

# High-frequency indicators point to moderation in Q3 GDP growth

**RUCHIKA CHITRAVANSHI**

New Delhi, 22 February

Following higher than expected gross domestic product (GDP) growth of 8.2 per cent in the second quarter (July-September) of FY26, the Indian economy is expected to see some moderation in the third quarter (October-December) due to an unfavourable base effect and a slowdown in several key growth indicators.

Economists expect Q3 GDP growth to remain above 7 per cent, supported by a pickup in consumption and investment.

The second advance estimates of GDP, along with the Q3 growth numbers, will be released on Friday, using a revised base year of 2022-23.

High-frequency indicators, such as electricity demand and steel consumption, showed sequential moderation in the third quarter, at -0.2 per cent and 4.6 per cent, respectively. Cement production, however, rose 11.1 per cent in Q3 of FY26 compared with 7.3 per cent in Q2. India's merchandise exports and the Manufacturing Purchasing Managers' Index (PMI) for



ILLUSTRATION: AJAYA MOHANTY

## Tracking the FY26 growth story (High-frequency indicators, Y-o-Y change in %)

	Q1	Q2	Q3
Index of industrial production	2.00	4.30	5.10
Electricity demand	-1.40	3.30	-0.20
Steel consumption	7.80	8.70	4.60
Cement production	8.10	7.30	11.10
Domestic PV sales	-1.43	-1.53	20.90
Two-wheeler sales	-5.97	7.50	20.90
Petrol and diesel consumption	3.93	4.37	3.97
Domestic passenger traffic aviation	5.30	-1.80	1.87
Exports	-2.10	8.30	2.80
Imports	5.10	5.70	7.90
Manufacturing PMI	58.07	58.70	56.93
Services PMI	59.30	61.43	58.90

Source: BS Research

both manufacturing and services also eased sequentially in Q3. However, proxy indicators, such as two-wheeler and domestic passenger vehicle sales, recorded growth of 20.9 per cent each in Q3 against

7.5 per cent and -1.53 per cent, respectively, in July-September FY26. Turn to Page 8 ▶

**New GDP series:** Read our special coverage on [www.business-standard.com](http://www.business-standard.com)

# High-frequency indicators point to moderation in Q3 GDP growth

In the first half of FY26 (April-September), the economy grew by 8 per cent in real terms, following expansions of 7.8 per cent in Q1 and 8.2 per cent in Q2, the fastest pace in six quarters.

India's economy is estimated to grow by 7.4 per cent in FY26, up from 6.5 per cent in FY25, according to the first advance estimates released by the National Statistics Office.

The figures remain subject to revision, with the new 2022-23 base year coming into effect in February and actual trends for the remainder of the financial year becoming available.

Rating agency Icria has projected year-on-year (Y-o-Y) GDP growth to ease to 7.2 per cent in Q3.

"The reasons for the estimated sequential slowdown include an unfavourable base effect, contraction in government capital spending, subdued state government revenue expenditure, and weak merchandise exports.

Nevertheless, healthy demand during the festival season, boosted by goods and services tax rationalisation, likely kept the pace of growth above 7 per cent in the quarter," said Aditi Nayar, chief economist, Icria.

The agency added that lower expansion in the services and agriculture sectors likely outweighed a pickup in the industrial sector,

---

**RATING AGENCY ICRIA HAS PROJECTED Y-O-Y GDP GROWTH TO EASE TO 7.2 PER CENT IN Q3**

---

which reached a six-quarter high of 8.3 per cent in Q3 compared with 7.7 per cent in Q2.

"Keeping the old base year in mind, we are looking at around 7 per cent growth in Q3. There will be some hit from trade, and while growth momentum will continue, consumption may ease compared with last year.

However, gross fixed capital formation should increase by 7.5 per cent Y-o-Y in Q3," said Devendra Pant, chief economist, India Ratings.

While domestic air passenger traffic in Q3 picked up 1.87 per cent, petrol and diesel consumption slowed to 3.97 per cent from 4.37 per cent in the previous quarter.

"In the past two months, consumption growth has shown good momentum. There is traction in new investment announcements. Third quarter growth will be above 7 per cent according to our estimates," said Madan Sabnavis, chief economist, Bank of Baroda.

While capex in December 2025 declined 24.5 per cent Y-o-Y, economists expect a push to public capex in the coming quarter to meet the revised FY26 target of ₹10.9 trillion.