

FY22 GROSS CAPITAL FORMATION JUMPS THE HIGHEST SINCE FY06, JUMP IN GROSS SAVINGS SINCE FY09: PERCEIVED Q4 GDP GROWTH AT 5.1%: PER CAPITA INCOME HAS JUMPED BY 10.6% CAGR FOR THE DECADE ENDING FY22, UNPAID WOMEN CONTRIBUTION COULD ADD 7.5% TO INDIA'S GDP

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In sync with broader market sentiments at lower end of spectrum, GDP grew 4.4% during Q3 FY23, softer than 13.2% growth in Q1 and 6.3% growth in Q2 exhibited earlier. For the full fiscal, GDP growth is expected to increase by 7.0% and GVA growth by 6.6%. Based on the FY23 yearly numbers, Q4 GDP growth should be coming around 5.1%, based on an unchanged base. Revisions across board in both yearly and quarterly growth numbers of recent past have seen real GDP growth for FY20, FY21 and FY22 being revised upwards by 20, 77 and 42 bps, respectively. The huge revisions in FY21 GDP growth are primarily due to substantial upward revisions in manufacturing growth (+351 bps) and construction (+239 bps). **This indicate that manufacturing and construction sectors pandemic impact was not as significant as believed earlier. In rupees terms, the revision accounted for an increase of ~Rs 98,000 crore in these sectors combinedly.** However, seasonally adjusted real GDP growth series show modest dip in economic momentum, with decline in growth at -0.7% qoq in Q3 FY23 compared to 1.2% qoq in Q3 FY22 and -2.1% qoq in Q2 FY23. **Additionally, disaggregated credit growth data for January 2023 shows a large sequential dip to around Rs 37,300 crores, against a Rs 3.5 trillion growth in December. Are these early indications of a slowdown against a spate of rate increase and global uncertainties?**

There are large revisions in the quarterly number of FY21 with GDP growth of Q2, Q3 and Q4 FY21 revised upwards by more than 90 bps. However, GDP growth of Q3 and Q4 of FY22 are revised downwards. In respect of current fiscal, the Q1 FY23 GDP growth was revised downwards by 32 bps. **Due to upward revision in FY22 GDP numbers (by 42 bps), the fiscal deficit of FY23 as % of GDP will now be revised upwards to 6.5% from 6.4% of GDP.** For FY24, there will be no change in fiscal deficit due to revisions. **The sectoral GVA indicate that all the sectors have crossed the pre-covid level !**

Sector-wise, Agriculture & Allied activities accelerated by 3.7% in Q3 FY23 (2.3% Q3 FY22), manufacturing grew by 2.4% (1.6% in Q3 FY22 though it had declined by 0.4% in preceding quarter i.e. Q2 FY22) while services embraced growth of 6.2%. The sluggish growth in manufacturing came primarily due to decline in manufacturing sector (-1.1%) though Electricity, gas, water supply & other utility services and construction sector grew by more than 8% during the quarter. 'Public Administration, Defence and Other Services' under services had a moderate growth of 2% while 'Financial, Insurance, real estate & professional Services' share showed increasing trend with higher growth compared to other 2-sub sectors (trade, hotels and public administration).

With the Govt's continuous and tacit efforts to ensure quality of life for all citizens and stoppage of leakage of benefits through DBT, the per capita GDP at current prices is estimated at Rs 1,96,716, compared to Rs 71,609 in FY12, indicating an impressive CAGR growth of 10.6%. The jump in per capita GDP in FY23 is Rs 25218 at current prices. There is also good news on private final consumption expenditure/PFCE expected to increase to Rs 164 lakh crore in FY23, with the yearly growth moderating to 14.8%. Historical data shows that it declined at current price for the first time in FY21 in a decade. Prior to Covid it continued to grow at double digits (average of 12%) though the pace of increase has been on the decline since FY18 and it turned negative in FY21. The growth rate in PFCE has moved back to double digits post Covid, indicating the positive growth momentum. Per capita PFCE also shows an improvement of over 10% yoy to Rs 63,595 crore in FY22 after dipping to Rs 57,728 crore in FY21. Meanwhile, Gross Capital Formation in Agriculture, Manufacturing, Electricity, Trade & Hotels, Real Estate, Public Administration and Other Services sectors registered new peak in FY 22 after dipping during pandemic. The trends in GCF to gross output ratio or the plough back of funds for creation of fresh capacity shows no specific trend, except for public administration where the ratio attained fresh peak in FY22 owing to emphasis on capital expenditure in recent budgets.

