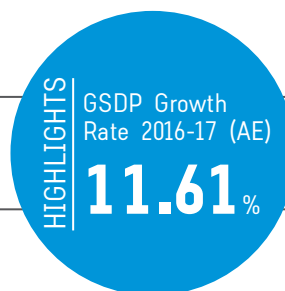




CHAPTER
2
MACRO
ECONOMIC AGGREGATES



State Economy – setting a new normal

While the state re-organisation had put tremendous stress on the financial and other resources, the state government's commitment to withstand the difficulties and come out with specific growth strategies started yielding fruitful results with double digit inclusive growth strategy. The State has been targeting sustained double digit growth of 12% for about 15 years and the journey thus far is encouraging.

Growth story of Andhra Pradesh revealed encouraging trends. Due to persistent efforts and innovative policies, the growth expectations indicate a sustained performance for the year 2016-17 and the government have recognized that maintaining impressive economic growth as an imperative for sustained development leading to a happy society.

Besides continuing focus on Agriculture and Industries sectors, the government is focusing on the key sub-sectors pertinent to services sector and give it a big push, as Service Sector is one of the major contributors to growth.

The growth pattern is being monitored on a quarterly basis and Andhra Pradesh, perhaps is the only state to focus on monitoring the growth achievements every quarter. The performance of the state economy is encouraging and the growth achievement of Andhra Pradesh has been consistently more than India's growth rate in all the quarters during the last two and half years.

Gross State Domestic Product

Gross State Domestic Product (GSDP) in common parlance known as "State Income", is a measure in monetary terms of sum total volume of all goods and services produced during a given period of time within the geographical boundaries of the state, accounted without duplication. This is one of the most important commonly used single economic indicators to measure the growth and to study the structural changes taking place in the economy.

Structural shifts – capturing the change

Improvement in availability of basic data over the years has helped in reviewing the methodology from time to time for

estimating the State Domestic Product. Periodic updation of data and shifting base year to a more recent year are being undertaken regularly so as to capture the structural and sectoral shifts taking place in a developing economy.

The State Domestic Product (SDP) is usually estimated by 'Income originating approach', wherein income generated by the factors of production physically located within the geographical boundaries of the state are aggregated. It represents the value of all goods and services produced within the state, counted without duplication during a specified period of time, usually a year. The estimates of SDP and related aggregates are generally prepared both at current and constant prices. The estimation of SDP and related aggregates including District Domestic Product is being done both at current and constant prices.

These estimates of economy over a period of time reveal the extent and direction of changes taking place in the level of economic development. Sectoral composition of SDP gives an idea of the relative position of different sectors in the economy over a period of time which not only indicates the real structural changes taking place in the economy but also facilitates formulation of plans for overall economic development. These estimates when studied in relation to the total population of the state indicate the level of per capita net output of goods and services available or the standard of living of the people in the State. These are referred as estimates of Per Capita Income (PCI).

The Central Statistical Office (CSO), Government of India, with an intent to take into account the structural changes which have been taking place in the economy and to depict a true picture of the economy through macro aggregates viz., Gross State Domestic Product (GSDP), Per Capita Income, Government Final Consumption Expenditure (GFCE), Private Final Consumption Expenditure, shifted the Base year of the GDP Estimates from 2004-05 to 2011-12.

Base Year Revision from 2004-05 to 2011-12

The Central Statistical Office (CSO), Government of India have shifted the Base year of the GDP Estimates from 2004-05 to 2011-12, duly incorporating recommendations of SNA 2008, adopting the results of latest surveys and studies and also factored in some critical methodological

changes to bridge the data gaps and to improve the quality of data sets. Changes are also made in the presentation of estimates to improve ease of understanding for analysis and facilitate international comparability.

CSO has issued guidelines and data sets to the states to shift to new series and requested the states to release state level estimates in the new base from 2011-12 to 2015-16.

Improvements in the New Series with 2011-12 as Base Year

In the new series, the industry wise estimates being presented as “Gross Value Added (GVA) at Basic Prices” and GSDP at market prices shall be referred as “GSDP-Gross State Domestic Product” which is a practice at international level.

$GSDP = \sum GVA \text{ at basic prices} + \text{Product taxes} - \text{Product subsidies}$.

