

**FY19 GDP growth revised down to 7%**

Weaker Rabi agri output, softer industry behind revision

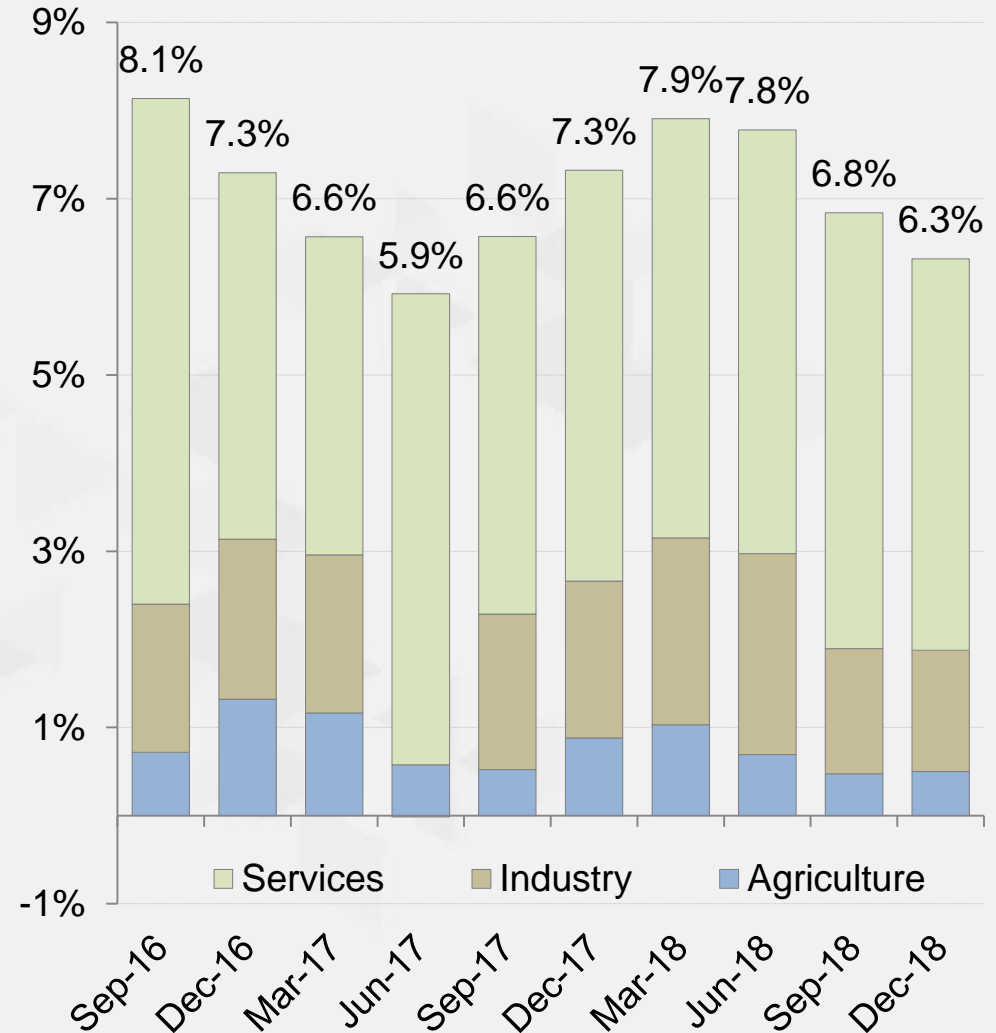
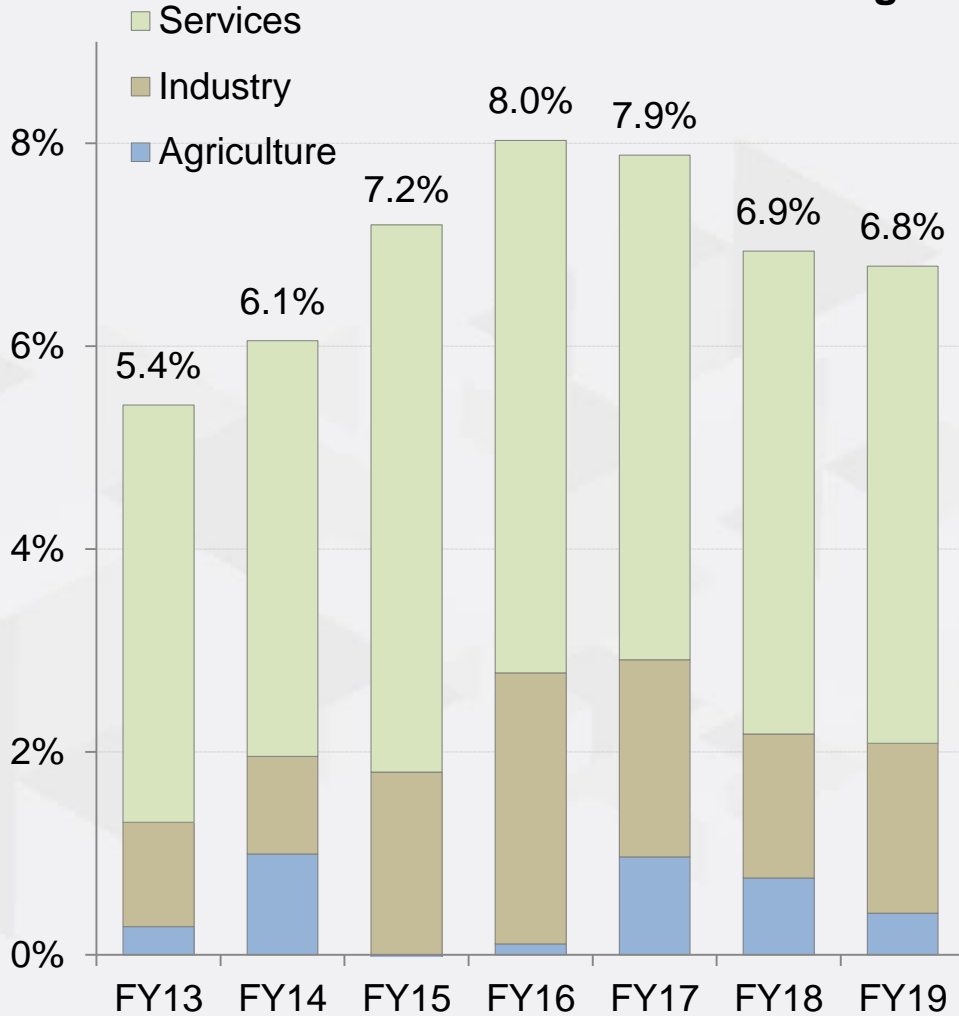
## FY19 GDP growth revised lower with weaker crop production, manufacturing and electricity

