India's Q2FY19 GDP Data

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Gross Value added (GVA) reported at 6.9% in 2QFY19 as against 8% in 1QFY19 and 6.2% in 2QFY18.

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Q2FY19 GDP data at 7.1%

India's GDP (Gross Domestic Product) data reported at 7.1% in 2QFY19 as against 8.2% in Q1FY19 and 6.3% in 2QFY18. Gross Value added (GVA) reported at 6.9% in 2QFY19 as against 8% in 1QFY19 and 6.2% in 2QFY18. 2QFY19 GDP data slightly missed street expectations which was 7.4% but did report above 7%. Despite the lower GDP, India continues to remain the fastest growing economy in the world as the second largest economy in the world China grew by 6.5% in the same quarter. First half GDP growth is at 7.6% and is fairly robust and healthy. The data indicates pressure on consumption has started to emerge from weakness in rural demand and higher oil prices during the second quarter.

What is de-growing?

- The manufacturing sector grew by 7.4% in 2QFY19, slowing down considerably from 13.5% expansion in 1QFY19 and 7.1% in 2QFY18.
- The agriculture sector fell to 3.8% during 2QFY19 from 5.3% in 1QFY19 and 2.6% 2QFY18.
- Mining sector de-grew by 2.4% in 2QFY19 as against 6.9% in 2QFY18 and 0.1% in 1QFY19.

What is growing?

- Public administration, defence and other services shot up by growing at 10.9% in 2QFY19 from 6.1% in 2QFY18 and 9.9% in 1FY19.
- The national income data also showed that government final consumption expenditure (GFCE) or government expenditure grew 12.67 percent at constant prices during the quarter-ended September to Rs 4.21 lakh Crs from Rs 3.74 lakh Crs during the same quarter a year ago.
- Gross Fixed Capital Formation (GFCF), a useful metric to measure corporate investment activity, witnessed a double digit growth in the third consecutive quarter, growing 12.46% in quarter ended September.

Fiscal Deficit target for April to October reported at 103% of the full year target.

2QFY19 GDP data which was reported at 7.1% indicates disappointment as the street had expected 7.4%.

The agriculture sector is unable to clock in growth which means rural consumption is not picking up.

The consumption has been affected negatively which is reflected in the automobiles sales data.

Though the crude correction factor is a very positive factor but the bond market problems might hinder the cheeriness.

Even though we slip below 7% or maintain 7% GDP number, India remains the fastest growing economy in the world.

Fiscal deficit number

India's April-October fiscal deficit in the first half of FY18 (H1FY18) is at Rs6.49 lakh Crs vs the full-year budget estimate of Rs6.24 lakh Crs according to the Controller General of Accounts. This is already at 103.9% of the full-year target.

What does GDP data indicates?

2QFY19 GDP data which was reported at 7.1% indicates disappointment as the street had expected 7.4%. Last year same quarter the GDP was at 6.3% which was primarily due to GST implementation, as a result, on account of lower base the street had expected 7.4% for 2QFY19. Also the NBFC liquidity issues occurred in the end of September, despite the issues not affecting in July-September quarter, GDP data clocked in at 7.1%, is a cause of worry. The slippage in the growth of an agriculture sector reflects rural consumption is not picking up.

Road Ahead

In the first half of the fiscal year we have already exceeded our fiscal deficit target. In the month of September end and the whole of October Month, the Indian Economy faced NBFC liquidity problem whose tremors will be felt in Q3FY19 GDP data. The consumption has been affected negatively which is reflected in the automobiles sales data. We witnessed sluggishness in the festive demand for automobiles on account of poor rural spending. Though tax income is always credited in H2FY19 which will lower the fiscal deficit, but being an election year government will have to speed up its expenditure. As we are in the election year, we believe government will cut down on its capital expenditure and increase its revenue expenditure. The crude has also corrected steeply from its highs which will infuse consumption in the system in H2FY19. Though the crude correction factor is a very positive factor but the bond market problems might hinder the cheeriness. Hence we feel there are high possibilities of GDP slipping below 7% for full year. In-order to maintain 7% GDP for full year, both 3Q &4Q FY19 respectively needs to clock in above 7%. But even though we slip below 7% or maintain 7% GDP number for full year, India remain the fastest growing economy in the world.

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