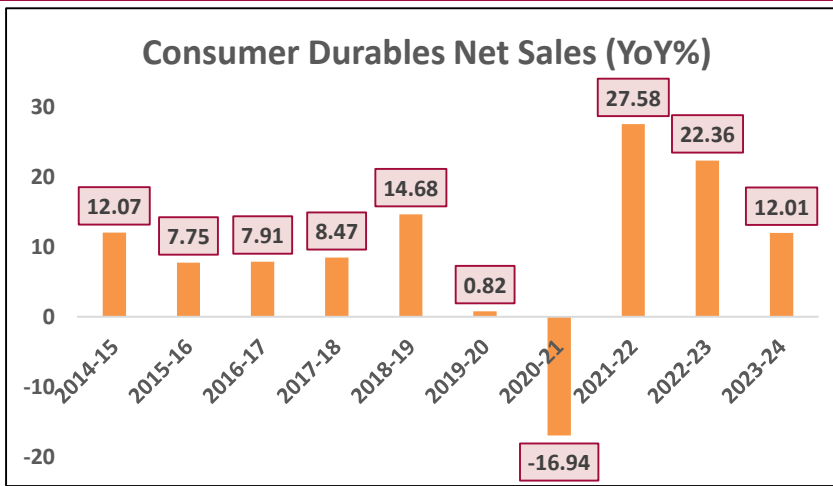
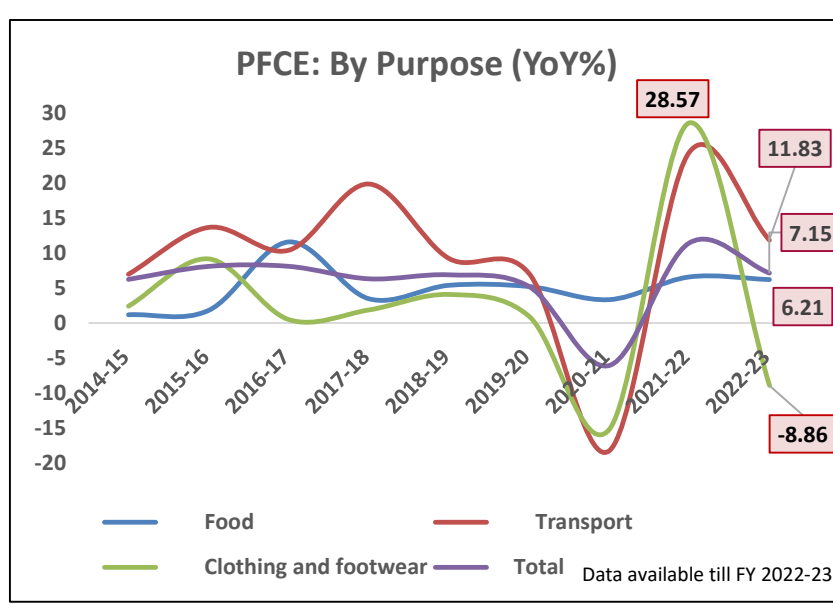
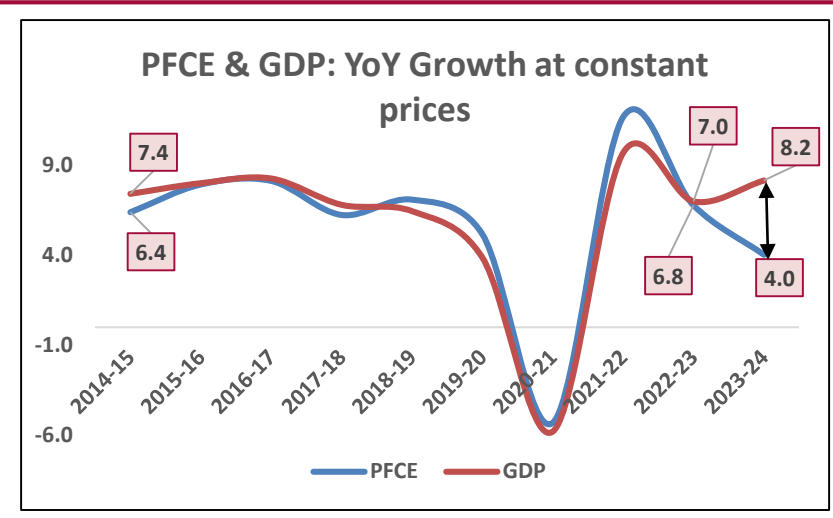


# Divergence between GDP Growth and Private Consumption

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## India's GDP Growth vs Private Consumption



Data Source: CMIE, MoSPI

- India's economy demonstrated **robust growth** in FY 2023-24, with GDP at constant prices expanding by an impressive **8.2 percent**.
- Despite this overall positive trend, there were **notable shifts and challenges in Private Final Consumption Expenditure (PFCE)**.
- PFCE has the highest share in GDP** which declined to 55.80% in FY 2023-24 from 58.10% in 2021-22.
- Historically, **PFCE growth was closely aligned with GDP growth until FY 2022-23**, when a notable **divergence** occurred. During FY 2023-24, PFCE growth slowed to 4 percent, down from 6.8 percent in the preceding year.
- Following a sharp recovery post-COVID-19, **PFCE growth has progressively declined over the past two fiscal years**.
- This moderation was particularly evident in essential categories such as food, clothing and footwear, transport, and housing, which collectively comprise a significant portion of household expenditures.
- For example, clothing and footwear, experienced a particularly sharp decline of 8.86 percent in FY 2022-23, contrasting with a growth of 28.57 percent in FY 2021-22. (as per available data)
- This downward trend in consumer spending has also had **ripple effects across consumer goods industries**, impacting consumer durables.
- Initially, **consumer durables** saw a substantial 27.58 percent growth in demand immediately post-lockdowns, driven by pent-up demand. However, this sector has since witnessed a **persistent decline in growth rates**, indicating a pullback in non-essential purchases and a cautious approach to durable goods investment among consumers.
- Rural demand** faced challenges due to **poor monsoon conditions and reduced crop production**. Concurrently, **urban demand** remained weak due to ongoing **employment vulnerabilities**.
- However, with the anticipated revival of monsoon conditions in the current fiscal year, rural demand is expected to recover, potentially bolstering overall private consumption.
- While India's GDP growth remains strong, the **divergence in PFCE growth signals underlying challenges in consumer spending patterns**. Addressing these challenges will be crucial for sustaining economic momentum, particularly through targeted policies to stimulate both rural and urban demand.