

Q2FY20 GDP growth forecast at 4.5%:

Slowdown intensifies despite heavy government expenditure

Business and Economic Research

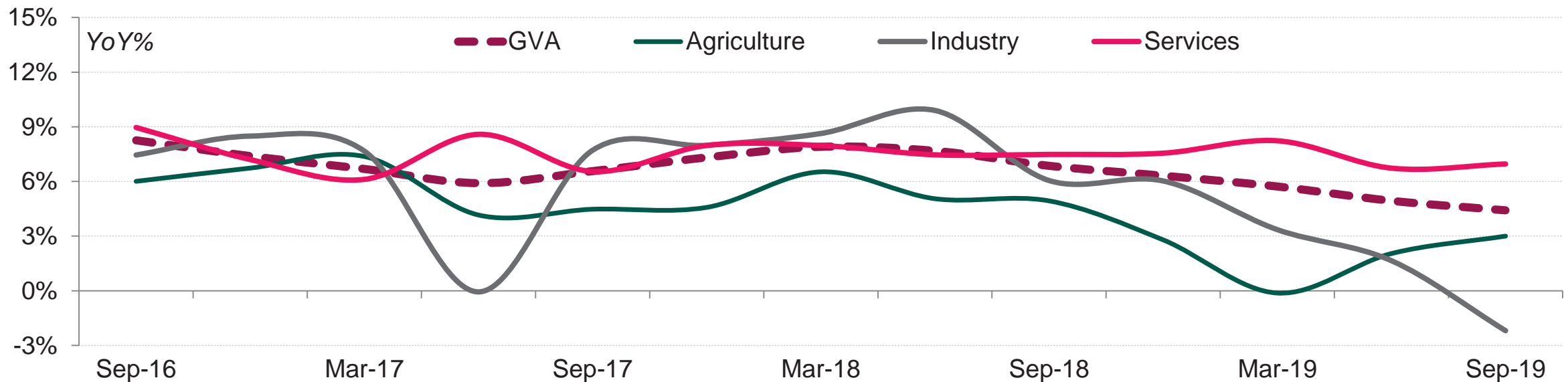
20th November 2019



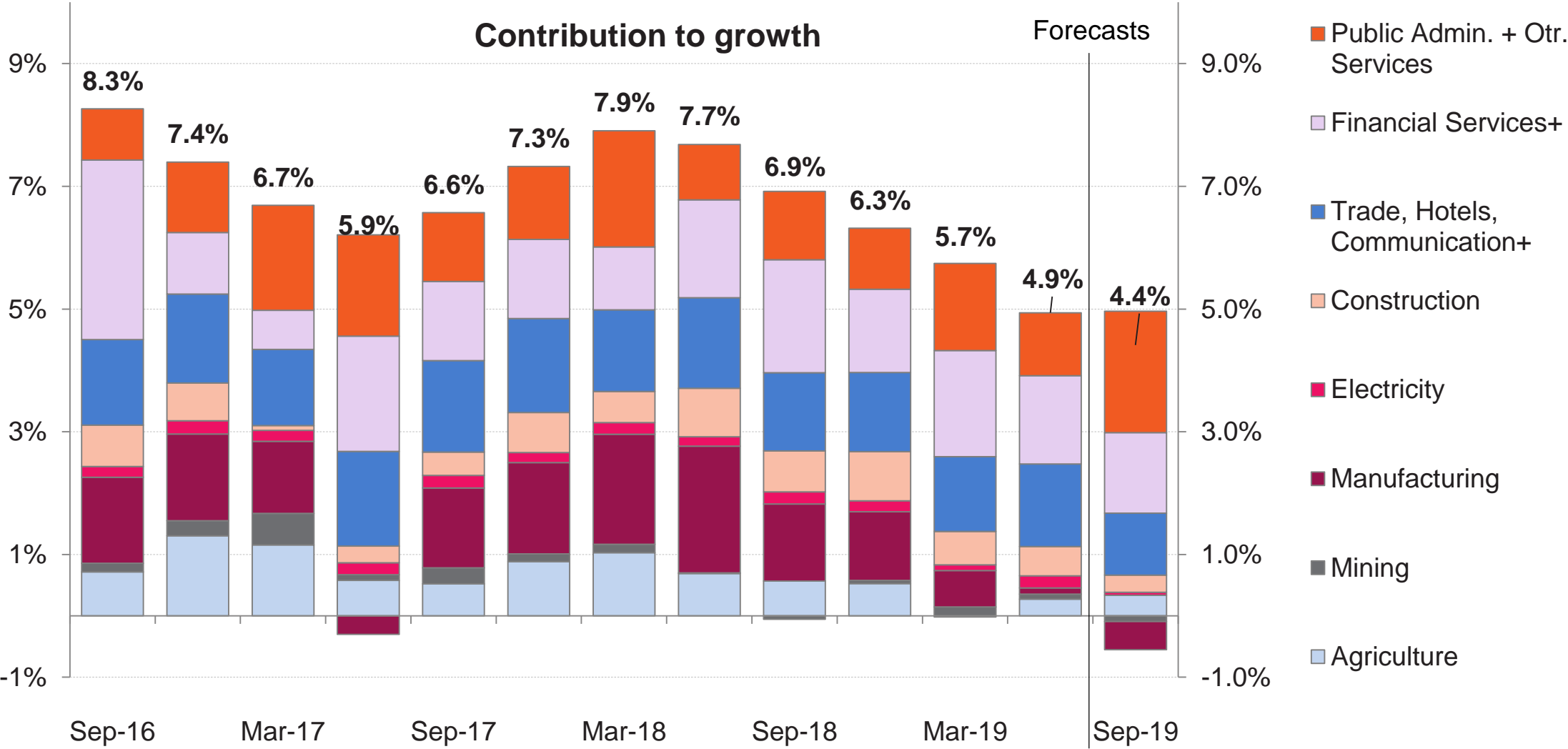
Q2 FY20 GDP growth expected at 4.5% YoY, on continued slowdown in the industry; Higher government expenditure to support services growth



