

GDP UPDATE

19 April 2021

Second wave dents India's growth

With local restrictions in place across large states (75% of India's GDP), there is a perceptible dip in economic momentum in Apr'21 as seen in rail freight, E-Way bills, toll collection and mobility data. The economic impact of restrictions is to the extent of 2% downward revision in Q1 growth with normalization in Q2. Hence, we have revised our FY22 GDP growth forecast to 11% from 11.5% earlier. We expect RBI to normalize monetary policy in H2 with increase in reverse repo rate. Repo rate hike is expected in early FY23.

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Growth to take a hit: The recent surge in Covid-19 cases has forced states such as Maharashtra (13.9% of India's GDP), Tamil Nadu (9.1%), UP (8.8%), Karnataka (8.3%), Rajasthan (5%), Delhi (4.2%) and Punjab (2.8%) to impose restrictions on movement of people and economic activity. The extent of restrictions vary in each state depending on local containment measures. In Maharashtra, manufacturing (16% of India's manufacturing) activity has been restricted to essentials and exports. Private non-essential services such as trade, education, real estate etc. (20% of India's GDP) is impacted across all states. These restrictions will have an impact on growth.

High frequency indicators showing a slowdown: High frequency indicators are now showing an impact. Google mobility index (ex-residential) has slipped by 12% from baseline in last 15 days compared with decline of 6% from baseline during 1 Mar to 27 Mar'21. During 1 Apr to 15 Apr'21, rail freight movement has seen a decline of 4.6% over 1 Mar to 15 Mar'21, electricity supply has risen by +2% versus +6% in month of Mar'21, E-way bills have fallen by 7.1% vs. +11.6% in Mar'21 and toll collection has fallen by 7.5% vs. +21.5% in Mar'21.

Where do we see growth? Our earlier projection for FY22 GDP growth was 11.5% within which H1 growth was estimated at 16% and H2 growth at 6.9%. Growth in Q1 is now estimated to be impacted by the restrictions put in place. Pent-up demand and normalization of economic activity will give some push to growth in Q2 and H2. Steady increase in vaccination rates will also give impetus to growth in H2. Thus we have revised our FY22 GDP growth to 11% with H1 growth at 15.1%. Higher oil prices and continuation of restrictions into Q2 pose downside risk to our current estimates.

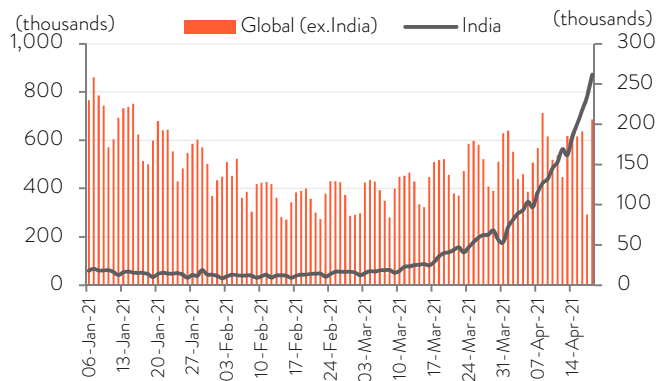
KEY HIGHLIGHTS

- GDP forecast for FY22 revised downward by 50bps to 11%.
- Most of the impact in Q1 with downward revision of 2%.
- Vaccination to drive growth in H2. RBI to normalize monetary policy in H2FY22.



