

Analysis of Advance Estimates- FY15

Overview:

As per the advance estimates for GDP GY15, the economy is posed to record a growth of growth of 7.4% for the current fiscal. This would be significantly higher than the revised growth of 6.9% in FY14. For Q4 growth would be 7.5% .

Highlights:

The growth rate of 8.2% in Q3 FY15 is driven primarily by the ‘trade, hotels transport, communication and services’ sector, ‘electricity, gas, water supply and other utility services’ and ‘manufacturing’.

Table 1 captures the movement in GDP in Q3 FY15 over Q3 FY43 and also the cumulative GDP growth in the nine months of fiscal ’14 and fiscal ’15 for comparison.

Table 1: FY15 GDP growth (%)

	FY14	FY15
GDP	6.9	7.4
GVA at basic prices	6.6	7.5
Agriculture, forestry and fishing	3.7	1.1
Mining and quarrying	5.4	2.3
Manufacturing	5.3	6.8
Electricity, gas, water supply and other utility services	4.8	9.6
Construction	2.5	4.5
Trade, hotels, transport, communication and services	11.1	8.4
Financial, real estate and Professional services	7.9	13.7
Public administration, defence and other services	7.9	9.0

Source: MOSPI

Strong performers

- The sectors of ‘electricity, gas, water supply and other utility services’ is expected to emerge as a driving force in FY15 with an estimate of 9.6% (over 4.8% in FY14).
- ‘The ‘manufacturing’ sector is likely to record a significant revival in FY15 with an estimated growth of 6.8% as against the growth of 5.4% in FY14.

- Growth in the ‘financial, real estate and professional services’ would stand significantly higher at 13.7% compared with the growth of 7.9% in FY14. Similarly, a moderate growth of 9% is expected in the sector of ‘public administration, defence and other services’ sector vis-a-vis the 7.9% growth in FY14.
- Lastly, ‘construction’ sector is expected to improve modestly in FY15 at 4.5% relative to 2.5% in FY14.

Weak performers

- ‘Agriculture, forestry and fishing’ is viewed to be the weakest performing sector this fiscal on the back of a subnormal monsoon earlier in the year. The sector is expected to slowdown to 1.1% in FY15 over the 3.7% growth it recorded in FY14.
- Trade, hotels, transport and communication services’ is also slated to moderate to a growth estimate of 8.4% in FY15 over the growth of 11.1% in the previous fiscal.
- ‘Mining and quarrying’ is also estimated to grow by only 2.3% as against the growth of 5.4% in the previous fiscal.

Expenditure breakdown

The Table 2 gives a breakdown of expenditures of GDP in FY14 and FY15

Table 2: Consumption as a % of GDP (current prices)

Industry	FY14	FY15
Private Final Consumption Expenditure	59.7	60.4
Government Final Consumption Expenditure	11.3	11.7
Gross Fixed Capital Formation	29.7	28.6

Source MOSPI

- Notably, Gross fixed capital formation is likely to undergo further moderation to 28.6% of GDP from 29.7% of GDP in FY14.
- On the other hand, private final consumption expenditure is estimated to rise to 60.4% (59.7% in FY14) and Government final consumption expenditure is expected to grow by 11.7% (11.3% in FY14).

CARE’s View

In order to meet the advance estimate of 7.4% growth for FY15, the economy will have to register a growth of 7.5% in Q4 FY15. Overall, the economy appears to have bottomed out and GDP growth is viewed to remain on the upward trajectory with an expectation of 7.5-8% growth in FY16.

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