FY19 2<sup>nd</sup> Advance Estimates: **GDP growth at 7.0% YoY & GVA growth at 6.8% YoY – Agri: 2.7%, Industry: 7.2% and Services: 7.6%**

- **Major downward revision in Agri from 3.8% seen in 1<sup>st</sup> AE**, likely on account of lower Rabi sowing in cereals & pulses after deficient monsoon in the North-East
- **Industry revised down from 7.2% in 1<sup>st</sup> AE** in line with softer electricity production, IIP manufacturing, and some slowdown in corporate results in the quarter
  - Part of weaker IIP growth is on high base in select items, as well as on slowdown in the auto sector
  - Within industry, mining revised upwards in line with IIP mining
- **Services revised up from 7.5%** as faster financing growth offsets cutback in government spending
  - Bank non food credit growth picked up in Q3, with the retail and services sectors doing well
  - Government revenue expenditure slowed down in Nov and Dec 2018

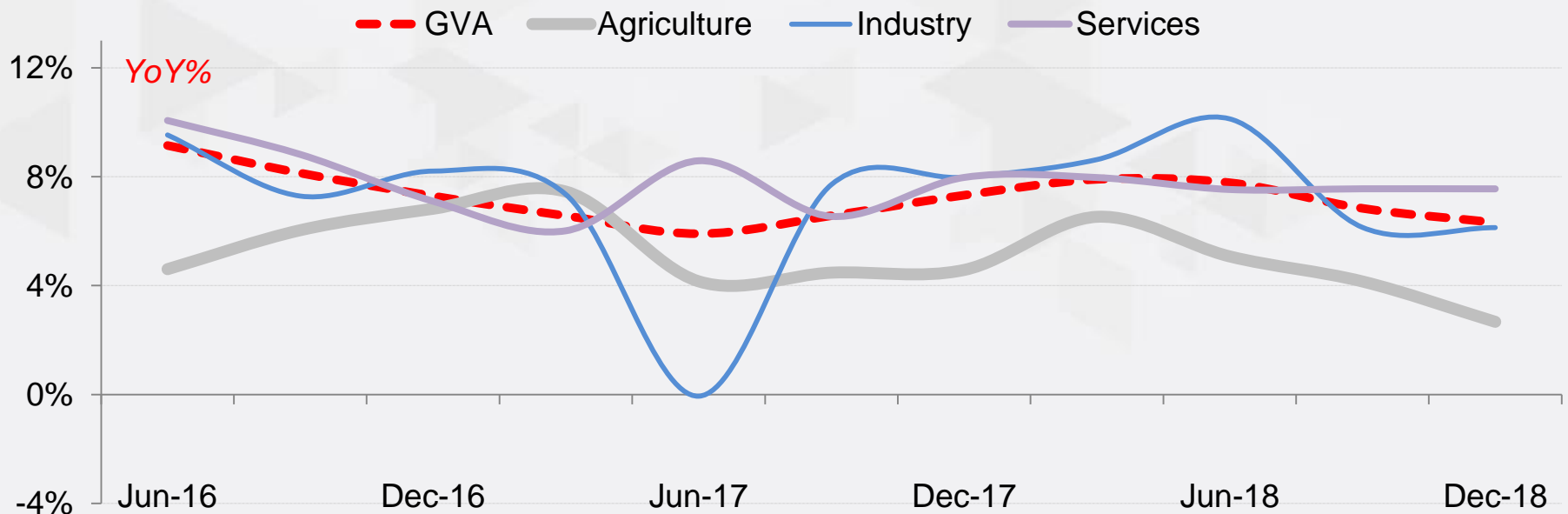
# Growth weaker for second consecutive reading on both a quarterly and annual basis

## GVA growth trends (% , yoy)



# Quarterly numbers extend declining trend, as lower crop production numbers hurt

YoY%	Share	Real Growth					FY18				FY19			
Sector	FY18	FY16	FY17	FY18	FY19	1st AE	2nd AE	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Agriculture</b>	<b>15%</b>	0.6%	6.3%	5.0%	3.8%	2.7%		4.2%	4.5%	4.6%	6.5%	5.1%	4.2%	2.7%
<b>Industry</b>	<b>23%</b>	11.9%	8.3%	6.1%	7.4%	7.2%		(0.1%)	7.7%	8.0%	8.6%	10.1%	6.1%	6.1%
<b>Services</b>	<b>62%</b>	8.6%	8.1%	7.8%	7.5%	7.6%		8.6%	6.5%	8.0%	8.0%	7.5%	7.6%	7.6%
<b>Real GVA (Basic Prices)</b>	<b>100%</b>	<b>8.0%</b>	<b>7.9%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>6.8%</b>		<b>5.9%</b>	<b>6.6%</b>	<b>7.3%</b>	<b>7.9%</b>	<b>7.8%</b>	<b>6.8%</b>	<b>6.3%</b>
<b>GDP</b>		<b>8.0%</b>	<b>8.2%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.0%</b>		<b>6.0%</b>	<b>6.8%</b>	<b>7.7%</b>	<b>8.1%</b>	<b>8.0%</b>	<b>7.0%</b>	<b>6.6%</b>