YoY%	Share	Real Growth				FY18				FY19				FY20	
Sector	FY19	FY16	FY17	FY18	FY19	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Agriculture	14%	0.6%	6.3%	5.0%	2.9%	4.2%	4.5%	4.6%	6.5%	5.1%	4.9%	2.8%	(0.1%)	2.0%	3.0%
Industry	23%	11.9%	8.3%	6.1%	6.2%	(0.1%)	7.7%	8.0%	8.6%	9.9%	6.1%	6.0%	3.4%	1.7%	(2.2%)
Services	62%	8.6%	8.1%	7.8%	7.7%	8.6%	6.5%	8.0%	8.0%	7.5%	7.5%	7.6%	8.2%	6.7%	7.0%
Real GVA (Basic Prices)	100%	8.0%	7.9%	6.9%	6.6%	5.9%	6.6%	7.3%	7.9%	7.7%	6.9%	6.3%	5.7%	4.9%	4.4%
GDP		8.0%	8.2%	7.2%	6.8%	6.0%	6.8%	7.7%	8.1%	8.0%	7.0%	6.6%	5.8%	5.0%	4.5%

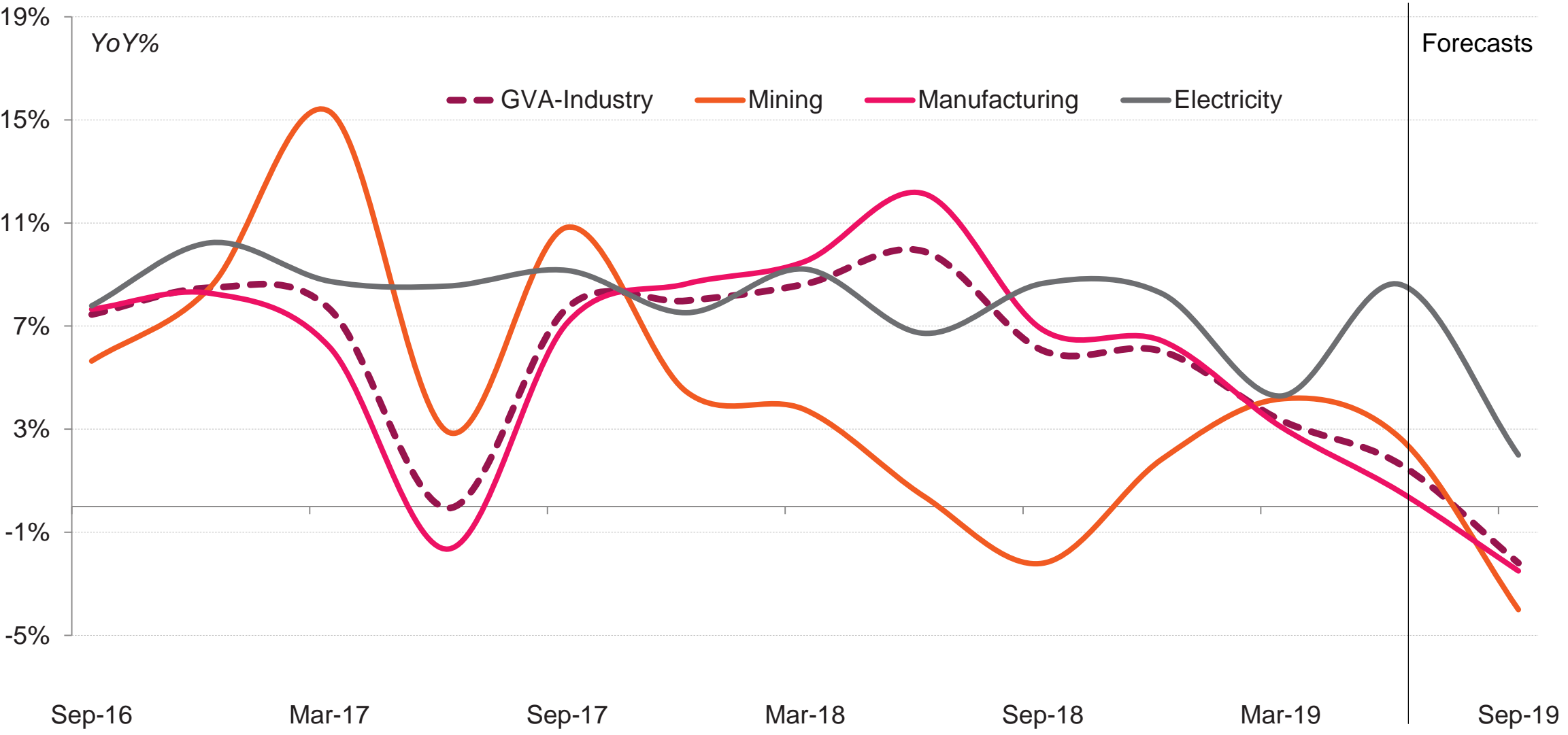


Higher growth in Public Admin+ is expected to partially offset weaker growth across other segments



