

GENERAL ELECTIONS 2019

23 May 2019

Rural and infra sector to get a boost

The BJP led NDA is set for a resounding win with an even bigger majority (344 seats) and a higher vote share (up 9% versus 2014). In its election manifesto, BJP aims to increase the size of the economy to US\$ 5tn by 2025 led by Rs 100tn of infra investment. Rural India will get 25% of the above allocation. Roads, housing, and water will get priority. Further, farmer income and rural demand will get a boost with wider coverage under PM-KISAN. Continuity of economic policies amidst gloomy global outlook will support foreign inflows and thus a stable INR.

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US\$ 5tn economy by 2025: The government aims to increase India's economy to US\$ 5tn by 2025 (from US\$ 2.7tn in FY19) led by Rs 100tn of investment in infrastructure (7.5% of GDP/ year over 5 years). The focus of infra investments will be in energy (renewable), roads, railways, education, health, housing and piped water to every household. FDI inflows (1.7% of GDP in FY19) will also pick-up as government aims to further improve India's Ease of Doing business ranking to within top 50 from current 77.

KEY HIGHLIGHTS

- Doubling farmers income by 2022
- Housing for all by 2022
- US\$ 5tn economy by 2025

Investment in infrastructure: Infrastructure sector received a big thrust in the last 5 years. The government initiatives included connecting villages with rural roads (91% villages now), electrification of 100% of villages, constructing 36 new airports and providing metro services in several cities. It envisages to carry this momentum by making capital investment of Rs 100tn. New initiatives which will get focus in the next five years are providing a pucca house to every family by 2022, building another 60,000 km of National Highways, connecting 100% of villages with rural roads, operationalize another 100 new airports, modernize 400 railway stations, provide pipe water connection to every household and cover 50 cities with metro networks in the next 5 years.

Rural sector to benefit: Government will focus on doubling farmer income by 2022 under aegis of PM-KISAN. The scheme launched in FY20 budget with an estimated cost of Rs 750 bn (0.36% of GDP) covered 120mn farmers with landholding of less than 2ha. Apart from this, the government plans to introduce a pension scheme for small and marginal farmers, create 10,000 new Farmer Producer Organisations (FPOs), provide interest free short-term new agriculture loans of upto Rs 100,000, invest Rs 25tn (out of Rs 100tn) in the rural sector to augment productivity, and complete work on 68 remaining irrigation projects under PM Krishi Sinchai Yojana.



FIG 1 – ELECTION RESULTS

Result	BJP+	Cong+	Others	Total
Actual 2019^	344	90	108	542*
Poll of Polls-2019	315	111	116	542*
Actual -2014	336	59	148	543

Source: News reports and Election Commission | ^Data as of 14:30PM 23 May 2019 | *Vellore polls postponed

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