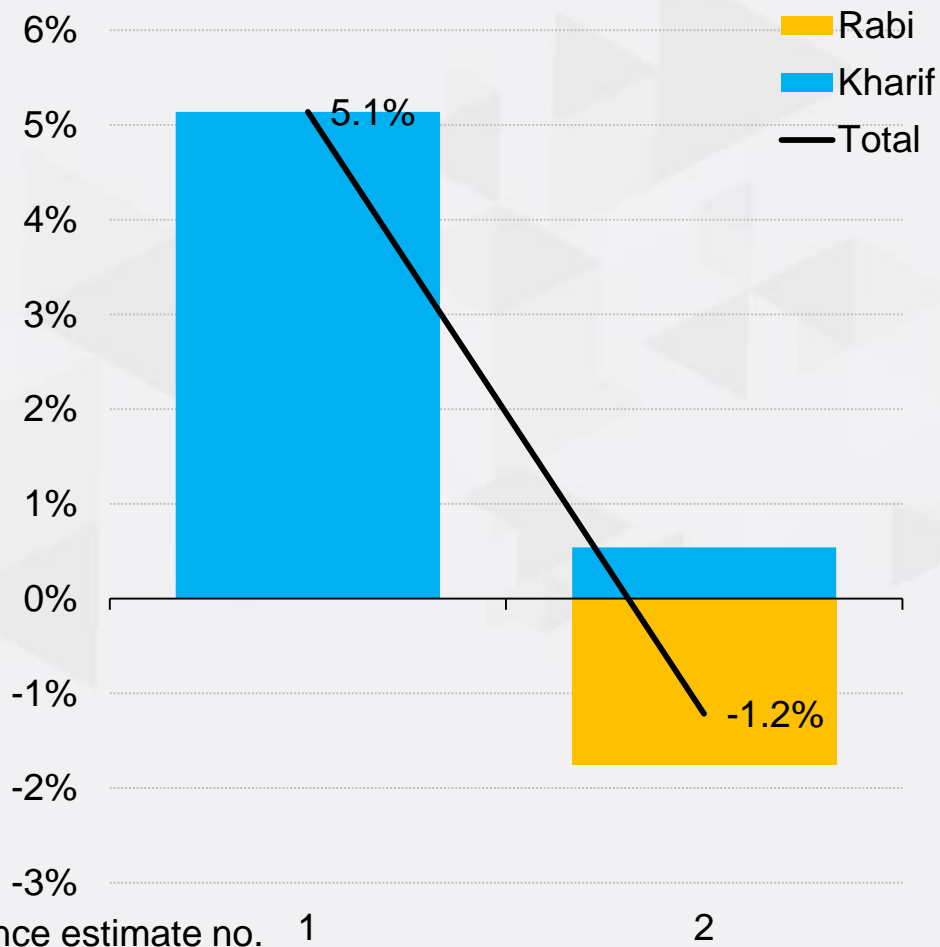
# Stronger credit growth recently boosts GVA, despite slowdown in government expenditure

YoY%	Share	FY17	FY18	FY19	FY19	Change
Sector	FY19	2 RE	1 RE	1AE	2 AE	2AE-1AE
<b>Agriculture</b>	<b>14.3%</b>	<b>6.3%</b>	<b>5.0%</b>	<b>3.8%</b>	<b>2.7%</b>	<b>-1.1%</b>
<b>Industry</b>	<b>23.3%</b>	<b>8.3%</b>	<b>6.1%</b>	<b>7.4%</b>	<b>7.2%</b>	<b>-0.2%</b>
Mining	2.9%	9.5%	5.1%	0.8%	1.2%	0.4%
Manufacturing	18.2%	7.9%	5.9%	8.3%	8.1%	-0.2%
Electricity	2.2%	10.0%	8.6%	9.4%	8.0%	-1.4%
<b>Services</b>	<b>62.4%</b>	<b>8.1%</b>	<b>7.8%</b>	<b>7.5%</b>	<b>7.6%</b>	<b>0.1%</b>
Construction	8.2%	6.1%	5.6%	8.9%	8.9%	0.0%
Trade, Hotels, Transport, Communication	19.1%	7.7%	7.8%	6.9%	6.8%	-0.1%
Financial services, Real estate, Professional Services	22.0%	8.7%	6.2%	6.8%	7.3%	0.5%
Public Admin, Defence & Other Services	13.1%	9.2%	11.9%	8.9%	8.5%	-0.4%
<b>Real GVA</b>	<b>100.0%</b>	<b>7.9%</b>	<b>6.9%</b>	<b>7.0%</b>	<b>6.8%</b>	<b>-0.2%</b>
<b>GDP</b>		<b>8.2%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.0%</b>	<b>-0.3%</b>