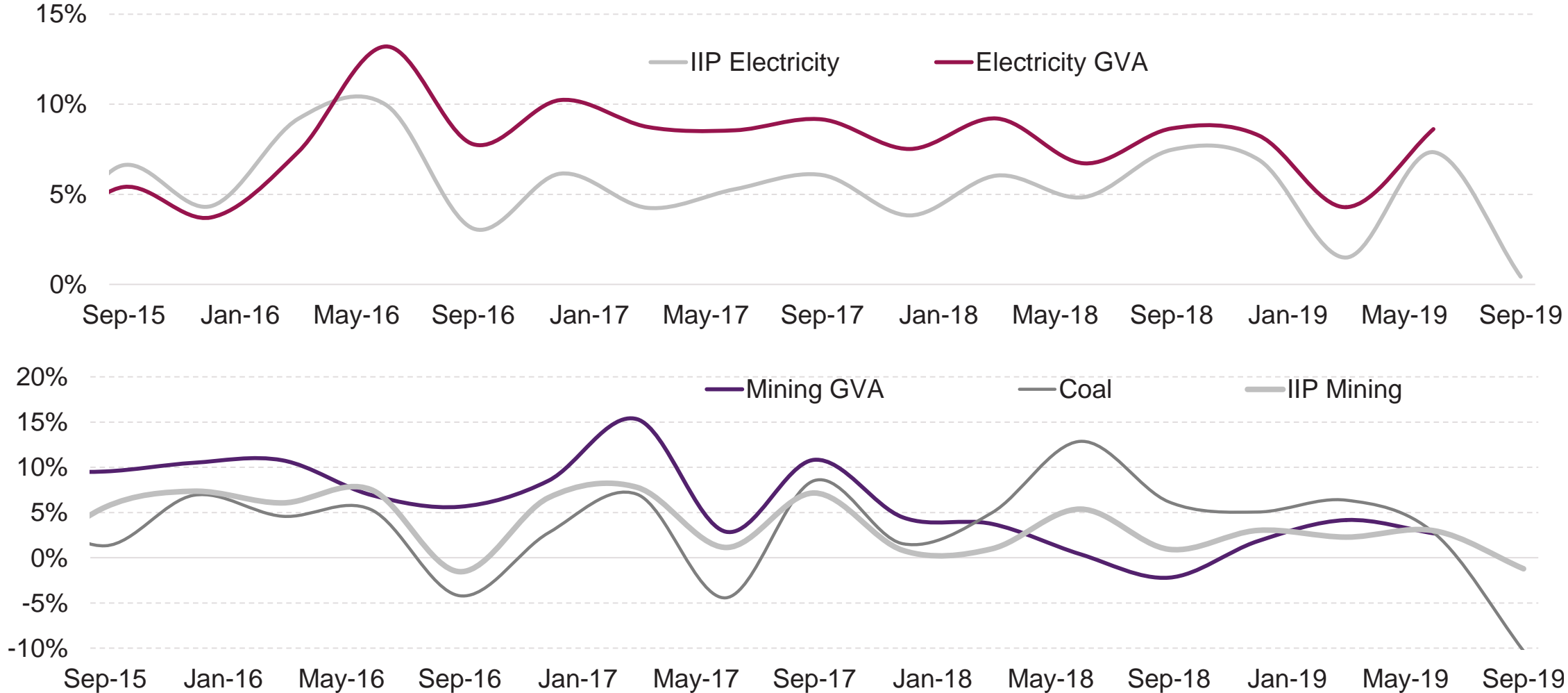
Source: MOSPI, Axis Bank Research

Broad based decline in industry sector, with both mining and manufacturing expected to be in contraction



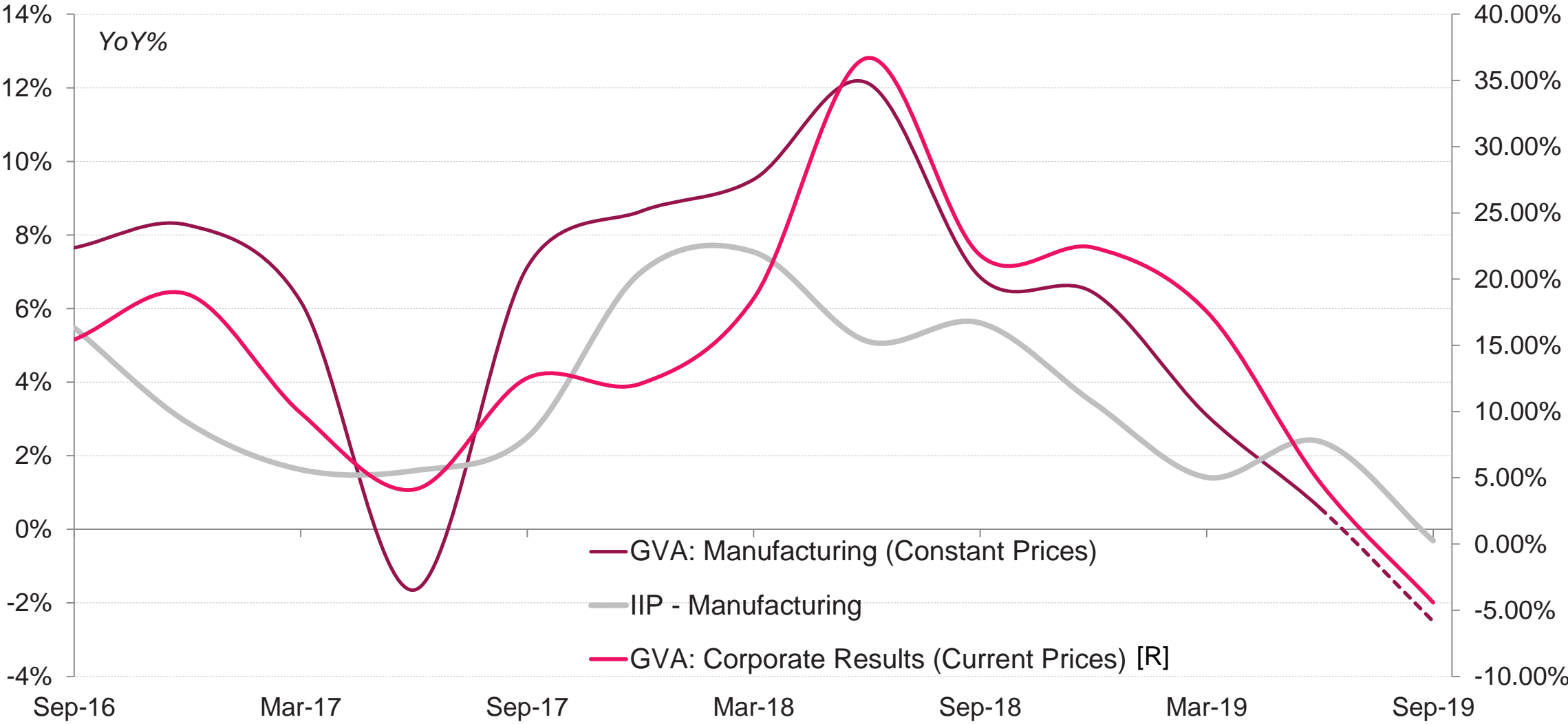
Source: MOSPI, Axis Bank Research

Electricity growth likely to be weaker, in line with IIP Electricity; Mining to be weaker on falling coal and natural gas production



