FIRST REVISED ESTIMATES

31 January 2019

GDP growth revised up

CSO has revised FY17 and FY18 GDP growth to 8.2% (7.1% earlier) and 7.2% (6.7% earlier) for FY17 and FY18. Notably, consumption spending led by durables has been revised upwards for both the years while government and investment spending have been revised up for FY18. The uptick in household savings and consumption spending bodes well for growth. On the investment front, government and private corporate spending have risen the most. With a rural stimulus, consumption spending may get a boost in FY20 as well.

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FY17/ 18 growth revised upwards: The 1st revised estimate released by CSO shows that growth is higher than earlier estimated. For instance, GDP and GVA growth for FY17 has been revised upwards to 8.2% and 7.9% from 7.1%. Even for FY18 GDP and GVA growth estimates have been revised up to 7.2% and 6.9% from 6.7% and 6.5% respectively. Upward revision for FY17 is led by construction and financial, real estate and professional services and for FY18 is led by agri, mining, electricity and public administration and defence.

Consumption higher than earlier estimated: In FY17 and FY18 private consumption spending is higher by 0.9% and 0.8% than earlier estimated. This is driven by sharp acceleration in durable goods consumption to 14.2% (8.4% earlier estimate) and 21.1% in FY17 and FY18 respectively. While government spending has been revised lower for FY17, it has seen a sharp acceleration in FY18 at 15%. GFCF is also higher than earlier estimated for FY18 at 9.3% (7.6% earlier). Given the buoyant consumption, imports for FY18 have also been revised up. The revised estimates shows economy to be holding up well with investment and consumption higher than earlier estimates.

Savings rate stable, investments pick up: India's savings rate for FY17 and FY18 stands at 29.9% and 30.1% respectively. The uptick in savings is driven by higher household savings which currently stands at 17.2% of GDP in FY18 and private corporate sector at 11.6% of GDP. Investment rate has also increased to 32.3% of GDP in FY18 from 30.9% in FY17. The increase in investment is led by private corporate sector and government's infrastructure push with both increasing at 10.9% and 12.1% respectively at constant prices.

FIG 1 – GDP GROWTH IN FY18 HIGHER THAN EARLIER ESTIMATION

(YoY Growth)	FY17		FY18	
	Earlier	Now	Earlier	Now
Agriculture, forestry and fishing	6.3	6.3	3.4	5.0
Industry	6.8	7.7	5.5	5.9
Mining and quarrying	13.0	9.5	2.9	5.1
Manufacturing	7.9	7.9	5.7	5.9
Electricity, gas, water supply and other utility services	9.2	10	7.2	8.6
Construction	1.3	6.1	5.7	5.6
Services	7.5	8.4	7.9	8.1
Trade, hotels, transport, communication & services related to broadcasting	7.2	7.7	8.0	7.8
Financial, real estate & professional services	6.0	8.7	6.6	6.2
Public administration and defence	10.7	9.2	10.0	11.9
GVA at basic prices	7.1	7.9	6.5	6.9
GDP	7.1	8.2	6.7	7.2

Source: CEIC, Bank of Baroda Research

FIG 2 – CONSUMPTION AND INVESTMENT SPENDING HAS BEEN ROBUST

(YoY Growth)	FY17		FY18	
	Earlier	Now	Earlier	Now
Private final consumption expenditure (PFCE)	7.3	8.2	6.6	7.4
Govt final consumption expenditure (GFCE)	12.2	5.8	10.9	15.0
Gross Fixed Capital Formation (GFCF)	10.1	8.3	7.6	9.3
Change in Stocks (CIS)	(61.2)	(48.2)	4.5	21.2
Valuables	(13.9)	(18.9)	58.8	27.4
Exports	5.0	5.1	5.6	4.7
Less Imports	4.0	4.4	12.4	17.6
GDP	7.1	8.2	6.7	7.2

Source: CEIC, Bank of Baroda Research

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