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Beyond the Headlines

7 SEPTEMBER 2026

GDP:
The Base Year Reset

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AMETRA RESEARCH · DEEP DIVE · SEPTEMBER 2026

The Base Year Reset: Reading India's 7.8% Growth Print

India's economy grew 7.8% in real terms in Q1 FY27, released August 31, 2026, comfortably ahead of the RBI's own 7% forecast and the 7.1% consensus that had built up around it. Then, within hours, a second number started circulating that claimed to unmask the first: measure this year's growth against last year's original base, and the real figure is closer to 2.6%.

Same release. Same government. Two different stories. A nearly six-point gap is the kind of thing that goes viral without anyone checking the math.

The two numbers come from two different GDP series, built on different base years, different price indices, and a different deflation method entirely. They were never meant to be compared and MoSPI said so in writing. This note is about why that distinction matters more than the headline gap ever will.

Macro Snapshot (as of 4 September 2026)

Indicator	Reading	Read-through
Q1 FY27 real GDP growth	7.8% YoY	Beat RBI's 7% forecast and 7.1% consensus
Real GDP level, Q1 FY27	₹81.36 lakh crore	Up from ₹75.46 lakh crore in Q1 FY26
GDP series base year	2022-23 (from 2011-12)	First base revision in over a decade; IMF-aligned
Nominal GDP, Q1 FY26 (revised)	₹80.00 lakh crore (was ₹86.05 lakh crore)	Different series, not directly comparable, per MoSPI
Gross capital formation growth	11.9%	Investment-led, not a consumption sugar-rush
Private consumption growth	7.1%	Still robust, just the second-fastest engine
Nifty 50 PAT growth, Q1 FY27	+18% YoY	Fastest in 10 quarters, independent of GDP methodology
Listed-company revenue growth	22% YoY (ICRA sample, 838 cos.)	Corroborates the print from the equity side
GST collections, Aug 2026	₹1.99 lakh cr, +14.8% YoY	A tax-filing indicator, untouched by GDP revisions
Manufacturing PMI, Aug 2026	52.8	Down from July's 53.5, but still expansionary
World Bank FY26 growth estimate	7.6%	Published April 2026, months before this controversy
RBI FY27 growth forecast	6.7%	Even the sceptics' own base case is a strong number

1. This Wasn't a Surprise. It Just Felt Like One.

Forget the print for a second, the recovery was already visible. Tax cuts from February 2025, GST rationalisation, firming credit growth, de-levered corporate balance sheets, elevated government capex. None of that needed a GDP release to be true. Bank lending data, corporate earnings, and tax collections were already telling this story months before August 31 came along. The 7.8% number didn't invent the narrative, it just put a headline on one that was already writing itself.

What it did hand critics was a sharper weapon: a technical argument about the base year to look like an argument about whether growth happened at all.And a claim that "real growth is 2.6%, not 7.8%" travels a lot faster than an explanation of why two different GDP series can't be compared ever will. Worth separating out, too: the rupee's slide this year is about oil prices and FPI outflows tied to the West Asia conflict, a real story, but a completely different one. Bundling it in with the GDP debate makes for a punchier post. It doesn't make for a correct one.

