

1ST RE OF NATIONAL INCOME

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FY19 growth revised to 6.1%

CSO has revised FY18 and FY19 GDP growth lower by 20bps and 70bps respectively. The downward revision in FY18 is led by public (7.8% lower than earlier) and private (8.9% lower) investment and in FY19 by private consumption (1.1% lower). Household real estate demand seems to be holding up. Financial savings have fallen to 6.5% of GDP in FY19 (7.7% in FY18). The dip in investments and household financial savings calls for policy response through higher government spending and incentivising financial savings.

Sameer Narang

Aditi Gupta | Dipanwita Mazumdar

chief.economist@bankofbaroda.com

Growth estimates for FY18/19 revised downwards: While GDP and GVA growth for FY18 has been revised downwards by 20bps and 30bps respectively, for FY19 GDP and GVA growth has been revised downward by 70bps and 60bps respectively. The downward revision in GVA is attributable to mining and quarrying (now at -5.8% versus 1.3% earlier) as well as manufacturing (now 5.7% versus 6.9% earlier) in FY19. It seems industrial slowdown had started in FY19 itself which is in-line with high frequency indicators.

Public and private investment for FY18 revised lower: While government consumption has been revised upwards by 90bps in FY19, private consumption has been revised downwards by 90bps. For FY18, GFCF has been revised down by 210bps led by private and public investment. Private corporate investment increased by only 2% and public investment by 3.3% compared with earlier estimate of 10.9% and 11.1% respectively. Lower spending by state governments and implementation of GST explain the downward revision to earlier estimates. New estimates show need for further policy intervention.

Savings rate shows moderation: India's savings rate edged down to 30.1% in FY19 from 32.4% in FY18. This was led by moderation in household savings rate to 18.2% compared with 19.2% in FY18. Household financial savings decelerated sharply to 6.5% in FY19 compared with 7.7% in FY18. However, residential investment was higher by 30bps at 11.5%. Private corporate sector too has seen a 1.2% decline in savings rate. Given the sharp deceleration in household financial savings, Budget may look at increasing the current limit for financial savings under Section 80C of the Income Tax Act.



FIG 1 – GDP GROWTH IN FY19 LOWER THAN EARLIER ESTIMATION

(% YoY)	FY18		FY19	
	Earlier	Now	Earlier	Now
Agriculture, forestry and fishing	5.0	5.9	2.9	2.4
Industry	5.9	6.3	6.9	4.9
Mining and quarrying	5.1	4.9	1.3	(5.8)
Manufacturing	5.9	6.6	6.9	5.7
Electricity, gas, water supply and other utility services	8.6	11.2	7.0	8.2
Construction	5.6	5.0	8.7	6.1
Services	8.1	6.9	7.5	7.7
Trade, hotels, transport, communication & services related to broadcasting	7.8	7.6	6.9	7.7
Financial, real estate & professional services	6.2	4.7	7.4	6.8
Public administration and defence	11.9	9.9	8.6	9.4
GVA at basic prices	6.9	6.6	6.6	6.0
GDP	7.2	7.0	6.8	6.1

Source: CEIC, Bank of Baroda Research

FIG 2 – CONSUMPTION AND INVESTMENT SPENDING HAS BEEN MUTED

(% YoY)	FY18		FY19	
	Earlier	Now	Earlier	Now
Private final consumption expenditure (PFCE)	7.4	7.0	8.1	7.2
Govt final consumption expenditure (GFCE)	15.0	11.8	9.2	10.1
Gross fixed capital Formation (GFCF)	9.3	7.2	10.0	9.8
Change in Stocks (CIS)	21.2	76.0	4.8	22.5
Valuables	27.4	27.2	(9.0)	(11.9)
Exports	4.7	4.6	12.5	12.3
Less Imports	17.6	17.4	15.4	8.6
GDP	7.2	7.0	6.8	6.1

Source: CEIC, Bank of Baroda Research

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Economics Research Department

Bank of Baroda

chief.economist@bankofbaroda.com