

**Business and Economic Research**  
**7<sup>th</sup> January 2019**



**FY19 GDP growth (first advance estimate) at 7.2%;**  
**GVA growth at 7.0%**  
Investments to pick up in H2 while consumption is  
projected to slow

# GDP growth to slow down in H2, as favourable base effect in manufacturing fades; Services to maintain growth momentum

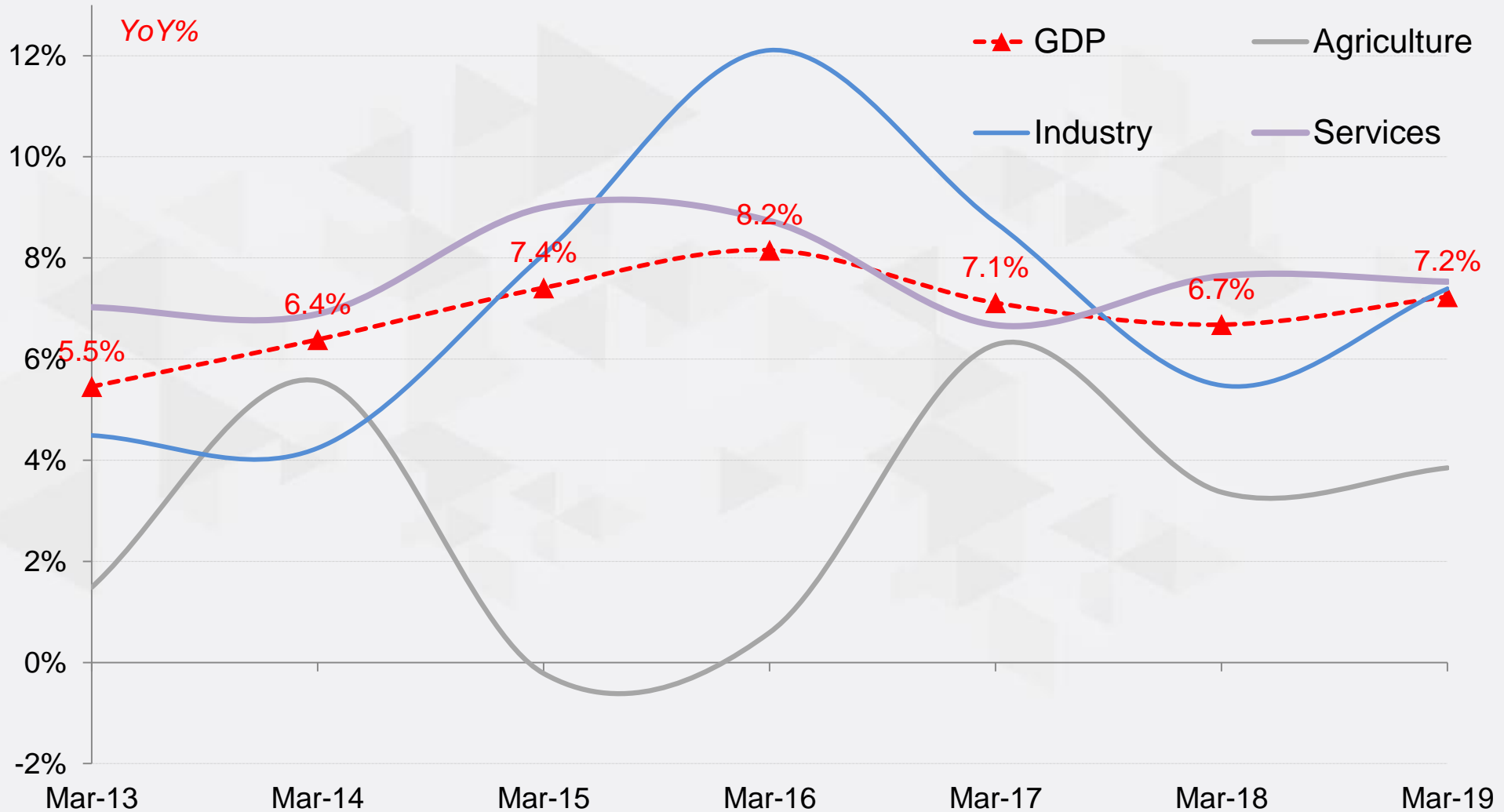
FY19 1<sup>st</sup> Advance Estimates: **GDP growth at 7.2% YoY & GVA growth at 7.0% YoY**

