

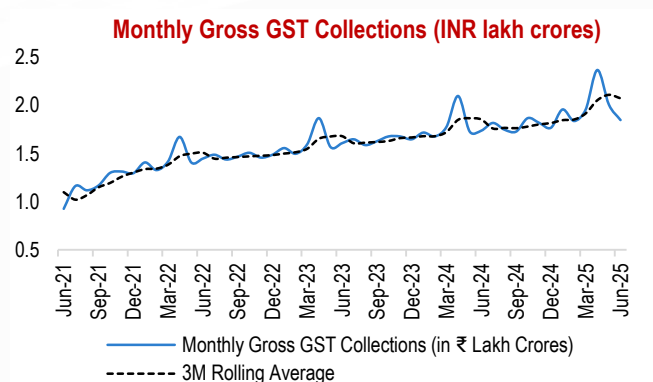
## TRU PRIMER

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# Unpacking India's Economic Pulse through GST Data

## Goods and Services Tax (GST): From Tax Reform to Real-Time Economic Barometer

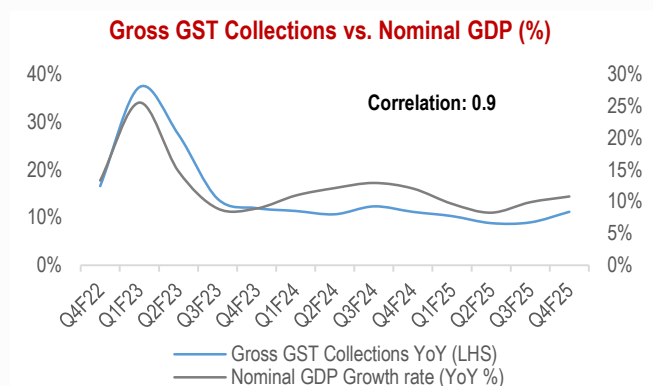
The introduction of the Goods and Services Tax (GST) in India on July 1, 2017, marked a monumental shift in the nation's indirect taxation landscape. GST aimed to create a unified national market, streamline tax compliance, and enhance transparency. Beyond its primary fiscal objectives, the highly digitized nature of GST has inadvertently made it a rich source of real-time economic data.



Source: PIB, GST Portal.

## GST Collections – A Mirror to India's Growth Story:

The growth trajectory of GST collections is increasingly recognized as a vital barometer for assessing India's aggregate economic performance, specifically its GDP and GVA growth. India is largely a consumption-driven economy. As GST is fundamentally a consumption tax (borne by the end consumer), its collections directly mirror the level of consumption expenditure and, by extension, overall economic activity. A robust growth in GST collections signifies healthy consumer demand and business transactions across various sectors.



Source: CEIC, Income Tax Department ([link](#)).

The sustained growth in GST collections over recent years, often exceeding nominal GDP growth, underscores its dual contribution from economic expansion and enhanced tax compliance. This makes it a powerful, albeit not exclusive, tool for assessing the dynamism of the Indian economy.

Moreover, according to a study published by the GST Department, Government of Kerala ([here](#)), the states with higher GST collections tend to show stronger GDP growth, though the relationship tends to vary due to factors like sectoral composition, tax efficiency, and policy implementation.

#### GST Revenue and GDP Growth Trends Across Major States:

State	Average GST Revenue (₹ Cr.)	Average Nominal GDP Growth (%)	GST-GDP Correlation (r)
Maharashtra	1,80,000	7.5	0.82
Tamil Nadu	1,20,000	6.8	0.78
Karnataka	1,10,000	7.2	0.79
Gujarat	1,00,000	7.0	0.75
Uttar Pradesh	90,000	6.5	0.70
Bihar	30,000	5.2	0.55
Jharkhand	28,000	5.0	0.50
West Bengal	70,000	6.0	0.65
Punjab	40,000	5.8	0.60
Chhattisgarh	35,000	5.5	0.58

**Source:** GST Department, Government of Kerala ([link](#)).

#### While a strong correlation exists, it's important to consider the limitations:

- **Inflation Impact:** Higher prices can inflate GST revenues without real growth in output.
- **Policy Changes:** Rate changes or exemptions can distort the relationship between GST and GDP.
- **Exclusion of Informal Sector:** GDP includes informal sector contributions, which GST does not capture well.

#### Our Take:

The **growth in GST collections** acts as a **robust indicator for overall GDP growth**, reflecting underlying consumption patterns and the formalization of the economy. Closely monitoring these GST data points can provide a significant analytical edge:

- **Early trend identification:** By tracking GST collections, businesses can gain an early understanding of demand shifts and supply chain activity.
- **Macro-economic health check:** Consistent growth in GST collections offers a reliable, high-frequency signal of the economy's health and consumer confidence.

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murlu V Karkera Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

For grievance redressal contact Customer Care Team Email: [customer-care@hdfcsec.com](mailto:customer-care@hdfcsec.com) Phone: (022) 3901 9400

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