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# GROSS DOMESTIC PRODUCT

**Lockdown dampened GDP growth to 3.1% in Q4 FY2020; subsequent availability of financial data to trigger downward revision of the initial estimate**

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## HIGHLIGHTS

- *The year-on-year (YoY) growth of India's GDP and gross value added (GVA) at basic prices (at constant 2011-12 prices) has been pegged by the Central Statistics Office (CSO) at a subdued 3.1% (44-quarter low) and 3.0% (series-low), respectively, in Q4 FY2020, with economic activity weakening after the commencement of the lockdown to combat the Covid-19 outbreak in March 2020. However, both GDP and GVA growth exceeded our forecasts of 1.9% and 1.7%, respectively, for Q4 FY2020.*
- *Higher-than-expected growth in Q4 FY2020 should not be viewed with relief, as the initial data released by the CSO is constrained by the availability of earnings in many sectors, and is thus subject to considerable downward revision at a later stage, in our view. We expect the initial estimates of the pace of contraction in the GVA of manufacturing (-1.4%) and construction (-2.2%) for Q4 FY2020 to be sharply revised downwards when earnings data becomes available and the impact of the lockdown on profitability can be incorporated. However, higher-than-expected growth of agriculture (+5.9%, benefitting from the record high output of many rabi crops) and public administration, defence and other services (+10.1%) as revealed by the initial estimates for Q4 FY2020 may prove less prone to revisions.*
- *Growth of private final consumption expenditure (PFCE) stood at a lacklustre 2.7% in Q4 FY2020, as the benefit from the healthy rabi crops on rural demand was yet to manifest, even as the commencement of the lockdown constrained urban consumption of non-essential items.*
- *Double-digit growth of 13.6% in Q4 FY2020 in government final consumption expenditure (GFCE) prevented a sharper slide in GDP growth in Q4 FY2020. Excluding government spending, GDP growth would have been limited at an anaemic 2.0% in Q4 FY2020.*
- *The sharp 6.5% contraction in gross fixed capital formation (GFCF), which has undergone a de-growth for the third quarter in a row, highlights the extent of the slowdown in investment intentions, and the contraction in government capital spending.*
- *The revised data for Q1-Q3 FY2020 reveals that the slowdown in growth was appreciably more pronounced than what the earlier data had indicated, especially in trade, hotels, transport, communications, etc. and financial, insurance, real estate and professional services. The pace of expansion of GDP for Q1 FY2020, Q2 FY2020 and Q3 FY2020 has been revised downwards to 5.2%, 4.4% and 4.1%, respectively, from 5.6%, 5.1%, and 4.7%, respectively. Given the downward revisions in the GDP and GVA growth for these three quarters, the full year growth is largely in line with our forecasts, despite the higher-than-anticipated growth in Q4 FY2020.*
- *The provisional estimates for FY2020 released by the CSO displayed a considerable slowdown in GDP and GVA growth to 4.2% (an 11-year low) and 3.9% (a 17-year low), respectively, from 6.1% and 6.0%, respectively, in FY2019. The dip in the GVA growth in FY2020 relative to FY2019 led by the sharp stalling in the momentum for industry (to +0.9% from +4.9%) and moderation in the expansion of services (to +5.5% from +7.7%), offset by an uptick in the growth of agriculture (to +4.0% from +2.4%) led by the healthy precipitation since September 2019.*

## OVERVIEW

The initial data released by the CSO indicates that the growth of India's GDP (at constant 2011-12 prices) worsened to a 44 quarter-low 3.1% in Q4 FY2020 from 5.7% and the revised 4.1%, respectively, in Q4 FY2019 and Q3 FY2020 (refer Exhibit 1 and 2), with economic activity weakening after the commencement of the lockdown to combat the Covid-19 outbreak in March 2020. Similarly, the growth of GVA at basic prices declined to a series-low 3.0% in Q4 FY2020 from 5.6% and the revised 3.5%, respectively, in Q4 FY2019 and Q3 FY2020. The initial estimates for GDP and GVA growth for Q4 FY2020 are higher than our expectations (+1.9% and +1.7%, respectively). However, the data released by the CSO is constrained by the availability of earnings in many sectors, and is thus subject to considerable downward revision at a later stage, in our view. We expect the initial estimates of the pace of contraction in the GVA of manufacturing (-1.4%) and construction (-2.2%) for Q4 FY2020 to be sharply revised downwards when earnings data becomes available and the impact of the lockdown on profitability can be incorporated. However, higher-than-expected growth of agriculture (+5.9%) and public administration, defence and other services (+10.1%) for Q4 FY2020 may prove less prone to revisions.

The substantial decline in GDP growth to 3.1% in Q4 FY2020 from 5.7% in Q4 FY2019 was led by the sharp worsening in GFCF and exports to a contraction of 6.5% and 8.5%, respectively, from the growth of 4.4% and 11.6%, respectively, in Q4 FY2019. GFCF recorded its worst performance for the 2011-12 series in Q4 FY2020, underscoring the extent of the slowdown in investment intentions, and the contraction in government capital spending. The contraction in imports (-7.0% in Q4 FY2020; +0.8% in Q4 FY2019) was outpaced by the YoY decline in exports (-8.5%; +11.6% respectively). As a result, the drag from net imports deepened in Q4 FY2020 relative to Q4 FY2019. Moreover, the pace of growth of PFCE decelerated to a muted 2.7% in Q4 FY2020 from 6.2% in Q4 FY2019, as the benefit from the healthy rabi crops on rural demand was yet to manifest, even as the commencement of the lockdown constrained urban consumption of non-essential items. Additionally, the pace of expansion of GFCE eased mildly to 13.6% in Q4 FY2020 from 14.4% in Q4 FY2019, although this remained the fastest growing use-based category and the key driver of growth in the just-concluded quarter. Excluding GFCE, GDP growth would have been considerably lower at a subdued 2.0% in Q4 FY2020.

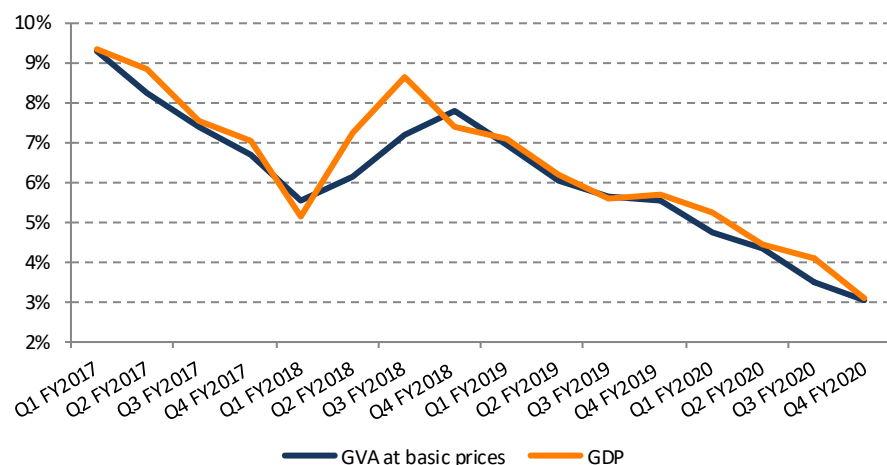
**Exhibit 1: Growth of GDP and its Components (in %, Constant 2011-12 Prices, YoY)**

