

GDP UPDATE

17 May 2021

Growth to take a further hit

With majority of states under lockdown due to surging Covid-19 cases, we further downgrade our GDP forecast to 9.7% (11% earlier) in FY22. Our economic activity tracker is now 19% below from Feb'20 baseline compared with only 3% decline from baseline in Mar'21. In large states, the infections seem to have peaked and revamped availability of vaccinations (1.7bn+) between May'21 and Oct'21 implies complete vaccination of 18+ population. This will pave the way for more durable growth from H2FY22 onwards.

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Economic activity showing a dip: High frequency indicators are signaling a slowdown on the back of restrictions imposed by states to combat second wave of Covid-19. As much as 90% of the country is now under some form of restrictions. Our economic activity tracker shows that activity is now 19% below Feb'20 baseline. Notably, in Mar'21 economic activity was just 3% below baseline which slipped to 13% below baseline in mid-Apr'21. The decline is visible in diesel sales (-7.5% MoM in Apr'21), vehicle sales (-28% MoM in Apr'21), electricity demand (-10.3% MoM in May'21) and GST e-way bills (-17.5% MoM in Apr'21). Even mobility indicators are showing a large dip across states. However, impact of second wave is not as high as first wave when our activity tracker was 43% below Feb'20 baseline.

Covid-19 wave seem to have peaked: Positivity rate of Covid-19 cases has fallen from an all-time high of 27.4% on 10 May 2021 to 16.9% as on 16 May 2021. Large states such as Maharashtra, Karnataka, Delhi, UP and Gujarat are now showing steady flattening and/or decline of fresh cases. This should enable for partial lifting of lockdown restrictions from Jun'21 onwards. However, the second wave is far more widespread in rural areas, which implies vaccination is the only way to come out of second wave on a durable basis.

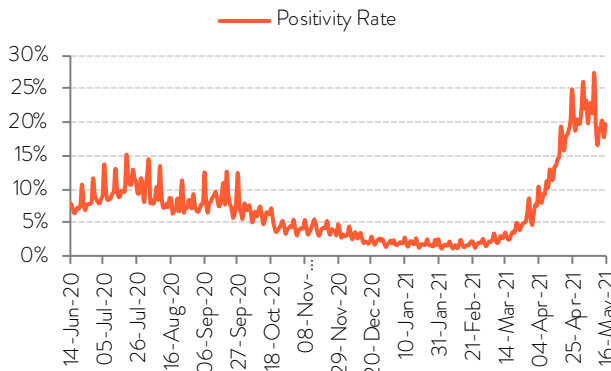
Where do we see growth? We are further downgrading our growth estimate to 9.7% from our earlier estimate of 11% in FY22. We have revised our H1 growth estimate to 13% from 15% earlier. We have kept our H2 growth at 6.4%. The current growth trajectory is based on significant improvement in vaccination in the coming months with supply of additional 1.7bn+ doses which will cover the entire 18+ population by Oct'21. At the same time, fiscal and monetary stimulus will add to growth environment in the coming quarters.

KEY HIGHLIGHTS

- GDP forecast for FY22 further revised downward by to 9.7% from 11%.
- Economic activity sees a sharp deceleration in Apr'21 and May'21.
- Covid curve in a number of states seem to have peaked. Vaccinations to drive growth in H2 with 18+ population vaccinated.

