

# Household consumption weak but private capex shows revival

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Capital investment in the country showed strong growth the March quarter of 2022-23 and also for the entire financial year, according to data from the National Statistical Office (NSO).

Analysts and government officials said that this points to a strong rebound in private investment, after two years of the Covid-19 pandemic, on top of the ongoing public sector capex.

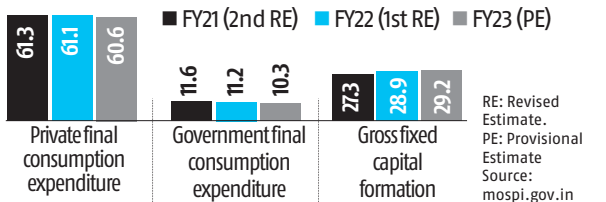
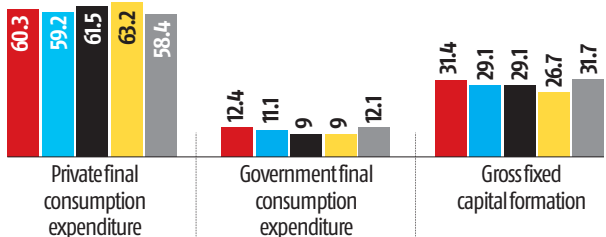
Household consumption, however, was weak for the entire year and also Q4. Analysts argued this was due to uneven growth and a K-shaped recovery, with rural consumption being not as strong as urban demand.

On a nominal basis, gross fixed capital formation (GFCF), a proxy for infrastructure investment, contributed 29.2

## STATUS CHECK

Investment and consumption share in nominal GDP (in%)

■ Q4FY22 ■ Q1FY23 ■ Q2FY23 ■ Q3FY23 ■ Q4FY23



RE: Revised Estimate.  
PE: Provisional Estimate  
Source: mospi.gov.in

per cent to FY23 GDP, against 28.9 per cent in FY22 and 27.3 per cent in FY21. On real GDP terms, GFCF was 34 per cent as a share of GDP in FY23, com-

pared to 32.7 per cent and 31.1 per cent in the previous two years.

Chief Economic Advisor (CEA) V Anantha Nageswaran,

during a media briefing after the release of national income data, said real GFCF, as a contributor to GDP, was the highest in nine years in FY23.

Nominal GFCF contribution to GDP in Q4FY23 was 31.7 per cent, against 26.7 per cent in Q3FY23 and 31.4 per cent in Q4FY22. In real terms, it was 35.3 per cent, 31.7 per cent, and 34.3 per cent, respectively.

“On the demand side, fixed investment grew 8.9 per cent year-on-year in FY23 and 8 per cent in Q4, supported by strong government capex and also some scaling up by the private sector,” said Rahul Bajoria, MD & head of emerging markets Asia (ex-China) Economics, Barclays.

“Healthy growth in GFCF reflects the sustained focus of the government on capex,” said Sunil Sinha, principal economist with India Ratings.

Nageswaran said that a number of sectors witnessed

robust growth in private sector investment. According to his presentation, the hotel industry witnessed more than 80 per cent year-on-year increase in private investment in FY23, while textiles, metals and steel industries saw more than 50 per cent increase.

“Our preliminary estimates show that private investment increased 21.4 per cent year-on-year in FY23,” Nageswaran said.

Things were not that encouraging for private final consumption expenditure, which is a proxy for household consumption.

“We have been flagging the issue of weak private final consumption expenditure (PFCE) as the current recovery in consumption demand is showing a K-shaped recovery. The current consumption demand is highly skewed in favour of goods and services consumed largely by households falling in the upper-income bracket.