We end with an anecdote. Unpaid domestic work is an important aspect of productive activities and an indispensable factor that contributes to the well-being of household and economy. However, the predominance of women in domestic work and keeping them out of 'economic activities' put unpaid domestic work under the shadow of invisibility, outside the production boundaries, and further outside the purview of economic policy. To understand the status of women in the labour market, it is necessary to comprehend the nature of their unpaid work, which has significant impact on their work participation rate in the economy. Our analysis indicates that **the total contribution of unpaid women to the economy is around Rs 22.7 lakh crore (Rural: Rs 14.7 lakh crore and Urban: Rs 8.0 lakh crore) which is almost 7.5% of the India's GDP.**

We are also not overtly concerned regarding the recent news of El Nino. Looking at the relation between El Nino and Indian droughts since 1950, it is observed that India faced 13 droughts, and 10 of these were in El Niño years and one in a La Niña year. This indicates that there may not be a one-to-one correspondence between El Niño and Indian droughts and the recent fears seem misplaced. It looks that FY24 GDP growth is likely to be higher than the threshold 6%.

GDP GREW BY 4.4% IN Q3 FY23

- ◆ India’s economy grew by 4.4% in Q3 FY23 after exhibited 13.2% growth in Q1 and 6.3% growth in Q2. For FY23 GDP growth is expected to increase by 7.0% and GVA growth by 6.6%. **Based on the FY23 7% GDP growth, Q4 GDP growth is derived at 5.1%.**
- ◆ Both yearly and quarterly past growth numbers have been revised. Real GDP growth for FY20, FY21 and FY22 have been revised upwards by 20 bps, 77 bps and 42 bps, respectively. The huge revisions in FY21 GDP growth are primarily due to substantial upward revisions in manufacturing growth (+351 bps) and construction (+239 bps). This indicate that manufacturing and construction sectors were not so much impacted during pandemic. **In rupees terms the revision accounted for an increase of ~Rs 98,000 crore in both these sectors.**
- ◆ There are large revisions in the quarterly number of FY21. GDP growth of Q2, Q3 and Q4 FY21 have been revised upwards by more than 90 bps. However, GDP growth of Q3 and Q4 of FY22 were revised downwards. In respect of current fiscal, the Q1 FY23 GDP growth was revised downwards by 32 bps. **Due to upward revision in FY22 GDP numbers (by 42 bps), the fiscal deficit of FY23 as % of GDP will now be revised upwards to 6.5% from 6.4% of GDP.** For FY24 there will be no change in fiscal deficit due to revisions.
- ◆ The sectoral GVA indicate that all the sectors has crossed the pre-covid level. If we look the average sectoral GDP of FY18-20 and FY21-23, except Mining and Trade & Hotel, all other sectors has crossed the pre-pandemic average level.

Agriculture: The growth in Agriculture & Allied activities accelerated to 3.7% in Q3 FY23 as compared to 2.4% in previous quarter and 2.3% in Q3 FY22. For FY23, agriculture is expected to grow by 3.3% as compared to 3.5% in FY22.

Industry: The sector grew by 2.4% in Q3 compared to decline of 0.4% in Q2 and growth of 1.6% in Q3 FY22. This sluggish growth is primarily due to decline in manufacturing sector (-1.1%). However, both Electricity, Gas, Water Supply & Other Utility services and construction sector grew by more than 8% in Q3 FY23.

Services: The 6.2% growth in services sector in Q3 is due to only 2% growth in ‘Public Administration, Defence and Other Services’. In services, ‘Financial, Insurance, Real Estate & Professional Services’ share is increasing with higher growth compared to other 2-sub sectors (Trade, Hotels and Public Administration).