- **Agriculture: 3.8% YoY** (FY18: 3.4%)– growth projected weaker at 3.3% YoY in H2FY19 in comparison to 4.6% YoY growth in H1
- **Industry: 7.4% YoY** (FY18: 5.5%)– growth projected at 6.2% YoY in H2 in comparison to 8.6% in H1 as base effect fades
  - **Manufacturing: 8.3% YoY** FY19 (FY18: 5.7%), boosted by favourable base in H1
  - **Mining: 0.8% YoY** (FY18: 2.9%) and **Electricity: 9.4% YoY** (FY18: 7.2%), both projected up in H2 as seen in recent trends
- **Services: 7.5% YoY** (FY18: 7.6%)– growth projected to be flat in H1 and H2
  - **Construction: 8.9% YoY** (FY18: 5.7%) with significant pickup projected in construction activity in H2
  - **‘Trade+’: 6.9% YoY** (FY18: 8.0%), projected marginally better in H2
  - **‘Financial Services+’: 6.8% YoY** (FY18: 6.6%), to be driven by higher deposit and credit growth in H2, in line with recent trends
  - **‘Public Admin+’: 8.9% YoY** (FY18: 10.0%), to slow down in H2 as government begins to slow pace of expenditure

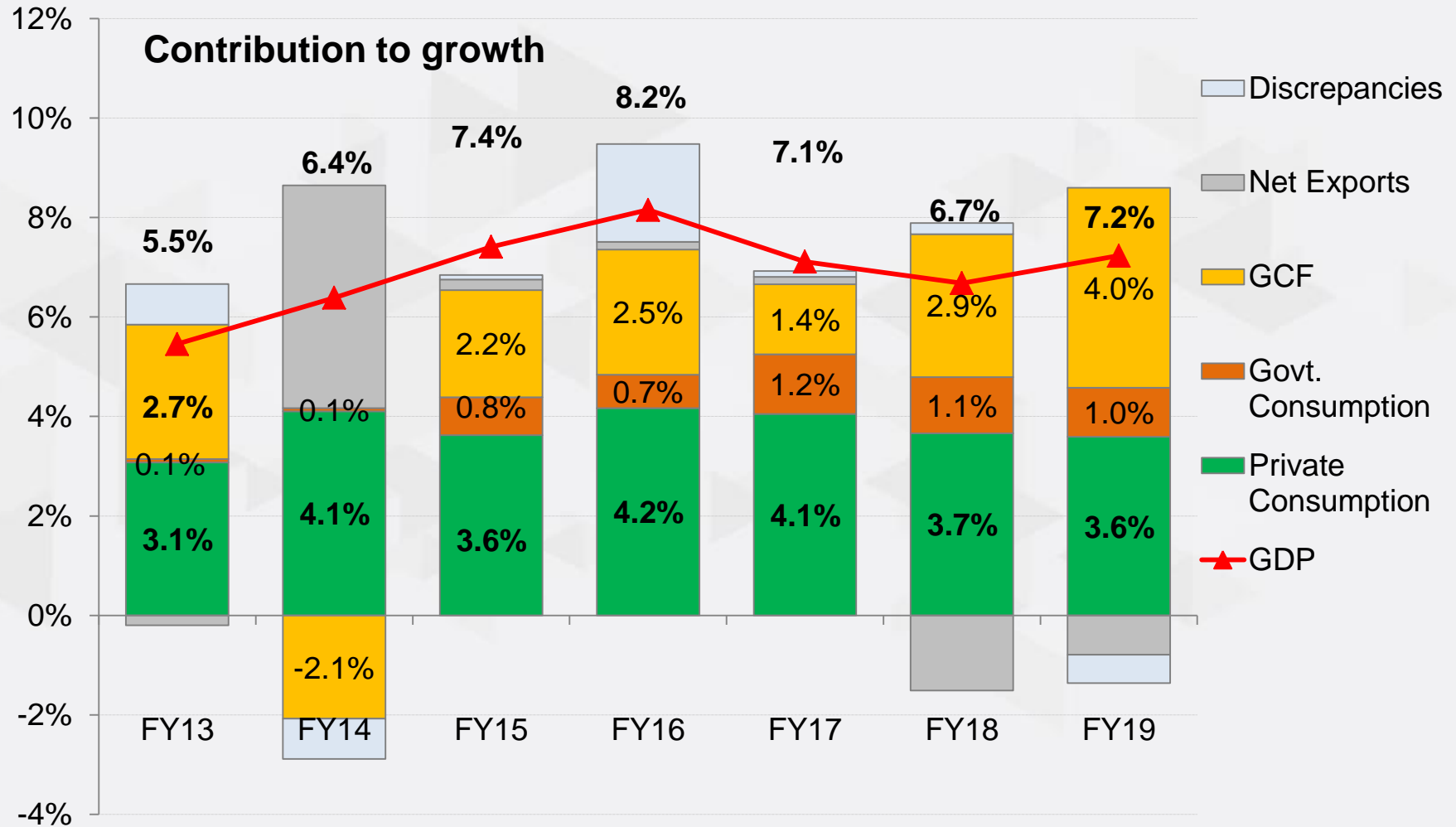
Investments (GFCF) to pick up in H2FY19 while both government and personal expenditure is projected to slow

