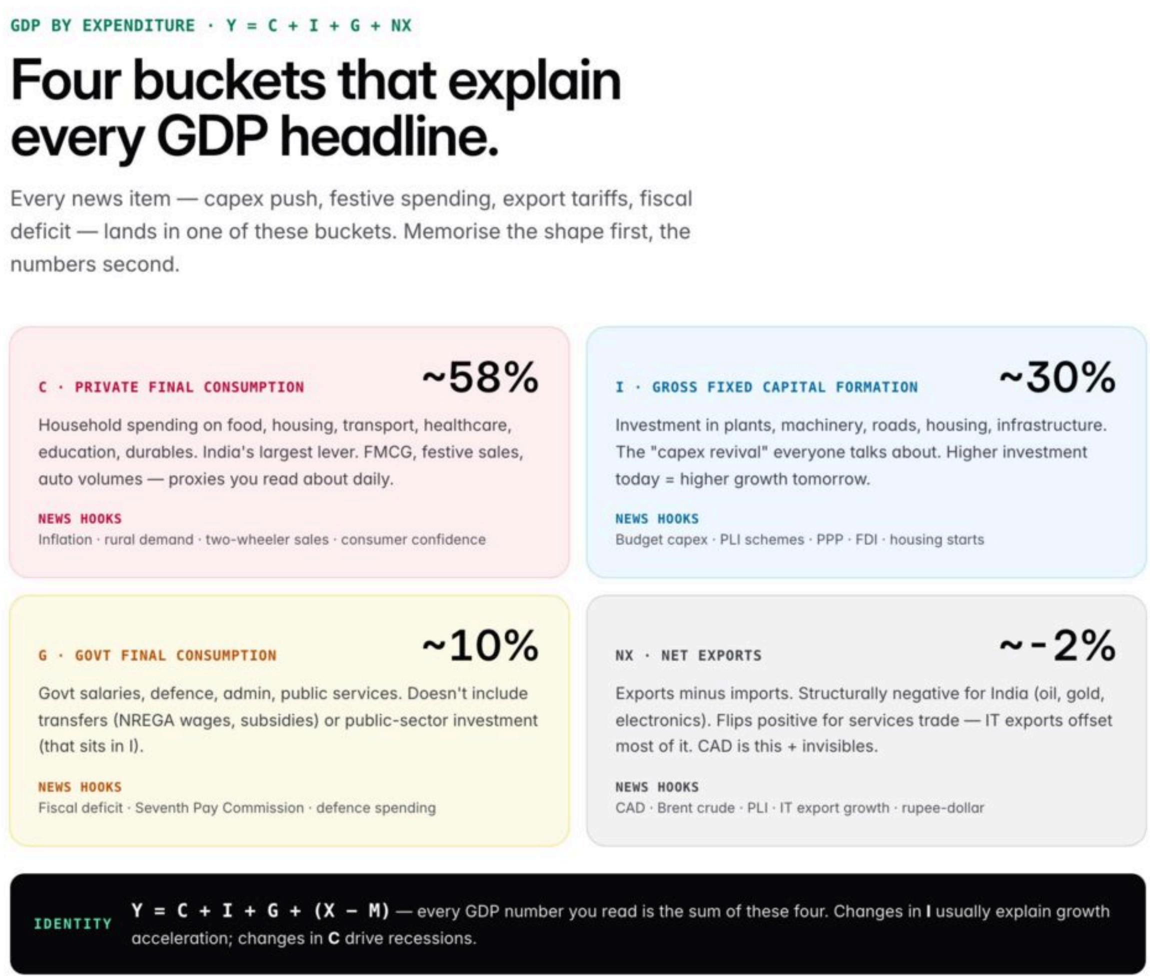
Base Year

Currently, GDP is calculated at **2011-12 base year prices** for real GDP. This means:

- **Real GDP** = quantities at 2011-12 prices
- **Nominal GDP** = quantities at current year prices
- **GDP Deflator** = Nominal / Real × 100

Base year revision: A new base year (likely 2022-23) is expected soon. This is a routine methodological update to reflect changes in the economy's structure.

