

FY19 GDP

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FY19 GDP growth estimated at 7.2%

India's growth is estimated at 7.2% in FY19 (6.7% in FY18). While government and private consumption are weak, investment activity is upbeat at 12.2% in FY19. India's near-term growth momentum is likely to remain weak on the back of fiscal concerns and weak global outlook. However, with capacity utilisation at 76%, investment outlook is far better. Growth is expected to improve in FY20 to 7.3% on the back of sustained capital spending. Recent dip in oil prices will ensure a much better consumption outlook in FY20.

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KEY HIGHLIGHTS

- GDP growth expected at 7.2% in FY19 versus 6.7% in FY18.
- GVA to grow by 7% in FY19 compared with 6.5% in FY18.
- GDP growth is expected to improve to 7.3% in FY20.

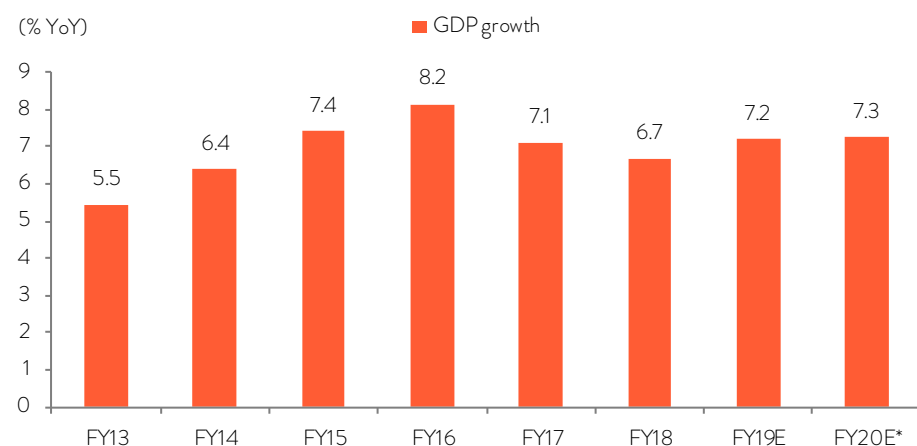
GDP growth at 7.2% in FY19: India's FY19 GDP growth is estimated at 7.2% versus 6.7% in FY18 and 7.7% in H1FY19. The dip in growth from H1 to H2 is led by sharp reduction in growth in government spending and private consumption. Government and private consumption are estimated to slip from 10.1% and 7.8% in H1 to 9.2% and 6.6% respectively for the entire year. While the growth in former will decline because of adherence to fiscal estimates, the latter is on account of cyclical slowdown and lower growth of NBFCs. On the other hand, investment demand is estimated to increase by 12.2% in FY19 versus an estimated increase of 11.2% in H1.

Manufacturing driving GVA to 7%: GVA is expected to grow by 7% in FY19 compared with 6.5% in FY18. This would be driven by faster pace of expansion in manufacturing sector (8.3% in FY19 vs 5.7% in FY18). On the back of double digit growth in cement output, construction would grow by 8.9% in FY19 vs 5.7% in FY18. Services activity would moderate to 7.3% in FY19 vs 7.9% in FY18 with slower pace of expansion in trade, hotels & financial services. The increased focus of government on fiscal consolidation will keep public administration & defense services growth rate lower at 8.9% in FY19 compared with 10% in FY18.

H2 slowdown coincides with global weakness: India's growth is entering a cyclically weak period led by cut in government spending and muted private consumption. Notably, a weak global growth outlook will add to slowdown in domestic demand. However, investment outlook is far better as capacity utilisation is already at 76%. The sharp decline in oil prices (despite recent uptick) bodes well for consumer and investor demand in the country. In addition, recapitalisation of PSBs will also add to growth outlook. While any farm stimulus will be negative for fiscal outlook, it will be positive for growth.

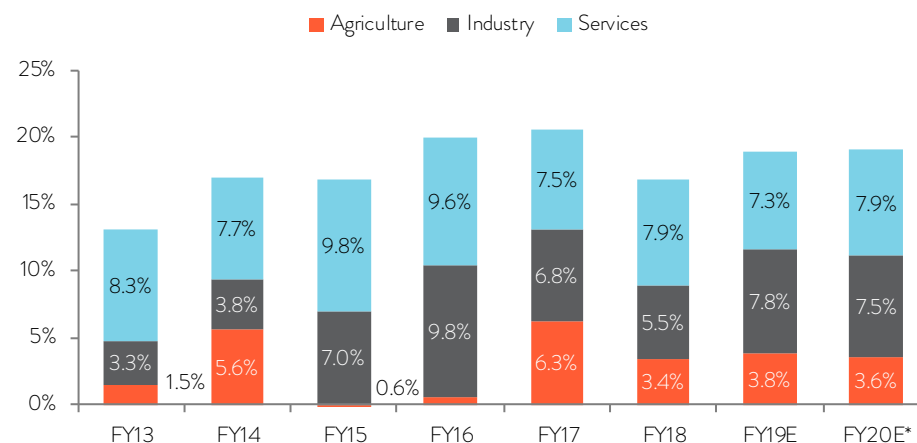


FIG 1 – GDP GROWTH AT 7.2% IN FY19



Source: CEIC, Bank of Baroda Research | *Bank of Baroda estimates

FIG 2 – GVA GROWTH AT 7% IN FY19



Source: CEIC, Bank of Baroda Research | *Bank of Baroda estimates

FIG 3 – MANUFACTURING SECTOR TO DRIVE GVA GROWTH IN FY19

Weight (%)	FY16	FY17	FY18	FY19E	FY20E*
Agriculture, forestry and fishing	0.6	6.3	3.4	3.8	3.6
Industry	9.8	6.8	5.5	7.8	7.5
Mining and quarrying	13.8	13.0	2.9	0.8	4.5
Manufacturing	12.8	7.9	5.7	8.3	8.0
Electricity, gas, water supply and other utility services	4.7	9.2	7.2	9.4	7.1
Construction	3.7	1.3	5.7	8.9	7.6
Services	9.6	7.5	7.9	7.3	7.9
Trade, hotels, transport, communication & services related to broadcasting	10.3	7.2	8.0	6.9	7.7
Financial, real estate & professional services	10.9	6.0	6.6	6.8	7.4
Public administration and defence	6.1	10.7	10.0	8.9	9.3
GVA at basic prices	8.1	7.1	6.5	7.0	7.2
GDP	8.2	7.1	6.7	7.2	7.3

Source: CEIC, Bank of Baroda Research | *Bank of Baroda estimates

FIG 4 – INVESTMENT SPENDING TO DRIVE GROWTH IN H2FY19

(% YoY)	FY16	FY17	FY18	FY19E	FY20E*
Private final consumption expenditure (PFCE)	7.4	7.3	6.6	6.4	8.4
Govt final consumption expenditure (GFCE)	6.8	12.2	10.9	9.2	7.0
Gross Fixed Capital Formation (GFCF)	5.2	10.1	7.6	12.2	7.9
Change in Stocks (CIS)	(15.4)	(61.2)	4.5	5.8	5.0
Valuables	(1.4)	(13.9)	58.8	7.5	10.0
Exports	(5.6)	5.0	5.6	12.1	9.9
Less Imports	(5.9)	4.0	12.4	14.3	10.8
GDP	8.2	7.1	6.7	7.2	7.3

Source: CEIC, Bank of Baroda Research | * Bank of Baroda estimates

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