Quarterly Estimates of GVA at Basic Price by Economic Activity (%)												
Sectors	FY20 (3RE)	FY21 (2RE)	FY22				Annual (1RE)	FY23				
			Q1	Q2	Q3	Q4		Q1	Q2	Q3	Q4(P)	Annual (2AE)
Agriculture	6.2	4.1	3.4	4.8	2.3	4.1	3.5	2.5	2.4	3.7	4.3	3.3
Industry	-1.4	-0.9	49.1	8.1	1.6	2.3	11.6	9.6	-0.4	2.4	3.2	3.6
Mining & quarrying	-3.0	-8.6	12.2	10.6	5.4	2.3	7.1	9.3	-0.4	3.7	0.9	3.4
Manufacturing	-3.0	2.9	51.5	6.6	1.3	0.6	11.1	6.4	-3.6	-1.1	0.9	0.6
Electricity, gas, water supply & other utility	2.3	-4.3	16.3	10.8	6.0	6.7	9.9	14.9	6.0	8.2	7.6	9.2
Construction	1.6	-5.7	77.0	10.8	0.2	4.9	14.8	16.2	5.8	8.4	7.3	9.1
Services	6.4	-8.2	12.5	11.1	7.6	4.9	8.8	16.3	9.4	6.2	6.5	9.4
Trade, hotels, transport, communication & services related to	6.0	-19.7	41.4	13.1	9.2	5.0	13.8	25.7	15.6	9.7	9.7	14.2
Financial, real estate & professional service	6.8	2.1	2.8	7.0	4.3	4.6	4.7	8.6	7.1	5.8	5.6	6.9
Public administration, defence and Other	6.6	-7.6	6.5	16.8	10.6	5.2	9.7	21.3	5.6	2.0	2.9	7.1
Total GVA at Basic Price	3.9	-4.2	20.2	9.3	4.7	3.9	8.8	12.1	5.5	4.6	5.1	6.6
GDP	3.9	-5.8	21.6	9.1	5.2	4.0	9.1	13.2	6.3	4.4	5.1	7.0

Source: NSO & SBI Research, P is SBI projection

GDP and GVA Growths: Then and Now (%)							
Period		GVA			GDP		
		Old	New	Change in bps	Old	New	Change in bps
FY20	Annual	3.8	3.9	10	3.7	3.9	20
FY21	Q1	-21.4	-20.9	49	-23.8	-23.2	58
	Q2	-5.9	-5.0	86	-6.6	-5.6	101
	Q3	2.1	2.9	80	0.7	1.7	95
	Q4	5.7	6.5	78	2.5	3.5	100
	Annual	-4.8	-4.2	60	-6.6	-5.8	77
FY22	Q1	18.1	20.2	210	20.1	21.6	147
	Q2	8.3	9.3	103	8.4	9.1	71
	Q3	4.7	4.7	4	5.4	5.2	-20
	Q4	3.9	3.9	3	4.1	4.0	-13
	Annual	8.1	8.8	69	8.7	9.1	42
FY23	Q1	12.7	12.1	-69	13.5	13.2	-32
	Q2	5.6	5.5	-14	6.3	6.3	-6
	Q3	-	4.6	-	-	4.4	-
	Q4 (P)	-	5.1	-	-	5.1	-
	Annual	6.7	6.6	-11	7.0	7.0	5

Source: NSO & SBI Research, old(FY23-Annual) was released on 06.01.2023

- ◆ In Q3 FY23 growth in GDP deflator has declined to 6.6% yoy compared to 12.9% in Q1 & 10.3% in Q2 FY23. All sectors exhibited decline in deflator in Q3 as compared to Q2 indicating the deceleration in global commodity prices.

Growth in Sectoral Deflator (YoY%)								
Sectors	FY20 (3RE)	FY21 (2RE)	FY22 (1RE)	FY23				
				Q1	Q2	Q3	Q4(P)	Annual(2AE)
Agriculture	4.7	5.4	6.3	13.6	10.9	4.7	3.9	7.6
Industry	0.4	1.2	10.5	16.0	12.0	7.5	5.8	9.9
Mining & quarrying	-2.6	-3.1	26.8	54.8	40.9	24.3	17.6	31.7
Manufacturing	-0.9	0.6	9.2	10.5	7.4	3.9	3.2	6.1
Electricity, gas, water supply & other utility services	9.4	4.1	1.0	22.0	28.5	22.7	16.9	22.1
Construction	0.3	3.4	12.6	14.2	8.4	3.2	3.2	6.6
Services	3.4	3.2	8.5	10.7	8.8	5.6	4.8	7.4
Trade, hotels, transport, communication & services related to broadcasting	2.5	2.8	10.6	14.8	11.5	6.3	4.5	8.5
Financial, real estate & professional service	3.0	1.9	9.1	10.7	8.8	5.3	4.5	7.4
Public administration, defence and Other Services	5.0	4.9	5.2	5.6	6.4	5.8	6.3	6.2
Total GVA at Basic Price	3.0	3.3	8.3	12.5	10.1	5.9	5.0	8.1
GDP	2.4	4.7	8.5	12.9	10.3	6.6	4.5	8.3