- **Consumption expenditure: 6.9% YoY** (FY18: 7.2%) – both private and government consumption is projected to slow down in FY19H2
  - **Private Consumption: 6.4% YoY in FY19** (FY18: 6.6%) and **Government Consumption: 9.2% YoY** (FY18: 10.9%)
- **Gross fixed Capital Formation: 12.2% YoY** (FY18: 7.6%), projected up further in H2FY19 to 13% YoY from 11.3% YoY in H1
- **Exports: 12.1% YoY** (FY18: 5.6%) and **Imports: 14.3% YoY** (FY18: 12.4%)
  - Imports growth projected considerably weaker in H2FY19 to 9.7% YoY from 19% YoY growth in H1
  - Exports growth to slow marginally to 11.1% YoY in H2 from 13.1% YoY in H1FY19

# FY19 GDP (1<sup>st</sup> AE) up 7.2%, boosted by favourable base effect in Industry (Manufacturing)



# GCF's contribution to GDP to increase significantly in FY19 while Consumption to witness fall



# Investments (GFCF) to pick up in H2FY19 while Consumption Expenditure is projected to slow down

YoY%	Share FY18	PE 1st AE			FY18		FY19	
		FY17	FY18	FY19	H1	H2	H1	H2
<b>Consumption Expenditure</b>	<b>67%</b>	<b>8.0%</b>	<b>7.2%</b>	<b>6.9%</b>	<b>7.5%</b>	<b>7.0%</b>	<b>8.2%</b>	<b>5.6%</b>
Private Consumption	56%	7.3%	6.6%	6.4%	6.9%	6.3%	7.8%	5.2%
Government Consumption	11%	12.2%	10.9%	9.2%	10.2%	11.7%	10.1%	8.1%
<b>Gross Capital Formation</b>	<b>34%</b>	<b>4.1%</b>	<b>8.6%</b>	<b>11.8%</b>	<b>6.5%</b>	<b>12.6%</b>	<b>10.7%</b>	<b>12.7%</b>
Gross Fixed Capital Formation	31%	10.1%	7.6%	12.2%	3.4%	11.8%	11.3%	13.0%
Changes in Stocks	1%	-61.2%	4.5%	5.8%	1.4%	7.5%	6.1%	5.5%
Valuables	2%	-13.9%	58.8%	7.5%	87%	33%	5%	10%
Exports	20%	5.0%	5.6%	12.1%	6.3%	4.9%	13.1%	11.1%
Less Imports	23%	4.0%	12.4%	14.3%	14.1%	10.7%	19.0%	9.7%
<b>Real GDP</b>	<b>100%</b>	<b>7.1%</b>	<b>6.7%</b>	<b>7.2%</b>	<b>6.0%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>6.8%</b>