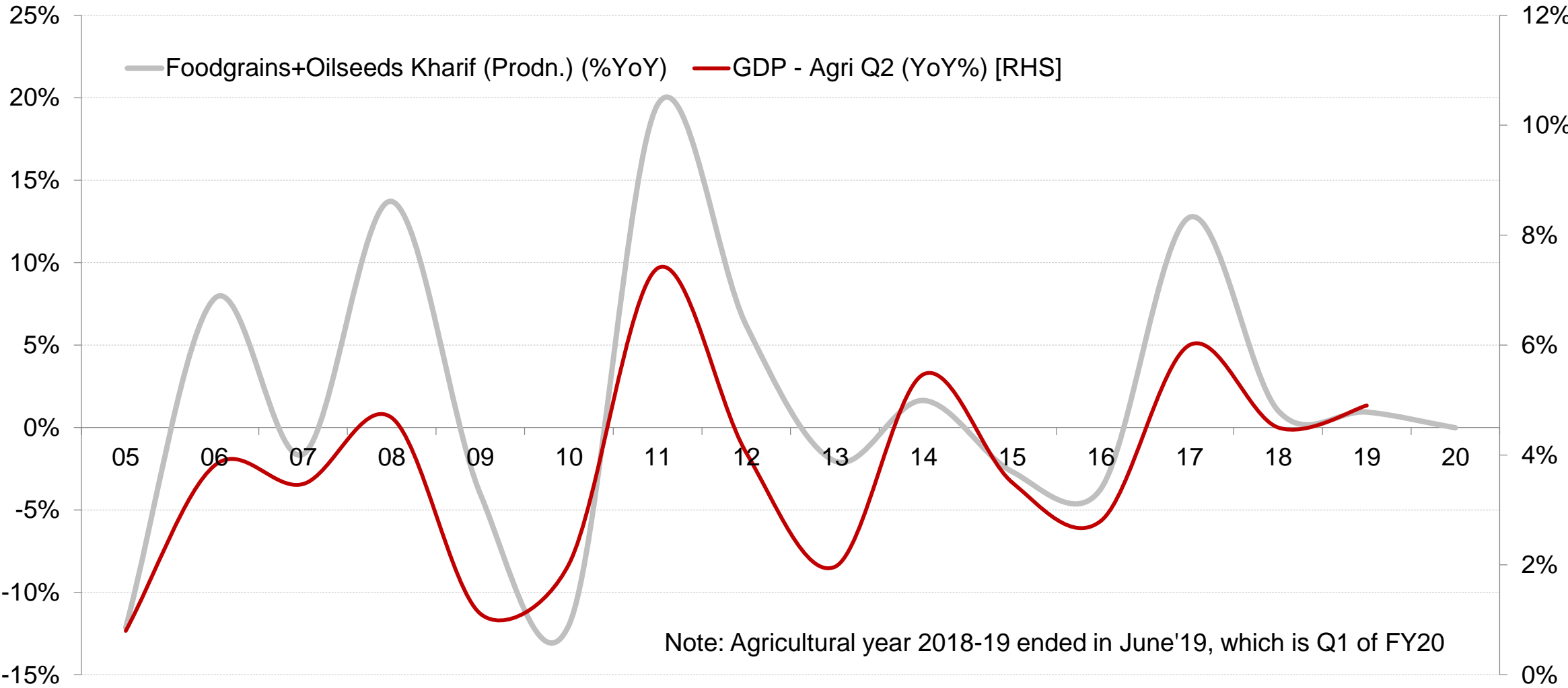
Source: MOSPI, Office of Economic Advisor, Axis Bank Research

Both Corporate GVA and IIP manufacturing move into contraction in Q2, likely driving the manufacturing GVA in the negative territory



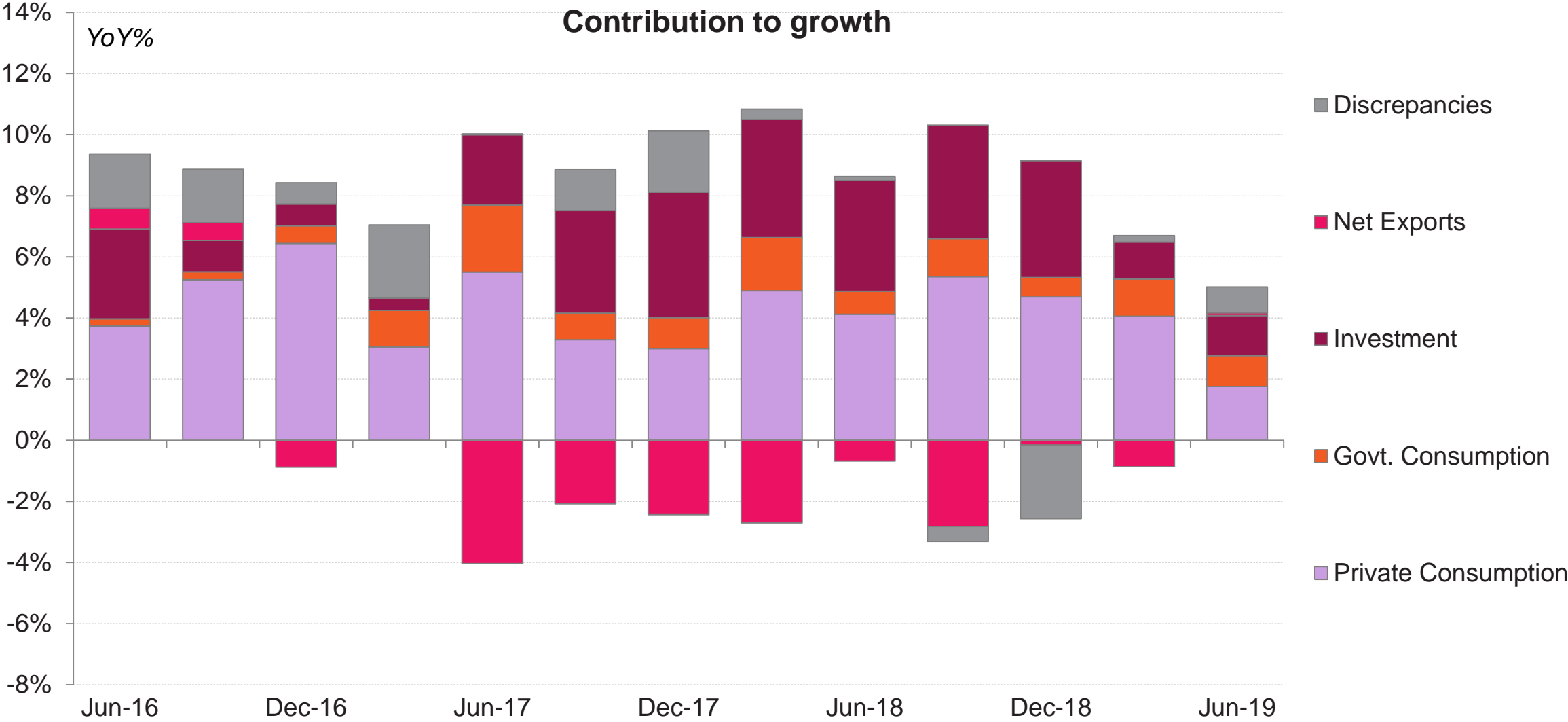
Source: MOSPI, Capitaline, Axis Bank Research