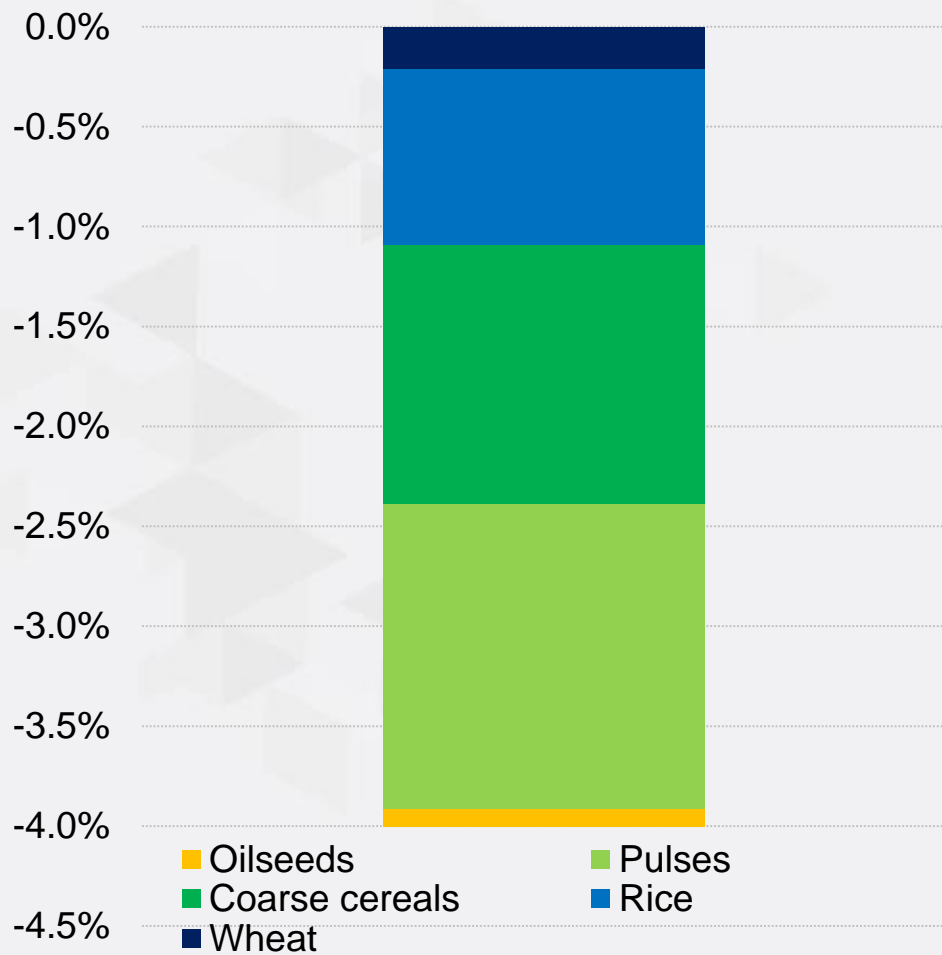
AE: Advance Estimate

# Weaker Rabi sowing and crop production hurt growth numbers

### Production, YoY%



### Rabi sowing pattern, YoY%



## On the expenditure side, weaker capex trends and slower GOI expenditure offset partly by household spending

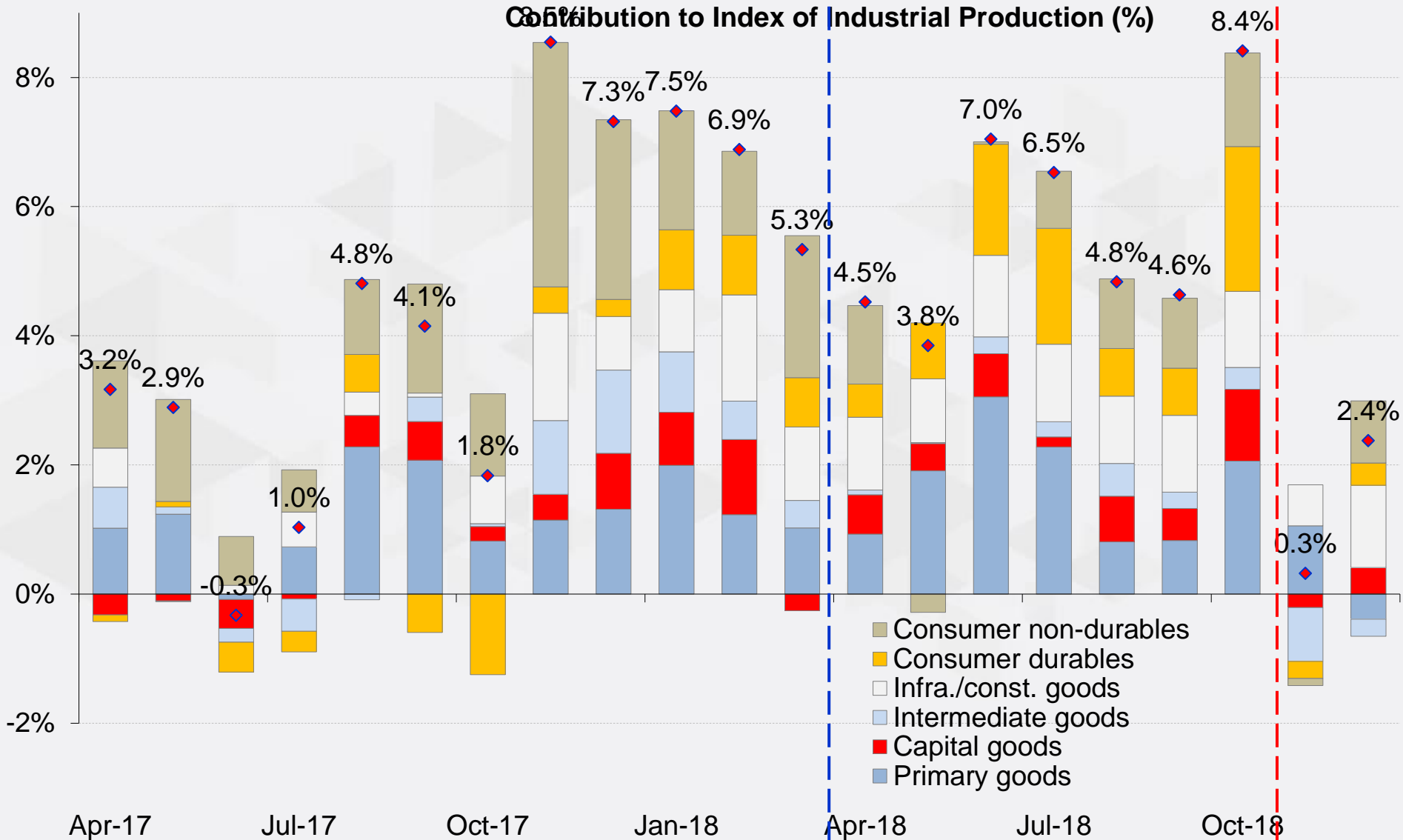
- **Consumption expenditure revised up to 8.4% from 6.9% earlier**, with stronger growth in private consumptions offsetting slowdown seen in government spending in Q3
- **Gross capital formation revised down to 9.4% from 11.8% earlier, in line with fixed capital formation and valuables**
  - Gross fixed capital formation revised down to 10% in line with weaker demand trends seen in high frequency indicators
  - Valuables growth lower in line with weaker net imports of gold & stones seen during the Q3 festive season than in FY18; revision will be offset in net trade
- **Net exports revised down to 27.9% from 33.6%**
  - Revision of exports up by 1.4% outweighed by that in imports of 1.3% given larger weight of the latter

