FY20 GDP

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Gradual revival seen in FY21

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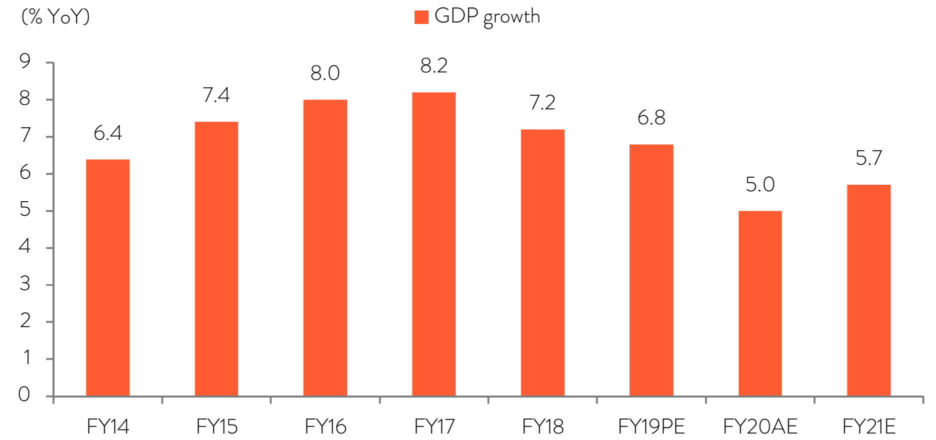
India's growth is estimated at 5% in FY20 (6.8% in FY19). The dip in growth is led by decline in both investment and consumption demand. Even global demand has not been helpful. However, we do expect growth to revive in FY21 to 5.7% on the back of higher government capex, expansion of global demand and transmission of earlier rate cuts by RBI. Government's privatisation plan will give it room to spend on proposed infra pipeline of Rs 102tn over next five years. In addition, we expect RBI to cut rates further in FY21 to boost growth.

GDP growth at 5% in FY20: India's GDP growth in FY20 is estimated at its lowest since FY09 at 5% versus 6.8% in FY19. The dip in growth is led by sharp deceleration in investment demand (1% in FY20 versus 10% in FY19) and private consumption (5.8% in FY20 versus 8.1% in FY19). Decline in global demand has contributed to lower exports at (-) 2% in FY20 versus an increase of 12.5% in FY19. Government spending is the driver of growth at 10.5% in FY20 (9.2% in FY19) which is the case in H1FY20 as well with government spending increasing by 12.2%.

Manufacturing dragging GVA to 4.9%: GVA is expected to increase at 4.9% in FY20 compared with 6.6% in FY19. This is driven by dip in manufacturing growth to 2% in FY20 versus 6.9% in FY19. During H1FY20 manufacturing growth is (-) 0.2%. Electricity output is tepid as well at 0.7% in FYTD20 and expected at 5.4% in FY20 (7% in FY19). Construction output is estimated to increase only by 3.2% in FY20 versus 8.7% in FY19. Services activity is also expected to moderate to 6.9% in FY20 vs 7.5% in FY19 with slower pace of expansion in trade, hotels & financial services. On the other hand, public administration and defence services is estimated to grow by 9.1% in FY20 compared with 8.6% in FY19.

Lower rates and government spending to boost growth: The current cyclical slowdown is quite broad based. Both investment and consumption demand has taken a hit. Global demand is soft as well. With capacity utilisation at 69%, private sector capex is likely to be lacklustre. Government capex would also be subdued this year as tax revenues are muted. However, government has an aggressive privatisation roadmap and infra pipeline (Rs 102tn over next five years). This along with better global demand and transmission of earlier rate cuts will lead to revival of GDP growth to 5.7% in FY21 from 5% in FY20.

FIG 1 – GDP GROWTH AT 5.7% IN FY21



Source: CEIC, Bank of Baroda Research | PE - Provisional Estimates | AE - Advance Estimates | E - Bank of Baroda estimates

FIG 2 – SERVICES TO DRIVE GROWTH HIGHER IN FY21

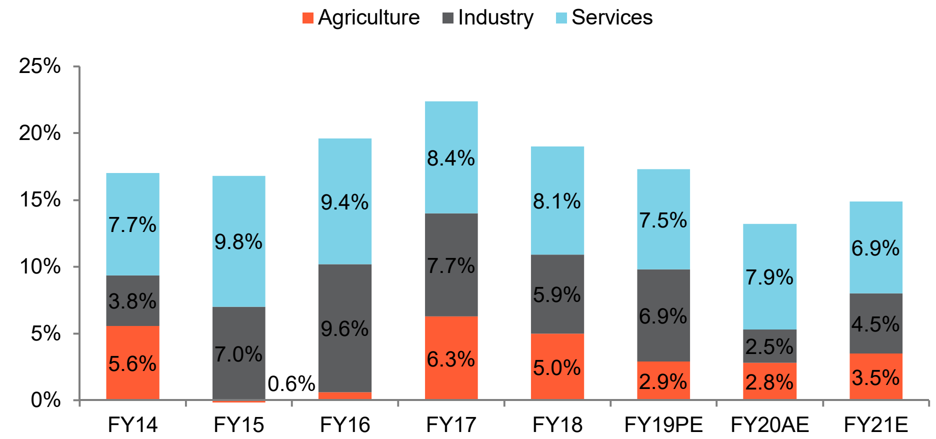


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FIG 3 – GVA AND GDP TO BE AT 5.4% AND 5.7% IN FY21

Weight (%)	FY17	FY18	FY19PE	FY20AE	FY21E
Agriculture, forestry and fishing	**6.3**	**5.0**	**2.9**	**2.8**	**3.5**
Industry	**7.7**	**5.9**	**6.9**	**2.5**	**4.5**
Mining and quarrying	9.5	5.1	1.3	1.5	2.1
Manufacturing	7.9	5.9	6.9	2.0	3.8
Electricity, gas, water supply and other utility services	10.0	8.6	7.0	5.4	4.0
Construction	6.1	5.6	8.7	3.2	4.5
Services	**8.4**	**8.1**	**7.5**	**6.9**	**6.9**
Trade, hotels, transport, communication & services related to broadcasting	7.7	7.8	6.9	5.9	5.8
Financial, real estate & professional services	8.7	6.2	7.4	6.4	6.3
Public administration and defence	9.2	11.9	8.6	9.1	9.0
GVA at basic prices	**7.9**	**6.9**	**6.6**	**4.9**	**5.4**
GDP	**8.2**	**7.2**	**6.8**	**5.0**	**5.7**

Source: CEIC, Bank of Baroda Research | PE - Provisional Estimates | AE - Advance Estimates | E - Bank of Baroda estimates

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