

**JANUARY 07, 2019**  
**ISSUE NO:76, FY19****CSO ESTIMATES REVEAL H2GDP GROWTH AT SUB 7% : AGRI PRICES AT DECADAL LOW**

The CSO's Advance Estimates for FY19 GDP is a conservative 7.2%, lower than RBI's projection of 7.4%. Manufacturing, Electricity, Gas, Water Supply and other Utility Services, Construction are the major contributors to the overall growth. As H1 GDP numbers have already come, to achieve 7.4% growth in FY19, H2 should grow by 6.8%.

Agri. and Allied Activities is likely to grow at 3.8% in FY19 as against previous year growth of 3.4%. We believe that the estimate is primarily due to growth in allied activities (Livestock, forestry and fishing). The most striking fact is that agriculture deflator for FY19 at -0.1% is lowest in 10 years indicating continued distress (or low demand) in rural areas.

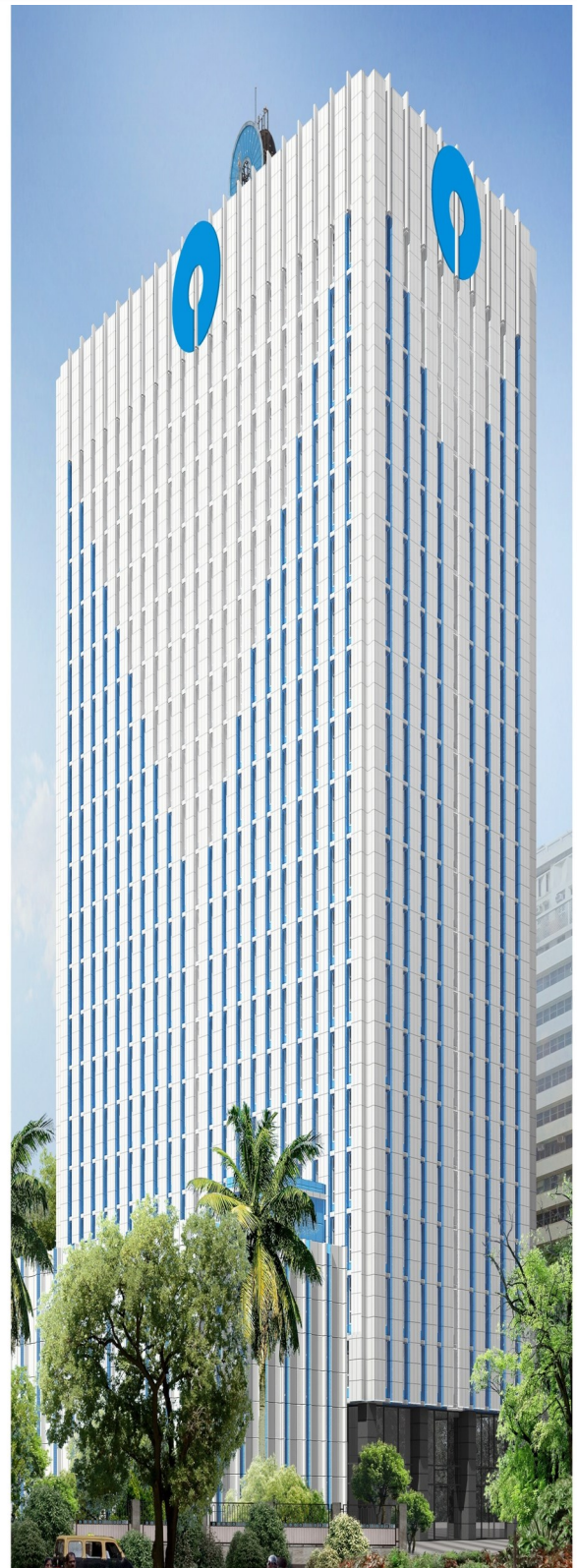
Industry is estimated to grow at 7.8% in FY19 as compared to 5.5% in FY18 due to better performance of all the sub-sectors, except 'Mining & Quarrying'.

Service sector growth is likely to come in at 7.3% in FY19, compared to 7.9% in FY18. In this sector, around 73% is contributed by the growth in Real estate and Professional services. The Public Administration sub segment is supposed to decline to 8.9%, compared to last year growth of 10.0%.

On consumption side, the FY15-FY19 private final consumption expenditure average growth of 6.8% is 40 bps higher than the previous 5 year average. Meanwhile, the gross fixed capital formation is expected to show stellar growth of 12.2% in FY19, on the back of increased government investment. The FY15-FY19 average of 7.5% is the same as the FY10-FY14 average.

For FY19, the budgeted nominal GDP growth rate was 11.5% which has now been revised upwards to 12.3%. Based on this GDP revision, the impact on fiscal deficit is a mere 2 basis points for FY19.