On expenditure side, weakness in capital investment (valuables adjusts through imports)

YoY%	Share	FY17	FY18	1st AE	2nd AE	Change
	FY19	2 RE	1 RE	FY19	FY19	2AE-1AE
<b>Consumption Expenditure</b>	<b>67.6%</b>	<b>7.8%</b>	<b>8.6%</b>	<b>6.9%</b>	<b>8.4%</b>	<b>1.5%</b>
Private Consumption	<b>57.0%</b>	8.2%	7.4%	6.4%	8.3%	1.9%
Government Consumption	10.6%	5.8%	15.0%	9.2%	8.9%	-0.3%
<b>Gross Capital Formation</b>	<b>34.8%</b>	<b>5.8%</b>	<b>8.0%</b>	<b>11.8%</b>	<b>9.4%</b>	<b>-2.4%</b>
Gross Fixed Capital Formation	32.3%	8.3%	9.3%	12.2%	10.0%	-2.2%
Changes in Stocks	1.1%	(48.2%)	21.2%	5.8%	5.3%	-0.5%
Valuables	1.4%	(18.9%)	27.4%	7.5%	0.6%	-6.9%
<b>Net Exports</b>	<b>(4.3%)</b>	<b>(7.2%)</b>	<b>263.1%</b>	<b>33.6%</b>	<b>27.9%</b>	<b>-5.7%</b>
Exports	21.0%	5.1%	4.7%	12.1%	13.4%	1.4%
Less Imports	25.3%	4.4%	17.6%	14.3%	15.7%	1.3%
Discrepancies	1.9%	239.7%	42.3%	(33.2%)	(28.0%)	5.2%
<b>Real GDP</b>	<b>100.0%</b>	<b>8.2%</b>	<b>7.2%</b>	<b>7.2%</b>	<b>7.0%</b>	<b>-0.3%</b>



# IIP: Auto slowdown also affected contribution of durables, but capital goods and non durables (food) doing well

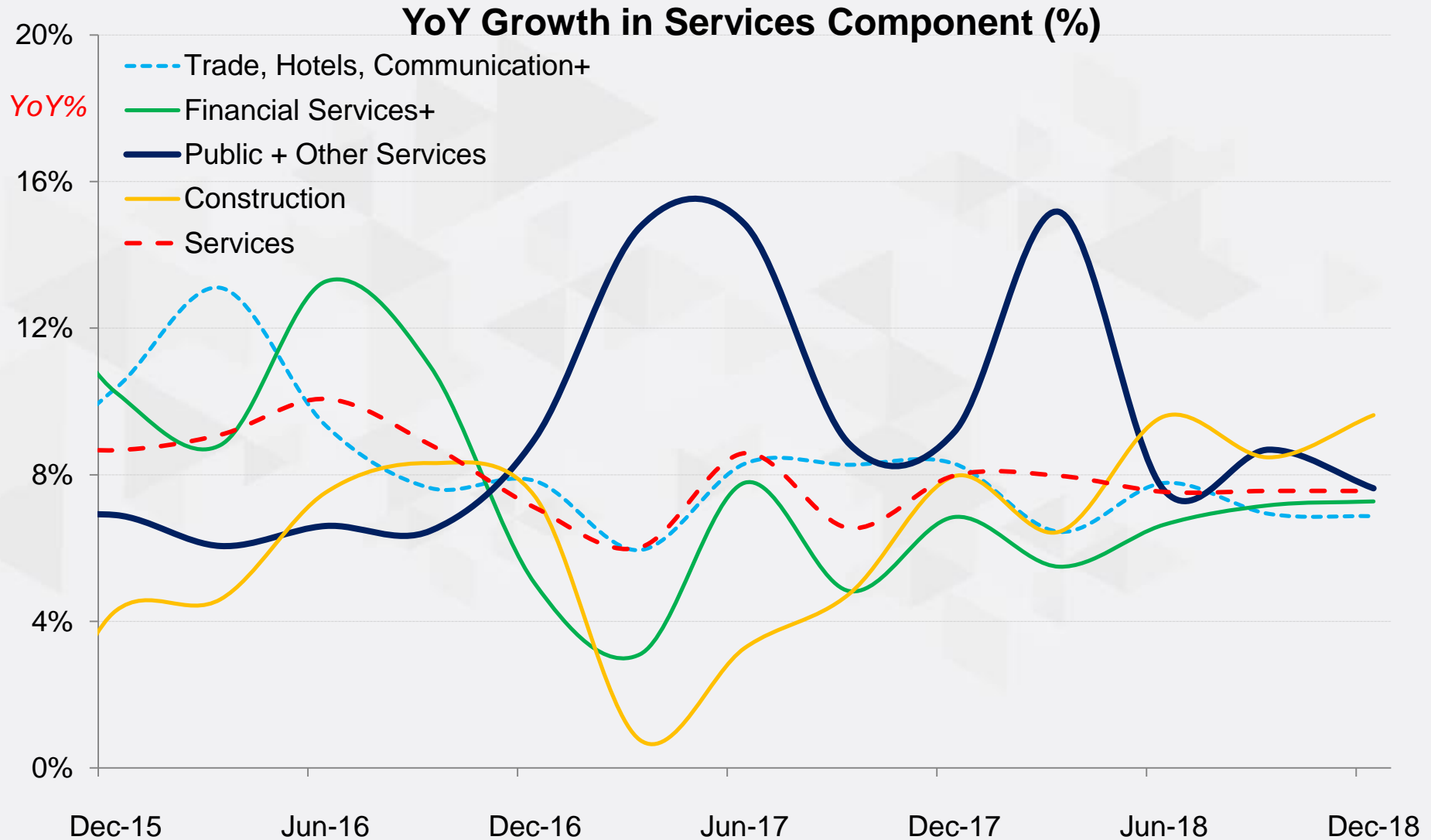


Signs of a slowdown by sectors (reds dominate), but generally not sharp and profits remain intact, raw material costs steady