Comprehensive coverage of Manufacturing and Services Sectors has been facilitated by incorporation of annual accounts of companies as filed with the Ministry of Corporate Affairs (MCA) under their e-governance initiative, MCA21. The Financial Sector coverage was expanded by inclusion of Asset management companies, Stock Brokers, Stock Exchanges and Regulatory Bodies like SEBI, PFRDA & IRDA. The Results of the latest NSSO Rounds have been used to capture the realistic scenario of the economy.

GSDP Estimates - Periodical revisions – factoring in the latest data sets

As per the methodology of the Central Statistical Office (CSO) and reconciliation of the estimates with CSO thereafter, the states keep revising the figures of the economy initially released as Advance estimates for the year. The Advance estimates take into consideration only the first three quarters data and expected value addition in the fourth quarter.

As complete data sets start getting available for the year in a phased manner, there will be three revisions for the GSDP figures estimated under Advance estimates in a time span of 3 years First Revised Estimates (FRE), Second Revised Estimates (SRE) and finally after reconciliation with CSO

as Third Revised Estimates (TRE), as these latest data updations get factored in from time to time.

It is therefore pertinent to note that there is every possibility that the figures of the economy-the aggregates as well as growth rates reported in advance estimates or in further revisions, undergo a change. This revision could be upward or downward, depending upon various factors, especially the issues that have domestic/national/global impact.

The data pertaining to inputs, Consumption of Fixed Capital (CFC), Supra Regional Sectors, Central Non Departmental Commercial Undertakings (CNDCUs), Autonomous Bodies, Central Government Administration & Private Corporate Sector etc., is provided by CSO for all States.

Calendar of annual estimates of GSDP

- The Central Statistical Office has released calendar of Annual Estimates of Gross State Domestic Product for release as detailed hereunder:
 - 1) Advance Estimates: 28th February every year.
 - 2) First Revised Estimates: 31st January (10 months after completion of the year)
 - 3) Second Revised Estimates: 31st Jan of succeeding year (1 year 10 months after completion of a year)
 - 4) Third Revised Estimates: 31st January of two succeeding years (2 Years 10 months after completion of a year)
- Directorate of Economics & Statistics, Government of Andhra Pradesh compiles Advance Estimates, First, Second & Third Revised Estimates after a gap of 1 week from the date of release of estimates by the Government of India as stated above.

First Half year (April-Sept.2016) Estimates of GSDP

As per the Advance estimates for 2015-16, Andhra Pradesh has recorded an impressive economic growth performance of 10.99% at constant (2011-12) prices in the fiscal year

