The Indian retail sector – Q1FY27

Sector snapshots

Highlights[1]

India's retail sector is entering a structural growth phase, with digital channels, particularly online grocery, emerging as key growth engines. Future competitiveness may depend on omnichannel reach, fulfilment capabilities and technology-led customer engagement

INR ~219 tn By 2035	INR ~24 tn By 2030	5th 2025	INR ~7 tn By 2032
Retail market size in India	Online retail market size	Global destination rank in the retail space	Indian online grocery market is expected to grow at a compound annual growth rate (CAGR) of 32.7 per cent

1. India Retail Market, IBEF, May 2026

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Segmental performance

Growth remains uneven across categories. Consumers are prioritising essentials, convenience and practical purchases, while weaker apparel growth shows continued caution in broader discretionary spending decisions

Category-wise sales growth, in June 2026 (Y-o-Y % growth)[1]

Food and grocery	7%
Apparel and clothing	4%
Footwear	6%
Quick service restaurant	7%

Key growth factors[2]

- Omnichannel retail accelerating consumer reach and market access
- Rapid expansion of online grocery reshaping retail dynamics
- Organised retail gaining share amid evolving consumer preferences
- Strong demographic tailwinds supporting sustained consumption growth.

1. RAI Business Survey - Round 72, RAI, June 2026
2. India Retail Market, IBEF, May 2026

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Performance snapshot

Key drivers

Government-backed kirana procurement modernisation is improving general-trade productivity[1]

Digital procurement is improving product availability, retailer margins and distribution reach across India's kirana network

Essential-spend resilience is protecting retail's baseline demand floor[2]

Essential-spending sentiment remained strong, while non-essential spending turned marginally negative in May 2026

Retail infrastructure expansion is widening organised retail access[3]

Retail leasing reached a record 8.9 mn sq. ft. across the top seven cities in 2025, supported by new mall developments and store openings in emerging micro-markets

Policy reforms are improving foreign retailer participation[3]

India's retail trading sector attracted INR367.4 bn in foreign direct investment (FDI) during April 2000-March 2026, supporting investment in stores, sourcing, logistics and operating capabilities

Key challenges

Discretionary demand remains uneven[3]

Non-essential spending turned marginally negative in May 2026, indicating continued caution in discretionary purchases

Investment activity is shifting towards smaller transactions[3]

Investor interest remained focused on food processing, personal care and FMCG, indicating selective capital deployment across the retail sector

Rapid network expansion is increasing execution complexity[3]

Store expansion into emerging markets is increasing inventory, service consistency and operating-efficiency challenges

1. DPIIT, ONDC Bring FMCG Leaders Together to Digitise Procurement for India's 1.4 Crore Kirana Stores Through DigiDukaan, PIB, 12 Jun 2026
2. Urban Consumer Confidence Survey, RBI, 5 Jun 2026
3. India Retail Market, IBEF, May 2026

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Outlook

~14%
By 2030

Online retail's share of total retail is projected to double from 7 per cent in 2024 to 14 per cent by 2030[1]

~50%
By 2030

Quick commerce is expected to contribute nearly half of incremental e-retail growth by 2030[1]

CAGR 40%
By 2030

India's direct to consumer (D2C) market is projected to reach INR5.5 tn by 2030[1]

25 mn
By 2030

India's retail sector is expected to generate 25 mn new jobs by 2030, supported by expanding stores, logistics and digital commerce[2]

1. E-COMMERCE, IBEF, May 2026
2. India Retail Market, IBEF, May 2026

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Key takeaways

Food and grocery accounts for **63 per cent** of India's retail market, providing a large and stable consumption base[1]

D2C brands across fashion, jewellery, cosmetics and wellness are expanding their physical presence[1]

Personal care and textiles, apparel and accessories jointly accounted for **39 per cent** of retail deal volume in Q1 CY2026, highlighting investor interest in consumer-focused categories[2]

Retail contributes over **10 per cent** of India's gross domestic product (GDP) and around **8 per cent** of employment, reinforcing the sector's importance to economic growth and job creation[1]

1. India Retail Market, IBEF, May 2026
2. India Retail Infographic, May 2026

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