



Additional Information related to GDP Estimates Received After Release of Q1 Estimates of FY 2026-27

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The Ministry has released the Updated Series of Annual and Quarterly GDP estimates with base year 2022-23 on 31st August 2026. These GDP Estimates were updated using New Series of Output Producer Price Index (PPI); Banking Services Price Index (BkSPI) with the base year 2022-23 and updated data from various administrative sources.

The additional information being released now is mainly related to the adoption of double deflation methodology and consequent negative implicit deflators, its comparison with other deflation indices such as CPI and WPI, gap between nominal and real GVA/GDP, discrepancy between GDP estimates from production/income and expenditure side, comparison of new and old series growth rates, etc. To bring more clarity, the Ministry has brought out these additional questions and answers for the use of various stakeholders as per the **Annexure**.

Annexure

Questions and Answers related to GDP estimates

1. How can the manufacturing sector record a negative inflation in GVA implicit deflator of “-1.5%” in Q1, 2026-27 despite increase in both manufacturing output and input prices while the agricultural sector recorded a positive inflation rate of 3.9%?

Response:

A negative inflation in implicit deflator in manufacturing does not mean that manufacturing prices have fallen. It is important to distinguish between the price deflators of **output and inputs** and the **implicit Gross Value Added (GVA) deflator**.

Under the double-deflation approach, output and intermediate consumption of the manufacturing sector are deflated separately and real GVA is obtained as real output minus real intermediate consumption. Therefore, when input prices increase faster than output prices, the relative price movement can result in nominal GVA growing more slowly than real GVA. Consequently, the **implicit GVA deflator**, which is derived by comparing nominal GVA with real GVA, can show negative inflation even though both output and input prices are rising.

Importantly, a negative GVA deflator does not mechanically imply lower real growth. Real GVA growth depends on the relative movements in real output and real intermediate consumption.

An illustration to understand the above scenario is given below:

	Year 1	Year 2	Growth Rate
Gross Value of Output	1,000 Cr	1,200 Cr	20.0%
Intermediate Consumption	800 Cr	976 Cr	22.0%
Nominal Gross Value Added (Current)	200 Cr	224 Cr	12.0%
(PPI Output Index)	100	110	10.0%
(PPI Input Index)	100	114	14.0%
Deflated Output (Constant)	1,000 Cr	1,091 Cr	9.1%
Deflated Inputs (Constant)	800 Cr	856 Cr	7.0%
Real Value Added (Constant)	200 Cr	235 Cr	17.5%
Current Price Growth Rate (%)	12.0%		
Constant Price Growth Rate (%)	17.5%		

As per illustration, nominal GVA grows by 12%, while real GVA grows by 17.5%, resulting in a negative implicit GVA deflator. This does not imply that the prices of manufactured products have fallen; rather, it reflects the **relative movement of output and input prices under double deflation**.

In Q1, 2026-27 manufacturing GVA is compiled using the double-deflation approach, under which output and intermediate consumption are separately deflated. During this period input prices increased faster relative to output prices. As a result, nominal GVA growth for this sector was relatively lower at 7.7%, while real GVA growth was 9.2%. The resulting difference between nominal and real GVA growth produced a negative implicit GVA deflator of 1.5%. For example, some of the activities where the growth of input prices was found more than that of output prices are manufacturing of textile and cotton ginning, manufacturing of basic metals, manufacturing of rubber and plastic products, etc. To add further, research papers by the OECD highlight that countries using double deflation frequently experience volatile or negative implicit deflators in manufacturing during global energy and raw material shocks. Advanced economies that depend heavily on imported raw materials regularly experience negative manufacturing deflators when international supply chains fluctuate.

Thus, this does not imply that manufacturing output prices declined. Rather, it reflects the relative movement of output and input prices in the double-deflation framework.

In contrast, at Quarterly level, Agriculture GVA is compiled at constant price first using the production estimates. Current Price estimates of Agriculture GVA is then derived by inflating the Constant Price estimates using the relevant Producer Price Index.

During Q1, 2026-27, the output Producer Price Index for Agriculture, Forestry and Fishing group rose by approximately **5%**. Since the output prices rose and agricultural nominal GVA is heavily driven by these output prices, its implied inflation remained positive at **3.9%**.