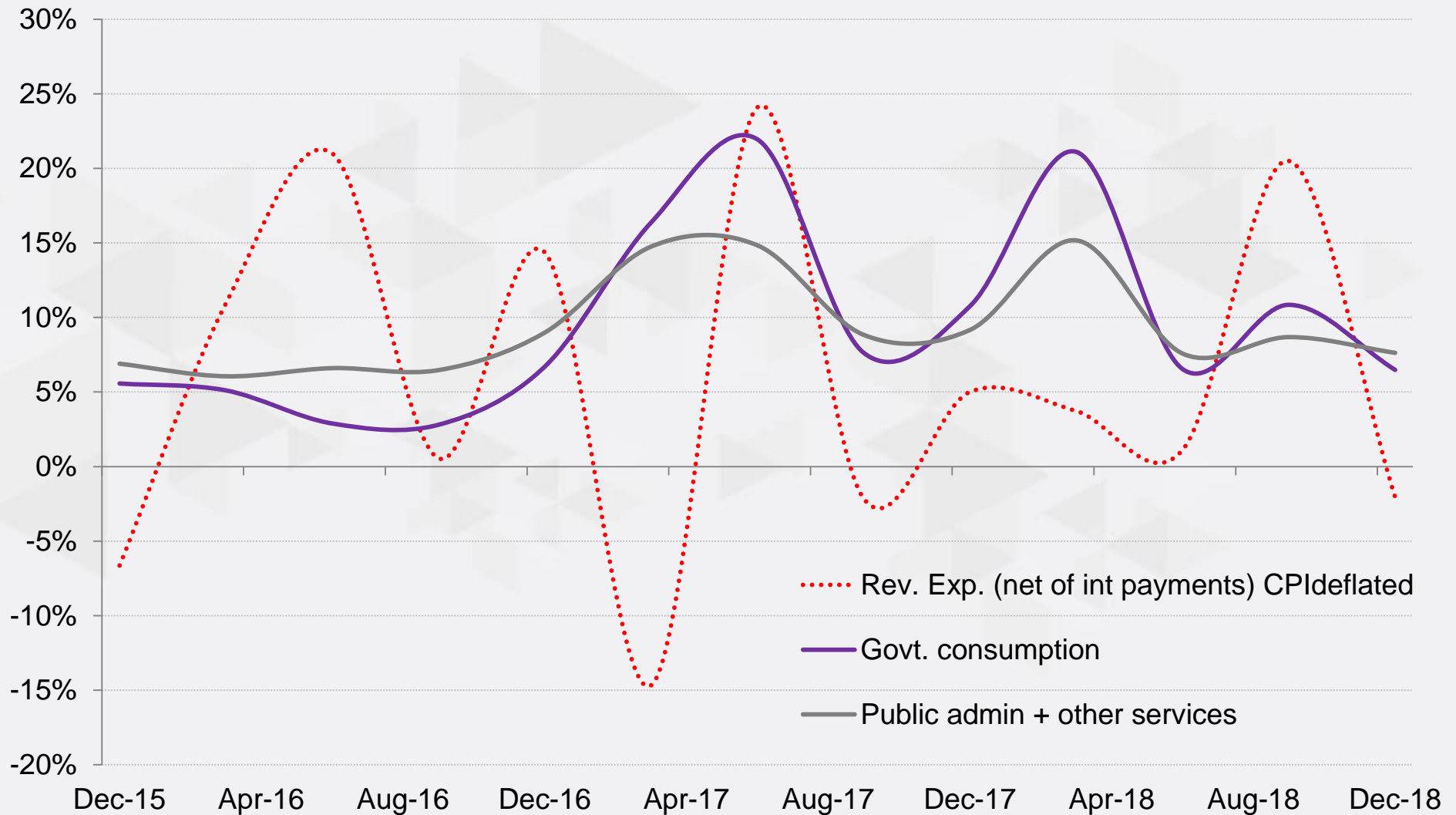
### Q3 FY19 corporate results

	# of cos	Net sales (y-o-y %)			Operating margin (%)			RM cost (% of sales)		
		Dec-18	Sep-18	Dec-17	Dec-18	Sep-18	Dec-17	Dec-18	Sep-18	Dec-17
Auto	12	8.8%	7.8%	13.9%	12.3%	15.0%	15.7%	60.5%	58.7%	58.3%
Auto Ancillaries	64	12.6%	16.3%	24.8%	10.8%	11.2%	11.8%	56.4%	57.3%	57.4%
Cement	24	14.1%	10.7%	20.3%	14.9%	14.3%	15.4%	18.4%	16.4%	18.8%
Chemicals	197	16.5%	20.7%	15.6%	13.4%	14.4%	15.0%	50.1%	50.7%	50.6%
Pharma	76	14.2%	9.8%	9.5%	22.3%	21.9%	22.8%	26.7%	25.8%	24.8%
Cap Goods	135	13.5%	24.3%	9.8%	11.8%	11.6%	10.8%	49.0%	46.2%	48.8%
Steel	50	18.6%	34.4%	28.6%	15.4%	17.3%	12.8%	41.8%	42.5%	42.5%
FMCG	87	12.0%	10.3%	8.5%	21.7%	22.0%	22.1%	42.7%	43.6%	43.7%
Textiles	118	13.3%	20.2%	25.9%	15.1%	8.7%	13.9%	38.3%	37.9%	39.7%
Power	19	13.9%	12.5%	1.3%	32.8%	25.4%	33.8%	1.7%	1.5%	1.7%
Construction	36	23.1%	26.9%	7.9%	16.9%	10.9%	18.4%	14.3%	15.2%	14.3%
Hotels	21	6.1%	11.5%	6.0%	23.5%	9.1%	23.0%	14.7%	16.2%	14.3%
IT	92	13.2%	14.0%	4.5%	19.0%	20.2%	19.6%	-0.2%	0.5%	-0.4%
Telecom	16	16.9%	-3.7%	-14.1%	18.6%	18.2%	27.9%	2.4%	2.5%	2.3%
Real Estate	49	19.8%	27.0%	0.4%	24.2%	25.2%	29.2%	3.2%	6.4%	10.0%
Aggregate	1160	14.2%	17.3%	14.5%	16.1%	15.9%	16.6%	33.6%	34.4%	33.9%
Manufacturing	945	13.4%	17.1%	17.8%	15.3%	15.5%	15.5%	44.0%	44.2%	44.2%
Services	215	16.6%	18.0%	5.9%	18.5%	16.9%	19.6%	4.8%	5.3%	4.4%
Services (Ex-IT)	123	22.0%	25.1%	8.4%	17.9%	11.8%	19.5%	12.1%	12.9%	12.1%