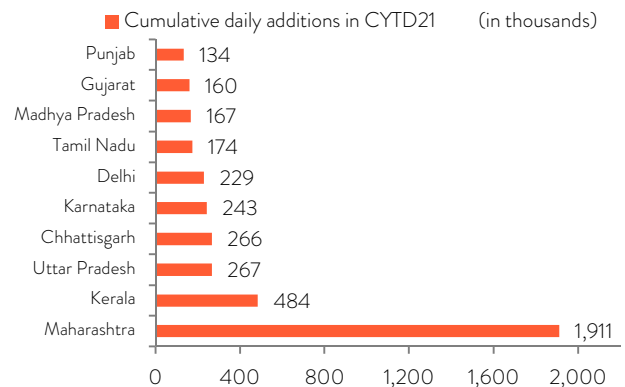
GDP UPDATE

FIG 1 – COVID-19 CASES IN INDIA RISING AT A FAST PACE



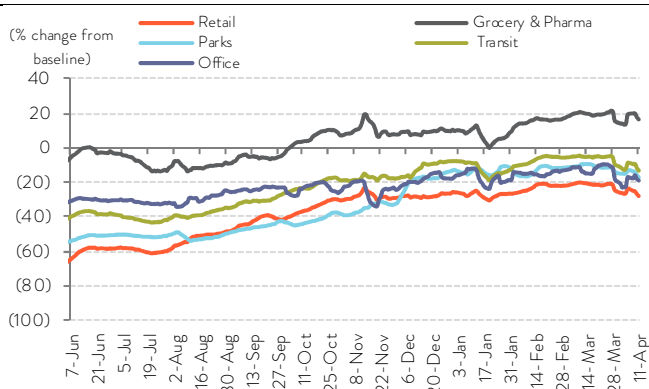
Source: CEIC, Bank of Baroda Research *Data as of 18 Apr 2021

FIG 2 – MAXIMUM SURGE SEEN IN MAHARASHTRA AND KERALA IN CYTD21



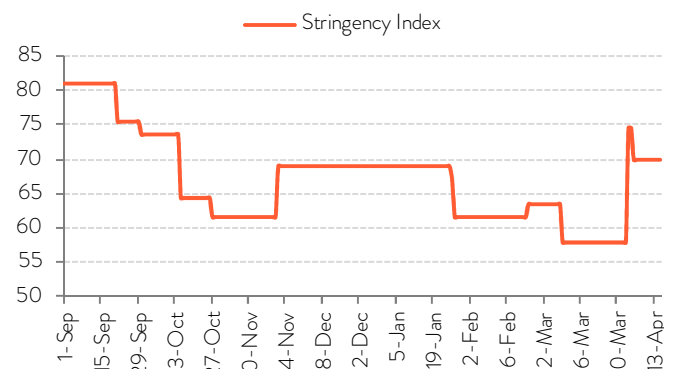
Source: CEIC, Bank of Baroda Research *Data as of 18 Apr 2021

FIG 3 – DIP IN INDIA'S GOOGLE MOBILITY INDEX



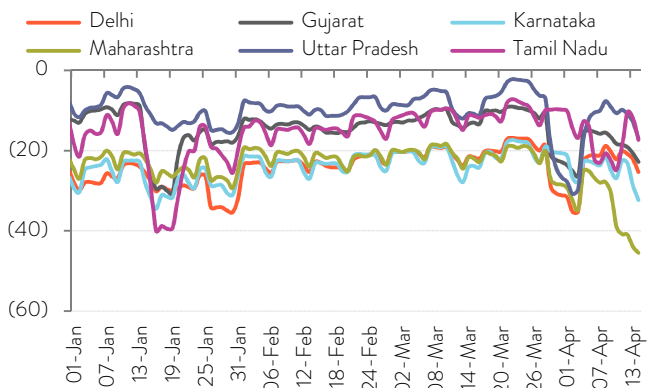
Source: CEIC, Bank of Baroda Research *Data as of 13 Apr 2021 (Note: % change from baseline reading, 7-day rolling average)