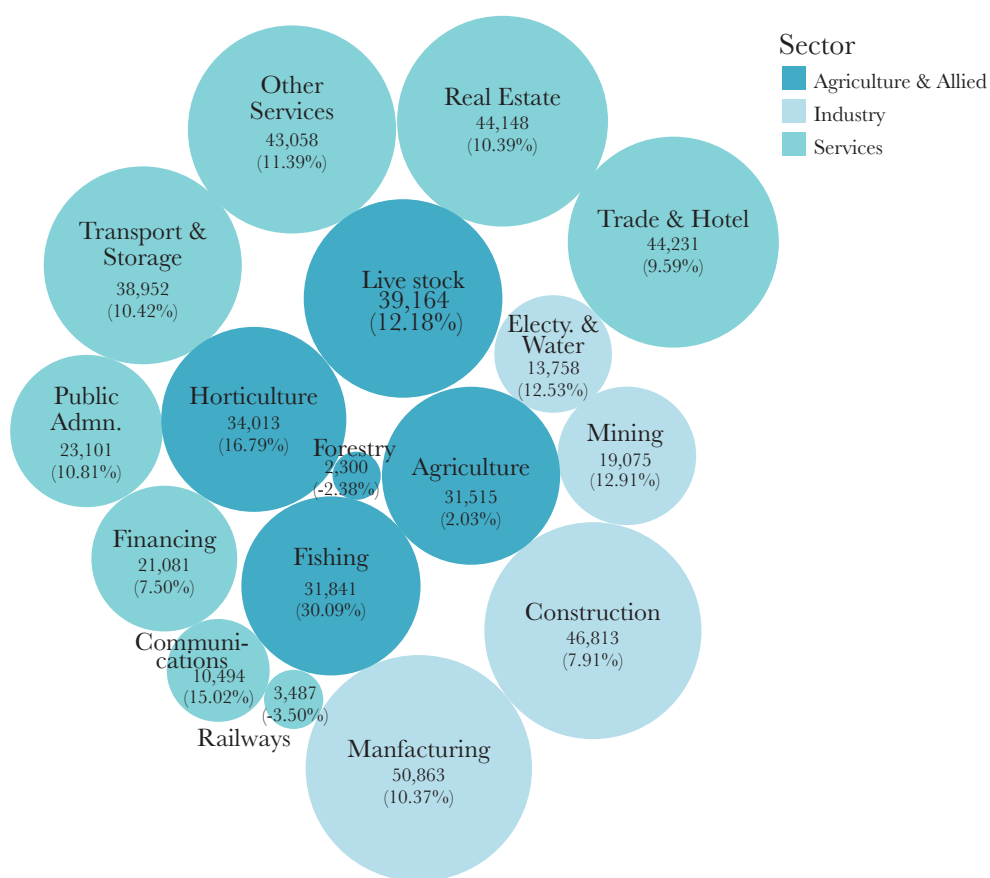
MACRO ECONOMIC AGGREGATES

2015-16, the only State among major states in the Country to record double digit growth. Due to sustained efforts and innovative policies put in by the state, continuing the upward trend, a healthy growth rate of 12.23% could be recorded during the first half of the year 2016-17 with an expectation to maintain double digit growth for the full year.

Estimates of GSDP for 2016-17 (AE) at Constant(2011-12)Prices

The GSDP at constant (2011-12) Prices for the year 2016-17 (Advance Estimates) is estimated at Rs.5,47,021 crores as against Rs.4,90,134 crores for 2015-16 (First Revised Estimates) indicating a growth of 11.61%.

GVA Estimates At Constant Prices for 2016-17 in new base (2011-12)

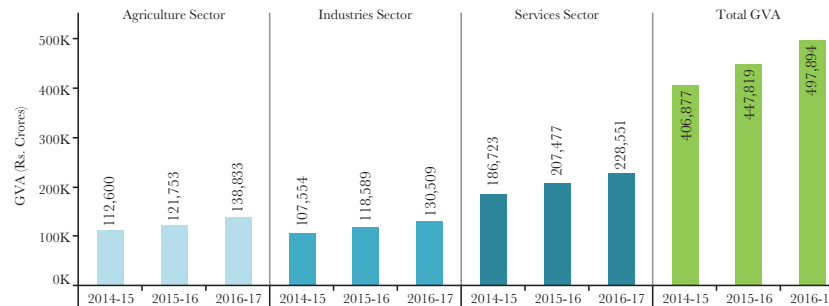


Estimates of GVA at Constant (2011-12) Basic Prices

As per the Advance Estimates, the GVA at Constant (2011-12) Basic Prices for Andhra Pradesh for the year 2016-17 is estimated at Rs.497894 crore as against Rs.447819 crore for the year 2015-16 (FRE), a growth rate of 11.18 percent compared to the India growth rate of 6.7 percent.

Continuing the ascending trend, cutting across broad sectors, the sub-sectors that registered an impressive double digit growth in the year 2016-17 are: Horticulture (16.79%), Livestock (12.18%), Fishing and Aqua culture (30.09%), Mining and Quarrying(12.91%), Manufacturing (10.37%), Electricity, Gas, Water Supply (12.53%), Transport by other means & storage (10.42%), communications (15.02%), Real Estate and Ownership of Dwellings (10.39%) and community, Social and personal services also registered above 10%.

GVA Estimates At Constant Prices (2011-12)



Agriculture & Allied Sectors

The noteworthy feature of the growth pattern in Agriculture & Allied Sectors is that this key sector which is supporting about 62% of the population, is consistently maintaining an ascending trend during the last three years, especially marked by an encouraging growth rate of 14.03% in 2016-17 at Constant (2011-12) Prices with a GVA of Rs.1,38,833 crores.