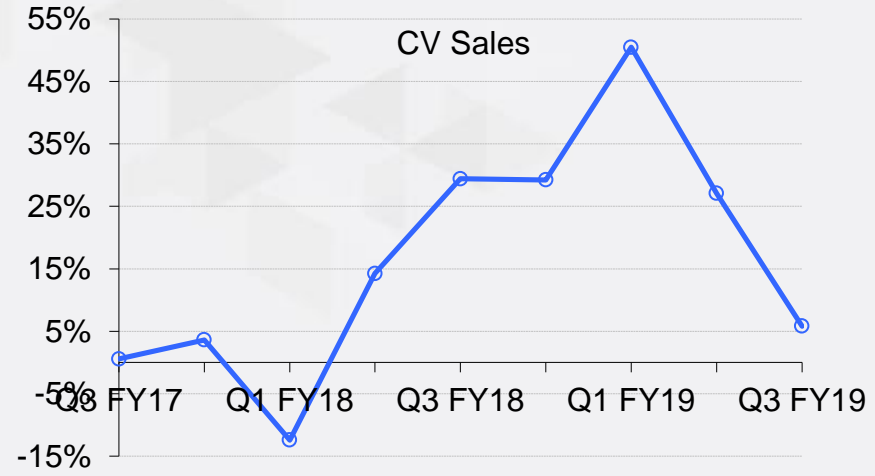
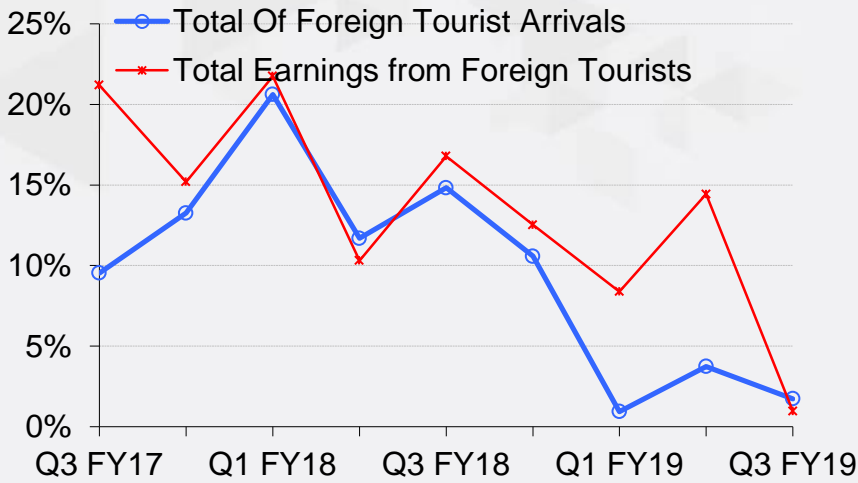
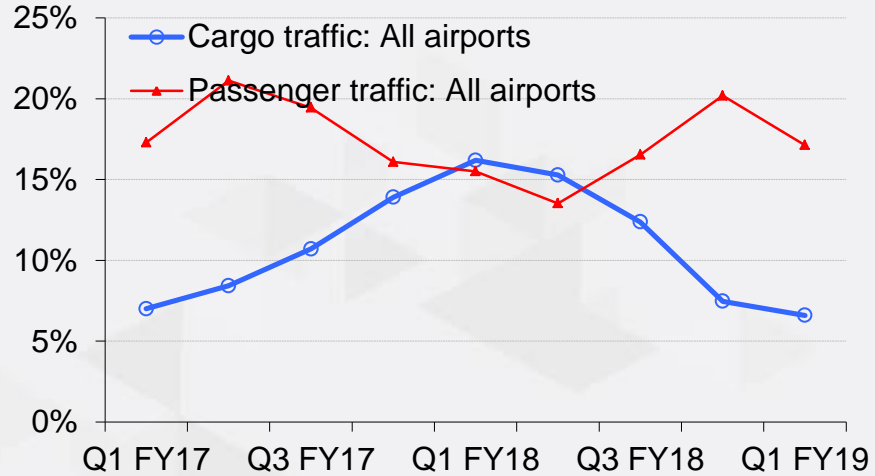
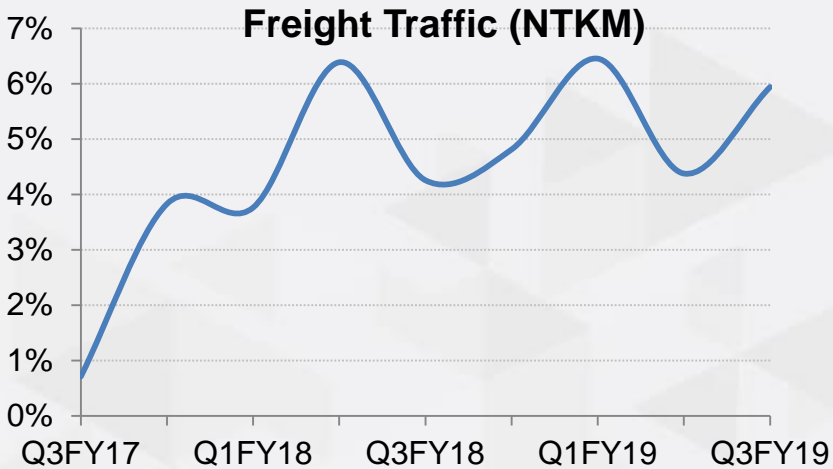
Services: Financial services, boosted by credit growth, compensate for slowdown in GOI spending seen in Q3



