Quick Estimates of National Income, 1998-99 and Advance Estimates of National Income, 1999-2000: A Review*

The Central Statistical Organisation (CSO) has released the 'Quick Estimates of National Income, Consumption Expenditure, Saving and Capital Formation, 1998-99' on January 28, 2000 and 'Advance Estimates of National Income, 1999-2000' on February 4, 2000. These estimates are based on revised numbers of macro aggregates for the years beginning 1993-94. This article reviews the trend in select macro economic aggregates as given in these estimates.

1.   Real Gross Domestic Product (GDP), 1993-94 to 1999-2000

1.1 Growth in Real GDP

The economy had recorded high growth rate of 7 per cent or above in real GDP during the three year period from 1994-95 to 1996-97 (Table 1 and Graph 1). In 1995-96, notwithstanding the decline in the output of 'agriculture and allied activities' (-0.9 per cent), the higher growth rates recorded in industry and services helped to sustain the growth in GDP of above 7 per cent. There was deceleration in the rate of growth in 1997-98 to 5 per cent due primarily to a negative growth of 1.9 per cent in 'agriculture and allied activities' and a lower growth of 4.9 per cent registered in industry as compared to the preceding three years. After a sharp recovery to 6.8 per cent in 1998-99, due mainly to a substantial turnaround in 'agriculture and allied activities', the rate of growth is estimated to have decelerated again to 5.9 per cent in 1999-2000.

According to the Quick Estimates for 1998-99, GDP in 1998-99 at factor cost at 1993-94 prices is placed at Rs.10,81,834 crore as compared with Rs.10,12,816 crore in 1997-98, registering a growth rate of 6.8 per cent which was higher than the 5.0 per cent growth rate for 1997-98 (Statement 1). The higher growth rate in 1998-99 was due to an accelerated growth rate in 'agriculture and allied activities' which was higher at 7.2 per cent as compared to (-) 1.9 per cent in the previous year. On the other hand, industrial and services sectors grew at decelerated rates of 3.7 per cent and 8.0 per cent, respectively, in 1998-99 as compared with 4.9 per cent and 9.2 per cent, respectively, in the previous year.

**Table 1: Growth Rates and Sectoral Composition of GDP (at 1993-94 prices)**

(Per cent)

Item	1994-95	1995-96	1996-97	1997-98@	1998-99*	1999-2000#
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Agriculture and Allied Activities	5.0	-0.9	9.6	-1.9	7.2	0.8
	(30.4)	(28.1)	(28.6)	(26.7)	(26.8)	(25.5)
2. Industry (excluding Construction)	10.4	12.8	6.8	4.9	3.7	6.4
	(21.7)	(22.8)	(22.7)	(22.7)	(22.0)	(22.1)

3. Services (including Construction)	6.8	10.0	6.6	9.2	8.0	8.3
	(47.9)	(49.1)	(48.7)	(50.6)	(51.2)	(52.3)
4. GDP	**7.0**	**7.3**	**7.5**	**5.0**	**6.8**	**5.9**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

@ Provisional Estimates * Quick Estimates # Advance Estimates
Note: Figures in brackets indicate percentages to GDP.

As per the Advance Estimates of National Income for 1999-2000, the economy is projected to grow at a lower rate of 5.9 per cent in 1999-2000 as compared with 6.8 per cent in 1998-99. The estimated drop in the overall growth rate is on account primarily of 'agriculture and allied activities', which is expected to register a low growth of 0.8 per cent as compared with 7.2 per cent in 1998-99. Industrial and services sectors, on the other hand, are expected to register higher growth rates of 6.4 per cent and 8.3 per cent, respectively, as against 3.7 per cent and 8.0 per cent, respectively, recorded in the previous year.