FIG 4 – OXFORD'S STRINGENCY INDEX FOR INDIA SCALING UP WHICH MEANS MUTED ACTIVITY



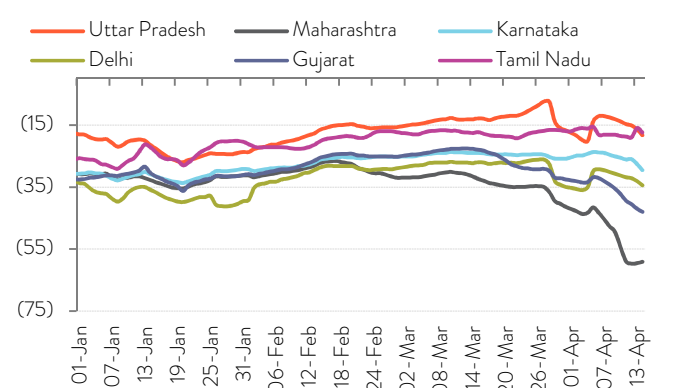
Source: CEIC, Bank of Baroda Research *Data as of 15 Apr 2021

FIG 5 – WORKPLACE MOBILITY DIPPING ACROSS STATES



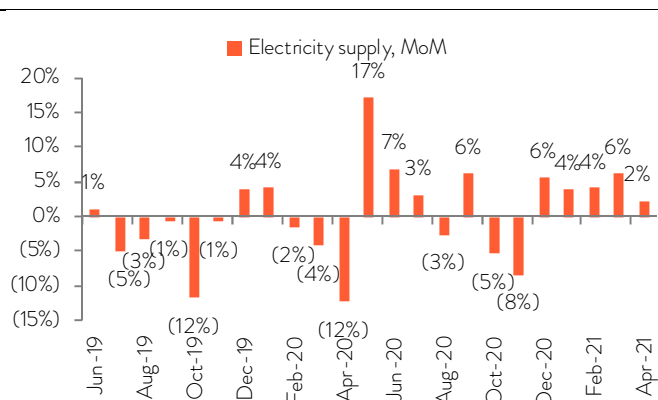
Source: CEIC, Bank of Baroda Research *Data as of 13 Apr 2021 (Note: % change from baseline reading, 7-day rolling average)

FIG 6 – ..SIMILAR TREND IN RETAIL AND RECREATION



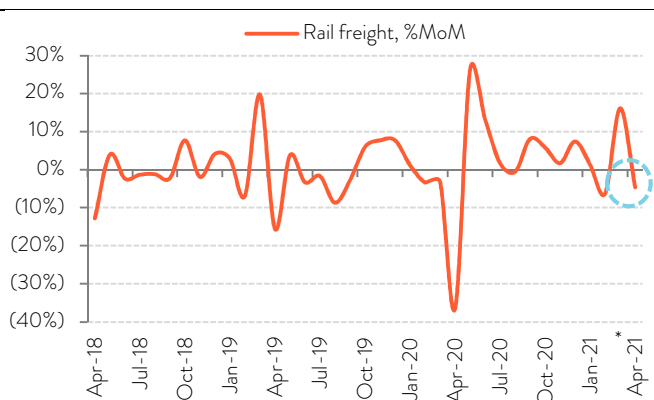
Source: CEIC, Bank of Baroda Research; *Data as of 13 Apr 2021 (Note: % change from baseline reading, 7-day rolling average)

FIG 7 – ELECTRICITY SUPPLY MODERATES



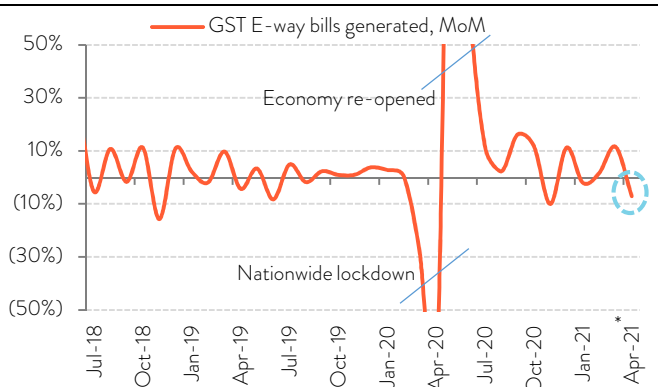
Source: CEIC, Bank of Baroda Research *Data as of 15 Apr 2021