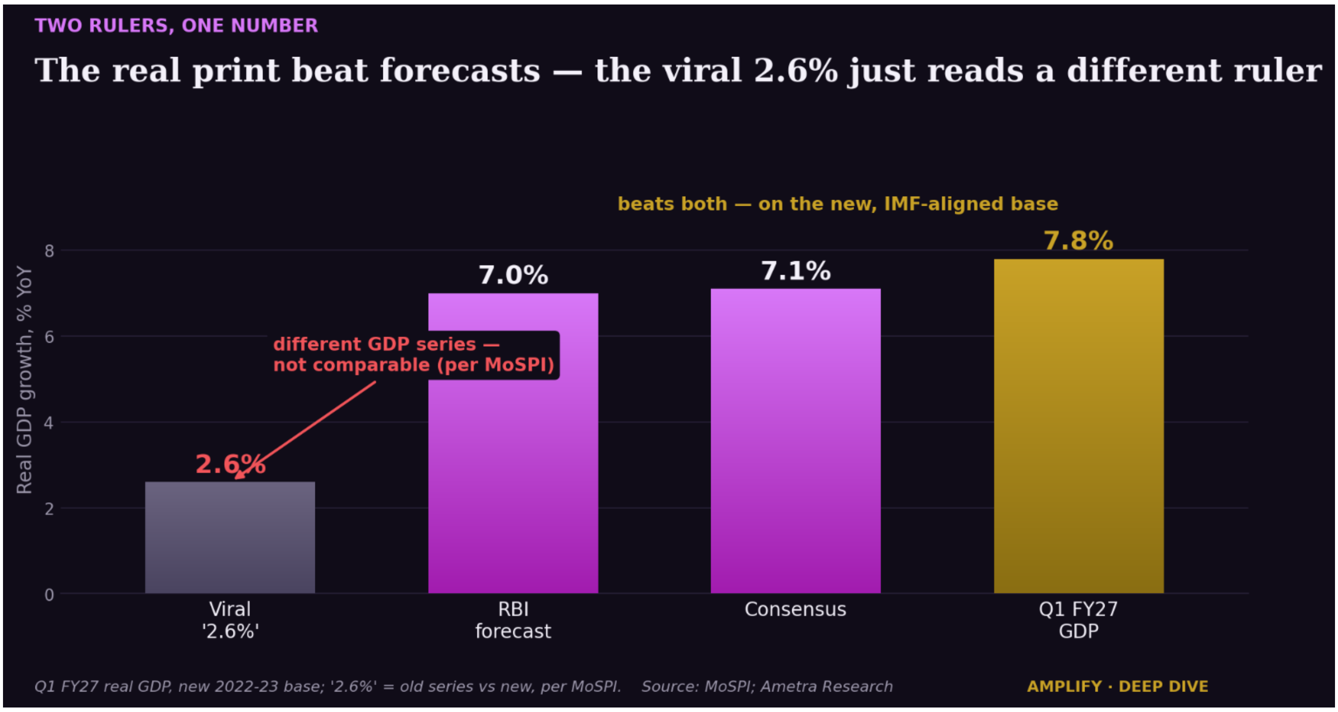
2. Two Rulers, Not One Revision

Strip the controversy down and it's a single comparison: last year's Q1 nominal GDP was first estimated at ₹86.05 lakh crore. By this year's release, that number had been revised to ₹80 lakh crore. Measure this year's growth against the old, un-revised figure, and the arithmetic spits out something closer to 2.6%.

Those two numbers were never built to be held up against each other. The higher one comes from the old series, priced against a 2011-12 base. The lower one comes from a new series, rebased to 2022-23, using two brand-new price indices (an Output PPI and a Banking Services Price Index) and a fundamentally different deflation method.

The old approach used single deflation: a sector's value added was estimated by deflating its gross output with one price index, then subtracting deflated inputs estimated the same way. When input costs and output prices move at different speeds as commodity and input prices did through 2022-24, this method can distort real value added, sometimes significantly, which is why it's been flagged for years. The new approach, double deflation, deflates outputs and inputs separately, each with its own dedicated price index, and derives real value added as the difference between the two. It's the method most G20 economies and the IMF's System of National Accounts guidelines recommend. It's also why this release introduced two brand-new price indices, the Output PPI and the Banking Services Price Index, in the first place: double deflation needs a distinct deflator for inputs and outputs, sector by sector, and those two indices are what make that possible for India's data.

MoSPI's own clarification doesn't hedge on this: the two series aren't comparable. Treating the gap as proof of manipulation isn't skepticism, it's reading two different rulers and blaming the tape measure.



The timeline makes the "engineered number" theory even harder to believe. The base-year revision, double deflation included, was recommended by an independent advisory committee months before this quarter's data even existed. At the time, the government said publicly it didn't expect the change to produce a large mechanical shift in growth. That's a strange thing to say in advance if the plan was to inflate one specific quarter eight months later.