2. Last year's Current GDP has been revised down from Rs. 86 lakh crore to Rs. 80 lakh crore, to make current year's GDP look better. If last year's number had not been revised, the growth would have been 2.6% in Current prices.

Response:

The comparison of the Q1 GDP estimates needs to be understood in the context of the revisions made to the GDP series. The change in the estimate of Q1 2025-26 does **not** represent a downward revision made to make the current year's growth appear higher. It reflects successive methodological and data revisions to the GDP series.

The Quarterly GDP estimates are compiled using the **benchmark-indicator approach**, under which the movement in the quarterly estimates is guided by the movement in relevant high-frequency indicators. A revision in the previous-year benchmark does not, by itself, create an artificial increase in the current year's underlying economic activity or the indicators used for estimation. In the quarterly series more than hundreds of volume or value indicators are used. To mention a few, some of the volume indicators used are, *viz.*, growth in crop production, growth in cement production index, growth in finished steel consumption, growth in sales in commercial vehicles, etc.

First, the Q1 2025-26 GDP estimate was initially released on 29.08.2025 under the then prevailing **2011-12 base-year series**. Under that series, GDP at current prices for Q1 2025-26 was estimated at **₹86.05 lakh crore**.

Second, in February 2026, the Ministry introduced the **new GDP series with 2022-23 as the base year**. As part of a base-year revision, the GDP estimates for the entire time series are comprehensively revised to incorporate updated data sources, improved methodologies, revised coverage and other relevant information. Accordingly, the estimate of Q1 2025-26 GDP at current prices under the new series was **₹80.32 lakh crore**.

Third, at the time of release of the Provisional Estimates of GDP for 2025-26 on 05.06.2026, the Q1 2025-26 estimate was further updated to **₹80.44 lakh crore**, reflecting the availability and updation of indicators and data.

Fourth, subsequently, the new series of **IIP and PPI** became available and were incorporated into the GDP compilation. Their incorporation necessitated updating the relevant GDP estimates from 2022-23 onwards. As a result, the Q1 2025-26 GDP at current prices was revised to **₹80.00 lakh crore**.

Thus, the movement from ₹86.05 lakh crore to ₹80.00 lakh crore is the result of **successive revisions to the GDP series arising from the change in base year, incorporation of improved data sources and methodologies, and updation of available indicators**. It is therefore incorrect to interpret the difference as a deliberate downward revision of last year's GDP to mechanically increase the current year's growth rate.

Most importantly, the **₹86.05 lakh crore estimate from the old 2011-12 series cannot be directly compared with the current Q1 2026-27 estimate under the revised 2022-23 series**. Rather, the growth rates are calculated using estimates from the **same and latest comparable GDP series i.e., with base 2022-23**. Thus, the relevant comparison for Q1 2026-27 of Rs 88.27 lakh crore would have been with the earlier Q1 2025-26 estimate of ₹80.32 lakh crore, and not with the old ₹86.05 lakh crore estimate from the superseded series.

3. How do we reconcile a 2.5% implied GDP inflation rate when consumer inflation (CPI) was 3.9% and wholesale inflation (WPI) was over 9%?

Response:

This price divergence is reconciled by understanding that the GDP deflator is an implied price of net value added, not a direct measure of transaction prices. There is no inconsistency because the GDP deflator, CPI and WPI measure different aspects of the economy and have different coverage and weights.

The baskets of goods used to measure these economic indicators vary according to their purposes:

CPI (Consumer Price Index): Reflects price changes of only a specific basket of household consumption of goods and services at the final consumer's end.

WPI (Wholesale Price Index): Reflects price changes of bulk commodities, raw materials, and manufactured goods excluding services at the wholesaler's level.

Implicit GDP Deflator: It is the ratio of GDP at current prices and GDP at constant prices and it covers the entire economy, including government spending, corporate investments, exports, and financial and non-financial services (like banking, IT, and real estate). Since raw material prices were very high and certain service sector inflation is very low, it diluted the high inflation seen in the consumer or wholesale commodity sectors.

Therefore, the implicit GDP deflator need not move in line with either CPI or WPI. Differences in coverage, weights, price concepts and the relative performance of different sectors of the economy can result in the GDP deflator being significantly different from consumer or wholesale inflation.

It needs to be noted that the deflation of individual item/group of items is done using the relevant price indices for that item/item-group. The implicit GDP deflator is only a derived number reflecting the price impact of more than 300 individual price deflators used at the item/item-group level.

