

STATE GSDP NUMBERS MIGHT UNDERGO REVISION

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Almost all major states have announced their 'State Budget 2021-22'. At all India level, NSO has estimated 8.0% contraction in real terms and 3.8% contraction in nominal terms for FY21. States have also put forward their estimates for FY21. To validate the states' GSDP estimates for FY21, we have created our own estimates based on simulation of last few years states GSDP data based on the share of states in GDP of India.

We have two observations to ponder over. First, for some states we have found that there is significant gap between our estimates and revised estimates provided by these states for FY21. The prominent states where there is difference are: West Bengal, Uttar Pradesh, Madhya Pradesh, Karnataka and Tamil Nadu. On the other hand states like Rajasthan, Jharkhand, Odisha and Kerala are representing more realistic picture of their economies.

Second, if we take states' GSDP estimates as given (as states are more informative about their economic situations) then the all-India GDP contraction would be significantly lower than what the NSO has projected. If we go ahead and add the value of GDP estimated as per our simulation to the remaining states, for which we do not have the GSDP numbers this takes up India's FY21 GDP to Rs 209.5 lakh crore, which means that India's GDP will actually expand by an approximate 3% in nominal terms in FY21, as against the postulated 3.8% per cent contraction projected by NSO. If we compare the % share generated by these estimates vis-à-vis our simulation, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal would have all gained 0.5% or more individually in FY21 GDP pie.

Interestingly, even though these states are showing a rosy picture on GSDP numbers, the same is not reflected in tax collections. Karnataka, Madhya Pradesh, Uttar Pradesh have actually witnessed a revenue receipts de-growth from FY20 to FY21. Meanwhile West Bengal's revenue receipts growth was just 1%. There are nuances to what drives GDP growth. In ordinary circumstance, growth in GDP or income should be visible with a concomitant increase in revenue receipts. Of course, the state's own tax revenue can show with more clarity what is happening as revenue receipts also include share in central taxes. However, SGST figures show that Karnataka, Madhya Pradesh, Uttar Pradesh have witnessed SGST decline. Meanwhile for state VAT and sales tax, which is majorly imposed on crude oil products, despite the increase in duties, states are seeing a decline of 14.7% from the budgeted figures, due to lower crude prices and reduced consumption in the initial months of FY21.

The bottom-line of all these is that states' GSDP actual estimates for FY21 might see a 7% reduction if the numbers follow the MOSPI estimates for overall GDP. However, there is a distinct possibility of MOSPI revising the overall GDP estimates upwards, which means that states would not see this sharp downward reduction. But, it is for certain that FY21 actuals for certain states would not be this high and the next year budget will show downward revision in FY21 GSDP estimates.

STATES' GDP PRESENTS AN OPTIMISTIC PICTURE

- ◆ Almost all major states have announced their 'State Budget 2021-22'. At all India level, NSO has estimated 8.0% contraction in real terms and 3.8% contraction in nominal terms for FY21. States have also put forward their estimates for FY21. To validate the states' GSDP estimates for FY21, we have created our own estimates based on simulation of last few years states GSDP data. We have two observations to ponder over. First, for some states we have found that there is significant gap between our estimates and revised estimates provided by these states for FY21. The prominent states where there is huge difference are: West Bengal, Uttar Pradesh, Madhya Pradesh, Karnataka and Tamil Nadu. On the other hand states like Rajasthan, Jharkhand, Odisha and Kerala are representing more realistic picture of their economies.
- ◆ Second, there is another story that these GSDP numbers are creating. If we take states' GSDP estimates as correct (as states are more informative about their economic situations) then the all-India GDP contraction would be much lesser than what the NSO has projected.
- ◆ To explore this second premise we took the growth rate provided in the revised estimates of states and the surprising thing is that these states have already achieved 99.51% of the 2nd Advance estimates of GDP provided by MOSPI. Also, these estimates do not include Andhra Pradesh, the north east states barring Arunachal Pradesh and Goa.