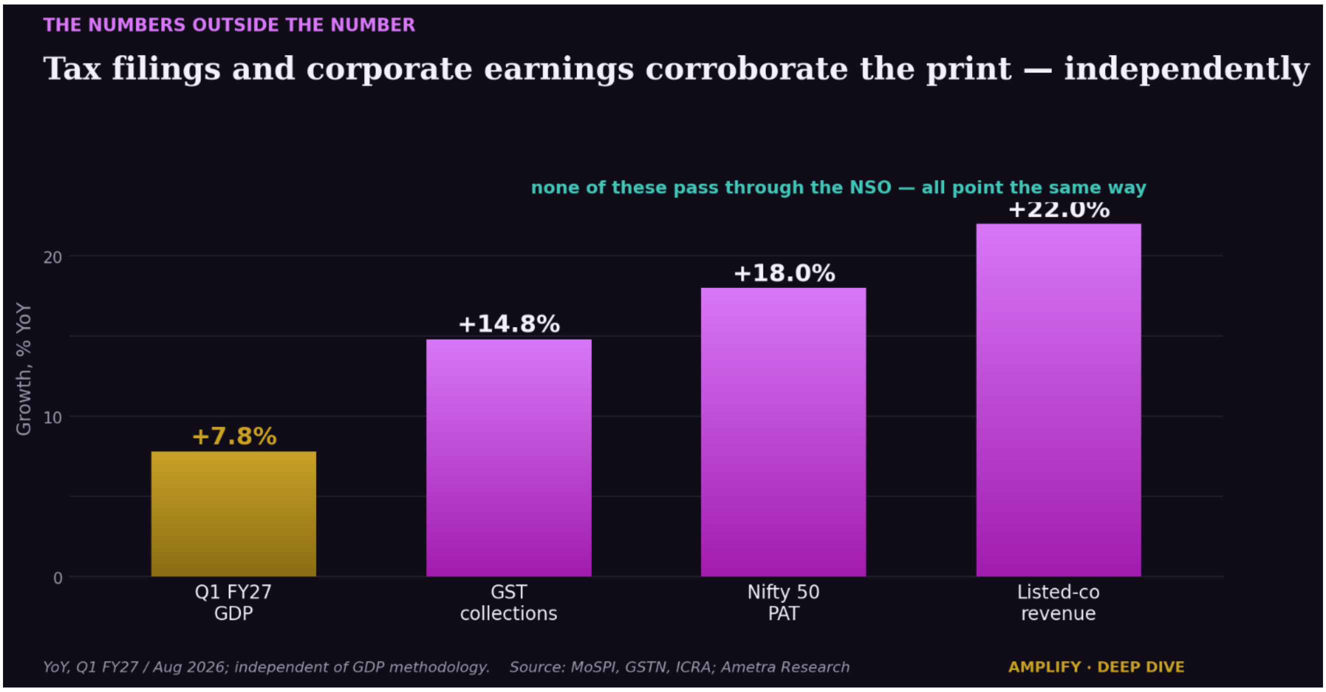
A serious version of this critique, made by economists working through the deflator mechanics directly, "isn't the number is fake." It's that comparing nominal GDP across two differently-built series without adjustment is a basic category error, dressed up in political language. That's a real, narrower conversation worth having.

3. What the Numbers Outside the Number Are Saying

The strongest tell that 7.8% is real: almost nothing else needed to move for the story to hold up. Multiple independent indicators, different agencies, different methods were already pointing the same direction.

GST collections, which come from actual tax filings and have nothing to do with GDP methodology, rose 14.8% year-on-year in August to nearly ₹2 lakh crore. Corporate earnings back it up from a totally different angle: Nifty 50 companies posted 18% profit growth, the fastest in ten quarters, while ICRA's review of 838 listed companies found revenue accelerating to 22% year-on-year, up sharply from 13% in the prior quarter. None of these numbers pass through the NSO. None of them use the new base year. If the GDP print were a statistical illusion, there's no reason tax receipts and corporate profits would have accelerated in lockstep with it. They did anyway.