Source: NSO & SBI Research, P is SBI projection

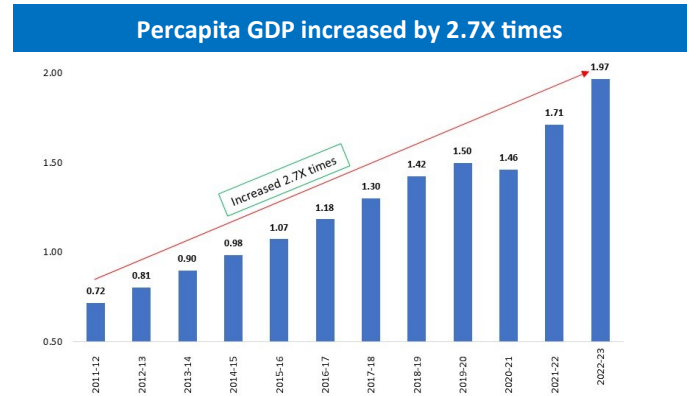
- ◆ With the Government's efforts to ensure quality of life for all citizens and stopped leakage of benefits through DBT, the per capita GDP at current prices is estimated at Rs 1,96,716, compared Rs 71,609 in FY12 with a CAGR growth of 10.6%. In constant prices too per capita GDP has increased to RS 1,09,060 in FY23. It is interesting to note that, there is a huge jump in per capita GDP in FY23 (Rs 25,218 at current prices).

SEASONALLY ADJUSTED SERIES SHOWS MODEST SEQUENTIAL DECLINE

- ◆ Real GDP growth improved by 3.5% qoq in Q3 FY23. However, the seasonally adjusted real GDP growth series shows modest dip in economic momentum, with decline in growth at -0.7% qoq in Q3 FY23 compared to 1.2% qoq in Q3 FY22 and -2.1% qoq in Q2 FY23. **Notably, SA qoq growth has been negative in Q3s of only 2 years (FY20 and FY23) since FY13.** Moreover, sa real qoq growth has been much lower than the real qoq growth in Q3s.

PRIVATE FINAL CONSUMPTION EXPENDITURE GROWTH HAS SLOWED DOWN

- ◆ PFCE for Q3 FY23 increased by 8.1% to Rs 43.9 lakh crore compared to Rs 40.5 lakh crore in Q2 FY23. Private final consumption expenditure is expected to increase to Rs 164 lakh crore in FY23, with the yearly growth moderating to 14.8%.
- ◆ Historical data shows that it declined at current price for the first time in FY21 in a decade. Prior to Covid it continued to grow at double digits (average of 12%) though the pace of increase has been on the decline since FY18 and it turned negative in FY21. **The growth rate has moved back to double digits post Covid, indicating the positive growth momentum. Per capita PFCE also shows an improvement of over 10% yoy to Rs 63,595 crore in FY22 after dipping to Rs 57,728 crore in FY21.**
- ◆ Furthermore, the share of consumption expenditure of Indian households in Rest of the World (ROW) and Consumption Expenditure of foreigners / non resident households in India in PFCE in domestic market, both of which remained almost stagnant since FY12 had declined significantly in FY21 owing to the restricted travel due to COVID. The latest data of FY22 showed modest improvement in share of consumption expenditure of Indian households in Rest of the World (ROW) in PFCE in domestic market, however, share of consumption expenditure of foreigners in India in domestic market PFCE continues to decline. This is a positive development highlighting resilience of PFCE is contributed by domestic residents.