Agriculture growth likely at 3.0%, down from 4.9% in Q1FY19, on account of weaker growth in Kharif production



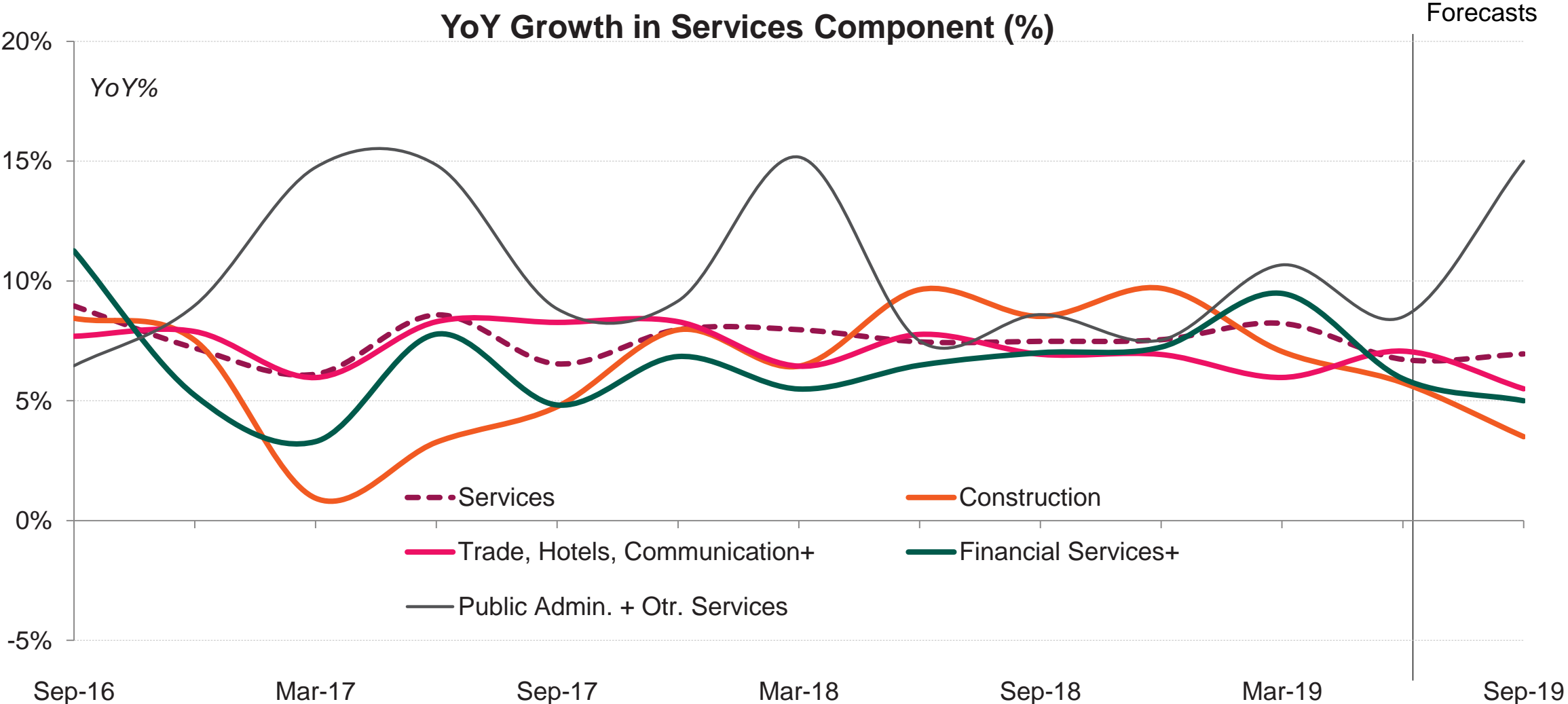
Source: MOSPI, Department of Agriculture GOI, Axis Bank Research

Decline in Q1FY20 GDP was largely driven by significant fall in private consumption