Agriculture proper (Agri.+Horti.) has registered a growth rate of 9.19 percent during 2016-17. Agriculture sub sector alone, despite a deficit rainfall of 28% and depleted ground water levels, registered a growth rate of 2.03%, bouncing back from a dismal (-) 9.94% growth rate in last year.

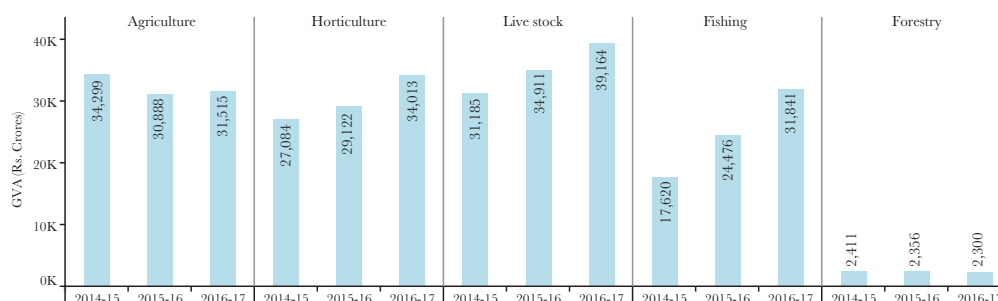
The agrarian state of Andhra Pradesh is heading towards a value addition platform from the conventional production approach. 'Horticulture' sub sector, recognized by the government as is an essential component for food and nutritional security in the State, continued its ascendancy, showing an impressive growth of 16.79 per cent, a reflection of initiatives of the government such as Sprinkling /Drip Irrigation, Polynets/ Shadenets, Panta Sanjeevini, Panta Raksha. These initiatives augur well for the state to realize

its goal of making Rayalaseema as a Horticulture hub. It is pertinent to note that horticulture, no longer a sub sector to agriculture sector, has crossed agriculture in terms of value addition.

The livestock sector has emerged as an alternative and dependable source of income generation even during the times of severe drought. Increase in the production of Milk (12.58%), Meat (13.63%) & Egg (11.66%) resulted in an encouraging growth rate of 12.18% in the livestock sector. The fodder policy and timely interventions have helped the livestock sector, alone accounting for more than 28 per cent of the total Agriculture sector GVA, to bypass all the other sub sectors in the Agri. Allied group.

Fisheries sector, which until recently was a non-descript sector, started showing phenomenal growth, with its contribution now matching with the agriculture sub-sector. Maintaining the uptrend, the increase in the production of Marine fish (2.26%), Inland fish (13.23%) and prawns/ Shrimps (42.34%) lead to register a significant growth rate of 30.09% in Fishing Sector. Forestry & Logging Sector registered a negative growth rate of 2.38% in 2016-17.

Agriculture & Allied Sector - GVA Estimates At Constant Prices (2011-12) from 2014-15 to 2016-17 (AE)



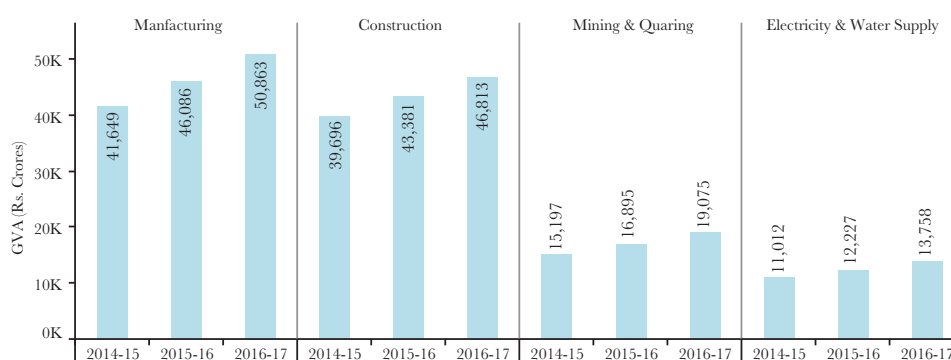
MACRO ECONOMIC AGGREGATES

Industry Sector:

Industry sector comprises of Mining & Quarrying, Manufacturing other utility services, Electricity, Gas, Water Supply and Construction. As per the Advance Estimates for the year 2016-17 at Constant (2011-12) prices, the

Industrial sector is estimated at Rs.130509 crore, registering a growth rate of 10.05% percent over the previous year. Mining & Quarrying, Manufacturing and Electricity sectors registered double digit growth rates during 2016-17.

