

Gujarat slips in growth charts and consumption growth

Rural monthly per capita consumption expenditure in Gujarat grew at CAGR of 15.1%, lower than national average of 16.7%

Krishna Kant & Dev Chatterjee | Mumbai March 20, 2014 Last Updated at 13:20 IST



After topping the growth chart, economic growth in Gujarat is now slipping in line with economic slowdown in India. In the last five years Gujarat GDP growth slowed down to 8% in FY13 from 11% in FY08 and 11.2% in FY11. All India GDP growth during the period declined to 4.5% from 9.3% in FY08. Gujarat is ninth fastest growing state behind Bihar, Madhya Pradesh, Delhi, Uttarakhand, Tripura, Goa, Kerala and Orissa. Gujarat rank improves to seventh if average GDP growth for last six years is taken into account. The analysis excludes smaller states and union territories such as Sikkim, Mizoram, Puducherry, Manipur and

Andaman & Nicobar Islands. (See Chart)

Experts attribute Gujarat relative underperformance to its bigger base. FY13, Gujarat had the fifth largest economy among all states in India behind Maharashtra, Tamil Nadu, Uttar Pradesh and Andhra Pradesh. In per capita terms, Gujarat is eight richest behind Goa, Delhi, Chandigarh, Puducherry, Sikkim, Maharashtra and Haryana. (See table)

After a recent visit to Gujarat, Arvind Kejriwal of Aam Aadmi Party said all the development claims made by Gujarat CM and BJP's PM candidate are not true.

“Industrial slowdown in India has affected Gujarat’s performance but it still grew faster than all India average. The smaller states (in terms of size of the economy) are better able to reap initial economies on low bases, but would need to put in a lot of effort through affirmative policy action and expenditure by the government to scale up the process once a critical size is reached. That will be the challenge going ahead,” says D R Dogra, managing director & CEO of CARE Ratings. Industrial slowdown has impacted economic growth in industrialised states across the country including Maharashtra and Tamil Nadum he says.

	State GDP Growth (%)^		
	5-Yr CAGR	FY13	State GDP*
Goa	13.4	8.5	29800

Uttarakhand	11.8	9.0	66356
Bihar	11.5	15.1	164121
Madhya Pradesh	9.6	9.9	214741
Delhi	9.4	9.3	215971
Tripura	9.1	8.7	16997
Gujarat	8.7	8.0	427219
Haryana	8.3	6.5	188033
Jharkhand	8.1	7.9	105597
Tamil Nadu	8.1	4.1	451313
Rajasthan	7.9	4.5	234230
Kerala	7.6	8.2	221850
Maharashtra	7.2	7.1	843565
Andhra Pradesh	7.1	5.1	432112
Uttar Pradesh	6.7	5.5	445132
India	8.0	4.5	5482111
* State GDP in Rs Crore at 2004-05 prices in FY13			
^ State Ranked according tp average GDP growth in last five years and excludes smaller states			

Gujarat, however, failed to translate its superior economic growth into higher consumption spending by households. In four years ending FY12, rural monthly per capita consumption expenditure (MPCE) in Gujarat grew at a compounded annual growth rate (CAGR) of 15.1% lower than national average rural MPCE growth of 16.7%. Among major states, Gujarat was ranked 13th in terms of rural consumption growth with only Uttar Pradesh performing worse. During the same period, Gujarat per capita income at current prices grew at a CAGR of 14.9% against national average of 14.6%.

Andhra Pradesh topped the chart with 21.1% CAGR growth in rural MPCE followed by Haryana (20.4%), Tamil Nadu (19.4%) and Rajasthan (18.8%). Gujarat urban MPCE growth at 15.1% also lags all India urban MPCE growth of 15.6% during the period according to survey data from National Sample Survey Organisation (NSSO).

In September last year, the “underdevelopment index” formulated by a panel under RBI governor, Raghuram Rajan as Chief economic advisor in the finance ministry had not placed Gujarat among the top most developed states. Gujarat was in fact, in the second rung of developed states, that is, “less developed states”, along with West Bengal, Tripura, Manipur, Nagaland and Jammu & Kashmir among others. The report was rejected by BJP.

Table--2 : Growth in Average Monthly Per capita Consumption

Expenditure		
	4-year CAGR Growth**	
	Rural	Urban
Andhra Pradesh	21.1	14.7
Haryana	20.4	23.7
Tamil Nadu	19.4	16.8
Rajasthan	18.8	17.9
Kerala	17.9	15.0
Karnataka	17.5	16.1
Bihar	17.2	8.7
Maharashtra	16.9	16.9
Punjab	16.5	14.4
West Bengal	16.5	15.6
Madhya Pradesh	16.1	14.7
Orissa	15.7	7.8
Chattishgarh	15.3	5.6
Gujarat	15.1	15.1
Uttar Pradesh	14.2	16.3
All India	16.7	15.6
** CAGR Growth between FY08 and FY12		
Source: CSO, NSSO		

The two other states the development models of which BJP is trying to cash in on — Madhya Pradesh and Chhattisgarh — have also been put in the bracket of least developed states. Keeping company are Bihar, Odisha, Jharkhand, Arunachal, Assam, Meghalaya, Uttar Pradesh and Rajasthan.

The new index, proposed by the Rajan committee, is based on averages of ten sub-components — monthly per-capita consumption expenditure, education, health, household amenities, poverty rate, female literacy, share of scheduled castes and scheduled tribes in the total population, urbanisation rate, financial inclusion, and connectivity.