	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
Private Final Consumption Expenditure	6.2%	5.5%	6.4%	6.6%	2.7%	7.2%	5.3%
Government Final Consumption Expenditure	14.4%	6.2%	14.2%	13.4%	13.6%	10.1%	11.8%
Exports	11.6%	3.2%	-2.2%	-6.1%	-8.5%	12.3%	-3.6%
Imports	0.8%	2.1%	-9.4%	-12.4%	-7.0%	8.6%	-6.8%
Gross Fixed Capital Formation	4.4%	4.6%	-3.9%	-5.2%	-6.5%	9.8%	-2.8%
<b>GDP</b>	<b>5.7%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>3.1%</b>	<b>6.1%</b>	<b>4.2%</b>
	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
Agriculture, Forestry & Fishing	1.6%	3.0%	3.5%	3.6%	5.9%	2.4%	4.0%
Industry	2.6%	4.2%	0.5%	-0.3%	-0.6%	4.9%	0.9%
Services	8.7%	5.5%	6.5%	5.7%	4.4%	7.7%	5.5%
<b>GVA at Basic Prices</b>	<b>5.6%</b>	<b>4.8%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>6.0%</b>	<b>3.9%</b>
<b>GVA ex-Agri</b>	<b>6.3%</b>	<b>5.0%</b>	<b>4.4%</b>	<b>3.4%</b>	<b>2.5%</b>	<b>6.7%</b>	<b>3.9%</b>

RE: Revised Estimates; PE: Provisional Estimates; Source: CSO; CEIC; ICRA research

In sequential terms, the decline in GDP growth in Q4 FY2020 relative to the previous quarter was driven primarily by PFCE (to +2.7% from +6.6%) and GFCF (to -6.5% from -5.2%). Moreover, the contraction in imports narrowed to 7.0% in Q4 FY2020 from 12.4% in Q3 FY2020, while that in exports widened to 8.5% from 6.1%, respectively. As a result, net exports exerted a larger drag on GDP growth in Q4 FY2020 relative to Q3 FY2020. In contrast, the pace of GFCE growth rose slightly to 13.6% in Q4 FY2020 from the revised 13.4% during the previous quarter, and it remained the key driver of GDP growth.

**Exhibit 2: YoY Growth in GDP and GVA at Basic Prices (Constant 2011-12 Prices)**

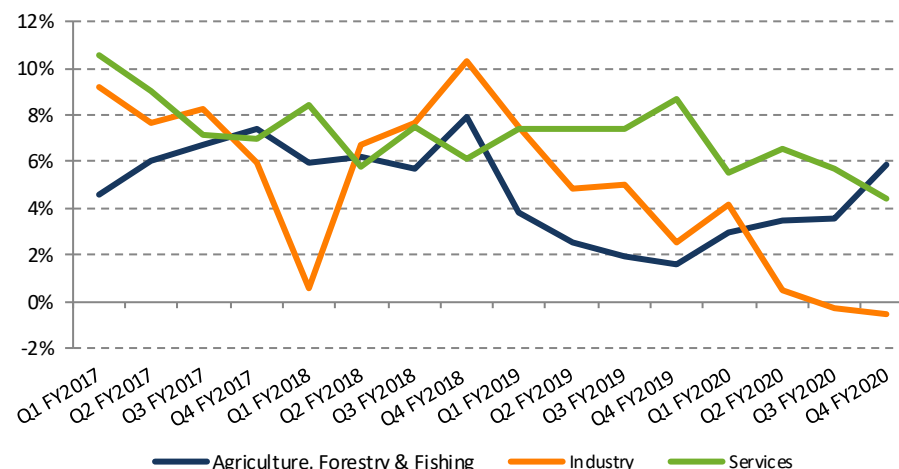


Source: CSO; CEIC; ICRA research

On a YoY basis, the pace of expansion of GVA at basic prices weakened to a series-low 3.0% in Q4 FY2020 from 5.6% in Q4 FY2019 (refer Annexures A, B and C), led by services (to +4.4% from +8.7%) and industry (to -0.6% from +2.6%). While the considerable deceleration in the growth of services in Q4 FY2020 was broad-based, the pace of the slowdown varied across its sub-sectors. For instance, the growth of financial, real estate, and professional services (FRP) and trade, hotels, transport, communication and services to broadcasting (THTCS) moderated considerably to a subdued 2.4% and 2.6%, respectively, in Q4 FY2020 from 8.7% and 6.9%, respectively, in Q4 FY2019, while the pace of expansion in public administration, defence and other services (PADOS) eased mildly to 10.9% from 11.6%, respectively. Excluding PADOS, which largely reflects government spending, the GVA growth more-than-halved to an anaemic 2.0% in Q4 FY2020 from 4.7% in Q4 FY2019, which highlights the sluggishness in economic activity. The deterioration in the industrial performance in Q4 FY2020 relative to Q4 FY2019 was driven primarily by manufacturing (to -1.4% from +2.1%) and construction (to -2.2% from +6.0%). In contrast, agriculture, forestry and fishing recorded a significant improvement in the growth to 5.9% in Q4 FY2020 from 1.6% in Q4 FY2019, benefitting from the record-high output of many rabi crops in 2020.

In sequential terms, the GVA growth eased modestly to 3.0% in Q4 FY2020 from the revised 3.5% in Q3 FY2020, primarily driven by a deceleration in the growth of services (to +4.4% from +5.7%) and to a mild extent, a deeper contraction in industry (to -0.6% from -0.3%; refer Exhibit 3), reflecting the impact of the commencement of the lockdown to contain the Covid-19 outbreak. However, there was an uptick in the YoY expansion in the GVA of agriculture, forestry and fishing to a healthy 5.9% in Q4 FY2020

**Exhibit 3: YoY Growth in Agriculture, Industry and Services (Constant 2011-12 Prices)**



from 3.6% in the previous quarter, driven by the record-high rabi harvest for many crops. The sequential worsening in the service sector growth in Q4 FY2020 relative to Q3 FY2020 was led by the slowdown in the growth of THTCS (to +2.6% from the revised +4.3%) and FRP (to +2.4% from the revised +3.3%). Moreover, the pace of expansion in PADOS (to +10.1% from the revised +10.9%) eased mildly during these two quarters, while remaining high. The mild deterioration in the industrial sector in Q4 FY2020 was led by manufacturing and construction, which recorded a sharper contraction of 1.4% (series-low) and 2.2% (a 30-quarter low), respectively, compared to 0.8% and the marginal 0.04%, respectively, in Q3 FY2020.

#### Exhibit 4: GDP and GVA data

GDP	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	GVA at Basic Prices	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020
Constant	5.7%	5.2%	4.4%	4.1%	3.1%	Constant	5.6%	4.8%	4.3%	3.5%	3.0%
Current	7.9%	8.1%	5.9%	7.4%	7.5%	Current	9.4%	8.0%	6.2%	7.0%	6.8%
Deflator	2.2%	2.8%	1.4%	3.3%	4.4%	Deflator	3.9%	3.2%	1.9%	3.5%	3.8%

Source: CSO; CEIC; ICRA research

In nominal terms, GDP growth rose slightly to 7.5% in Q4 FY2020 from the revised 7.4% in Q3 FY2020, while the GVA growth eased to 6.8% from the revised 7.0%, respectively (refer Exhibit 4). The GDP and GVA deflator rose to 4.4% and 3.8%, respectively, in Q4 FY2020 from 3.3% and 3.5%, respectively, in Q3 FY2020, in line with the rise in the CPI and the WPI inflation between these two quarters. Notably, the sector-wise deflators displayed a wide variation, at 7.1% for agriculture (in line with the spike in food inflation), 3.7% for services and only 1.7% for industry, in Q4 FY2020. The growth in real GDP (+3.1%) exceeded that of GVA (+3.0%) by only 5 bps in Q4 FY2020, significantly lower than the deviation recorded in Q3 FY2020 (revised 61 bps).

