Rural recovery, low base to fuel Q2 GDP

Policy transmission, festival season inventory too aid growth

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OPTIMISTIC OUTLOOK

Beyond statistical effects, high-frequency indicators show improved growth momentum even before the recent GST rate cuts kicked in.

Year-on-year GDP growth (%), quarterly

Note: GDP estimate for Q2 FY26 is based on the median of forecasts by 15 economists.

Source: Statistics ministry, Mint poll

GROWTH GAME

RURAL demand was supported by wages rise, good monsoons

SOFTER inflation, monetary easing, GST cuts also contributed

EXPERTS see room for a rate cut despite strong GDP growth

GOPAKUMAR WARRIER/MINT

India's economic growth likely stayed strong at 7.2% in the July-September quarter, albeit down from 7.8% in the previous one, led by continued improvements in rural activity and the statistical effect of a low base and low inflation, according to 15 economists in a *Mint* poll.

The economists projected India's gross domestic product (GDP) growth in the range of 7% to 7.7% in the September quarter. The official data is scheduled to be released on Friday.

The high projected growth number is likely due in part to a low base. GDP growth had slowed to 5.6% in the same period last year from 6.5% in the preceding quarter. The fact that retail inflation slowed to 1.7% in Q2 from 2.7% in Q1, and wholesale inflation to 0.02% from 0.26%, will also boost the real GDP growth figure, which adjusts current prices for inflation.

Beyond statistical effects, high-frequency indicators did show improved growth momentum even before the recent goods and services tax (GST) rate cuts kicked in. "Pick-up in rural demand indicators have become broad-based, supported by rise in rural wages and second consecutive year of good monsoons," said Gaura Sen Gupta, an economist at IDFC First Bank.

Yuvika Singhal, an economist at QuantEco Research, pointed out that softer inflation conditions, transmission of earlier monetary policy easing, and inventory build-up in some sectors in anticipation of festive season demand—amplified by GST cuts at the end of September—also contributed to increased economic activity in the quarter.

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GDP growth likely at 7.2% in Q2: *Mint* poll

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Slow growth in government capital expenditure compared to the previous quarter (31% vs 52%) may weigh on growth, Aditi Nayar, chief economist at Icra, said in a report. Moreover, urban indicators largely remained weak during the quarter, as reflected in passenger vehicle sales and air travel.

However, growth may still beat expectations as the impact of US tariffs on exports was not felt during the quarter, with exports rising 8.7% (as opposed to a 2.2% contraction in the previous quarter) due to front-loading of shipments as well as attempts to diversify trade.

If the poll projection proves accurate, GDP will be marginally above the Reserve Bank of India's (RBI's) projection of 7% GDP growth for the quarter. Economists believe an expected slowdown in growth in the second half of the year and the weak impulse in nominal GDP growth will still keep the door open for a rate cut.

According to Kaushik Das, India chief economist at Deutsche Bank, nominal GDP growth will likely be weak and come in under 9%. In Q1, nominal GDP growth was 8.8%, down from 10.8% in the preceding quarter, owing to low inflation.

GDP growth is likely to surpass expectations. ISTOCKPHOTO

"Based on the trend of economic growth, the rationale for monetary easing is not very strong," Paras Jasrai, associate director at India Ratings and Research, said earlier this month. "However, to prevent the economy going deep in sluggish and weak growth, the RBI may go for a 25-50 basis points cut in the repo rate in its December 2025 monetary policy," he added.