Graph 1: Growth Rates of GDP and Sectoral GDP
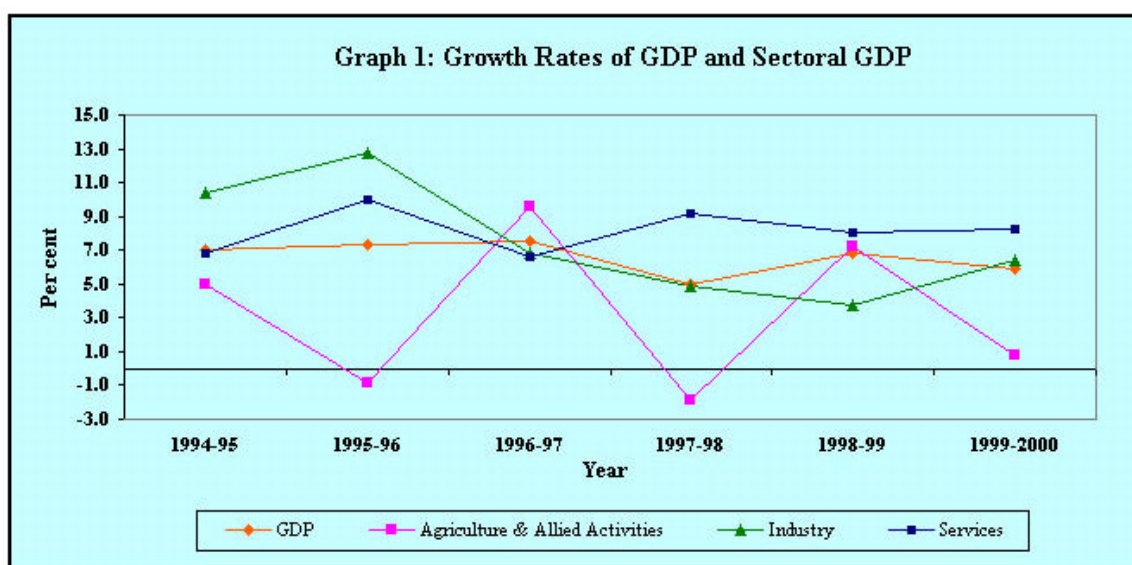
1.2 GDP - Sectoral Composition

As regards the sectoral composition of GDP, the share of agriculture had declined from 31.0 per cent in 1993-94 to 26.7 per cent in 1997-98 while that of industrial sector improved marginally from 21.1 per cent to 22.7 per cent (Table 1 and Graph 2). The share of services sector, on the other hand, had increased from 48.0 per cent in 1993-94 to 50.6 per cent in 1997-98.

As per the Quick Estimates, 1998-99, the share of 'agriculture and allied activities' and services sectors in GDP had recorded marginal increases of 0.1 and 0.6 percentage point, respectively, to 26.8 per cent and 51.2 per cent in 1998-99 as compared to the previous year. The share of industrial sector, on the other hand, declined marginally by 0.7

percentage point to 22.0 per cent in 1998-99.

As per the Advance Estimates, 1999-2000, the share of agriculture is expected to fall to 25.5 per cent and the shares of industry and services sectors are expected to increase to 22.1 per cent and 52.3 per cent, respectively, in 1999-2000.
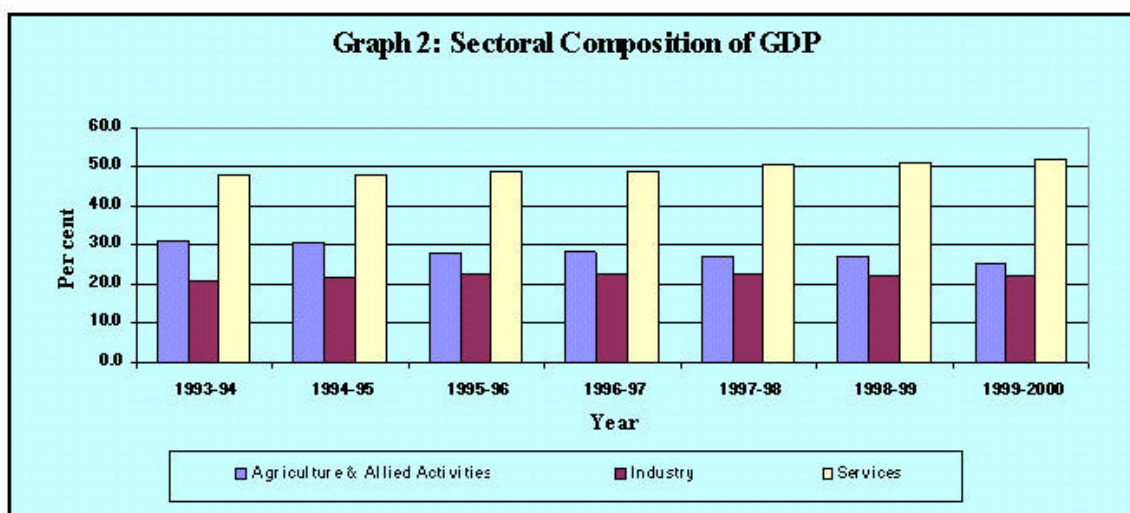
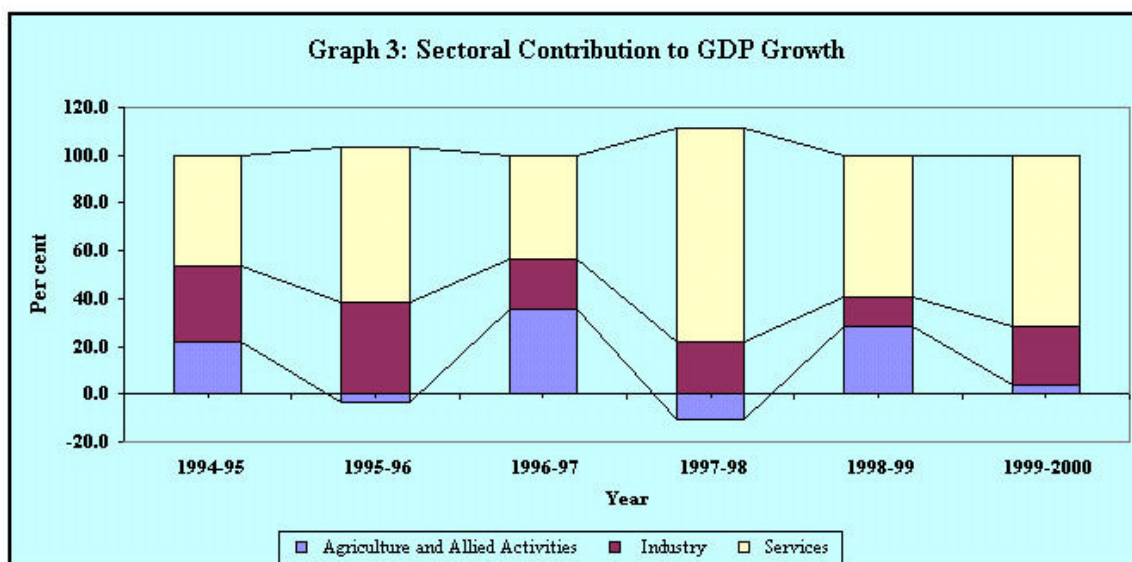### 1.3 Sectoral Contribution to GDP Growth