#### Exhibit 5: Revision in YoY Growth of GDP and GVA (at constant 2011-12 prices)

GDP	Q1 FY2020	Q2 FY2020	Q3 FY2020
Previous	5.6%	5.1%	4.7%
Revised	5.2%	4.4%	4.1%
GVA at basic prices	Q1 FY2020	Q2 FY2020	Q3 FY2020
Previous	5.4%	4.8%	4.5%
Revised	4.8%	4.3%	3.5%

Source: CSO; ICRA research

**Revisions in quarterly growth:** The GDP and GVA growth for the first three quarters of FY2020 have undergone noticeable downward revisions (refer Exhibit 5). For instance, the pace of expansion of GVA has been revised downwards to 4.8%, 4.3% and 3.5%, respectively, for Q1 FY2020, Q2 FY2020 and Q3 FY2020, respectively, from the earlier 5.4%, 4.8%, and 4.5%, respectively. Moreover, GDP growth has been revised downwards to 5.2% (earlier 5.6%), 4.4% (earlier 5.1%) and 4.1% (earlier 4.7%), respectively, in Q2 FY2020, Q3 FY2020, and Q4 FY2020.



Notably, growth of THTCS has undergone substantial changes across all the quarters of FY2020, to 3.5%, 4.1% and 4.3%, respectively, in Q1 FY2020, Q2 FY2020 and Q3 FY2020 from the earlier figures of 5.7%, 5.8% and 5.9%, respectively. Moreover, the growth of FRP has undergone considerable downward revisions for Q1 FY2020 (to +6.0% from +6.9%), Q2 FY2020 (to +6.0% from +7.1%) and Q3 FY2020 (to +3.3% from +7.3%).

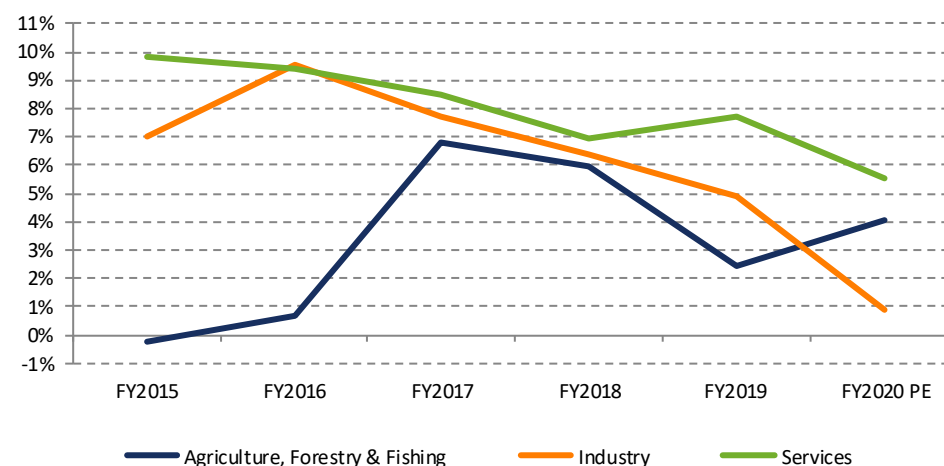
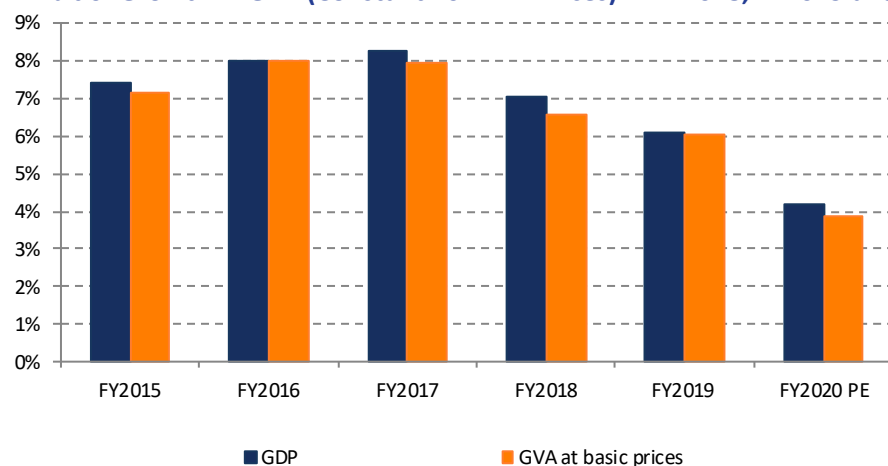
**Trends for FY2020:** The provisional estimates released by the CSO for FY2020, displayed a considerable slowdown in GDP and GVA growth to 4.2% (an 11-year low) and 3.9% (a 17-year low), respectively, from 6.1% and 6.0%, respectively in FY2019 (refer Exhibits 6 and 7). Given the downward revisions in the growth for Q1 FY2020, Q2 FY2020 and Q3 FY2020, the full year growth is largely in line with our forecasts (4.3% and 4.1%, respectively), despite the higher-than-anticipated growth in Q4 FY2020. As expected, the provisional estimates of the CSO for GDP and GVA growth are appreciably lower than the 2<sup>nd</sup> advance estimates of 5.0% and 4.9%, respectively, that had been released by the CSO in February 2020.

The deceleration in GDP growth in FY2020 has primarily been driven by GFCF and exports, which recorded a sharp weakening to a YoY contraction of 2.8% and 3.6%, respectively, from the healthy 9.8% and 12.3% expansion in the previous year. Moreover, the pace of growth of PFCE decreased to 5.3% from 7.2%, respectively. In contrast, the expansion in GFCE rose further to 11.8% in FY2020 from 10.1% in FY2019.

The dip in the GVA growth in FY2020 relative to FY2019 was led by the sharp stalling in the momentum for industry (to +0.9% from +4.9%) and moderation in the expansion of services (to +5.5% from +7.7%), offset by an uptick in the growth of agriculture (to +4.0% from +2.4%) led by the healthy precipitation since September 2019.

The nominal GDP and GVA growth for FY2020 PE eased to 7.2% and 7.0%, respectively, from the 11.0% and 10.5%, respectively, in FY2019. The nominal GDP for FY2020 has been pegged at Rs. 203.4 trillion as per the PE, slightly lower than the Rs. 203.8 trillion forecasted in the 2<sup>nd</sup> AE.

**Exhibit 6: Growth in GDP (Constant 2011-12 Prices) in FY2018, FY2019 and FY2020** **Exhibit 7: Growth in Agriculture, Industry and Services (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

## OUTLOOK

The extension of the lockdown to counter the Covid-19 outbreak to the entire month of April 2020, manifest in a broad-based deterioration of activity in various sectors, albeit at a mixed pace. The YoY performance of as many as 11 of the 13 available indicators for which data has been explicitly reported, worsened in April 2020 relative to the previous month. These include output of Coal India Limited, electricity generation, rail freight, cargo handled at major ports, crude and refinery production, as well as consumption of ATF, petrol and diesel. Notably the pace of the contraction varied from a modest 6.4% for crude oil production to 91.3% for ATF consumption, highlighting the differential impact of the restrictions imposed on various sectors during the lockdown. While data on automobile production has not been explicitly released for April 2020, output is likely to have been close to zero as most plants were shut for a large part of the month during the lockdown. However, the performance of the two financial indicators, i.e. bank credit and deposits recorded a YoY improvement at end-April 2020 relative to end-March 2020.

In addition, the outlook for the agricultural sector seems favourable, as sowing of kharif crops has commenced at a healthy pace, with the total acreage exceeding the year-ago-levels by ~36%, as on May 22, 2020. Nevertheless, the volume, spatial and temporal distribution of the monsoon in 2020 would be crucial in sustaining the pace of kharif sowing and supporting yields. Moreover, the recent reports of swarms of locusts over parts of western India could potentially result in a substantial amount of crop damage, which poses a risk that we will continue to monitor.