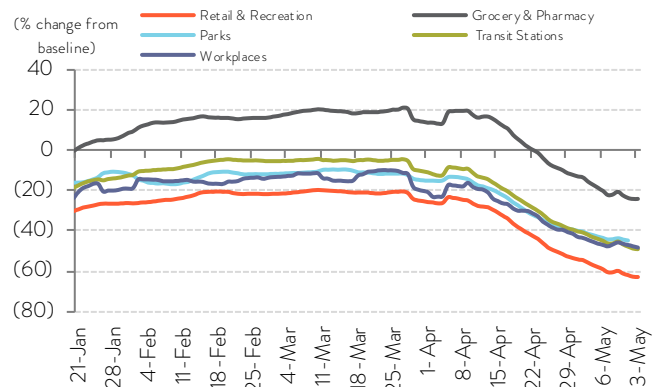


FIG 1 – POSITIVITY RATE PEAKED AT MORE THAN 25% IN APR'21



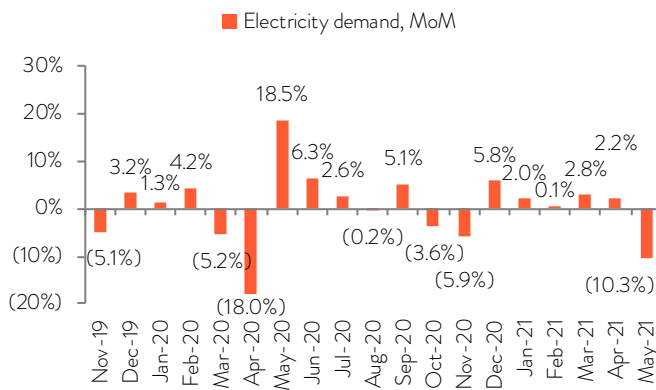
Source: CEIC, Bank of Baroda Research *Data as of 16 May 2021

FIG 2 – GOOGLE MOBILITY INDEX DROPS



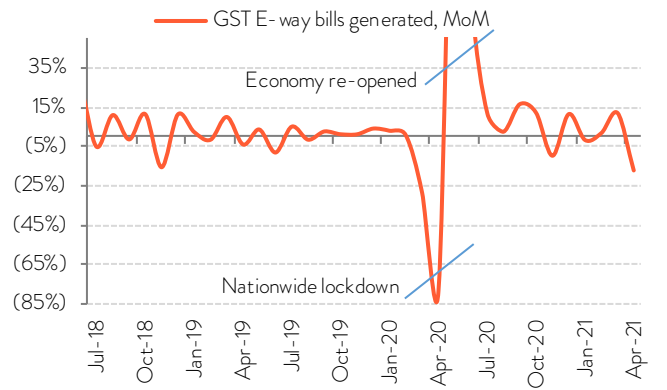
Source: CEIC, Bank of Baroda Research *Data as of 13 May 2021

FIG 3 – ELECTRICITY DEMAND FALLS



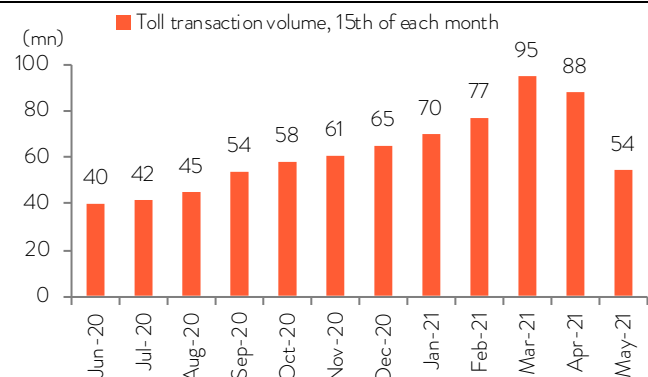
Source: CEIC, Bank of Baroda Research *Data as of 16 May 2021

FIG 4 – GST EWAY BILL SEEN DIPPING IN APR'21



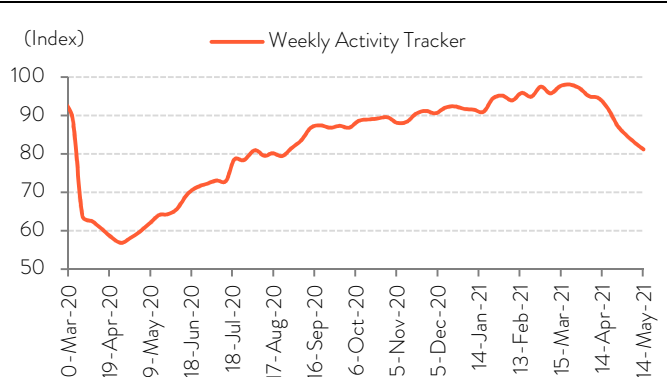
Source: CEIC, Bank of Baroda Research

FIG 5 – TOLL COLLECTIONS SEEN EASING



Source: CEIC, Bank of Baroda Research

FIG 6 – WEEKLY ACTIVITY TRACKER SHOWING A DIP



Source: CEIC, Bank of Baroda Research, Note: Composite weighted average index of high frequency indicators; *Data as of 14 May 2021