This estimate however has a shelf-life of only two months. This is because CSO will release the first revised estimate of FY16, FY17 and FY18 on 31 Jan'19 and based on that today's estimate of GDP and GVA for FY19 would be revised further as 2nd advance estimate for FY19 on 28 Feb'19.



## GDP ESTIMATED TO GROW AT 7.2% IN FY19

- ◆ The 1st advance estimate (AE) of GDP for FY19 indicates GDP growth to be 7.2% as compared to the growth rate of 6.7% in FY18. Anticipated growth of real GVA at basic prices in FY19 is 7.0% against 6.5% in FY18. The CSO's AE is slightly lower than RBI's projection of GDP of 7.4% for FY19. Manufacturing, Electricity, Gas, Water Supply and other Utility Services, Construction are the major contributors to the overall growth. As H1 GDP numbers have already come, to achieve 7.4% growth in FY19, H2 should grow by 6.8%. Nominal GDP growth is at 12.3% in FY19.
- ◆ Agri. and Allied Activities is likely to grow at 3.8% in FY19 as against previous year growth of 3.4%. We believe that the estimate is primarily due to growth in allied activities (Livestock, forestry and fishing). The most striking fact is that agriculture deflator for FY19 at -0.1% is lowest in 10 years indicating continued distress (or low demand) in rural areas.
- ◆ Industry is estimated to grow at 7.8% in FY19 as compared to 5.5% in FY18 due to better performance of all the sub-sectors, except 'Mining & Quarrying'. Manufacturing, and 'Electricity, Gas, Water Supply & Other Utility Services' is estimated to grow at 8.3%, and 9.4% respectively. Mining and Quarrying' has dragged the overall growth to some extent which is estimated to grow by 0.8% much lower than the previous growth of 2.9% in FY18. Construction' sector remains the key driver of industrial activity and is expected to grow by 8.9% in FY19 against 5.7% in FY18, mainly driven by better performance from Cement and steel sector.
- ◆ Service sector growth is likely to come in at 7.3% in FY19, compared to 7.9% in FY18. The sub segment 'Financial, Real Estate & Professional Services' growth improved marginally to 6.8% in FY19, compared to 6.6% growth in FY18. In this sector, around 73% is contributed by the growth in Real estate and Professional services. The Public Administration sub segment is supposed to decline to 8.9%, compared to last year growth of 10.0%.
- ◆ On consumption side, the FY15-FY19 private final consumption expenditure average growth of 6.8% is 40 bps higher than the previous 5 year average. However, the yearly growth has steadily come down since FY16. Meanwhile, the gross fixed capital formation is expected to show stellar growth of 12.2% in FY19, on the back of increased government investment. The FY15-FY19 average of 7.5% is the same as the FY10-FY14 average.
- ◆ **Fiscal Arithmetic of FY19:** For FY19, the budgeted nominal GDP growth rate was 11.5% which has now been revised upwards to 12.3%. Based on this GDP revision, the impact on fiscal deficit is a around 2 basis points for FY19.
- ◆ This estimate however has a shelf-life of only two months. This is because CSO will release the first revised estimate of FY16, FY17 and FY18 on 31 Jan'19 and based on that today's estimate of GDP and GVA for FY19 would be revised further as 2nd advance estimate for FY19 on 28 Feb'19.

GDP Growth Rates (YoY%) at Constant Prices (Base: 2011-12)					
Particulars	FY19			FY18 (PE)	FY17 (RE)
	FY19 (1st AE)	H2 (SBI)	H1		
<b>1. Agriculture, forestry &amp; fishing</b>	<b>3.8</b>	<b>3.3</b>	<b>4.6</b>	<b>3.4</b>	<b>6.3</b>
<b>2. Industry</b>	<b>7.8</b>	<b>7.0</b>	<b>8.6</b>	<b>5.5</b>	<b>6.8</b>
2.1 Mining & quarrying	0.8	2.4	-1.0	2.9	13.0
2.2 Manufacturing	8.3	6.4	10.3	5.7	7.9
2.3 Electricity, gas, water supply & other utility services	9.4	10.5	8.2	7.2	9.2
2.4 Construction	8.9	9.5	8.3	5.7	1.3
<b>3. Services</b>	<b>7.3</b>	<b>7.2</b>	<b>7.4</b>	<b>7.9</b>	<b>7.5</b>
3.1 Trade, hotels, transport, communication & services related to broadcasting	6.9	7.1	6.8	8.0	7.2
3.2 Financing, insurance, real estate & bus. Services	6.8	7.2	6.4	6.6	6.0
3.3 Public administration, defence and Other Services	8.9	7.4	10.5	10.0	10.7
<b>Total GVA at Basic Prices</b>	<b>7.0</b>	<b>6.5</b>	<b>7.4</b>	<b>6.5</b>	<b>7.1</b>
<b>GDP</b>	<b>7.2</b>	<b>6.8</b>	<b>7.6</b>	<b>6.7</b>	<b>7.1</b>

Source: CSO, SBI Research

## ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

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