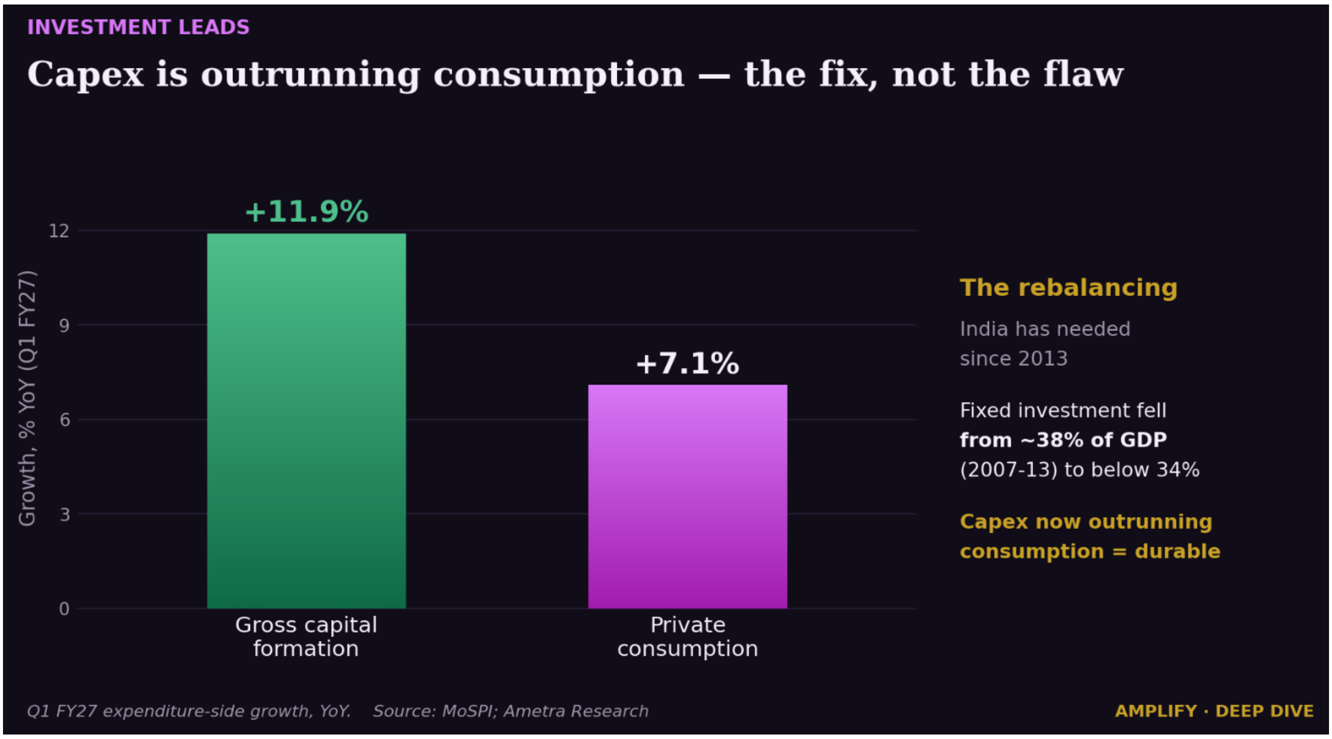
The soft spot: manufacturing PMI eased to 52.9 in August from 53.5 in July, still expansionary, but the slowest pace of new orders and output since August 2021, alongside the first drop in manufacturing employment in two and a half years. That's a real signal worth watching. It's a signal about next quarter's pace, though not evidence the quarter just measured was fabricated.



4. The "Narrow Recovery" Argument And Why It Backfires

The critique skips fabrication entirely and goes after composition: capital formation grew 11.9% against consumption's 7.1%, which some are reading as a red flag growth concentrated in investment, not something households are actually feeling.

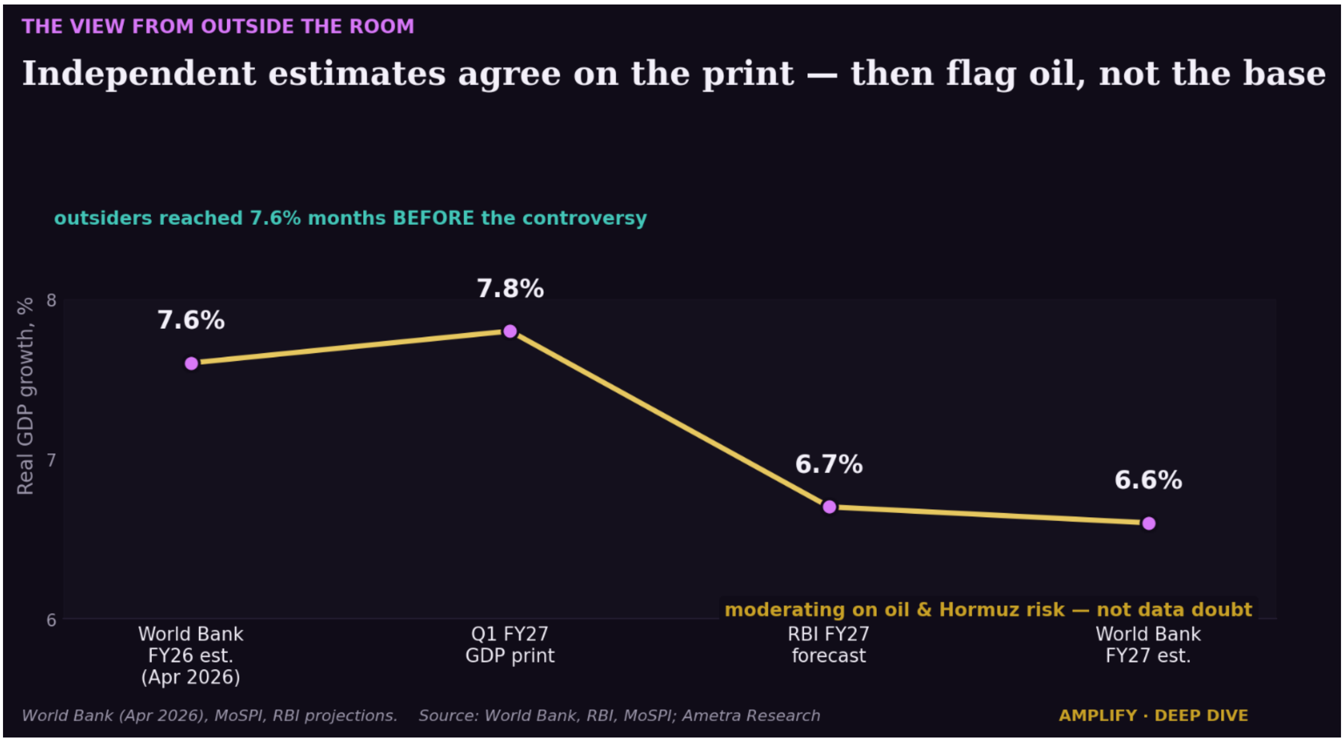
Look at India's own history and this composition looks like the fix, not the flaw. Gross fixed capital formation crossed 38% of GDP in 2007 and held there through 2013, then fell below 34% and stayed there for over a decade. That slide is a problem even critics of today's data agree on. Capex now outrunning consumption is precisely the rebalancing people have been demanding for years. It's also more durable growth: investment expands productive capacity instead of just running down savings, and it's exactly what tax cuts, GST rationalisation, and government capex were designed to produce.