The contribution of different sectors to the annual rates of growth in GDP during 1994-95 to 1999-2000 varied widely (Table 2 and Graph 3). The contribution of the services sector to the rate of growth had been notable notwithstanding the wide amplitude from 43.4 per cent in 1996-97 to 88.8 per cent in 1997-98. The fluctuations in 'agriculture and allied activities' varied from a negative 10.9 per cent in 1997-98 to a positive 35.9 per cent in 1996-97.

Table 2: Sectoral Contribution to GDP Growth[1]

(Per cent)

Item	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.Agriculture and Allied Activities	1.6	-0.3	2.7	-0.5	1.9	0.2
	(22.2)	(-3.6)	(35.9)	(-10.9)	(28.1)	(3.9)
2. Industry (excluding Construction)	2.2	2.8	1.6	1.1	0.8	1.4
	(31.2)	(38.1)	(20.7)	(22.2)	(12.2)	(24.1)
3. Services (including Construction)	3.2	4.8	3.3	4.5	4.1	4.2
	(46.5)	(65.5)	(43.4)	(88.8)	(59.7)	(72.0)

4. GDP	**7.0**	**7.3**	**7.5**	**5.0**	**6.8**	**5.9**
	(100.0)	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**	**(100.0)**

Note: Figures in brackets are percentages to aggregate GDP growth; however, due to rounding off, they may not tally exactly.

Graph 3: Sectoral Contribution to GDP Growth

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[1] "Sectoral contribution to GDP growth" in a year is calculated as the product of sectoral GDP growth rate in the year and the share of sectoral GDP in aggregate GDP in the previous year. Let Y^i be the sectoral GDP (for i = 1, …, N), and Y be the aggregate GDP, so that $Y=\Sigma Y^i$. Then the aggregate GDP growth (g_t), can be expressed as a weighted average of sectoral GDP growth rate ^{i}) in the following manner (with weights being share of ith sector's GDP in aggregate GDP):

$$g_t = \sum_{i=1}^{N} \left(\frac{Y_t^i - Y_{t-1}^i}{Y_{t-1}^i} \right) \cdot \frac{Y_{t-1}^i}{Y_{t-1}} = \sum_{i=1}^{N} g_t^i \cdot \frac{Y_{t-1}^i}{Y_{t-1}}$$

The sectoral growth rates could also be standardised in either of two ways: first, by dividing "sector-wise contribution to growth rate" by aggregate GDP growth (g_t) and multiplying by 100, or second, by taking the ratio between "changes in sectoral GDP" and "changes in aggregate GDP", and multiplying it by 100, as seen from the following:

$$g_t = \sum_{i=1}^{N} \left(\frac{Y_t^i - Y_{t-1}^i}{Y_{t-1}^i} \right) \cdot \frac{Y_{t-1}^i}{Y_{t-1}} = \sum_{i=1}^{N} g_t^i \cdot \frac{Y_{t-1}^i}{Y_{t-1}}$$

Figures in parentheses are standardised sector-wise contribution to the rate of growth.