*While the lockdown was extended in a graded manner till the end of May 2020 and is expected to be lifted phase-wise in various sectors in June 2020, we anticipate that various lead indicators will display some improvement in these months relative to April 2020. However, the expectation of substantial delays in getting the full supply chain operational, especially given the likelihood of enduring labour mismatches following the return of migrant workers to their home states, behavioural changes towards consumption on non-essential goods and services, and funding issues would continue to constrain economic activity and profitability in various sectors. We expect Indian GDP (at constant 2011-12 prices) to contract by 25.0% and 2.1%, respectively, in Q1 FY2021 and Q2 FY2021, which implies that a recession is underway. Subsequently, we anticipate muted GDP growth of 2.1% and 5.0%, respectively, in Q3 FY2021 and Q4 FY2021, which still entails a full year contraction of 5.0% in FY2021.*

*At present, we have assumed that the lockdown will be lifted within Q1 FY2021, based on which the trajectory of GDP indicates a V shaped recovery. However, if there is a second wave of infections that forces subsequent lockdowns either in India or globally, the ensuing demand uncertainty and supply chain hiccups could result in a W shaped economic cycle, the inflection points of which can't be gauged at this stage.*

*At the same time, positive surprises on the timing and availability of a vaccine for Covid-19 could result in a faster revival in consumption, economic activity and risk sentiments, and cause a surge in commodity prices, which would materially affect our forecasts for various macro parameters, including growth, inflation, trade levels and fiscal metrics.*

## GVA AT BASIC PRICES

### Start of lockdown restricted GVA growth to series-low 3.0% in Q4 FY2020:

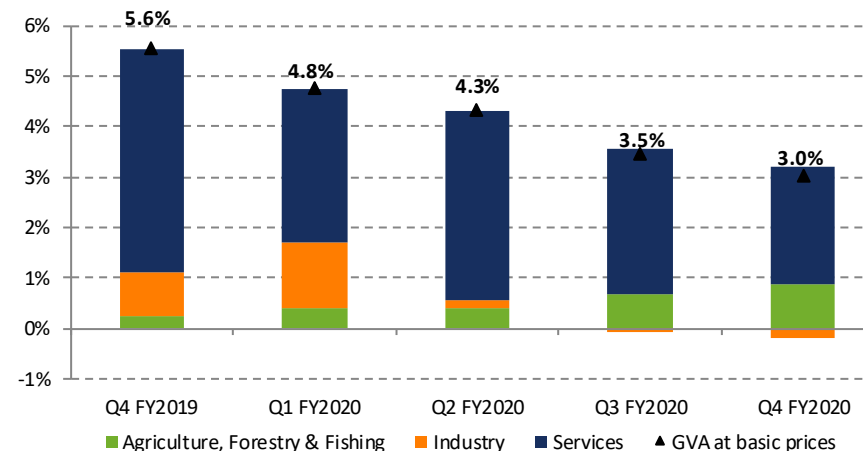
Growth of GVA at basic prices worsened to a series-low 3.0% in Q4 FY2020 from 5.6% in Q4 FY2019 and the revised 3.5% in Q3 FY2020 (refer Exhibit 8), with the commencement of the lockdown in late-March 2020. The slowdown in GVA growth in Q4 FY2020 relative to Q4 FY2019 was primarily led by industry (to -0.6% from +2.6%), and services (to +4.4% from +8.7%), even as there was a sizeable improvement in agriculture, forestry and fishing (to +5.9% from +1.6%).

**Industrial GVA contracted by 0.6% in Q4 FY2020:** Industrial output contracted by 0.6% in Q4 FY2020 (a series-low), in contrast to the 2.6% growth in Q4 FY2019. Sequentially, the pace of contraction worsened mildly from 0.3% in Q3 FY2020 (refer Exhibit 9). Industry exerted a drag of 0.2% on the GVA growth in Q4 FY2020, led by manufacturing (-0.3%), and construction (-0.2%). However, mining and quarrying (+0.2%), and electricity, gas, water supply and other utility services (+0.1%) made mild contributions to the 3.0% GVA growth during that quarter.

Manufacturing GVA recorded a YoY decline of 1.4% in Q4 FY2020, in contrast to the growth of 2.1% in Q4 FY2019. Moreover, the YoY contraction in manufacturing deepened in Q4 FY2020 relative to the revised 0.8% recorded in Q3 FY2020. Construction GVA recorded a contraction of 2.2% (a 30-quarter low) in Q4 FY2020 as opposed to the healthy 6.0% growth in Q4 FY2019, while worsening further from the marginal 0.04% decline in Q3 FY2020. The fall in construction GVA growth in Q4 FY2020 compared to Q4 FY2019 was in line with the trend in its inputs, such as cement production (to -4.8% from +11.7%) and consumption of finished steel (to -3.2% from +7.4%). Moreover, the lockdown would have resulted in a large-scale cessation of construction activities in mid-March 2020. We expect the manufacturing and construction GVA to undergo a downward revision at a later stage, as the initial data is constrained by the availability of earnings.

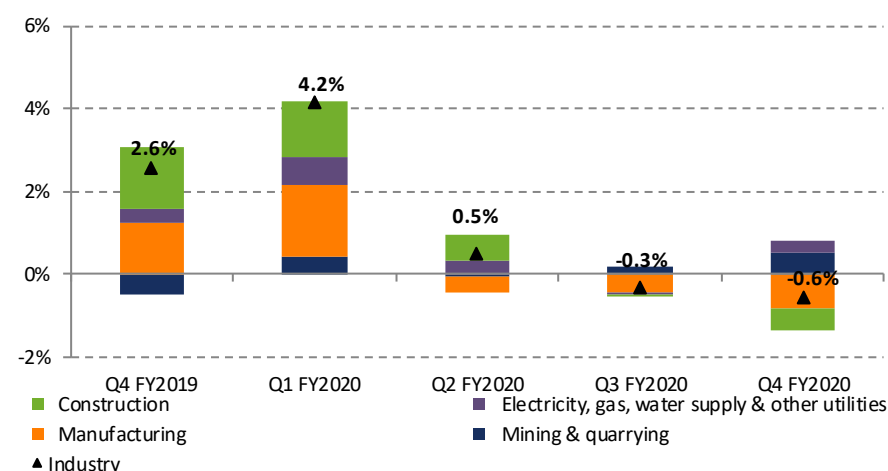
The GVA growth for electricity, gas, water supply and other utility services eased to 4.5% in Q4 FY2020 from 5.5% in Q4 FY2019. However, it recorded a considerable improvement from the mild 0.7% contraction in Q3 FY2020, benefitting from the healthy growth in electricity generation in January-February 2020.

**Exhibit 8: YoY GVA Growth and its Composition (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

**Exhibit 9: YoY Industrial Growth and its Composition (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research



The GVA growth for mining and quarrying stood at a healthy 5.2% in Q4 FY2020, marking an improvement compared to the YoY contraction of 4.8% in Q4 FY2019. Moreover, the performance of the sector improved in Q4 FY2020 relative to 2.2% rise recorded in Q3 FY2020, which may have benefitted from higher coal volumes.