4. How does the mechanism of double deflation apply to Private Final Consumption Expenditure (PFCE), and does it enter PFCE calculations directly?

Response:

The mechanism of double deflation **does not directly enter the calculation of PFCE.**

Double deflation is a production-side technique used to estimate the Gross Value Added (GVA) of an industry at constant prices by deflating gross output and intermediate consumption separately. Because PFCE is a measure of final demand (expenditure on goods and services for final use), it has **no intermediate consumption to subtract.**

At the quarterly level, PFCE is estimated at a detailed item/item-group level. For various goods such as food and manufactured products, constant-price estimates are compiled first using appropriate volume indicators, and current-price estimates are subsequently derived using relevant Consumer Price Indices.

For several services items under PFCE, such as education, health, restaurants and accommodation services, current-price estimates are compiled using relevant output indicators and the corresponding constant-price estimates are derived using appropriate price indices.

Thus, double deflation is relevant to the estimation of production-side GVA and is not a method used directly for estimating PFCE.

5. Why there is massive gap between Nominal GVA and Real GVA estimates of Mining sector.

Response:

In the Quarterly GDP compilation, the constant price estimates of the Mining & Quarrying sector are compiled using the relevant Index of Industrial Production (IIP) as the volume indicator. During Q1 (April–June) 2026-27, the IIP growth for Mining & Quarrying was **-3.8% in April, -1.4% in May and 1.6% in June.**

Growth Rate in IIP

Description	Apr-26	May-26	Jun-26
Mining & Quarrying	-3.8	-1.4	1.6
(a) Fuel Minerals	-5.6	-6.1	-1.8
(b) Metallic Minerals incl. Rare Earth Mineral	12.4	18.3	39.4
(c) Non-Metallic Minerals incl. Minor Mineral	-10.3	-6.1	-11.7

This is broadly consistent with the **-2.4% growth in real GVA** of the Mining & Quarrying sector during Q1 2026-27.

The nominal estimates are derived by applying the relevant Producer Price Indices (PPI) to the corresponding real estimates for different mineral groups. The PPI data for Q1 2026-27 indicate significant price increases in the Mining & Quarrying sector. In particular, prices of **Crude Petroleum and Natural Gas** increased by **69.5% in April, 72.2% in May and 33.7% in June**, while **Mining of Metal Ores** recorded inflation of **27.6%, 25.2% and 23.5%**, respectively.

Inflation based on PPI

Commodity Name	Apr-26	May-26	Jun-26
Mining and Quarrying	22.0	21.2	15.5
(A) Mining of Metal Ores	27.6	25.2	23.5
(B) Mining of Coal and Lignite	-1.6	-2.3	-1.6
(C) Other Mining and Quarrying	6.9	6.5	8.7
(D) Extraction of Crude Petroleum and Natural Gas	69.5	72.2	33.7

Thus, the substantial difference between real and nominal GVA growth is primarily a result of the **strong increase in mineral prices, particularly crude petroleum and natural gas and metal ores**, rather than an inconsistency between the real and nominal estimates. The nominal GVA growth of the Mining & Quarrying sector accordingly stood at **22.3% in Q1 2026-27**.

6. As the discrepancies are high in both current and constant price GDP estimates during Q1, 2026-27, does it mean the GDP estimates will be revised significantly in the next revision round when discrepancies get adjusted.

Response:

The discrepancy is a statistical balancing item arising from the difference between the GDP estimates compiled through the production and expenditure approaches. Its movement should therefore not be interpreted, by itself, as evidence that the reported GDP is understated or overstated.

The Q1 2026-27 estimates are based on the information available at the current stage and are subject to revision as more comprehensive and updated source data become available. As additional information is incorporated, estimates under the different approaches may change and, consequently, the statistical discrepancy may also change.

Therefore, while the current discrepancy may change in subsequent revision rounds, it cannot be concluded in advance that GDP will necessarily be revised upward, or by a specific magnitude. The direction and magnitude of any revision will depend on the revisions to the underlying production and expenditure-side estimates, rather than on a mechanical adjustment of the discrepancy alone.

At the time of release of final estimates at current prices, the discrepancies will be very insignificant or zero as was found in case of FY2022-23 and FY 2023-24.

Samrat

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