2. Saving and Capital Formation, 1993-94 to 1998-99

2.1 Aggregate Saving (at current prices)

Gross domestic saving (GDS) as per cent of GDP at current market prices had increased steadily from 22.5 per cent in 1993-94 to a peak of 25.5 per cent in 1995-96 (Table 3,

Graph 4 and Statement 2). However, in 1996-97, the GDS rate declined to 23.3 per cent and thereafter increased to 24.7 per cent in 1997-98. In 1998-99, the GDS rate declined again to 22.3 per cent.

Table 3: Saving and Investment Rates (at current market prices)

(as percentage of GDP at current market prices)

Item	1993-94	1994-95	1995-96	1996-97	1997-98@	1998-99*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1. Gross Domestic Saving	**22.5**	**25.0**	**25.5**	**23.3**	**24.7**	**22.3**
1.1 Public Sector	0.6	1.7	2.0	1.7	1.4	0.0
1.2 Private Corporate Sector	3.5	3.5	5.0	4.5	4.3	3.8
1.3 Household Sector (a+b)	18.4	19.8	18.5	17.1	19.0	18.5
a) Financial Saving	11.0	12.0	8.9	10.4	10.4	10.9
b) Saving in Physical Assets	7.4	7.8	9.6	6.7	8.6	7.6
2. Gross Domestic Capital Formation	**23.1**	**26.1**	**27.2**	**24.6**	**26.2**	**23.4**
3. Gross Capital Formation	**21.3**	**23.5**	**26.5**	**21.9**	**23.4**	**21.8**
3.1 Public Sector	8.2	8.8	7.6	7.0	6.7	6.6
3.2 Private Corporate Sector	5.6	6.9	9.3	8.1	8.0	7.7
3.3 Household Sector	7.4	7.8	9.6	6.7	8.6	7.6
4. Errors & Omissions	**1.8**	**2.6**	**0.7**	**2.7**	**2.8**	**1.5**
5. Saving - Investment Gap (1-2)	**-0.6**	**-1.1**	**-1.7**	**-1.3**	**-1.5**	**-1.1**
5.1 Public Sector	-7.6	-7.1	-5.6	-5.3	-5.3	-6.6
5.2 Private Corporate Sector	-2.1	-3.4	-4.3	-3.6	-3.7	-3.9
5.3 Household Sector	11.0	12.0	8.9	10.4	10.4	10.9

@ : Provisional Estimates * : Quick Estimates

2.2 Aggregate Capital Formation (at current and 1993-94 prices)

The gross domestic capital formation adjusted for errors and omissions (GDCF) and gross capital formation (GCF) at current and 1993-94 prices also moved in tandem with the gross domestic saving rates (Table 3, Graph 4 & Statement 3). GDCF and GCF at current prices had increased from 23.1 per cent and 21.3 per cent of GDP in 1993-94 to 27.2 per cent and 26.5 per cent, respectively, in 1995-96. These rates had declined to 24.6 per cent and 21.9 per cent in 1996-97 and increased to 26.2 per cent and 23.4 per cent, respectively, in 1997-98. In 1998-99, these rates had declined again to 23.4 per cent and 21.8 per cent, respectively. The rate of Gross Fixed Capital Formation (GFCF) at current prices had increased from 21.4 per cent in 1993-94 to 22.7 per cent in 1997-98. In 1998-99, this rate was 21.4 per cent. A similar trend was observed in the case of GFCF at 1993-94 prices. The change in stocks as percentage to GDP at current and at 1993-94 prices fluctuated between (-)1.2 per cent and 1.9 per cent during the period 1993-94 to 1998-99.