Industry Sector - GVA Estimates At Constant Prices (2011-12) from 2014-15 to 2016-17 (AE)

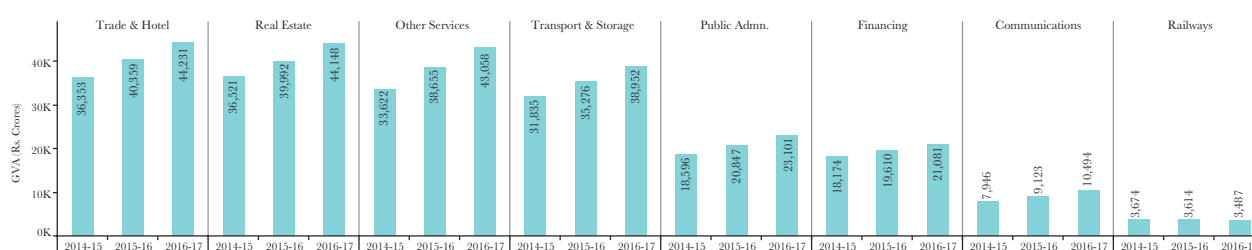


Services Sector

Services sector, with its consistently surging share in the State GVA, continued to be the engine for pushing the overall growth. Services sector comprising of Trade, Repairs, Hotels & Restaurants, Transport by other means & Storage, Communications, Banking & Insurance, Real

Estate & Business Services and Community, Social & Personal services registered a growth rate of 10.16 percent over the previous year. The Advance Estimates for the year 2016-17 is estimated at Rs.228551 crores as against Rs.207477 crores in 2015-16 (FRE).

Services Sector - GVA Estimates At Constant Prices (2011-12) from 2014-15 to 2016-17 (AE)



Estimates of GSDP at Current Prices

The GSDP at Current Prices for the year 2016-17 (Advance Estimates) is compiled by adding Product taxes and deducting Product subsidies to the GVA at current basic prices and estimated at Rs.699307 crore as against Rs.609934 crore for 2015-16 (FRE).

for the year 2016-17 are derived by using the Implicit Price Deflators (IPD) at sectoral level from the relevant price indices is estimated at Rs.641697 crore as against Rs.557219 crore of 2015-16 (FRE).

Estimates of GVA at Current Basic Prices

The GVA of Advance Estimates at Current Basic Prices

The contribution from the Agriculture sector to the GVA at current prices is Rs.203860 crore, from the Industry sector it is Rs.142651 crore and the service sector contributed Rs.295186 crore.

GVA Estimates At Current Prices

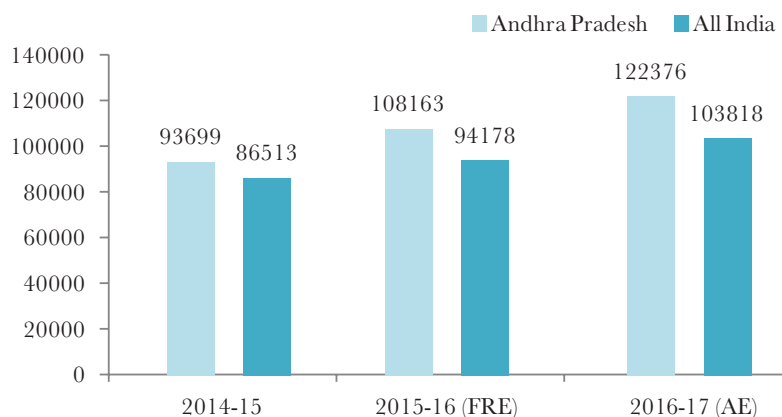
Sector	Sub-sector	2014-15	2015-16	2016-17
Agriculture & Allied	Live stock	43,091	51,555	59,796
	Horticulture	38,212	44,902	52,489
	Agriculture	40,724	41,541	44,682
	Fishing	22,707	31,864	43,538
	Forestry	3,462	3,406	3,355
Industry	Manufacturing	46,723	50,787	57,408
	Construction	46,649	49,862	54,677
	Mining & Quarring	14,843	16,331	17,576
	Electricity & Water Supply	11,517	12,519	12,989
Services	Other Services	42,154	52,486	61,802
	Real Estate	44,054	50,923	59,424
	Trade & Hotel	42,334	45,777	51,746
	Transport & Storage	37,241	42,761	49,913
	Public Admn.	22,009	25,949	30,397
	Financing	19,009	21,255	24,154
	Communications	9,288	10,935	13,296
	Railways	4,242	4,366	4,454