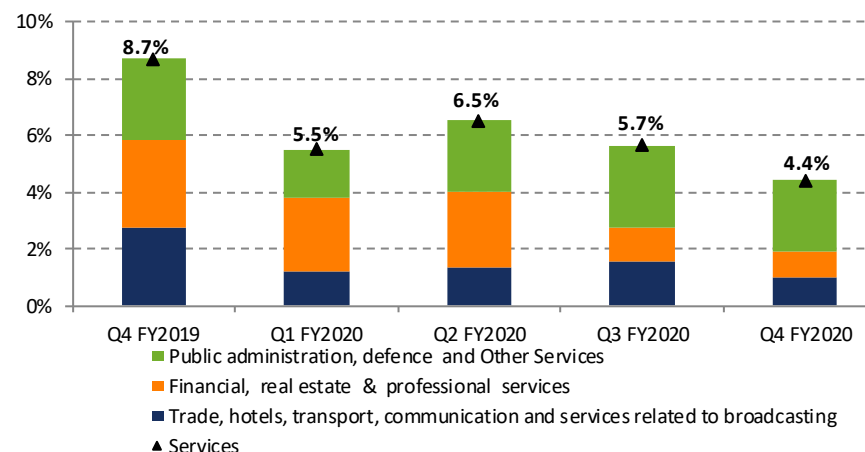
**Services sector growth decelerated to 4.4% in Q4 FY2020:** Service sector growth nearly halved to 4.4% in Q4 FY2020 from 8.7% in Q4 FY2019, and slowed further from the revised 5.7% in Q3 FY2020 (refer Exhibit 10). Nevertheless, the services sector remained the principal driver of GVA growth, accounting for 2.3% of the 3.0% GVA growth in Q4 FY2020; the contribution of FRP, PADOS and THTCS to GVA growth stood at 0.5%, 1.3% and 0.5%, respectively.

The growth of FRP worsened to 2.6% in Q4 FY2020 from 8.7% and the revised 3.3%, respectively, in Q4 FY2019 and Q3 FY2020. Higher provisions directed by the regulator on overdue accounts and voluntary credit provisions made by Banks on account of Covid-19, are likely to have squeezed their profitability. Moreover, the YoY growth of THTCS weakened to 2.6% in Q4 FY2020 from 6.9% in Q4 FY2019 and 4.3% in Q3 FY2020. This slowdown in Q4 FY2020 compared to Q4 FY2019 was in line with the trends for sales of commercial vehicles (to -48.3% from -17.2%), domestic airlines' passengers (to -7.2% from +5.8%), railway revenue carrying freight (to -2.2% from 1.0%), diesel consumption (to -7.1% from +0.5%), etc.

The growth of PADOS eased to 10.1% in Q4 FY2020 from 11.6% in Q4 FY2019 and 10.9% in Q3 FY2020; this has been the fastest growing sub-sector for five consecutive quarters. Notably, the Gol's non-interest revenue expenditure growth increased further to 36.2% in Q4 FY2020 from 27.7% in Q3 FY2020, according to the data released by the Controller General of Accounts.

**Agricultural growth rose to a healthy 5.9% in Q4 FY2020:** Growth in agriculture, forestry and fishing increased to an eight-quarter high 5.9% in Q4 FY2020 from 1.6% and 3.6%, respectively, in Q4 FY2019 and Q3 FY2020. This was in line with the healthy rise in rabi output in FY2020 (as per the 3<sup>rd</sup> AE of crop production) relative to the Final Estimates for FY2019, (refer Exhibit 11). Agriculture, forestry and fishing accounted for 0.9% of the 3.0% GVA growth in Q4 FY2020.

**Exhibit 10: YoY Services Growth and its Composition (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

**Exhibit 11: Trends for production of kharif and rabi crops (Million Tonnes) as per 3<sup>rd</sup> Advance Estimates (AE) for FY2020**

	Kharif Production (in Million Tonnes)			Rabi Production (in Million Tonnes)		
	Final FY2019	3 <sup>rd</sup> AE FY2020	Growth	Final FY2019	3 <sup>rd</sup> AE FY2020	Growth
Wheat	NA			103.6	107.2	3.5%
Rice	102.0	101.7	-0.3%	14.4	16.2	12.5%
Coarse cereals	31.4	34.2	9.0%	11.7	13.3	14.2%
Pulses	8.1	8.1	-0.5%	14.0	15.0	7.1%
Oilseeds	20.7	23.0	11.3%	10.8	10.5	-3.2%
Cotton*	28.0	36.0	28.6%	NA		
Sugarcane	405.4	358.1	-11.7%	NA		

Source: Ministry of Agriculture; ICRA research

\*Million bales of 170 kgs. each

## EXPENDITURE ON GDP

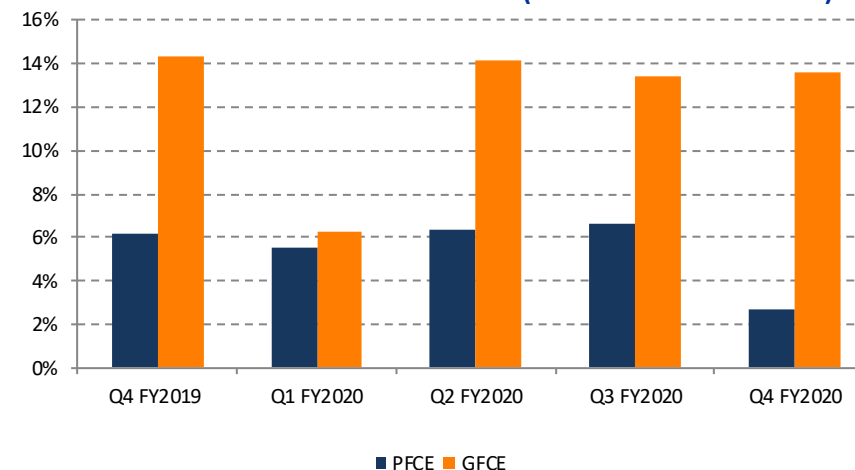
**GDP growth declined to 3.1% in Q4 FY2020:** The YoY growth of GDP (at constant 2011-12 prices) declined to a 44-quarter low 3.1% in Q4 FY2020 from 5.7% in Q4 FY2019 and the revised 4.1% in Q3 FY2020. Private consumption growth weakened, and investment activity continued to be anaemic. However, healthy government spending bolstered GDP growth in Q4 FY2020.

**PFCE growth declined to a 21-quarter low 2.7% in Q4 FY2020:** The YoY growth in PFCE decelerated to a muted 2.7% in Q4 FY2020 from 6.2% and 6.6%, respectively, in Q4 FY2019 and Q3 FY2020 (refer Exhibit 12). The benefit from the healthy rabi crops on rural demand was yet to manifest, even as the commencement of the lockdown constrained urban consumption of non-essential items. PFCE accounted for 1.5% of the 3.1% GDP growth in Q4 FY2020. PFCE as a percentage of GDP (at current prices) stood at 59.5% in Q4 FY2020, higher than the same in Q4 FY2019 (59.4%), but lower from Q3 FY2020 (62.9%).

**GFCF contracted by 6.5% in Q4 FY2020:** The performance of GFCF deteriorated to a contraction of 6.5% in Q4 FY2020, in contrast to the modest 4.4% growth in Q4 FY2019; moreover, the pace of contraction worsened from the 5.5% recorded in Q3 FY2020 (refer Exhibit 13). The contraction of GFCF in Q4 FY2020 was led by the YoY de-growth of capital goods output (-17.1%), capital expenditure and net lending of the GoI (-11.4%) and capital outlay of 20 state governments<sup>1</sup>, for which the data is available (-12.0% in January-February 2020). GFCF pulled down the 3.1% GDP growth by a considerable 2.1% in Q4 FY2020. In addition, GFCF as a percentage of GDP (at current prices) stood at 26.0% in Q4 FY2020, lower than the same in Q4 FY2019 (29.2%) and Q3 FY2020 (26.2%).