Graph 4: Saving (GDS) and Investment (GDCF) Rates
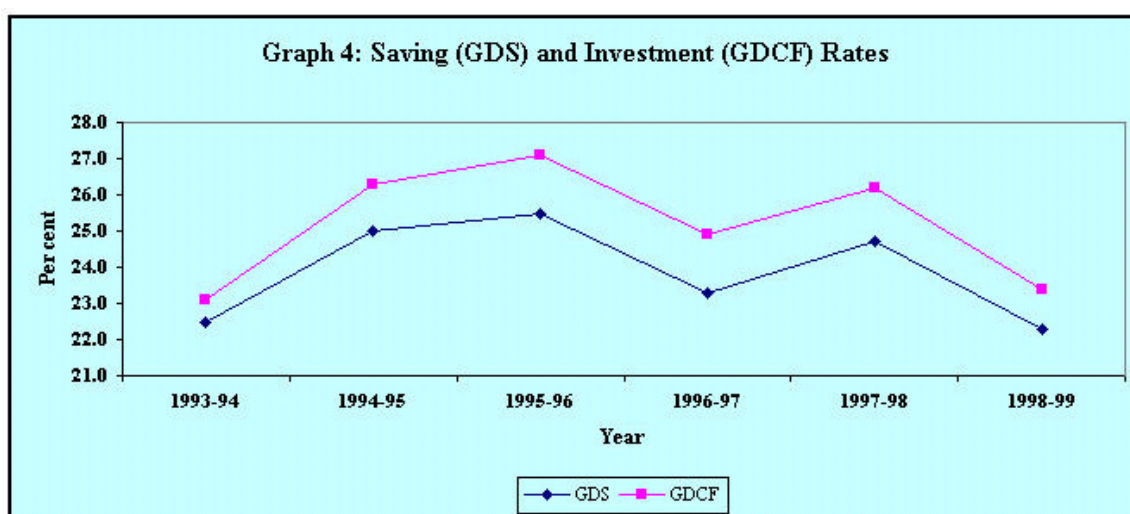
2.3 Domestic Saving-Investment Gap (at current prices)

The gap in domestic saving-investment (GDCF) rates, which was (-)0.6 per cent in 1993-94, had widened to (-)1.7 per cent in 1995-96, showing greater dependence on foreign savings (Table 3). Thereafter, this gap narrowed to (-)1.3 per cent in 1996-97, followed by a marginal increase to (-)1.5 per cent in 1997-98. In 1998-99, the domestic saving-investment gap narrowed down to (-)1.1 per cent.

2.4 Sectoral Saving and Capital Formation

The sector-wise composition of saving rates shows that household saving has been the mainstay of India's total domestic saving performance. It hovered around 17 to 20 per cent of GDS during the period 1993-94 to 1998-99 (Table 3). Another notable feature is that, with the exception of 1995-96, household sector's saving in financial assets stood higher than that in physical assets during the period 1993-94 through 1998-99. The general preference for financial assets vis-a-vis physical assets could be attributed to a number of factors such as the higher rates of return on financial saving, the growing financial intermediation and the preference of household for less risky assets like bank deposits, contractual saving and small saving instruments. The saving rate of the private corporate sector had increased from 3.5 per cent in 1993-94 to a peak of 5.0 per cent in 1995-96 and steadily declined thereafter to 3.8 per cent in 1998-99. The saving rate of the public sector had increased initially from 0.6 per cent of GDS in 1993-94 to 2.0 per cent in 1995-96 but declined thereafter to 1.4 per cent in 1997-98. In 1998-99, the contribution of the public sector to GDS became negligible. The trend in the rates of public sector saving reflects the growing dissaving of government administrative departments. The share of the private corporate sector and household sector in gross capital formation (GCF) rose to 9.3 per cent and 9.6 per cent, respectively, in 1995-96 from 5.6 and 7.4 per cent, respectively, in 1993-94. These rates had declined to 7.7 per cent and 7.6 per cent, respectively, in 1998-99. The public sector investment in GCF had increased from 8.2 per cent in 1993-94 to 8.8 per cent in 1994-95 and declined steadily thereafter to 6.6 per cent in 1998-99.

3.   Other Select Macro Economic Aggregates

As regards other select macro-economic aggregates, reflecting the trends in GNP at factor cost at 1993-94 prices, the per capita National Income at 1993-94 prices grew from 4.8 per cent in 1994-95 to 6.0 per cent in 1996-97 and declined to 3.2 per cent in 1997-98 (Statement 4). As per the Quick Estimates, 1998-99, the per capita National Income grew at 5.0 per cent in 1998-99 and is estimated to grow at 4.2 per cent in 1999-2000.

On the expenditure side, private final consumption expenditure (PFCE) at current prices grew from 14.5 per cent in 1994-95 to 18.6 per cent in 1996-97. Although the growth of PFCE slumped to 8.7 per cent in 1997-98, it grew at a higher rate of 14.7 per cent in 1998-99 as per the Quick Estimates, 1998-99. Growth of government final consumption expenditure (GFCE) at current prices jumped from 11.2 per cent in 1994-95 to 18.5 per cent in 1995-96 but declined to 13.1 per cent in 1996-97 only to recover to 17.8 per cent in 1997-98. As per the Quick Estimates, 1998-99, GFCE grew further at the rate of 26.1 per cent in 1998-99.