FIG 8 – RAILWAY FREIGHT ACTIVITY LOSING MOMENTUM



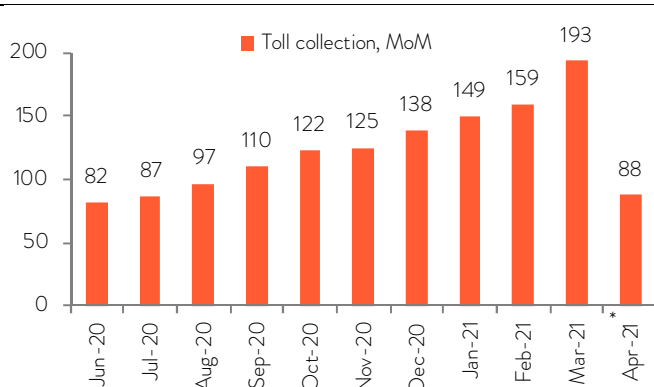
Source: CEIC, Bank of Baroda Research; *Data as of 15 Apr 2021

FIG 9 – GST E-WAY BILL GENERATION ALSO SLOWING



Source: CEIC, Bank of Baroda Research; *Data as of 15 Apr 2021

FIG 10 – TOLL COLLECTIONS SEEN EASING



Source: CEIC, Bank of Baroda Research; *Data as of 15 Apr 2021

FIG 11 – STATES SCENARIO

States	Share in India GDP	Share in Agri GVA	Share in Ind. GVA	Share in Mfg. GVA	Share in Serv. GVA
Maharashtra	13.9	8.0	14.3	16	14.9
Tamil Nadu	9.1	6.4	12.7	13.9	9.9
Uttar Pradesh	8.8	11.2	8.5	7.1	7.8
Karnataka	8.3	5.5	6.7	7.7	10.3
Gujarat	8.0	6.6	14	18.8	5.1
West Bengal	6.2	8.1	4.9	4.9	6.4
Rajasthan	5	7.5	4.9	3.3	4.2
Andhra Pradesh	4.8	9.1	4.1	3.2	3.7
Madhya Pradesh	4.5	10.6	4.3	2.9	3
Delhi	4.2	0.1	2.3	1.3	6.2
Kerala	4.1	2.2	3.8	2.7	4.7
Haryana	4.1	3.9	4	4.6	3.5
Punjab	2.8	4.2	2.4	2.4	2.3
Chhattisgarh	1.6	2.1	2.8	1.7	1.3

Source: CEIC, RBI, Bank of Baroda Research

FIG 12 – GDP EXPECTED TO RISE BY 11% IN FY22 FROM OUR EARLIER ESTIMATE OF 11.5%

(% change)	FY17	FY18	FY19	FY20	FY21E	FY22E
Agriculture, forestry and fishing	6.8	6.6	2.6	4.3	3.3	3.4
Industry	7.7	5.9	5.3	(1.2)	(8.2)	14.4
Mining and quarrying	9.8	(5.6)	0.3	(2.5)	(9.1)	10.8
Manufacturing	7.9	7.5	5.3	(2.4)	(8.2)	15.8
Electricity, gas, water supply and other utility services	10.0	10.6	8.0	2.1	1.7	7.3
Construction	5.9	5.2	6.3	1.0	(10.8)	14.8
Services	8.5	6.3	7.2	7.2	(8.1)	11.2
Trade, hotels, transport, communication & services related to broadcasting	7.7	10.3	7.1	5.7	(19.2)	15.5
Financial, real estate & professional services	8.6	1.8	7.2	6.4	(0.3)	8.5
Public administration and defence	9.3	8.3	7.4	8.3	(4.6)	10.3
GVA at basic prices	8.0	6.2	5.9	4.1	(6.7)	10.3
GDP	8.3	6.8	6.5	4.0	(7.7)	11.0

Source: CSO, MOSPI, Bank of Baroda Research | E-Bank of Baroda estimate

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