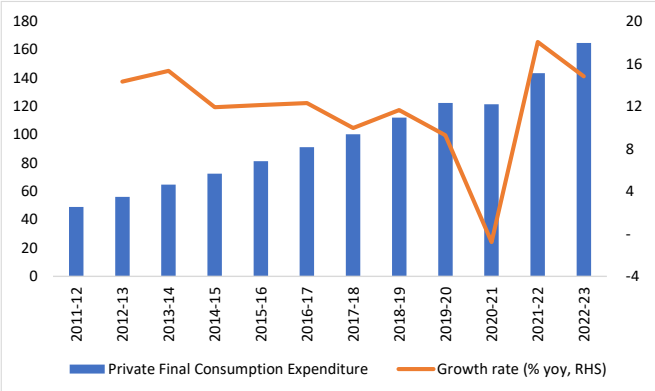


Source: SBI Research

Particulars	FY22					FY23				
	Q1	Q2	Q3	Q4	Annual (1RE)	Q1	Q2	Q3 (P)	Annual (2AE)	
Total final consumption expenditure	20.8	19.2	16.3	14.6	17.4	28.3	16.2	7.8	6.9	13.9
Private final consumption expenditure	25.1	19.3	16.8	13.5	18.1	32.1	18.3	8.1	5.8	14.8
Government final consumption expenditure	4.4	18.7	13.0	20.4	14.0	11.4	3.9	5.3	12.3	8.7
Gross fixed capital formation	77.0	24.1	12.5	14.1	25.6	32.0	16.3	12.0	11.3	17.1
Change in Stocks	744.0	498.9	471.9	459.5	520.1	21.8	7.4	6.5	8.0	10.6
Valuables	574.1	160.9	50.8	-47.7	39.7	65.6	-12.9	-32.8	9.8	-7.8
Exports	49.8	31.2	36.1	30.9	36.1	35.5	24.4	18.0	9.0	20.9
Less Imports	72.6	54.9	48.9	33.6	49.7	52.3	40.3	17.8	14.0	29.2
Discrepancies	509.2	-61.5	303.2	-7.5	15.5	189.1	-270.1	780.7	-93.7	-397.8
GDP	32.0	18.4	14.3	13.0	18.4	27.8	17.2	11.2	9.9	15.9

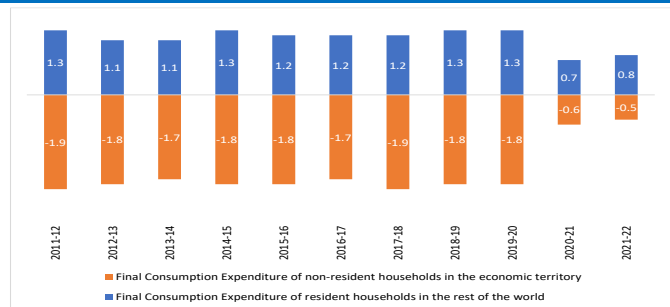
Source: NSO, SBI Research; P is SBI projection

Private Final Consumption Expenditure (Rs lakh crore, current price)



Source: SBI Research

Final consumption of Non-Resident Households in India and residents in ROW (% share of PFCE in domestic market)