FIG 7 – STATES SCENARIO

States	Positivity rate*	States share in GDP	No. of districts in the State	No. of districts with positivity rate >= 10% in the last 7 days	% of total districts	Lockdown (Partial/Full)	End-date
Maharashtra	15.9	13.9%	36	35	97%	Full	31-May
Tamil Nadu	19.9	9.1%	37	37	100%	Full	24-May
Uttar Pradesh	5.9	8.8%	75	28	37%	Partial	24-May
Karnataka	32.9	8.3%	30	30	100%	Full	24-May
Gujarat	7.0	8.0%	33	19	58%	Partial	18-May
West Bengal	29.8	6.2%	23	23	100%	Full	30-May
Rajasthan	21.1	5.0%	33	27	82%	Full	31-May
Andhra Pradesh	24.7	4.8%	13	13	100%	Partial	31-May
Telangana	7.5	4.8%	31	0	0%	Full	22-May
Madhya Pradesh	11.8	4.5%	52	42	81%	Full	24-May
Delhi	12.4	4.2%	11	9	82%	Full	24-May
Kerala	26.4	4.1%	14	14	100%	Full	23-May
Haryana	16.3	4.1%	22	21	95%	Partial	24-May
Bihar	6.9	3.0%	38	24	63%	Full	25-May
Punjab	11.3	2.8%	22	17	77%	Partial	31-May
Odisha	22.0	2.6%	30	28	93%	Full	19-May

Source: CEIC, MoHFW, RBI, Bank of Baroda Research |*As of 14 May 2021

FIG 8 – GDP & GVA QUARTERLY ESTIMATES

(% change)	Q4FY21E	Q1FY22E	Q2FY22E	Q3FY22E	Q4FY22E
Agriculture, forestry and fishing	3.2	3.0	3.5	3.0	3.0
Industry	3.5	36.8	8.6	5.7	5.3
Mining and quarrying	(5.0)	15.0	10.0	5.0	5.0
Manufacturing	3.0	45.0	10.0	5.0	5.0
Electricity, gas, water supply and other utility services	7.0	10.0	5.0	7.0	6.0
Construction	7.0	40.0	6.0	7.0	6.0
Services	0.6	9.8	10.7	6.6	7.4
Trade, hotels, transport, communication & services related to broadcasting	(6.0)	20.0	15.0	8.0	10.0
Financial, real estate & professional services	7.0	5.0	8.0	6.5	6.5
Public administration and defence	2.0	10.0	10.0	5.0	5.0
GVA at basic prices	1.9	15.2	9.1	5.7	6.0
GDP	0.6	16.5	9.6	6.2	6.6

Source: CEIC, Bank of Baroda Research | E-Bank of Baroda estimate

FIG 9 – GDP EXPECTED TO ROSE BY 9.7% AGAINST 11% ESTIMATED EARLIER

(% change)	FY17	FY18	FY19	FY20	FY21E	FY22E
Agriculture, forestry and fishing	6.8	6.6	2.6	4.3	3.3	3.1
Industry	7.7	5.9	5.3	(1.2)	(8.2)	14.5
Mining and quarrying	9.8	(5.6)	0.3	(2.5)	(9.1)	8.8
Manufacturing	7.9	7.5	5.3	(2.4)	(8.2)	16.3
Electricity, gas, water supply and other utility services	10.0	10.6	8.0	2.1	1.7	7.0
Construction	5.9	5.2	6.3	1.0	(10.8)	14.8
Services	8.5	6.3	7.2	7.2	(8.1)	9.0
Trade, hotels, transport, communication & services related to broadcasting	7.7	10.3	7.1	5.7	(19.2)	13.3
Financial, real estate & professional services	8.6	1.8	7.2	6.4	(0.3)	6.5
Public administration and defence	9.3	8.3	7.4	8.3	(4.6)	7.5
GVA at basic prices	8.0	6.2	5.9	4.1	(6.7)	9.0
GDP	8.3	6.8	6.5	4.0	(7.7)	9.7

Source: CEIC, Bank of Baroda Research | E-Bank of Baroda estimate

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