5. The View From Outside the Room

The evidence isn't a number cooked up for a political moment: outsiders were using the same methodology and reaching the same conclusions before the controversy existed. The World Bank's April 2026 India Development Update published four months before this release already pegged FY26 growth at 7.6% under the new base-year series, citing robust consumption, GST rationalisation, and resilient exports. Nobody at MoSPI wrote that estimate. Nobody produced it in reaction to this quarter's print.

Looking ahead, the same institutions aren't shy about flagging risk, just not the risk critics are shouting about. The World Bank sees growth moderating to 6.6% in FY27; the RBI's own path implies a similar glide-down. The reason cited in both cases: elevated energy prices and Strait of Hormuz disruption risk tied to the West Asia conflict. Not a shred of doubt about the statistical base. That's a real macro risk and a completely different one from what's playing out on television.



Ametra's Read

The 7.8% print is a reading of a strong quarter, produced by a methodology that was reviewed, announced, and aligned with international guidance more than a year before this release, not retrofitted to flatter one headline. The "2.6%" number making the rounds comes from comparing two different GDP series as if they were the same instrument. They're not, and MoSPI said so in its own methodology note. Every corroborating indicator sitting outside the GDP calculation entirely, GST filings, corporate earnings, the World Bank's independent estimate published months in advance, points the same direction as the headline number.

1. Treat the "fudged data" narrative as noise: It doesn't survive contact with how the two series are actually built. Position around the print, not the controversy.

2. Favour the investment-led composition: 11.9% capital formation against 7.1% consumption is the rebalancing India's investment-rate history has needed since 2013. Capex-linked industries, capital goods, cement, infrastructure look better placed than the "narrow recovery" critique suggests.

3. Let corporate earnings do the independent verification: Nifty PAT +18%, listed-company revenue +21%+ untouched by any methodology change, and the cleanest cross-check available.

4. Anchor to the RBI's own 6.7% FY27 forecast, not either extreme: It's independent of this political cycle, moderating from 7.8% but still strong by any global standard.

5. Watch oil and the Strait of Hormuz, not the NSO: The real downside risk both the World Bank and RBI are flagging is energy and geopolitics, echoing our rupee and food-inflation work, not a data-credibility problem.

The 7.8% print isn't a trick. It's the output of a base-year revision recommended by an independent committee, flagged more than a year in advance, aligned with IMF practice, and applied consistently. What critics are calling "statistical gymnastics" is, on inspection, two different measuring sticks and the data untouched by any revision at all is telling the identical story. The real risk to India's growth trajectory lies in Brent crude and the Strait of Hormuz. Not in a spreadsheet at MoSPI.

Positioning Map

Stance	Where	Rationale
Favour	Capex-linked industrials, capital goods, cement, infra	11.9% capital-formation growth signals a durable investment cycle, not one-off stimulus
Favour	Quality financials, IT, pharma with earnings momentum	Nifty PAT +18% YoY corroborates the GDP print from an entirely independent data source
Fade	The "fudged data" bear case on Indian risk assets	Base-year revision is methodologically grounded, IMF-aligned, and pre-announced
Hold	Consumption-discretionary names	Growing at a healthy 7.1%, not a red flag, just the second-fastest engine
Watch	Brent crude / Strait of Hormuz	The real macro risk for FY27 is energy and geopolitics, not data credibility
Watch	Manufacturing PMI momentum	Eased to 52.8 from 53.5, still expansionary, but worth tracking into festive season

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