



MACRO ECONOMICS

How GDP is built

Consumption, investment, government and trade: the blocks that make up India's GDP, and what each one counts

GDP data for 2025-26 (as updated 31 August 2026) and April-June 2026 (released 31 August 2026)

For training and education only. Not investment advice.

GDP is the value of what a country produces in a year. One way to add it up: count who spends on it.

Households, businesses, the Government and buyers abroad. Each item is counted once, when it reaches its final user, and anything made abroad is taken out.

Four blocks of spending, 2025-26

56.8



Households, %

PFCE: what families buy for their own use, from food and rent to phones and cars.

31.7



Investment, %

GFCE: factories, machines, roads, new homes and software used for over a year.

10.9



Government, %

GFCE: mainly the cost of running public services such as defence, schools and health.

-2.3



Net exports, %

Exports (22.2) minus imports (24.5). India bought more from abroad than it sold.

% of GDP at current prices. The other 2.9: stocks 1.2, valuables such as gold 2.0, statistical gap -0.3.

Source: MoSPI, National Accounts Statistics 2026, Statement 8.17.1 (updated provisional estimates, current prices), 31 Aug 2026.

What counts where

The rules follow the UN System of National Accounts 2008, which India's series has applied since 2015 where data allow.

The purchase	Where it goes in GDP	Why
Family buys a car for its own use	Household consumption	Durables bought for personal use are consumption, though they last for years.
Shop owner buys a van for deliveries	Investment (GFCF)	The same vehicle, bought for use in production, is a fixed asset.
Family buys a newly built flat to live in	Investment (GFCF)	Owner-occupied homes are fixed assets that produce housing services.
Someone buys shares or fund units	Not GDP spending	A financial asset. Savings change hands; only fees paid for services count.
Government pays teachers, builds a road	Pay: GFCE. Road: GFCF	Running a service is government consumption. A lasting asset is investment.

Source: UN System of National Accounts 2008, paras 9.60, 9.87, 10.1, 10.34; MoSPI, Changes in Methodology, new series base 2011-12, Mar 2015, para 2.11.

Adding up an imaginary economy

ONE YEAR (ASSUMED)

In ₹ crore. Households spend 620.
Businesses and households invest
300. The Government spends 110.

Exports are 200. Imports are 230.

- 1 Spending at home: $620 + 300 + 110 = 1,030$.
- 2 Add exports, which are made here and bought abroad: $1,030 + 200 = 1,230$.
- 3 Take out imports, which are made abroad but sit inside the spending above: $1,230 - 230 = 1,000$.
- 4 Shares of GDP: households 62%, investment 30%, Government 11%, net exports -3%. Together, 100%.

GDP = 1,000. Imports are subtracted because they were produced outside the country.

Illustration with invented, round figures. Not India's data.

Three ways to add it up



Production

Add each industry's value added (output minus inputs used), called GVA. Add taxes on products; subtract subsidies on products.



Spending

Add consumption, investment and government spending, plus exports, minus imports. This is the split on slide 3.



Income

Add what production pays out: wages, operating surplus and mixed income, wear and tear, and production taxes less subsidies.

2025-26: GVA ₹313.95 lakh crore + net product taxes ₹31.42 lakh crore = GDP ₹345.37 lakh crore.

Source: MoSPI press note on the new GDP series, 27 Feb 2026 (formulae 1 to 3); MoSPI, National Accounts Statistics 2026, Statement 8.17.1, 31 Aug 2026.

Nominal and real GDP

The same year's output, valued two ways.

Nominal (current prices)

- Valued at the prices of the year itself.
- 2025-26: ₹345.37 lakh crore, up 8.6% on 2024-25.
- Used for shares of GDP and for ratios such as the fiscal deficit to GDP.

Real (constant 2022-23 prices)

- Valued at 2022-23 prices, so the effect of price changes is removed.
- 2025-26: ₹324.70 lakh crore, up 7.8% on 2024-25.
- Used to measure how much more was produced: the growth rate in the news.

The gap between nominal and real growth broadly reflects how much prices across the economy rose.

Source: MoSPI, National Accounts Statistics 2026 and press release, 31 Aug 2026 (updated 2025-26 provisional estimates).