**Note:** H2 FY19 growth derived based on 1<sup>st</sup> AE and GDP prints for Q1 and Q2 FY19

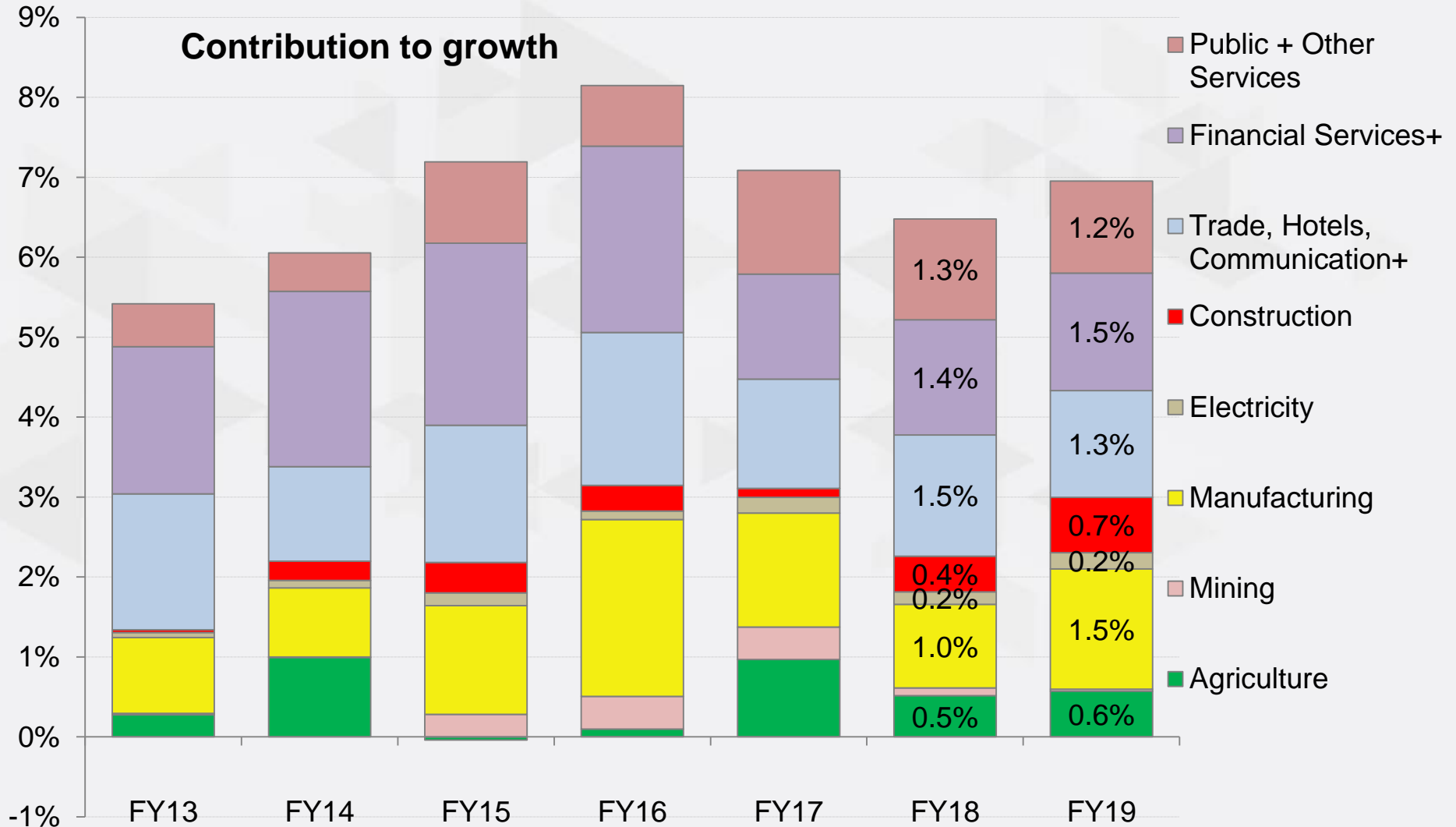
# Manufacturing, Agri and 'Public Admin+' to slow in H2FY19; 'Financial Services+' to drive growth in H2

