

1<sup>ST</sup> RE OF NATIONAL INCOME

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**FY20 growth revised to 4%**

**CSO has revised FY20 growth to 4% from 4.2%. However, FY19 growth has been revised upwards to 6.5% (6.1% earlier). The downward revision in FY20 is led by lower government spending and lower manufacturing activity. Public investment fell considerably. So did real estate. With lower investment and consumption, India's saving rate increased in FY20 to 31.4% of GDP (30.6% in FY19). Investment and consumption have fallen further in FY21. Thus the Budget will look at kickstarting public and private investment cycle.**

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**GDP growth for FY20 estimated at 4%:** GDP growth for FY20 was revised lower to 4% from 4.2% estimated earlier. However, FY19 growth has been revised up from 6.1% to 6.5%. In addition, government final consumption expenditure increased by 7.9% as against 11.8% estimated earlier in FY20. Apart from this, valuables and inventory drawdown too was a drag on growth. In contrast to this, GVA growth for FY20 was revised upwards to 4.1% versus 3.9% earlier led by upward revision in agriculture (now at 4.3% versus 4% earlier) and services (now at 7.2% versus 5.5% earlier). Industrial sector saw downward revision to growth estimates led by manufacturing (-2.4% now versus flat earlier) and mining (-2.5% versus 3.1% earlier).

**Investment demand falls...:** Investment demand as measured by nominal GFCF moderated from 14.5% in FY19 to 6.1% in FY20. Public investment moderated from 16.4% in FY19 to 5.5% in FY20. Private corporate investment increased by 9% instead of 11.8% in FY19. Even household investment has risen by only 4% compared with 15.7% in FY19, within which real estate investments contracted by 1.1% from an increase of 19.3% in FY19. Investments have fallen further in FY21 and require step-up led by public investment in the Budget.

**...Savings rate went up, thus current account deficit fell:** India's savings rate rose to 31.4% of GDP in FY20 from 30.6% in FY19. This was led by increase in government savings from 2.2% to 2.9% followed by household savings from 19.3% to 19.6%. Net financial savings were higher at 8% from 7.2% in FY19. Concurrently, the current account deficit fell to 0.9% in FY20 from 2.1% in FY19. In FY21, India will see a current account surplus in the range of 1-1.5% of GDP. The above backdrop also calls for kickstarting private and public investment cycle through higher public capex, in part funded by monetization of existing assets.

**KEY HIGHLIGHTS**

- GDP growth for FY19 revised higher to 6.5% from 6.1%; GVA growth estimated lower at 5.9% versus 6%.
- GDP growth in FY20 estimated lower at 4% from 4.2%; GVA growth revised up to 4.1% versus 3.9% estimated earlier.
- Both investment and consumption demand fell in FY2, thus savings rate increased.



**FIG 1 – GDP GROWTH IN FY20 LOWER THAN EARLIER ESTIMATION**

(% YoY)	FY19 <sup>#</sup>		FY20 <sup>@</sup>	
	Earlier	Now	Earlier	Now
<b>Agriculture, forestry and fishing</b>	<b>2.4</b>	<b>2.6</b>	<b>4.0</b>	<b>4.3</b>
<b>Industry</b>	<b>4.9</b>	<b>5.3</b>	<b>0.9</b>	<b>(1.2)</b>
Mining and quarrying	(5.8)	0.3	3.1	(2.5)
Manufacturing	5.7	5.3	0.0	(2.4)
Electricity, gas, water supply and other utility services	8.2	8.0	4.1	2.1
Construction	6.1	6.3	1.3	1.0
<b>Services</b>	<b>7.7</b>	<b>7.2</b>	<b>5.5</b>	<b>7.2</b>
Trade, hotels, transport, communication & services related to broadcasting	7.7	7.1	3.6	6.4
Financial, real estate & professional services	6.8	7.2	4.4	7.3
Public administration and defence	9.4	7.4	9.9	8.3
<b>GVA at basic prices</b>	<b>6.0</b>	<b>5.9</b>	<b>3.9</b>	<b>4.1</b>
<b>GDP</b>	<b>6.1</b>	<b>6.5</b>	<b>4.2</b>	<b>4.0</b>