How saving becomes investment

Investment is paid for by the country's own saving plus net money from abroad.

1

Households and firms save

In 2024-25 gross saving was 34.1% of gross national disposable income. Households provided 62.0% of it.

2

Saving reaches users

Through bank deposits, bonds, new share issues, mutual funds and government borrowing, money moves to those who spend it on assets.

3

Users build assets

Factories, machines, roads, homes, software. In 2024-25 gross capital formation, which adds stocks and valuables, was 34.4% of GDP.

4

Capacity can grow

More and better equipment per worker can raise output in later years. It depends on what is built and how well it is used.

Source: MoSPI, National Accounts Statistics 2026, Statements 1.1 and 1.9, 31 Aug 2026; formula 9 in the 27 Feb 2026 press note (capital formation = saving + net inflow).

Where things stand

April-June 2026, MoSPI's latest quarterly estimate, released 31 August 2026.

REAL GDP GROWTH

7.8%

April-June 2026 over a year earlier. Same quarter of 2025: 6.9%.

INVESTMENT SHARE

34.3%

GFCF as a share of GDP at current prices. Same quarter of 2025: 31.4%.

HOUSEHOLD SHARE

55.6%

PFCE as a share of GDP at current prices. Same quarter of 2025: 55.8%.

NEXT RELEASE

30 Nov

July-September 2026 estimate, due 30 November 2026.

Source: MoSPI, Press Note on Quarterly Estimates of GDP for April-June 2026-27, 31 Aug 2026 (Statements 2 and 4).

If you learnt this from older material

What older decks assume

- GDP is measured at 2004-05 prices.
- The headline is GDP at factor cost.
- Manufacturing real value added uses one price index (the 2011-12 series).

What holds now

- Base year 2022-23 since 27 Feb 2026; 2011-12 ran from 30 Jan 2015.
- GDP at market prices, with GVA at basic prices, since 30 Jan 2015.
- Manufacturing uses separate price indices for output and inputs, since 27 Feb 2026.

Figures on different base years are not directly comparable. Check the series before quoting growth.

Sources: MoSPI, Changes in Methodology, new series base 2011-12, March 2015; MoSPI press notes of 27 Feb 2026 and 31 Aug 2026.

Four things people get wrong



'Buying shares adds to GDP investment.'

In GDP, investment means spending on new physical and software assets. Buying shares or fund units is saving placed in a financial asset.



'Imports reduce GDP.'

They are subtracted because they are already inside consumption and investment. The subtraction removes output made abroad.



'A car is investment, like a house.'

A car bought for personal use is household consumption. A newly built home is investment, whoever buys it.



'GDP growth is one number.'

Real and nominal growth differ; first estimates are revised; quarterly figures are compared with the same quarter a year earlier.

Check yourself

Q1

An imaginary economy: households spend 500, investment 250, Government 100, exports 150, imports 180 (₹ crore, assumed). What is GDP, and what share is investment?

Q2

Which of these is investment (GFCF) in GDP: a family's new television, a newly built flat bought to live in, units of an equity fund?

Q3

In 2025-26 nominal GDP grew 8.6% and real GDP 7.8%. What does the gap tell you?

Sources and disclaimer

SOURCES FOR THE FIGURES IN THIS DECK

- 2025-26 shares of GDP, GDP levels and growth: MoSPI, National Accounts Statistics 2026, Statement 8.17.1, 31 Aug 2026 (updates the 5 Jun 2026 estimates).
- April-June 2026 growth and shares; next release date: MoSPI, Press Note on Quarterly Estimates of GDP for Q1 2026-27, 31 Aug 2026.
- Base year, formulae: MoSPI, Press Note on New Series (base 2022-23), 27 Feb 2026. Saving and capital formation, 2024-25: MoSPI, NAS 2026, Statements 1.1 and 1.9, 31 Aug 2026.
- Base year 2011-12 and GDP at market prices from 30 Jan 2015: MoSPI, Changes in Methodology in the New Series (base 2011-12), March 2015.
- Classification of consumer durables, dwellings, financial assets and government consumption: United Nations and others, System of National Accounts 2008.
- The imaginary economies on slide 5 and in the quiz are invented for illustration.

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