YoY%	Share	Real Growth 1st AE			FY18		FY19	
Sector	FY18	FY17	FY18	FY19	H1	H2	H1	H2
<b>Agriculture</b>	<b>15%</b>	<b>6.3%</b>	<b>3.4%</b>	<b>3.8%</b>	<b>2.8%</b>	<b>3.7%</b>	<b>4.6%</b>	<b>3.3%</b>
<b>Industry</b>	<b>23%</b>	<b>8.7%</b>	<b>5.5%</b>	<b>7.4%</b>	<b>3.3%</b>	<b>7.6%</b>	<b>8.6%</b>	<b>6.2%</b>
Mining	3%	13.0%	2.9%	0.8%	3.9%	2.1%	(1.0%)	2.4%
Manufacturing	18%	7.9%	5.7%	8.3%	2.6%	8.8%	10.3%	6.4%
Electricity	2%	9.2%	7.2%	9.4%	7.4%	6.9%	8.2%	10.5%
<b>Services</b>	<b>62%</b>	<b>6.7%</b>	<b>7.6%</b>	<b>7.5%</b>	<b>7.4%</b>	<b>7.9%</b>	<b>7.5%</b>	<b>7.5%</b>
Construction	8%	1.3%	5.7%	8.9%	2.5%	9.0%	8.3%	9.5%
Trade, Hotels, Transport, Communication	19%	7.2%	8.0%	6.9%	8.4%	7.6%	6.8%	7.1%
Financial services, Real estate, Professional Services	22%	6.0%	6.6%	6.8%	7.2%	5.9%	6.4%	7.2%
Public Admin, Defence & Other Services	13%	10.7%	10.0%	8.9%	9.6%	10.5%	10.5%	7.4%
<b>Real GVA</b>	<b>100%</b>	<b>7.1%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>5.8%</b>	<b>7.1%</b>	<b>7.4%</b>	<b>6.5%</b>
<b>GDP</b>		<b>7.1%</b>	<b>6.7%</b>	<b>7.2%</b>	<b>6.0%</b>	<b>7.4%</b>	<b>7.6%</b>	<b>6.8%</b>