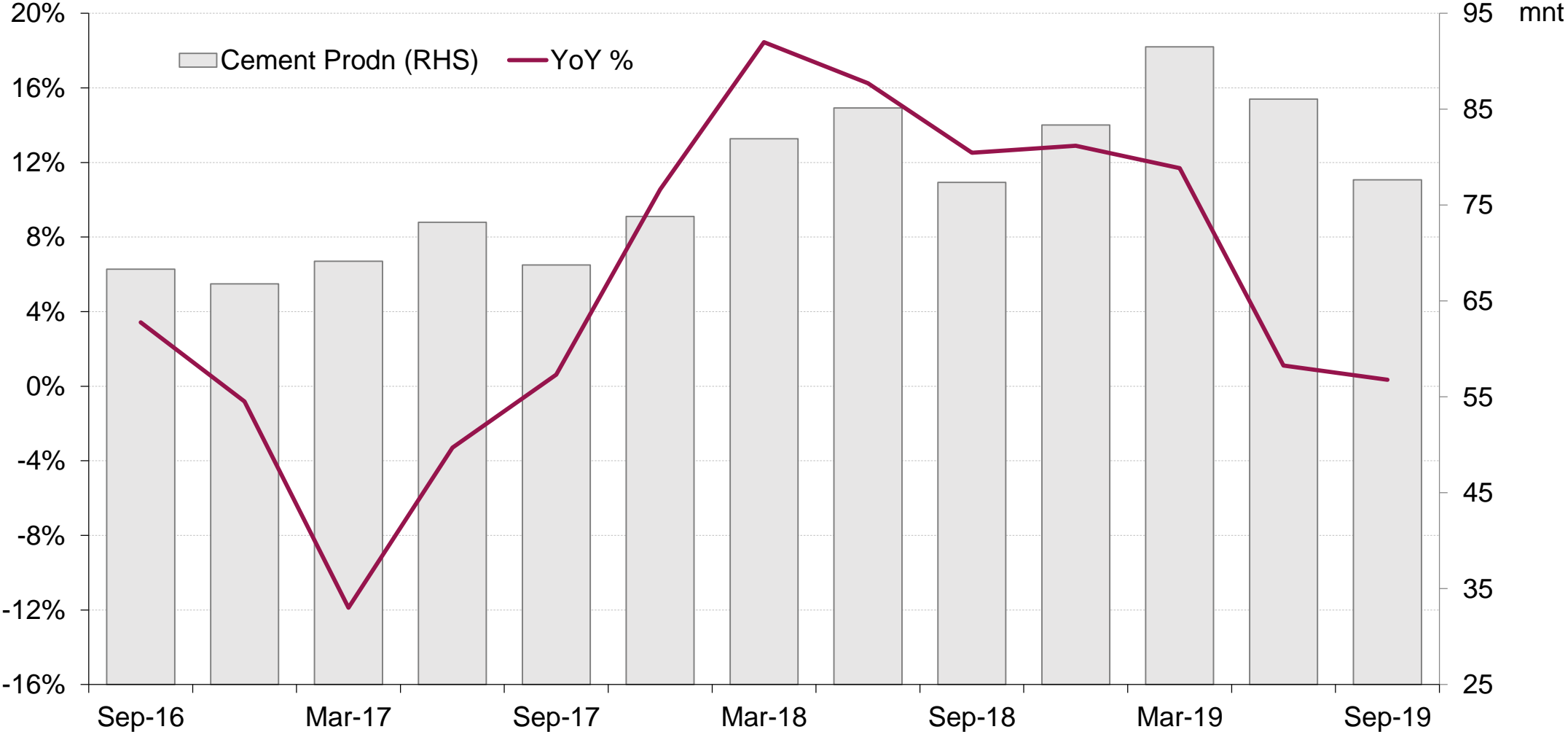
Source: MOSPI, Axis Bank Research

Services growth likely at 7%, with weakness seen across all sub components except Public Admin+



Source: MOSPI, Axis Bank Research

Construction growth likely to slow, in line with weaker growth in cement production

