GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO.1849
TO BE ANSWERED ON TUESDAY, AUGUST 04, 2026

Gross Domestic Product growth

1849. Dr. M. Dhanapal:

Will the Minister of FINANCE be pleased to state:

(a) the factors underlying the estimated Gross Domestic Product (GDP) growth of about 7.7 per cent during 2025-26 and the extent to which such growth was broad-based across sectors;
(b) the implications of rising crude oil prices, developments in West Asia, global trade uncertainties and inflationary pressures for economic growth;
(c) the sectors considered most vulnerable to external shocks and the safeguards created to enhance economic resilience;
(d) the role expected from consumption, infrastructure spending, manufacturing and private investment in sustaining growth; and
(e) the policy approach proposed for balancing growth, fiscal discipline and price stability?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

(a) As per the Provisional Estimates of GDP for 2025-26 released by the Ministry of Statistics and Programme Implementation (MoSPI), real GDP is estimated to have grown by 7.7 per cent in 2025-26, compared to 7.1 per cent in 2024-25. The growth was broad-based across sectors, with the secondary and tertiary sectors growing by 8.8 per cent and 9.3 per cent, respectively, while the primary sector grew by 3.2 per cent. On the demand side, growth was supported by strong domestic demand, with private final consumption expenditure and gross fixed capital formation growing by 7.7 per cent and 8.2 per cent, respectively in 2025-26.

(b) The global economic situation remained volatile during the last five months due to geopolitical developments in West Asia and heightened trade uncertainties. Brent crude oil prices peaked at USD 138.2 per barrel in April 2026, exerting upward pressure on global energy prices and domestic producer prices, with WPI inflation increasing from 4.0 per cent in March 2026 to 9.9 per cent in June 2026. According to the Reserve Bank of India's *Financial Stability Report* (June 2026), the rise in international crude oil prices widened India's crude oil import bill, with implications for the current account deficit, similar to those of previous oil price shocks. However, the current account has recorded a surplus of USD 2.8 billion during April-May 2026, compared to a deficit of USD 4.1 billion in the corresponding period of the previous year, driven by higher remittance inflows and a resilient services surplus, which more than offset the wider merchandise trade deficit.

Moreover, the Brent crude oil prices stand at USD 91.8 per barrel as on 27 July 2026, while the Global Supply Chain Pressure Index has declined from 1.84 in April 2026 to 1.25 in June 2026, indicating easing supply chain pressures. Various domestic high-frequency indicators for the first quarter of 2026-27 also point to sustained momentum in economic activity and domestic demand. Growth in the Index of Industrial Production has improved from 3.0 per cent in March 2026 to 7.3 per cent in June 2026, while growth in the Nine Core Industries has strengthened from 2.9 per cent to 5.0 per cent during the same period. Average CPI inflation remained moderate at 3.9 per cent during April-June 2026. These robust domestic fundamentals are expected to support the economy’s growth momentum during the year.

(c) Energy-intensive and trade-dependent sectors such as petrochemicals, chemicals, plastics, packaging, textiles, pharmaceuticals, automotive components and other manufacturing industries are relatively more vulnerable to external shocks arising from energy price volatility.

The Government has undertaken various measures to ensure the availability of critical industrial inputs, ease input cost pressures and support trade and industrial activity. These include customs duty exemption on selected petrochemical feedstock, operationalisation of the Bharat Maritime Insurance Pool and RELIEF (Resilience & Logistics Intervention for Export Facilitation) Scheme, restoration of RoDTEP (Remission of Duties and Taxes on Exported Products) benefits, liquidity support through Emergency Credit Line Guarantee Scheme (ECLGS) 5.0, and expansion of Free Trade Agreements (FTAs). Energy security has also been strengthened through diversification of crude oil import sources, augmentation of Strategic Petroleum Reserves, promotion of alternative fuels, domestic energy production and the Coal and Lignite Gasification Scheme. These measures, together with the Reserve Bank of India's initiatives to strengthen the external sector and support foreign exchange inflows, enhance economic resilience while containing inflationary pressures and mitigating the impact of disruptions in the global energy market.

(d) Private consumption, public infrastructure spending, manufacturing and private investment remain the key drivers of India's economic growth. Private consumption, which accounts for 56.7 per cent of GDP, is supporting domestic demand. Public infrastructure spending, with the Central Government's capital expenditure rising from ₹2.6 lakh crore in 2017-18 to ₹10.7 lakh crore in 2025-26 PA, is strengthening infrastructure, enhancing logistics efficiency, boosting productivity, crowding in private investment and supporting economic activity through multiplier effects. Government initiatives such as the Production Linked Incentive (PLI) Scheme, Make in India and targeted initiatives for MSMEs are strengthening manufacturing and encouraging private investment. Manufacturing is expanding productive capacity, boosting exports and generating employment, while private investment is augmenting productive capacity, fostering innovation, improving competitiveness and creating employment, thereby reinforcing medium-term growth.

(e) The Government has adopted a capital expenditure-led growth strategy to sustain economic growth while maintaining fiscal prudence and price stability. The fiscal deficit of the Central Government has declined from 9.2 per cent of GDP in 2020-21 to 4.4 per cent in 2025-26 (Provisional Actuals), reflecting its commitment to fiscal consolidation. At the same time, Central Government capital expenditure has increased nearly fourfold over the last eight years, supporting medium-term growth through multiplier effects. To maintain price stability, the Government complements the Reserve Bank of India's flexible inflation-targeting framework through continuous price monitoring and timely fiscal, administrative, and supply-side measures to ensure adequate availability of essential commodities and contain inflationary pressures. As a result, retail inflation eased to 2.1 per cent in 2025-26, its lowest level since 2014-15.