**Note:** H2 FY19 growth derived based on 1<sup>st</sup> AE and prints for Q1 and Q2 FY19

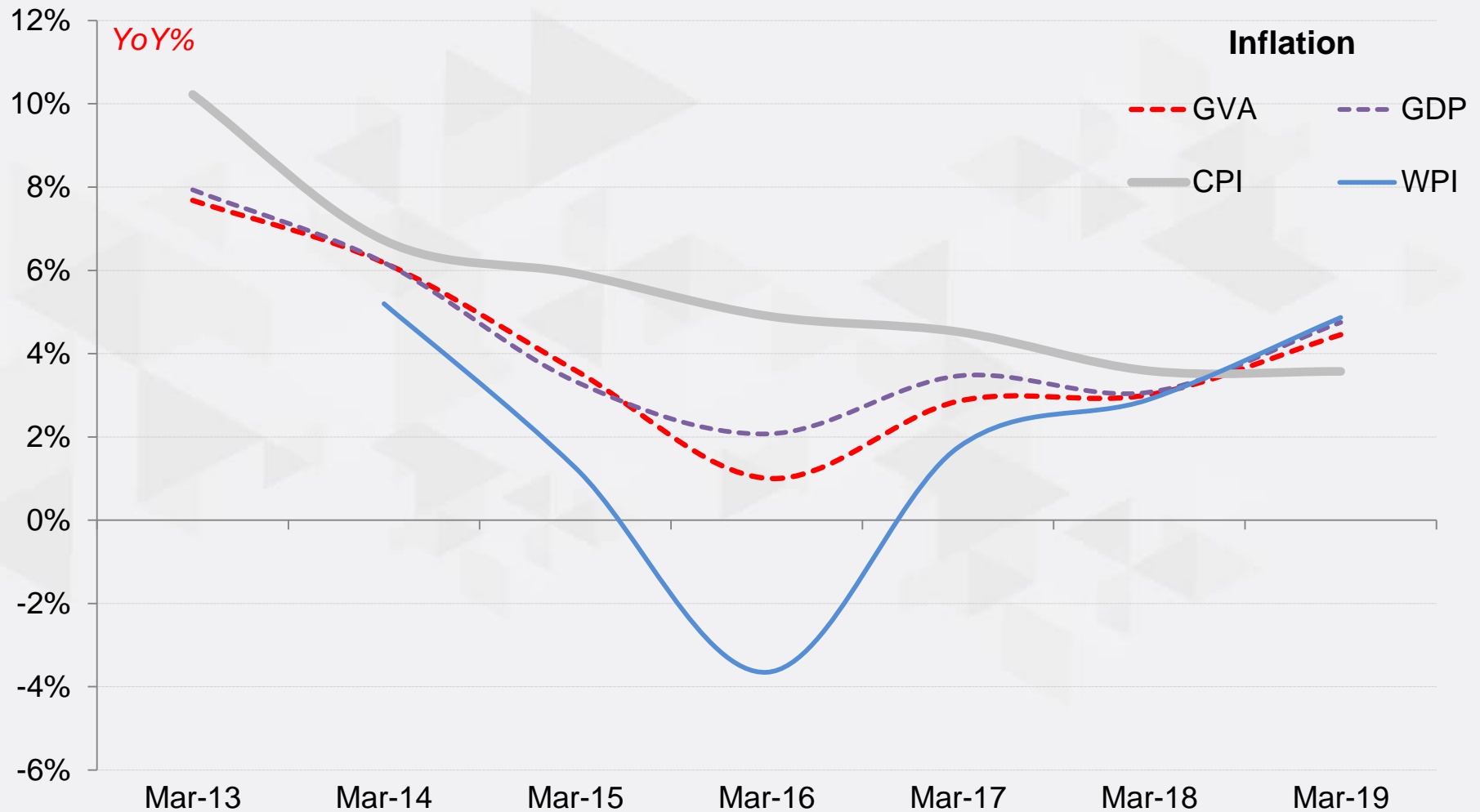
# Increase in Manufacturing's contribution to GDP to more than offset fall in 'Trade+', 'Public Admin+' and Mining

Still, construction and financial services support faster growth





# Divergence seen in WPI and CPI inflation; GDP and GVA deflators expected to track WPI more closely



**Note:** WPI and CPI inflation based on Axis Bank Forecasts

## Axis Bank Business & Economic Research

Saugata Bhattacharya	saugata.bhattacharya@axisbank.com	+ 91 22 2425 2803
Tanay Dalal	tanay.dalal@axisbank.com	+ 91 22 2425 2832
Vikram Chhabra	vikram1.chhabra@axisbank.com	+ 91 22 2425 2819

Thank You

Axis Bank Limited  
Axis House, Bombay Dyeing Mills Compound,  
Pandurang Budhkar Marg,  
Worli, Mumbai 400 025.  
[www.axisbank.com](http://www.axisbank.com)