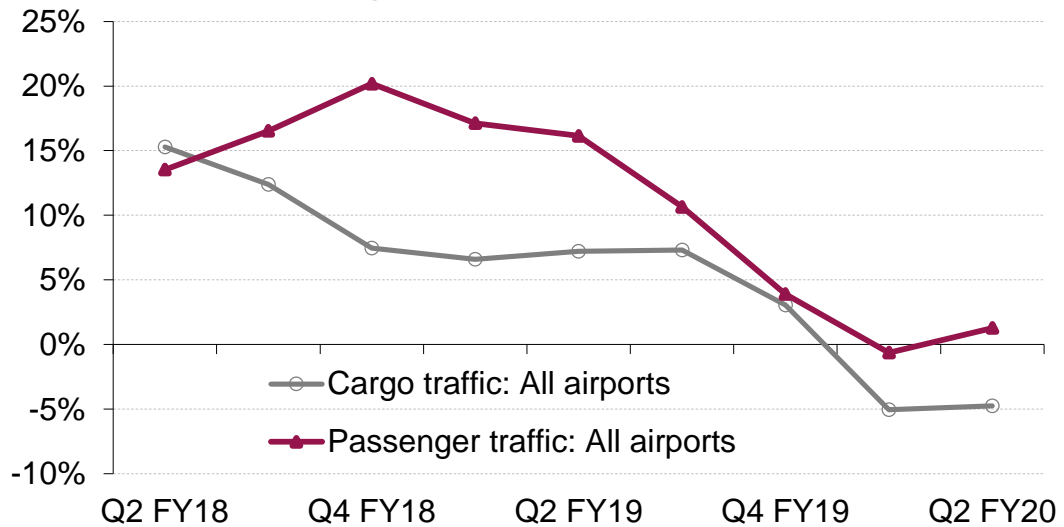


Source: Office of Economic Advisor, Axis Bank Research

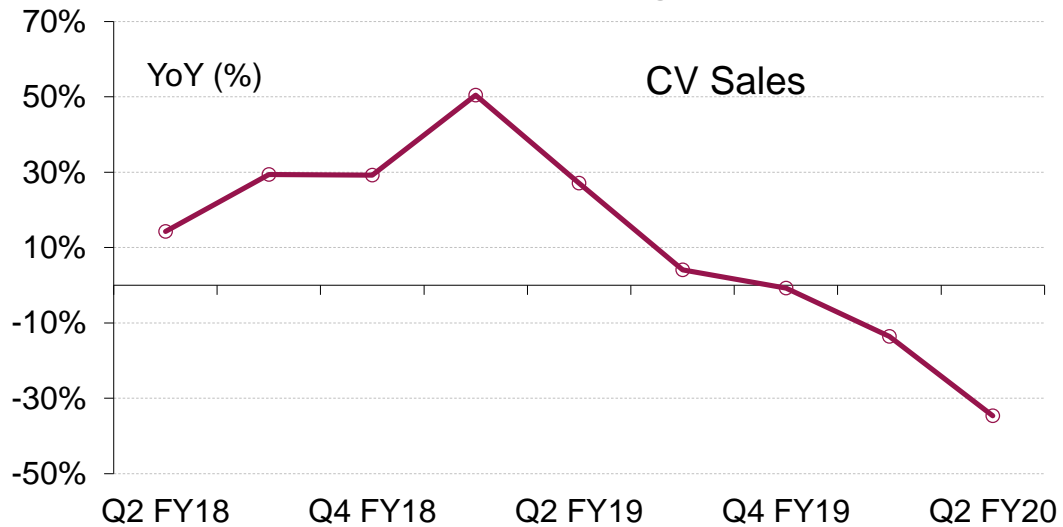
Trade, Hotels, Transportation & Communication+: Indicators signalling further weakening of growth momentum



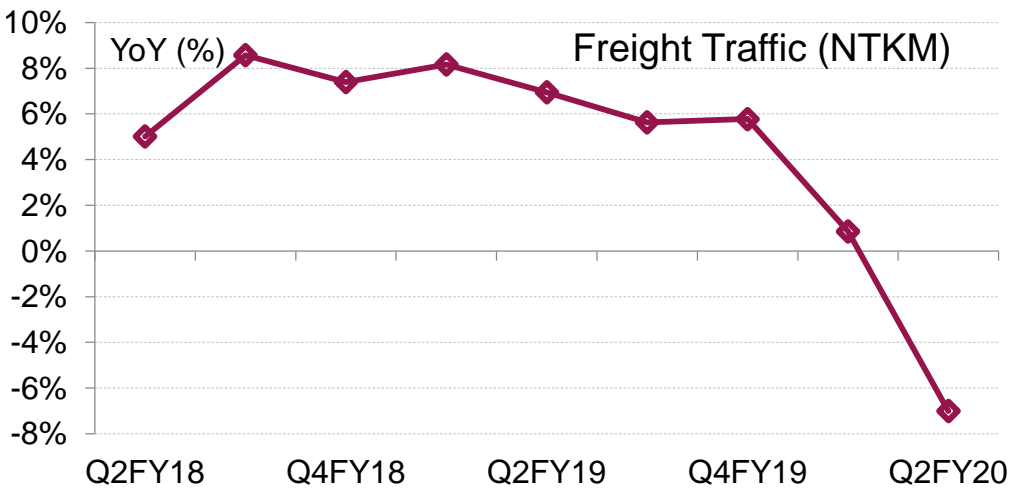
Air Cargo traffic remains in contraction



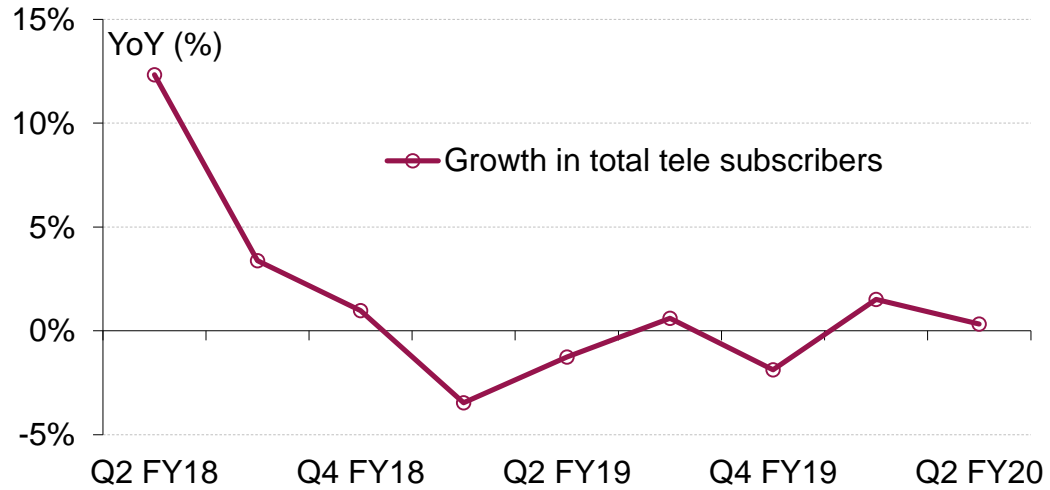
... and CV sales in deep negative...



...rail freight growth contracts in Q2...