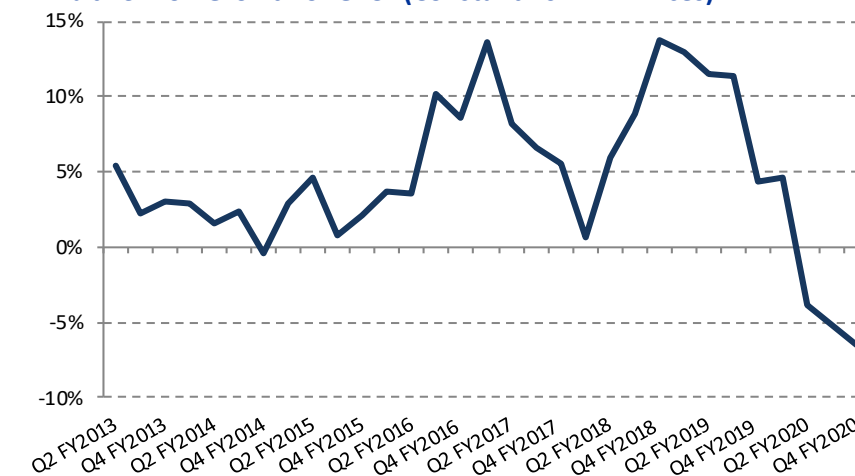
The pace of growth of valuables rose to 3.1% in Q4 FY2020 (constant 2011-12 prices) from 1.9% in Q4 FY2019, while declining sharply from 10.5% Q3 FY2020. At current prices, valuables displayed a moderate YoY rise of 5.0% in Q4 FY2020,

**Exhibit 12: YoY Growth of PFCE and GFCE (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

**Exhibit 13: YoY Growth of GFCF (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

<sup>1</sup> Data is available from the CAG for Andhra Pradesh, West Bengal, Uttar Pradesh, Tripura, Telangana, Sikkim, Rajasthan, Punjab, Odisha, Nagaland, Mizoram, Maharashtra, Madhya Pradesh, Kerala, Karnataka, Jharkhand, Himachal Pradesh, Haryana, Gujarat and Chhattisgarh

in contrast to the considerable 36.9% YoY contraction in the value of gold imports during the quarter (source: Ministry of Commerce). Valuables as a percentage of GDP (at current prices) stood at a marginal 0.05% in Q4 FY2020, lower than the same in Q4 FY2019 (+0.1%) and Q3 FY2020 (0.1%).

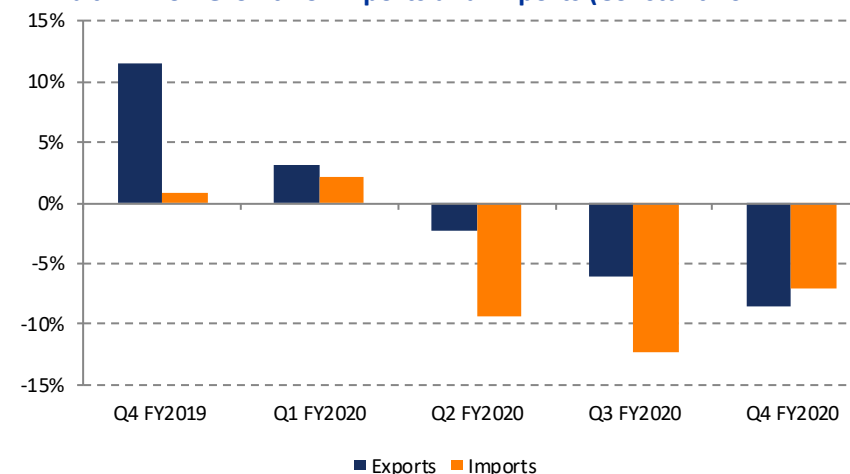
In constant terms, inventories recorded a marginal growth of 0.5% in Q4 FY2020 as compared to the sharp expansion of 18.4% in Q4 FY2019 and the low 1.1% growth in Q3 FY2020. Inventories as a percentage of GDP (at current prices) stood at 0.1% in Q4 FY2020, in line with the same in Q3 FY2020, but lower than Q4 FY2019 (0.3%).

**GFCE expansion remained healthy at 13.6% in Q4 FY2020:** The pace of growth of GFCE eased to 13.6% in Q4 FY2020 from 14.4% in Q4 FY2019, while rising from 13.4% in Q3 FY2020. GFCE stood out as the fastest growing expenditure-side component in Q4 FY2020, and accounted for 1.2% of the 3.1% GDP growth in that quarter, nearly rivalling the contribution of PFCE. Moreover, GFCE as a percentage of GDP (at current prices) stood at 10.8% in Q4 FY2020, higher than Q4 FY2019 (9.6%), but lower than Q3 FY2020 (11.3%).

**Net exports exerted a drag on GDP growth in Q4 FY2020:** At constant prices, the contraction in exports worsened to 8.5% in Q4 FY2020 from 6.1% in Q3 FY2020, and stood in contrast to the sharp expansion of 11.6% in Q4 FY2019 (refer Exhibit 14). However, imports recorded a narrower YoY decline of 7.0% in Q4 FY2020 relative to 12.4% in Q3 FY2020, while standing in contrast to the muted 0.8% growth in Q4 FY2019. Overall, net exports exerted a mild drag of 0.2% on the GDP growth in Q4 FY2020.

At current prices, data released by the CSO indicates that exports and imports contracted by 5.0% and 3.3%, respectively, in Q4 FY2020, in YoY terms. However, the data released by the Ministry of Commerce, indicates a deeper YoY contraction for merchandise exports (-12.8%) and for merchandise imports (-9.8%) in US\$ terms. Notably, the data released by RBI reveals that services exports and imports (in US\$ terms) recorded a moderate rise of 5.0% and 6.1%, respectively, in Q4 FY2020 relative to Q4 FY2019.

**Exhibit 14: YoY Growth of Exports and Imports (Constant 2011-12 Prices)**



Source: CSO; CEIC; ICRA research

**Discrepancies rose on a YoY basis:** Discrepancies refer to the residual that remains after disaggregating GDP into its expenditure components, such as PFCE, GFCE and GFCF. The discrepancies in the GDP data for Q4 FY2020 rose to (+) Rs. 1.5 trillion (at 2011-12 prices), from the value of (+) Rs. 0.5 trillion in Q4 FY2019, suggesting that the components of GDP are likely to undergo revision in the subsequent quarters.

## ANNEXURE A

Exhibit 15: GVA at Basic Prices and its Components (YoY Growth, Constant 2011-12 Prices)

	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
<b>GVA at Basic Prices</b>	<b>5.6%</b>	<b>4.8%</b>	<b>4.3%</b>	<b>3.5%</b>	<b>3.0%</b>	<b>6.0%</b>	<b>3.9%</b>
<b>Agriculture, Forestry &amp; Fishing</b>	1.6%	3.0%	3.5%	3.6%	5.9%	2.4%	4.0%
<b>Industry</b>	2.6%	4.2%	0.5%	-0.3%	-0.6%	4.9%	0.9%
Mining & Quarrying	-4.8%	4.7%	-1.1%	2.2%	5.2%	-5.8%	3.1%
Manufacturing	2.1%	3.0%	-0.6%	-0.8%	-1.4%	5.7%	0.0%
Electricity, gas, water supply & other utilities	5.5%	8.8%	3.9%	-0.7%	4.5%	8.2%	4.1%
Construction	6.0%	5.2%	2.6%	-0.04%	-2.2%	6.1%	1.3%
<b>Services</b>	8.7%	5.5%	6.5%	5.7%	4.4%	7.7%	5.5%
Trade, Hotels, Transport, Communication & Services related to Broadcasting	6.9%	3.5%	4.1%	4.3%	2.6%	7.7%	3.6%
Financial, Real Estate & Professional Services	8.7%	6.0%	6.0%	3.3%	2.4%	6.8%	4.6%
Public Administration, Defence and Other	11.6%	7.7%	10.9%	10.9%	10.1%	9.4%	10.0%

RE: Revised Estimates; PE: Provisional Estimates

Source: CSO; CEIC; ICRA research

Exhibit 16: GDP and Final Expenditures (YoY Growth, Constant 2011-12 Prices)