Per Capita Income:

The Per Capita Income is an indicator of the standard of living of the people. As per the CSO guidelines, the PCI is estimated by dividing Net State Domestic Product (NSDP) with midyear projected State population. As per the Advance estimates of 2016-17, the Per Capita Income

(NSDP) of Andhra Pradesh at current prices increased to Rs.122376 from Rs.108163 in 2015-16 (FRE) registering a growth of 13.14 percent. The Per Capita Income (NSDP) at constant (2011-12) prices, has also gone up from Rs.86118 in 2015-16 (FRE) to Rs.95566 in 2016-17 (AE) registering a growth rate of 10.97 per cent.

Per Capita Income (Rupees) at Current Prices in new base (2011-12)



MACRO ECONOMIC AGGREGATES

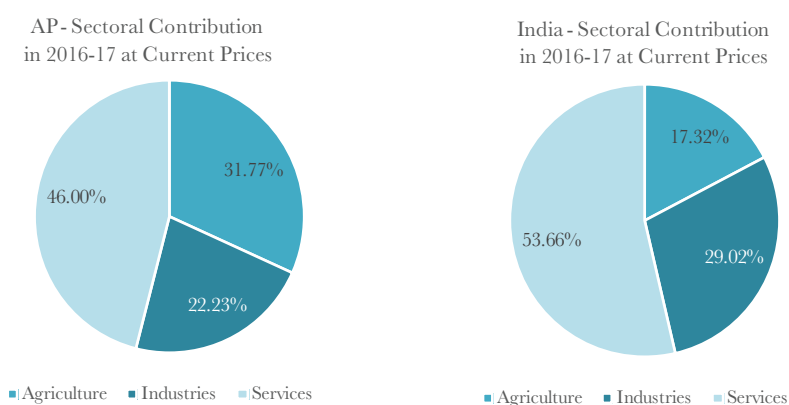
Per Capita Income (PCI) at Current Prices of All India & Andhra Pradesh is tabulated below

Year	PCI (NNI) of India (in Rs.)	PCI (NSDP) of Andhra Pradesh (in Rs.)
2011-12	63460	69000
2012-13	71011	74688
2013-14 (TRE)	79146	82870
2014-15 (SRE)	86513	93699
2015-16 (FRE)	94178	108163
2016-17 (AE)	103818	122376

Sectoral Composition

The sectoral composition of GVA in 2016-17 (AE), the share of Agriculture in the GVA at Current prices was 31.77%, Industry 22.23% and Services sector 46.00%. The Sectoral Composition in 2016-17 of Andhra Pradesh & India is presented below.

The Sectoral Contribution in 2016-17 (AE) of AP& India at Current Basic Prices



Estimates of GVA by the Economic Activity, GSDP, NSDP, Per Capita Income and growth rates both at Current and Constant (2011-12) prices of Andhra Pradesh from 2011-12 to 2016-17 (Advance) are shown in Annexures – 2.1 to 2.6

The Estimates of GVA by Economic Activity of Andhra Pradesh from 2011-12 to 2016-17 (AE) at Current & Constant (2011-12) Prices are given in the following table

GVA by Economic Activity at Current Prices

(Rs.in crores)

Sector		2011-12	2012-13	2013-14 (TRE)	2014-15 (SRE)	2015-16 (FRE)	2016-17 (AE)
Agriculture	Value	94008	111864	128956	148194	173267	203860
	Growth Rate		18.99	15.28	14.92	16.92	17.66
Industry	Value	112660	101687	107408	119732	129499	142651
	Growth Rate		-9.74	5.63	11.47	8.16	10.16
Services	Value	143086	165925	190359	220331	254452	295186
	Growth Rate		15.96	14.73	15.75	15.49	16.01
GVA at Basic Prices	Value	349753	379477	426722	488257	557219	641697
	Growth Rate		8.50	12.45	14.42	14.12	15.16