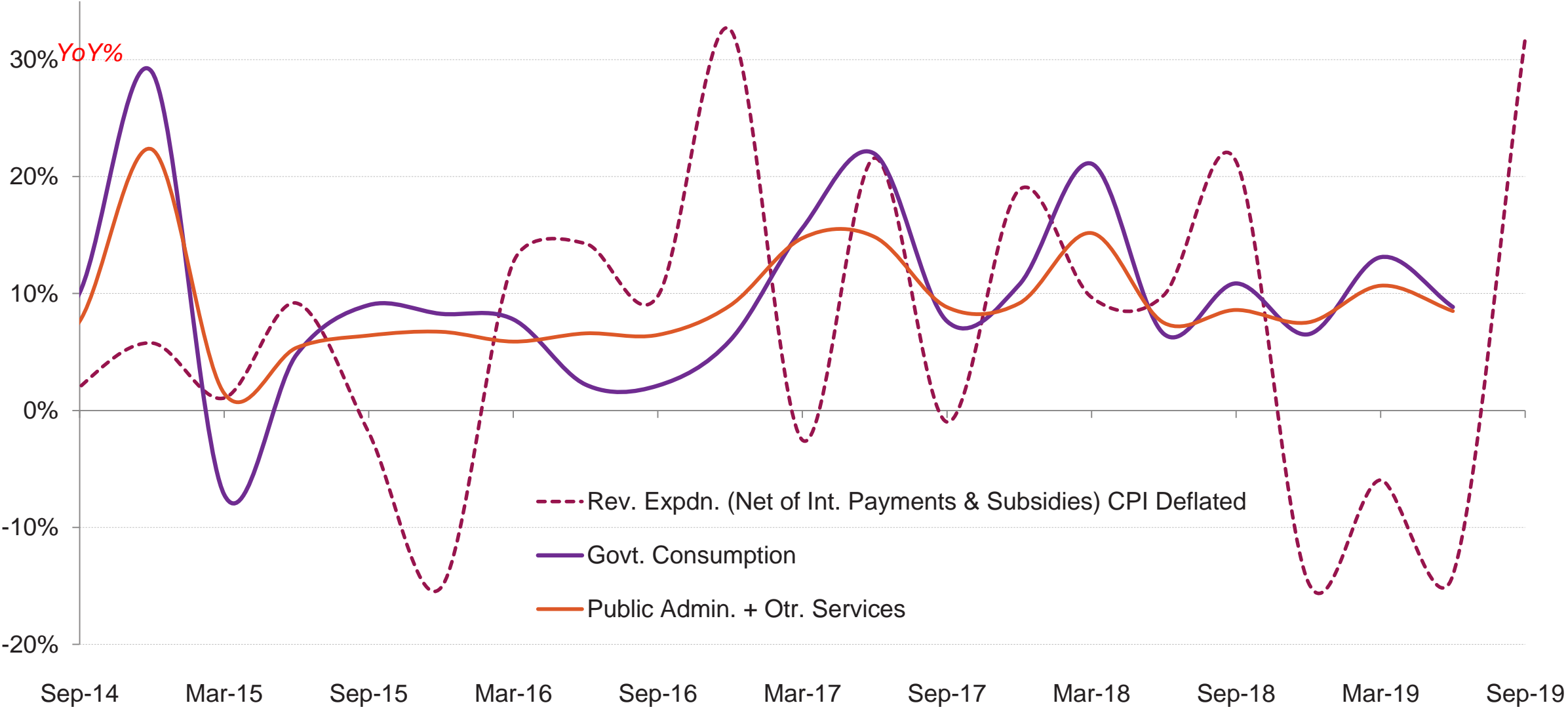


...tele subscribers' mostly flat



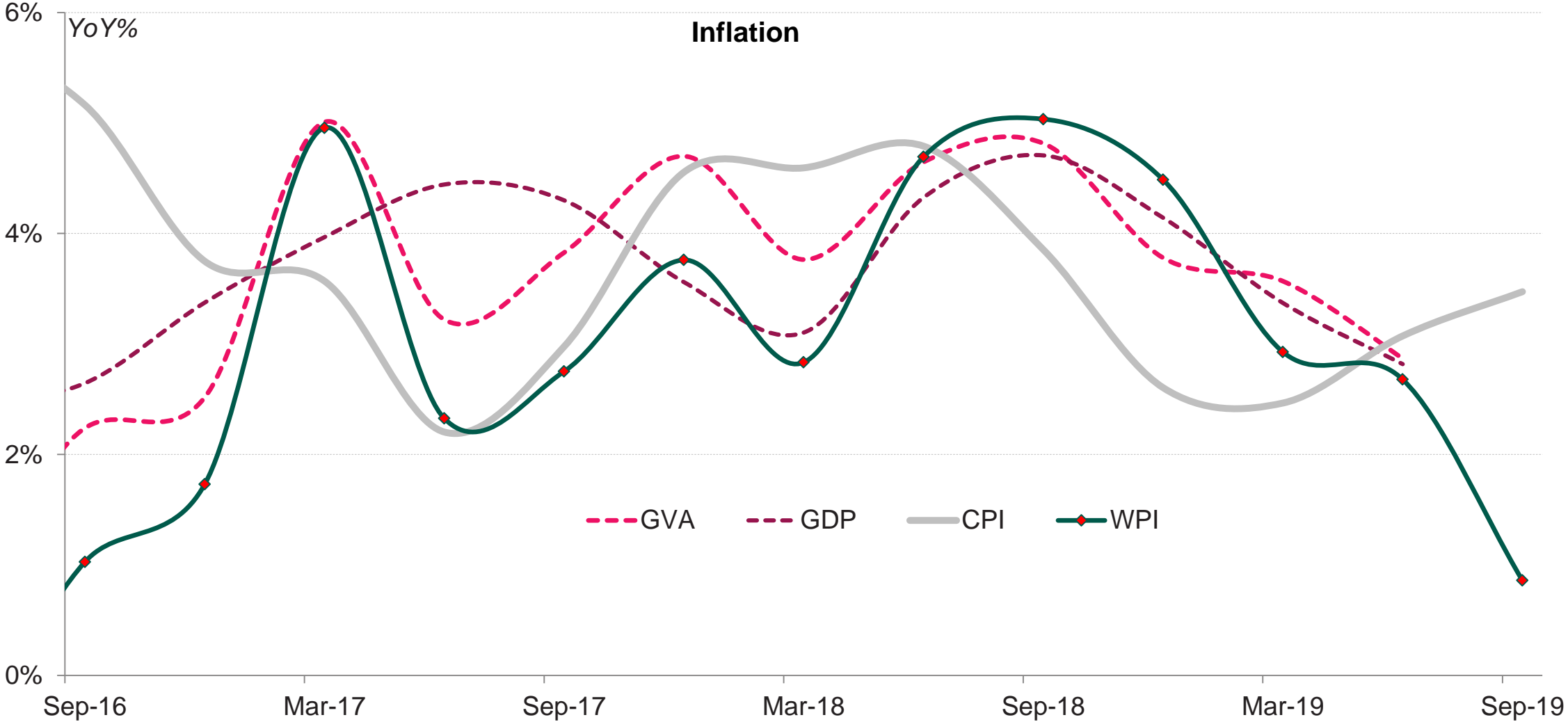
Source: AAI, SIAM, Indian Railways, TRAI, Axis Bank Research

Public Admin+ and government consumption to pick up significantly, in line with higher revenue expenditure in Q2



Source: MOSPI, CAG, Axis Bank Research

GDP deflator likely to fall in line with lower WPI inflation



Source: MOSPI, Axis Bank Research

Thank you

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