Nominal GSDP for FY21 (Rs crore)

State	Nominal GSDP	State	Nominal GSDP
Arunachal Pradesh	28490	Maharashtra	2661629
Bihar	646146	Odisha	509807
Chhattisgarh	350270	Punjab	606530
Gujarat	1658865	Rajasthan	957912
Haryana	764872	Tamil Nadu	1941683
Himachal Pradesh	156522	Telangana	978373
Jharkhand	318107	Uttar Pradesh	1940527
Karnataka	1803609	Uttarakhand	243012
Kerala	822023	West Bengal	1354518
Madhya Pradesh	949103	Delhi	798310
Total	19490308		
India's overall GDP	19586161		
Gap between state and MOSPI estimates	95853		

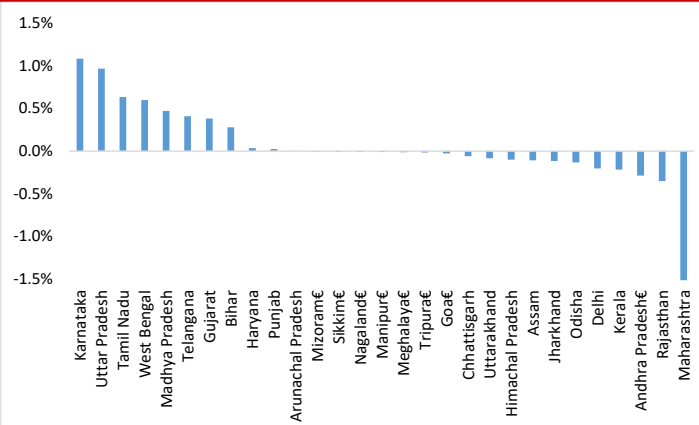
Source: SBI Research

- ◆ If we go ahead and add the value of GDP estimated as per our simulation to the remaining states, this takes up India's FY21 GDP to Rs 209.5 lakh crore, which means that India's GDP will actually expand by an approximate 3% in nominal terms in FY21!
- ◆ If we compare the % share generated by these estimates vis-à-vis our simulation, Karnataka, Madhya Pradesh, Tamil Nadu, Uttar Pradesh and West Bengal would have all gained 0.5% or more individually.

STATE LEVEL REVENUE RECEIPTS CAUSE FOR CONCERN

- ◆ However, if we look at the revenue receipts, there is a cause for concern for these states. Karnataka, Madhya Pradesh, Uttar Pradesh have witnessed a revenue receipts de-growth from FY20 to FY21. Meanwhile West Bengal's revenue receipts growth was just 1%. There are nuances to what drives GDP growth. But in ordinary circumstance, growth in GDP or income should be visible in an increase in revenue receipts, which is not happening in these states. Of course, the state's own tax revenue can show with more clarity what is happening as revenue receipts also include share in central taxes. However, SGST figures show that Karnataka, Madhya Pradesh, Uttar Pradesh have witnessed SGST decline. Meanwhile for state VAT and sales tax, which is majorly imposed on crude oil products, despite the increase in duties, states are seeing a decline of 14.7% from the budgeted figures, due to lower crude prices and reduced consumption in the initial months of FY21.

Change in % share in India's GDP for FY21



Source: SBI Research. € indicates estimates

State Growth Numbers

States	Revenue receipts			Nominal GDP
	2019-20	2020-21(RE)	Growth rate	FY21(RE) Growth %
Bihar	124233	174240	40%	5%
Chhattisgarh	63869	68344	7%	2%
Gujarat	142844	132294	-7%	1%
Haryana	67858	76135	12%	-2%
Himachal Pradesh	30742	35588	16%	-5%
Jharkhand	58417	66952	15%	-3%
Karnataka	175443	159709	-9%	6%
Kerala	90225	93115	3%	-4%
Madhya Pradesh	147643	137169	-7%	5%
Maharashtra	283190	289498	2%	-6%
Nagaland	11423	11240	-2%	16%
Odisha	101568	107200	6%	-2%
Punjab	61575	72042	17%	6%
Rajasthan	140114	147980	6%	-4%
Tamil Nadu	174526	180701	4%	5%
Telangana	102544	117758	15%	1%
Uttar Pradesh	366393	306802	-16%	15%
West Bengal	142914	144941	1%	8%

Source: SBI Research

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