Source: SBI Research

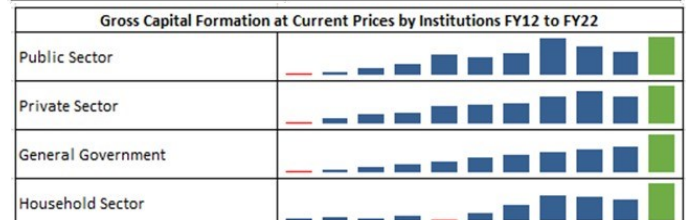
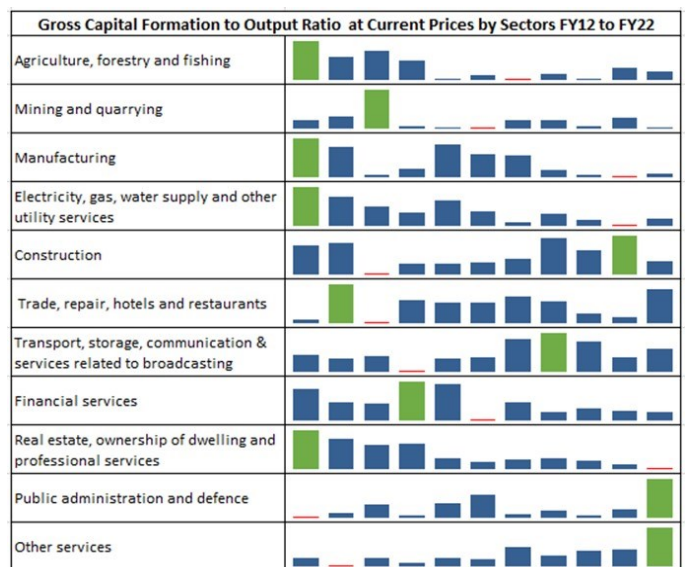
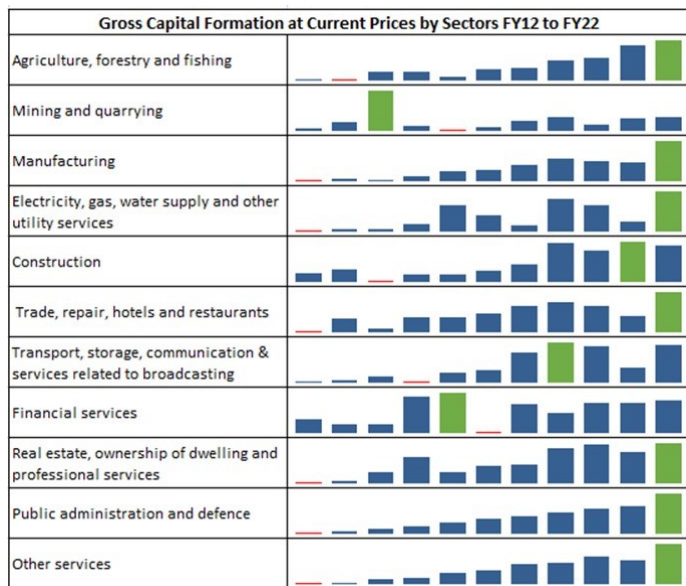
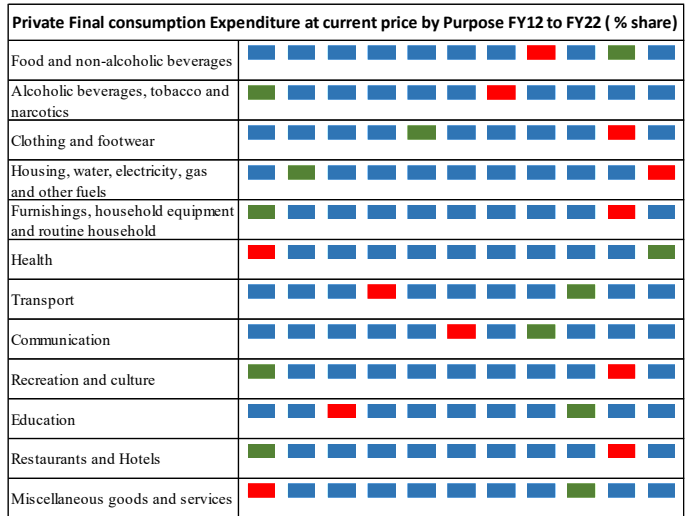
- ◆ Item wise data reveals food and non-alcoholic beverages account for highest share in PFCE, followed by Transport and Housing, Water, Electricity, Gas and other fuels. Further nominal trends in their share reveals that share of health in PFCE reached a peak in FY22, while share of Housing, Water, Electricity, gas and other fuels dipped to its lowest. Spending on food and non-alcoholic beverages has increased in absolute terms in FY22 compared to FY21, however its share in PFCE has declined to 30.2% from 32% in FY21.
- ◆ Historical data clearly shows that alcoholic beverages, tobacco and narcotics, clothing and footwear, furnishings, household equipment, recreation and culture and restaurants and hotels suffered in the covid period with their share in PFCE declining to their lowest levels in FY21.

GROSS CAPITAL FORMATION HAS BEEN ROBUST IN PANDEMIC

- ◆ Gross Capital Formation in Agriculture, Manufacturing, Electricity, Trade & Hotels, Real Estate, Public Administration and Other Services sectors registered new peak in FY 22 after dipping during pandemic.
- ◆ The trends in GCF to gross output ratio or the plough back of funds for creation of fresh capacity shows no specific trend, except for public administration which where the ratio attained fresh peak in FY22 owing to emphasis on capital expenditure in recent budgets.
- ◆ **In terms of institutions, GCF showed fresh peak in each of Public Sector, Private Sector, General Government and Household Sector showing strong resilience during FY22.** The percentage share of Gross capital Formation of General Government is increasing continuously with peak at FY22. Shares of Public Sector and Private Sector GCF has been declining since pandemic.