	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
<b>GDP</b>	<b>5.7%</b>	<b>5.2%</b>	<b>4.4%</b>	<b>4.1%</b>	<b>3.1%</b>	<b>6.1%</b>	<b>4.2%</b>
PFCE	6.2%	5.5%	6.4%	6.6%	2.7%	7.2%	5.3%
GFCE	14.4%	6.2%	14.2%	13.4%	13.6%	10.1%	11.8%
Exports	11.6%	3.2%	-2.2%	-6.1%	-8.5%	12.3%	-3.6%
less Imports	0.8%	2.1%	-9.4%	-12.4%	-7.0%	8.6%	-6.8%
Gross Capital Formation	5.0%	5.3%	-2.9%	-4.3%	-5.8%	9.5%	-2.0%
GFCF	4.4%	4.6%	-3.9%	-5.2%	-6.5%	9.8%	-2.8%
Change in Stocks	18.4%	5.0%	1.3%	1.1%	0.5%	22.5%	1.9%
Valuables	1.9%	25.0%	16.0%	10.5%	3.1%	-11.9%	13.5%
Discrepancies	-65.3%	-188.6%	-79.6%	264.3%	178.1%	-73.9%	-99.3%

Source: CSO; CEIC; ICRA research

## ANNEXURE B

Exhibit 17: Composition of GVA at Basic Prices (Constant 2011-12 Prices)

	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
<b>GVA at Basic Prices</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Agriculture, Forestry &amp; Fishing</b>	15.2%	13.3%	11.2%	18.4%	15.6%	14.6%	14.6%
<b>Industry</b>	32.2%	30.7%	29.6%	29.3%	31.1%	31.1%	30.2%
Mining & Quarrying	3.2%	2.8%	2.1%	2.5%	3.2%	2.7%	2.7%
Manufacturing	18.6%	17.5%	17.6%	16.8%	17.8%	18.1%	17.4%
Electricity, gas, water supply & other utilities	2.2%	2.5%	2.4%	2.2%	2.2%	2.3%	2.3%
Construction	8.3%	7.9%	7.4%	7.8%	7.9%	8.0%	7.8%
<b>Services</b>	52.6%	56.0%	59.2%	52.3%	53.3%	54.3%	55.2%
Trade, Hotels, Transport, Communication & Services related to Broadcasting	20.7%	19.1%	18.7%	19.2%	20.6%	19.4%	19.4%
Financial, Real Estate & Professional Services	18.6%	24.3%	26.4%	18.7%	18.5%	21.8%	21.9%
Public Administration, Defence and Other	13.3%	12.6%	14.2%	14.5%	14.2%	13.1%	13.9%

RE: Revised Estimates; PE: Provisional Estimates

Source: CSO; CEIC; ICRA research

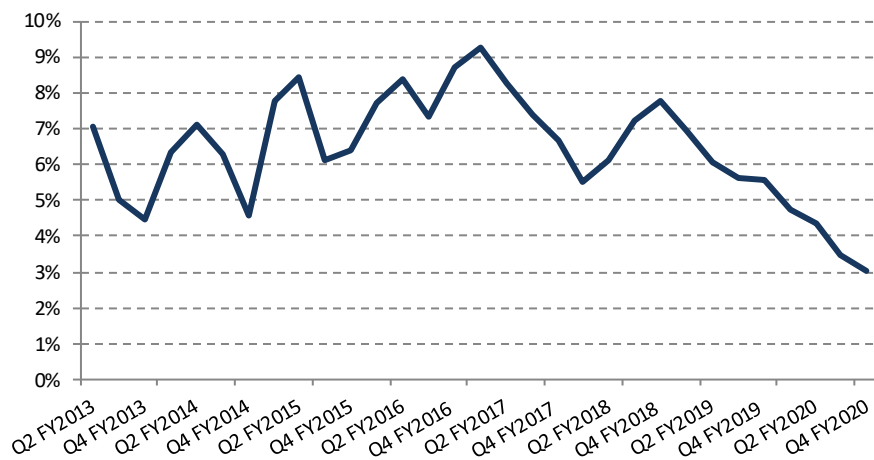
Exhibit 18: Composition of GDP and Final Expenditures (Constant 2011-12 Prices)

	Q4 FY2019	Q1 FY2020	Q2 FY2020	Q3 FY2020	Q4 FY2020	FY2019 RE	FY2020 PE
<b>GDP</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
PFCE	56.1%	56.4%	56.5%	59.9%	55.9%	56.6%	57.2%
GFCE	9.1%	11.8%	13.0%	10.6%	10.0%	10.6%	11.3%
Exports	20.8%	20.0%	19.6%	19.3%	18.5%	20.9%	19.3%
less Imports	22.2%	23.4%	21.8%	20.5%	20.0%	23.9%	21.4%
Gross Capital Formation	34.8%	35.4%	32.2%	32.4%	31.8%	35.0%	32.9%
GFCF	31.7%	32.0%	28.9%	29.4%	28.8%	31.9%	29.8%
Change in Stocks	1.9%	1.9%	1.9%	1.8%	1.9%	1.9%	1.9%
Valuables	1.2%	1.5%	1.4%	1.2%	1.2%	1.2%	1.3%
Discrepancies	1.4%	-0.3%	0.4%	-1.7%	3.9%	0.9%	0.0%