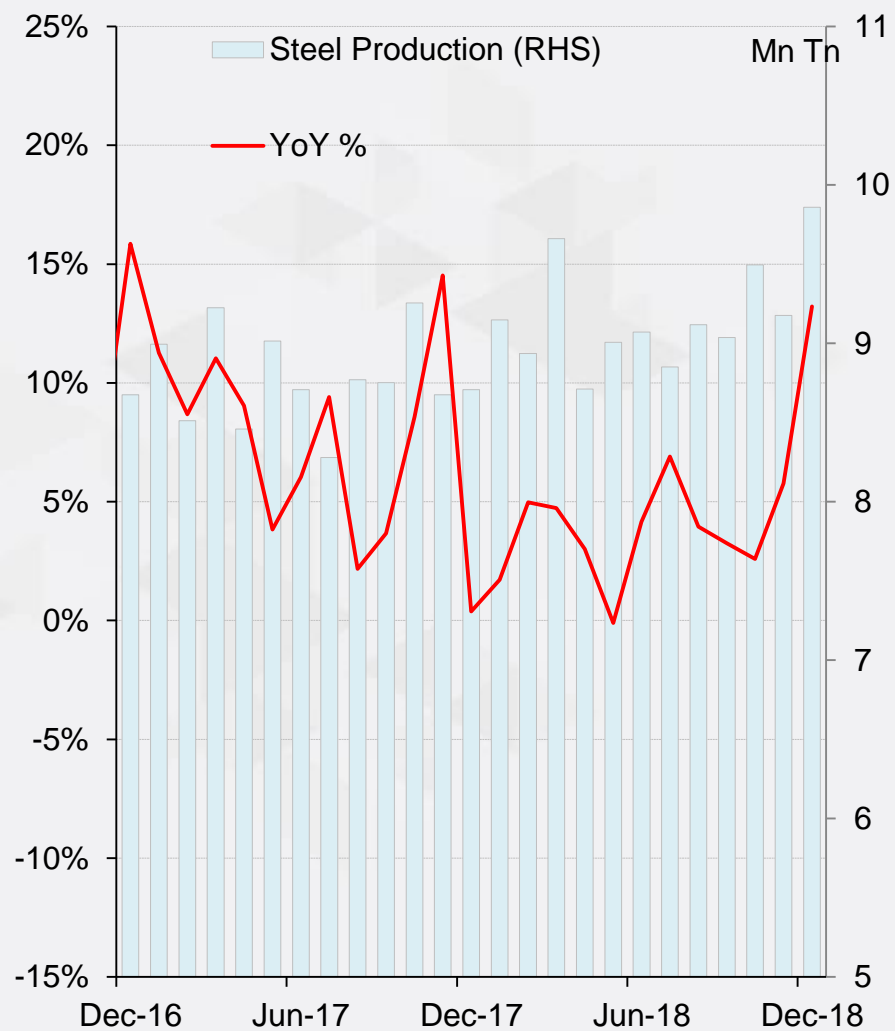
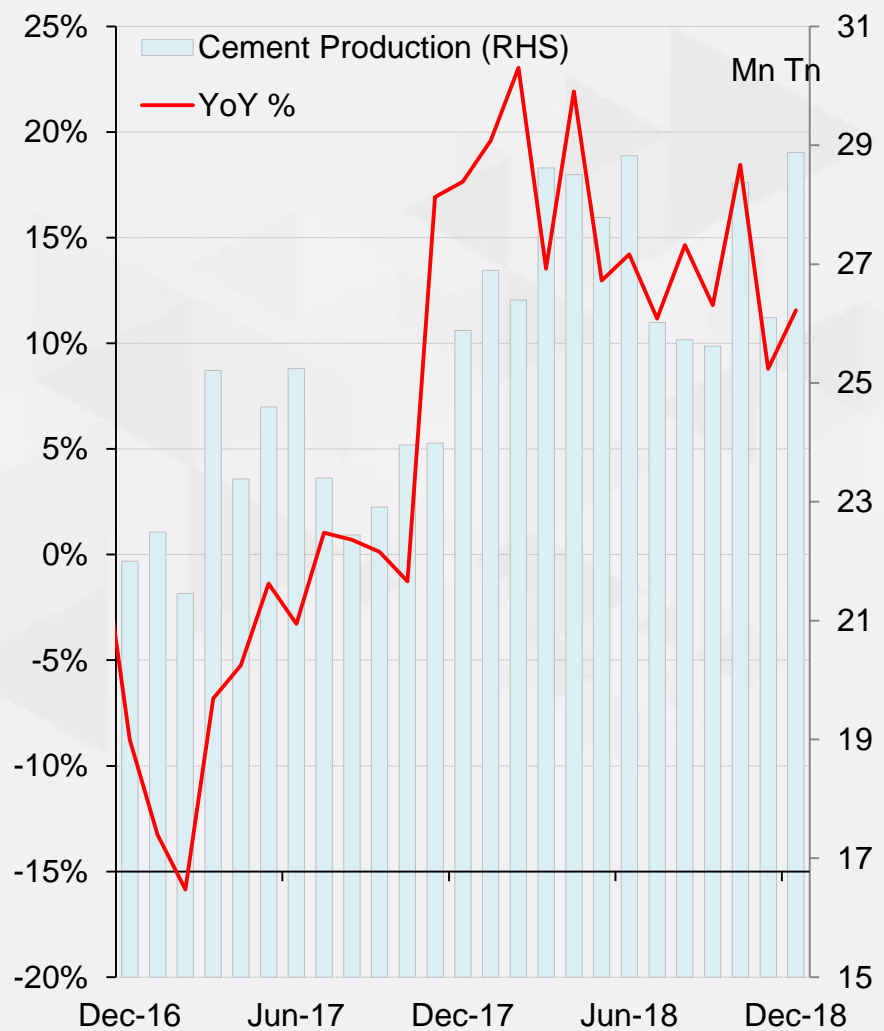
# Expenditure of the central government slowed sharply in Q3, leading to the downward revision



# Other services numbers provide a mixed picture



# Construction supported by stronger steel, and slightly weaker (but still strong) cement



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Thank You

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