GDP Components by Expenditure



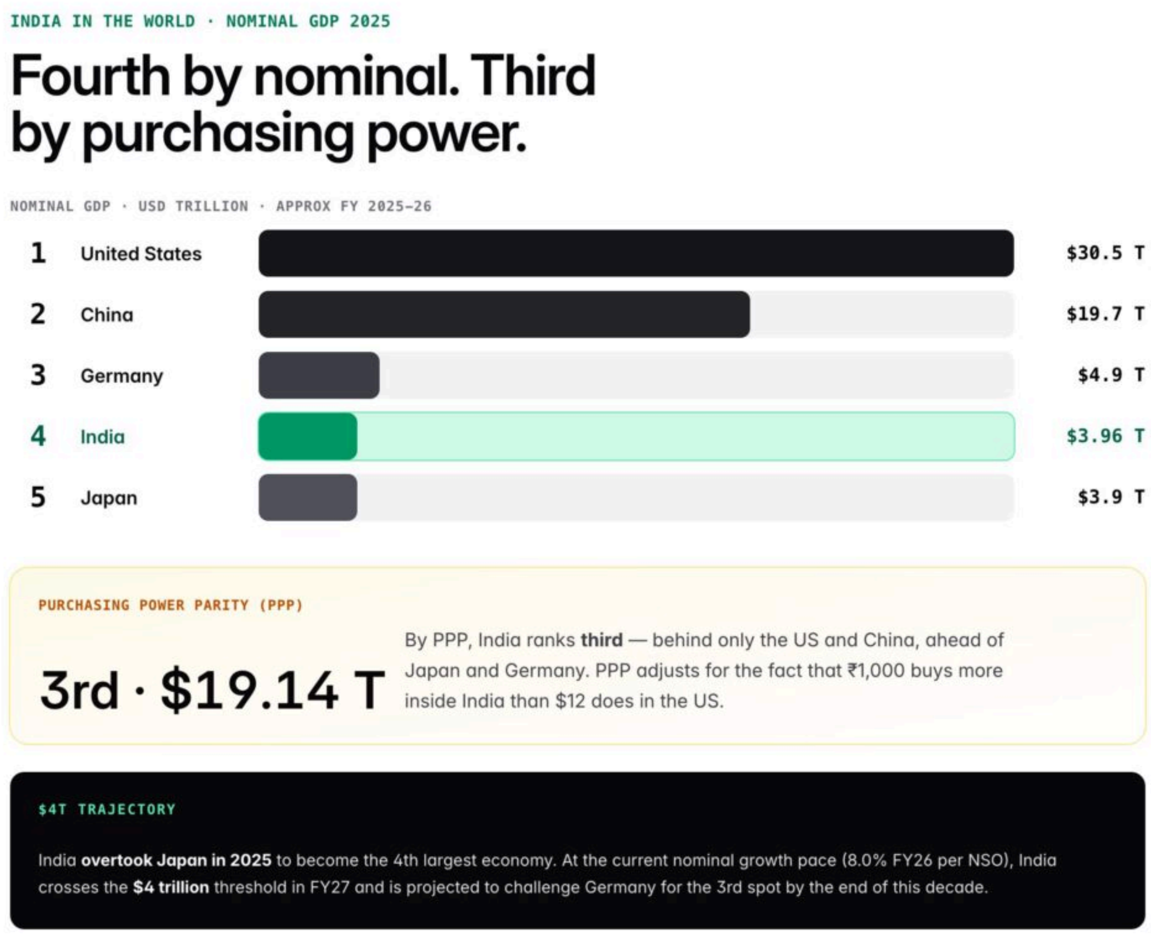
Breaking down FY 2025-26 GDP by expenditure:

Component	% of GDP	Year-on-year Growth
Private Final Consumption (PFCE)	~58%	7.6%
Government Final Consumption (GFCE)	~10%	3.3%
Gross Fixed Capital Formation (GFCF) — Investment	~30%	7.1%
Net Exports (Exports – Imports)	~-2%	—
Change in Stocks + Valuables	~4%	—

Key insights:

- **Consumption** remains the largest GDP driver (~58% of GDP)
- **Investment** (GFCF) has risen to ~30% — highest in a decade
- **Net exports** are negative (India imports more than it exports)

India's Global Economic Position



World GDP Rankings (2026E)

Rank	Country	Nominal GDP ($ trillion)
1	**USA**	30.4
2	**China**	19.5
3	**Germany**	4.9
4	**India** 🇮🇳	**3.96**
5	Japan	3.8
6	UK	3.6
7	France	3.2