Source: CEIC, Bank of Baroda Research | #2<sup>nd</sup> Revised Estimates, @ 1<sup>st</sup> Revised Estimates**FIG 2 – CONSUMPTION AND INVESTMENT SPENDING HAS BEEN MUTED**

(% YoY)	FY19 <sup>#</sup>		FY20 <sup>@</sup>	
	Earlier	Now	Earlier	Now
Private final consumption expenditure (PFCE)	7.2	7.6	5.3	5.5
Govt final consumption expenditure (GFCE)	10.1	6.3	11.8	7.9
Gross fixed capital Formation (GFCF)	9.8	9.9	(2.8)	5.4
Change in Stocks (CIS)	22.5	27.2	1.9	(39.7)
Valuables	(11.9)	(9.7)	13.5	(14.2)
Exports	12.3	12.3	(3.6)	(3.3)
Less Imports	8.6	8.6	(6.8)	(0.8)
<b>GDP</b>	<b>6.1</b>	<b>6.5</b>	<b>4.2</b>	<b>4.0</b>

Source: CEIC, Bank of Baroda Research | #2<sup>nd</sup> Revised Estimates, @ 1<sup>st</sup> Revised Estimates**FIG 3 – INDUSTRY AND SERVICES TO SUPPORT GROWTH IN FY22**

Weight (%)	FY18 <sup>*</sup>	FY19 <sup>#</sup>	FY20 <sup>@</sup>	FY21AE	FY22E
<b>Agriculture, forestry and fishing</b>	<b>6.6</b>	<b>2.6</b>	<b>4.3</b>	<b>3.4</b>	<b>3.0</b>
<b>Industry</b>	<b>5.9</b>	<b>5.3</b>	<b>(1.2)</b>	<b>(9.6)</b>	<b>12.3</b>
Mining and quarrying	(5.6)	0.3	(2.5)	(12.4)	9.3
Manufacturing	7.5	5.3	(2.4)	(9.4)	14.3
Electricity, gas, water supply and other utility services	10.6	8.0	2.1	2.7	7.0
Construction	5.2	6.3	1.0	(12.6)	10.8
<b>Services</b>	<b>6.3</b>	<b>7.2</b>	<b>7.2</b>	<b>(8.8)</b>	<b>10.9</b>
Trade, hotels, transport, communication & services related to broadcasting	10.3	7.1	6.4	(21.4)	18.5
Financial, real estate & professional services	1.8	7.2	7.3	(0.8)	6.5
Public administration and defence	8.3	7.4	8.3	(3.7)	9.5
<b>GVA at basic prices</b>	<b>6.2</b>	<b>5.9</b>	<b>4.1</b>	<b>(7.2)</b>	<b>10.0</b>
<b>GDP</b>	<b>6.8</b>	<b>6.5</b>	<b>4.0</b>	<b>(7.7)</b>	<b>10.5</b>

Source: CEIC, Bank of Baroda Research | \*3<sup>rd</sup> Revised Estimate, #2<sup>nd</sup> Revised Estimates, @ 1<sup>st</sup> Revised Estimates | AE- Advance Estimates | E- Bank of Baroda estimates

**FIG 4 – REVIVAL IN CONSUMPTION DEMAND TO BOOST GROWTH IN FY22**

(% YoY)	FY18*	FY19#	FY20@	FY21AE	FY22E
Private final consumption expenditure (PFCE)	6.2	7.6	5.5	(9.5)	11.0
Govt final consumption expenditure (GFCE)	11.9	6.3	7.9	5.8	8.0
Gross fixed capital formation (GFCF)	7.8	9.9	5.4	(14.5)	10.8
Change in stocks (CIS)	68.3	27.2	(39.7)	(4.3)	5.0
Valuables	40.2	(9.7)	(14.2)	(48.6)	9.5
Exports	4.6	12.3	(3.3)	(8.3)	17.5
Less Imports	17.4	8.6	(0.8)	(20.5)	27.5
<b>GDP</b>	<b>6.8</b>	<b>6.5</b>	<b>4.0</b>	<b>(7.7)</b>	<b>10.5</b>

Source: CEIC, Bank of Baroda Research | \*3<sup>rd</sup> Revised Estimate, #2<sup>nd</sup> Revised Estimates, @ 1<sup>st</sup> Revised Estimates | AE- Advance Estimates | E- Bank of Baroda estimates

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