RECOVERY IN HOUSEHOLD SAVINGS ON THE BACK OF JUMP IN SAVINGS IN PHYSICAL ASSETS

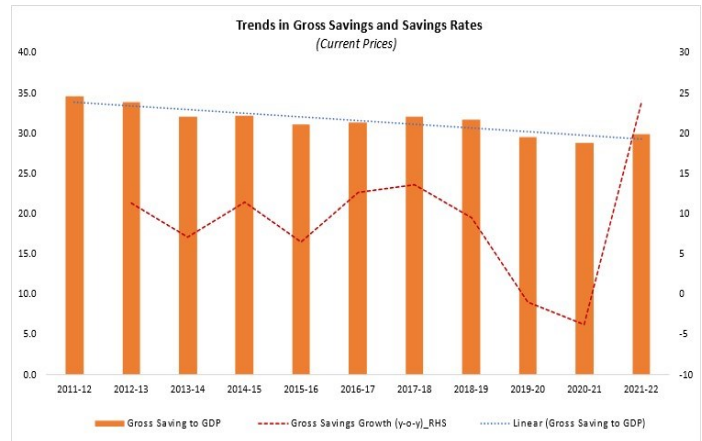
- ◆ **The decadal linear trends in savings (FY12 to FY22) show a secular decline in savings rate of the economy measures as ratio of gross savings to GDP. The savings rate has attained its lowest in COVID year of 2020-21 on account large dissaving in public sector to cushion the crisis.**



- ◆ On a nominal basis, the growth rate of gross savings after attaining peak in 2017-18 has secularly declined. The decline set in pre-COVID period and pandemic only facilitated its stagnation. The household savings increased sharply during the COVID-19 period on account of sharp accretion in financial savings such as deposits. **In the Household sector, savings in physical assets has grown sharply although gross financial savings dipped. Private Sectors saving has also been on consistent growth. General Government savings which has been on consistent decline till the pandemic have recovered sharply in FY22. Public Sector Savings which declined in the FY 21 have recovered strongly.**

CONTRIBUTION OF UNPAID WOMEN IN GDP

- ◆ Unpaid domestic work is an important aspect of productive activities and an indispensable factor that contributes to the well-being of household and economy. However, the predominance of women in domestic work and keeping them out of ‘economic activities’ put unpaid domestic work under the shadow of invisibility, outside the production boundaries, and further outside the purview of economic policy. To understand the status of women in the labour market, it is necessary to comprehend the nature of their unpaid work, which has significant impact on their work participation rate in the economy. Therefore, the objective of our analysis is to examine the magnitude of unpaid domestic work status of women in India.
- ◆ Our analysis is based on the data provided by NSS report (Jan-Dec’19) regarding the unpaid domestic plus caregiving services by women for household members. As per data the average time (in minutes) spent in a day per participant of age 6 years and above is around 432 minutes (or 7.2 hours). Using latest female population in the age group of 18-60 years and assuming monthly income of Rs 5000 and Rs 8000 in rural and urban areas (for 8 hours per day), respectively and further considering 5% of these women in rural areas and 30% in urban areas are working for wages in the formal set-up, we have calculated the monetary contribution of unpaid domestic work of women in India.
- ◆ Our analysis indicates that **the total contribution of unpaid women to the economy is around Rs 22.7 lakh crore (Rural: Rs 14.7 lakh crore and Urban: Rs 8.0 lakh crore) which is almost 7.5% of the India’s GDP.**



Contribution of Unpaid Women in GDP			
		Rural	Urban
Unpaid domestic work by women	Minutes	432	431
	Hour	7.2	7.2
Total Women (18-60 years)	in crore	28.7	13.2
Working age women		1.4	4.0
Unpaid women		27.3	9.3
Per day per hour wage*	in Rs	21	33
Total unpaid contribution	in Rs lakh crore	14.7	8.0
Total Rural + Urban Contribution (in Rs lakh crore)		22.7	
Total Rural + Urban Contribution (% of GDP)		7.5%	

Source: SBI Research; *Assuming monthly wage of Rs 5000 & Rs 8000 in rural and urban areas for 8 hours, respectively

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Contact Details:

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India, Corporate Centre
M C Road, Nariman Point, Mumbai - 400021
Email: soumya.ghosh@sbi.co.in, gcea.erd@sbi.co.in
Phone:022-22742440
🐦 : kantisoumya