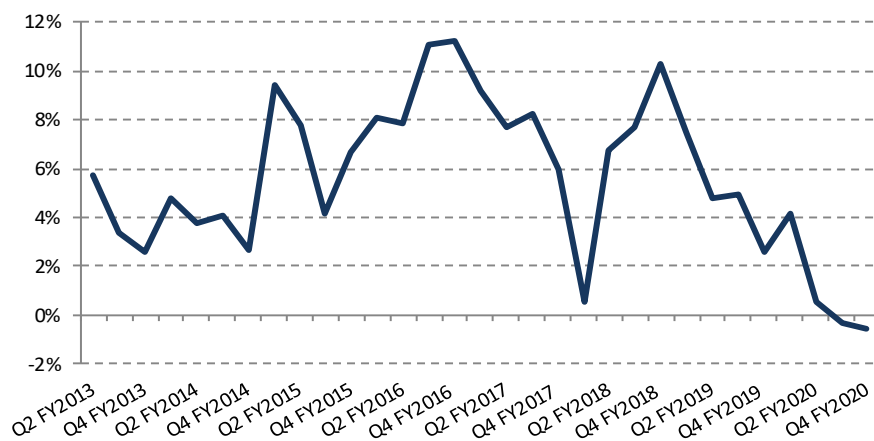
Source: CSO; CEIC; ICRA research



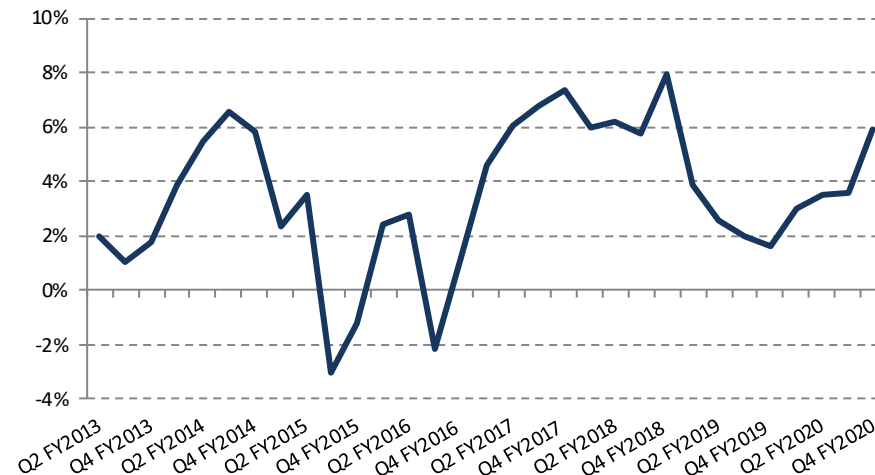
## ANNEXURE C

**Exhibit 19: Growth in GVA at Basic Prices (Constant 2011-12 Prices)**

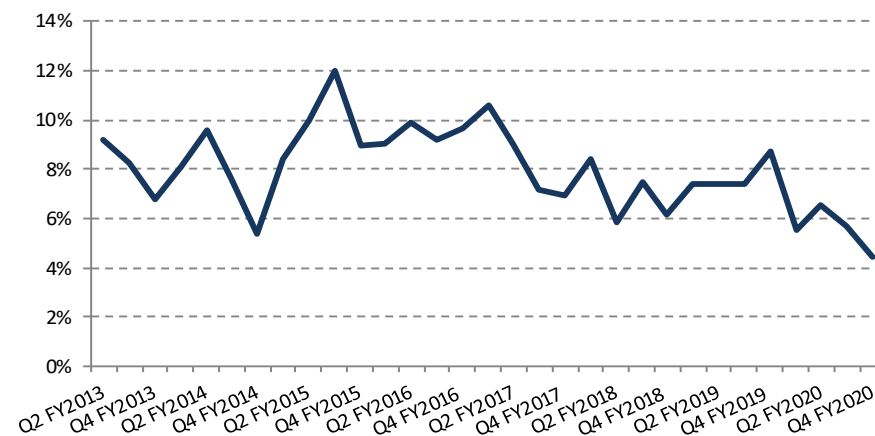
Source: CSO; CEIC; ICRA research

**Exhibit 21: Growth in Industry (Constant 2011-12 Prices)**

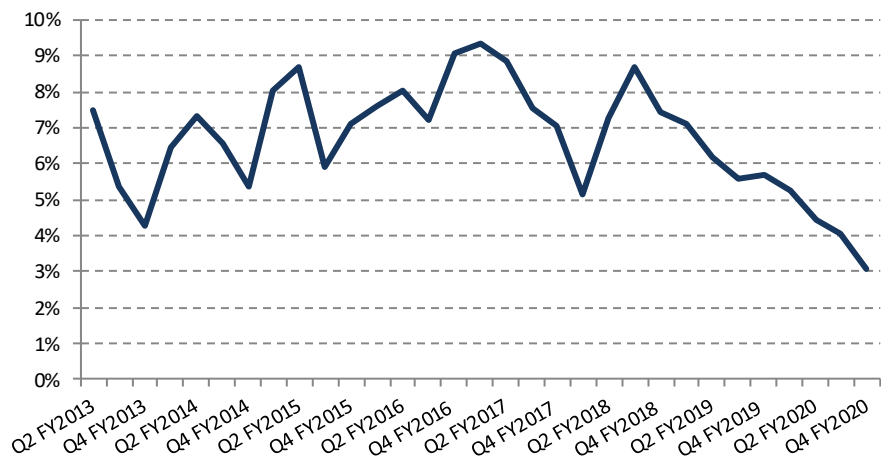
Source: CSO; CEIC; ICRA research

**Exhibit 20: Growth in Agriculture, Forestry & Fishing (Constant 2011-12 Prices)**

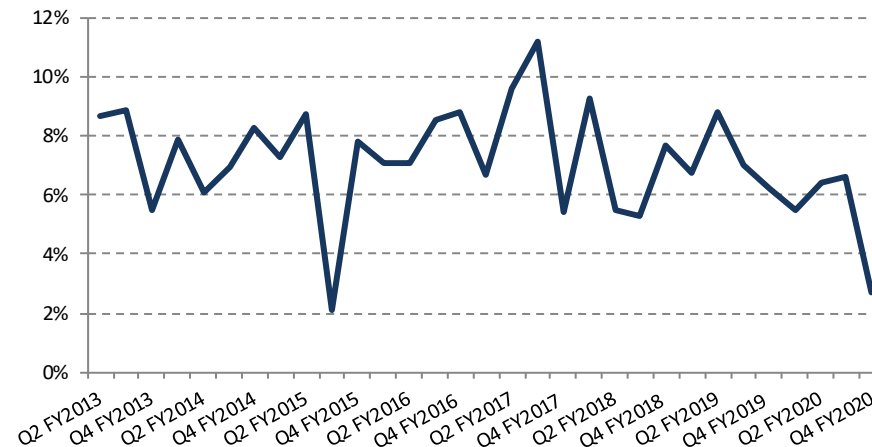
Source: CSO; CEIC; ICRA research

**Exhibit 22: Growth in Services (Constant 2011-12 Prices)**

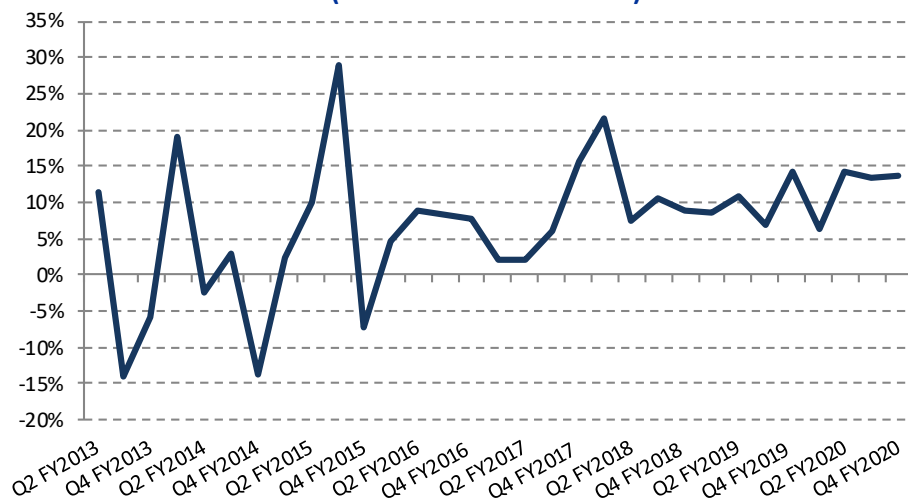
Source: CSO; CEIC; ICRA research

**Exhibit 23: Growth in GDP (Constant 2011-12 Prices)**

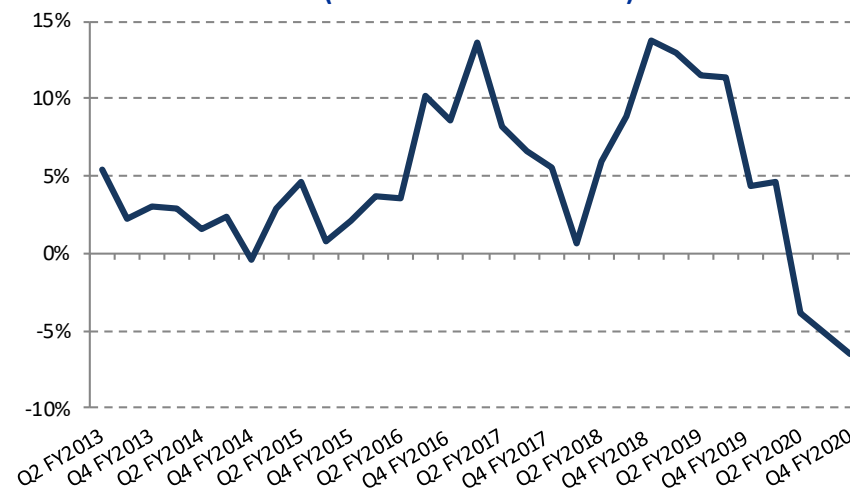
Source: CSO; CEIC; ICRA research

**Exhibit 24: Growth in PFCE (Constant 2011-12 Prices)**

Source: CSO; CEIC; ICRA research

**Exhibit 25: Growth in GFCE (Constant 2011-12 Prices)**

Source: CSO; CEIC; ICRA research

**Exhibit 26: Growth in GFCF (Constant 2011-12 Prices)**

Source: CSO; CEIC; ICRA research



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