GVA by Economic Activity at Constant Prices

(Rs.in crores)

Sector		2011-12	2012-13	2013-14 (TRE)	2014-15 (SRE)	2015-16 (FRE)	2016-17 (AE)
Agriculture	Value	94008	97831	108353	112600	121753	138833
	Growth Rate		4.07	10.75	3.92	8.13	14.03
Industry	Value	112659	97387	99345	107554	118589	130509
	Growth Rate		-13.56	2.01	8.26	10.26	10.05
Services	Value	143086	155796	167887	186723	207477	228551
	Growth Rate		8.88	7.76	11.22	11.11	10.16
GVA at Basic Prices	Value	349753	351014	375585	406877	447819	497894
	Growth Rate		0.36	7.00	8.33	10.06	11.18

Estimates of GVA by the Economic Activity, GDP & PCI of All India at Current & Constant (2011-12) Prices from 2011-12 to 2016-17 (AE) are shown in Annexure- 2.7 to 2.12

GSDP of Andhra Pradesh and GDP of India - A Comparative Scenario

The GSDP of Andhra Pradesh and GDP of India at Current & Constant (2011-12) prices are shown in the following Table

Rs. in Crores

Year	Andhra Pradesh				All India			
	GSDP at Current Prices	Growth %	GSDP at Constant (2011-12) Prices	Growth %	GDP at Current Prices	Growth %	GDP at Constant (2011-12) Prices	Growth %
2011-12	379402		379402		8736039		8736039	
2012-13	411404	8.43	380629	0.32	9946636	13.86	9215125	5.48
2013-14	464272	12.85	407114	6.96	11236635	12.97	9817822	6.54
2014-15	526470	13.40	441741	8.51	12433749	10.65	10522686	7.18
2015-16 (FRE)	609934	15.85	490134	10.95	13675331	9.99	11357529	7.93
2016-17 (AE)	699307	14.65	547021	11.61	15251028	11.52	12165481	7.11

Recent Demonetization – State’s proactive measures

The state Government has been advocating demonetization of high denomination currency notes. It is indeed, a welcome move by the Union Government to announce the demonetisation of Rs.1000 and Rs.500 notes on 8th November 2016. This decision is expected to go a long way in flushing out black money from our national economy and cleanse our political system of slush money.

The state has taken several initiatives to alleviate the temporary hardships of the people due to the non - availability of cash after the high value notes were no longer legal tender. The government has turned a difficult situation into an opportunity and encouraged people to switch over to digital transactions by incentivizing digital payment. The state plans to achieve significant progress towards less cash economy in coming days. It is strongly believed that low transaction costs for digital payments in comparison to cash transactions will give encouragement to digital economy.

It is important to note that there was initially a huge speculation that the demonetization of Rs.500 and Rs.1000 value currency by the Union government would impact the growth possibilities of the Nation / States economy adversely. However, as a great relief, the advance estimates of India for 2016-17 released by the CSO have indicated that the impact of demonetization of high value currency notes on the economic performance was not significant.

Mandal Domestic Product:

Going below the district level, the state has embarked on computation of Mandal Domestic Product (MDP) and has successfully completed in all the districts with the new base year (2011-12). Based on MDP 2014-15 Constituency Domestic Product also estimated to identify backward constituencies.

Constituency Domestic Product:

Andhra Pradesh is the first state to have initiated computing economic aggregates at sub-district level. i.e, Mandal level. In this process, with a view to assess the inter mandal/constituency disparities and development status of the mandal/constituency, for the first time, Constituency Domestic Product (CDP) has been calculated for the year 2014-15 in current prices with available data sets based on MDP estimates.

This is going to facilitate adoption of programmes/best practices specific to that constituency that ideally suit the local requirements in the context of their relative strengths and deal with backwardness.

The GVA of all the Constituencies in the State are given in the Annexure-2.13.