Historical Progression

- **2000:** India ranked 13th with GDP of $476 billion
- **2014:** India moved to 10th position with $2.04 trillion
- **2022:** India became 5th largest (overtook UK)
- **2025:** India became 4th largest (overtook Japan) 🎯
- **2027 (projected):** India expected to overtake Germany → 3rd largest
- **2047 (Viksit Bharat):** Target: developed economy status, ~$30 trillion GDP

India vs China: A Generational Gap

Indicator	China	India
Nominal GDP	$19.5 T	$3.96 T
Per capita GDP	~$13,800	~$3,051
Growth rate (2026E)	4.5%	7.4%
Manufacturing share	~28%	~14%

India is approximately **15-20 years behind China** in per capita terms. But India's growth rate advantage creates a convergence path — though it will take decades to close the gap.

Concerns and Challenges

Despite strong headline numbers, several concerns persist:

Structural Issues

- **Jobless growth:** GDP rising faster than employment creation
- **Manufacturing stagnation:** Share stuck at ~14% despite PLI
- **Informal sector dominance:** ~90% of workforce in informal sector
- **K-shaped recovery:** Top-end growing faster than bottom-end
- **Rural distress:** Agriculture incomes lagging

External Risks

- **Global slowdown:** US/China/EU weakness affects Indian exports
- **Oil prices:** Higher oil = higher import bill and inflation
- **Geopolitical tensions:** Russia-Ukraine, Middle East
- **US tariff policies:** Trump administration's 2025 tariff measures
- **Climate risks:** Erratic monsoons, extreme weather

Measurement Debates

- **Base year outdated:** 2011-12 doesn't reflect post-COVID economy
- **Informal sector estimation:** GDP estimates may not fully capture informal activity
- **Data gaps:** Delays in Economic Census and ASI data
- **Back-series controversy:** Pre-2011 GDP estimates have been revised downward, triggering debate

Key Government Initiatives Impacting GDP

Scheme	GDP Impact
Production-Linked Incentive (PLI) Scheme	Boosts manufacturing GVA across 14 sectors
Capex Push	Central capex ~₹11 lakh crore in FY 2025-26
PM Gati Shakti	Infrastructure multi-modal integration
National Infrastructure Pipeline (NIP)	₹111 lakh crore infrastructure investment
Digital India / UPI	Fintech boost + formalisation gains
Make in India	Manufacturing ecosystem
Viksit Bharat 2047	Long-term growth vision

Key Prelims and Mains Facts

Prelims-Level Facts

- **FY 2025-26 Real GDP Growth:** 7.4% (First Advance Estimate)
- **FY 2025-26 Nominal GDP Growth:** 8.0%
- **Nominal GDP size:** ~₹357 lakh crore (~$3.96 trillion)
- **India's world rank (Nominal): 4th** (overtook Japan in 2025)
- **India's world rank (PPP):** 3rd
- **Per capita GDP (nominal):** ~$3,051
- **Per capita GDP (PPP):** ~$12,964
- **Base Year for GDP:** 2011-12 (revision expected)
- **Agency calculating GDP:** National Statistical Office (NSO), under MoSPI
- **Sectoral shares (GVA):** Agriculture ~16%, Industry ~28%, Services ~56%
- **GDP Deflator** = Nominal GDP / Real GDP × 100
- **3 Methods of GDP:** Production, Income, Expenditure

Mains-Level Points

- Why India is the fastest-growing major economy despite global slowdown
- Services-led growth vs manufacturing-led growth debate
- Challenges of jobless growth and inequality

- PLI scheme's impact on manufacturing share
- India's path to Viksit Bharat @ 2047

Frequently Asked UPSC Questions

Q: What is the difference between GDP and GNP? GDP is produced **within** country borders. GNP (Gross National Product) is produced by a country's **residents**, wherever located. GNP = GDP + (Income from abroad) − (Income paid abroad).

Q: What is GVA? Gross Value Added is the value of output minus intermediate consumption. GDP = GVA + Taxes on products − Subsidies on products.

Q: Why is India's PPP rank higher than nominal? Because of lower prices in India. PPP adjusts for cost of living — the same $1 buys more in India than in the USA, so India's economic size in PPP terms appears larger.

Q: What is NNI? Net National Income = GNP − Depreciation. It reflects income actually available after accounting for wear-and-tear of capital.

Data sources: NSO First Advance Estimates FY 2025-26 (January 2026); IMF WEO October 2025; World Bank; RBI Annual Report 2024-25; Economic Survey 2024-25.

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