



GDP Review (Oct - Dec 2009)

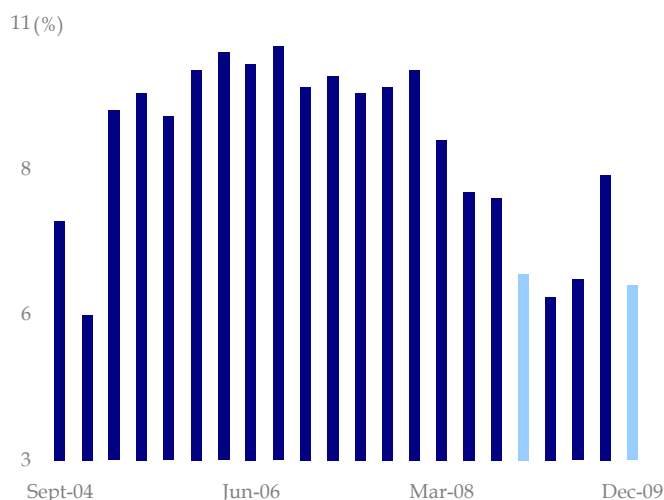
Current Scenario:

- ✓ The 3QFY10 GDP growth disappointed with 6.0%, compared to 7.9% in 2QFY10 and 6.2% in 3QFY09
- ✗ Nominal GDP recorded 11.9% YoY growth in 3QFY10 compared to 15.5%, nominal growth has gained pace due to higher inflation
- ✗ Apr-Dec'10 GDP grew at 6.7% compared to 7.1% in the same period last year
- ✓ Manufacturing as expected grew at a spectacular rate of 14.3% as compared to 9.2% in 2QFY10 and mere growth of 1.3% in 3QFY09
- ✗ Economic growth in 3QFY10 slowed down due to contraction in farm output of 2.8% as well as downward drag on community and social services sector of 2.2%
- ✓ PFCE is 59.8% of GDP in 3QFY10 and is continuously improving as compared to 57.0% in 2QFY10 and 56.8% in 1QFY10

Outlook:

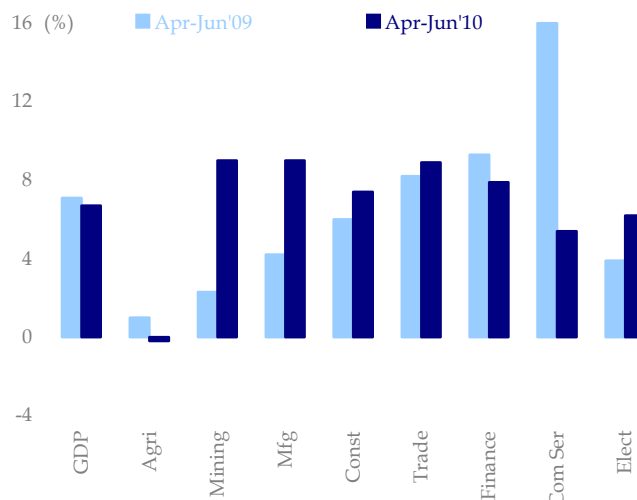
- ✓ An exit from expansionary monetary and fiscal policies is indicating that economy is back on growth trajectory and GDP is likely to gain pre crisis momentum from the next quarter onwards
- ✗ Inflation is likely to increase at the faster pace from hereon due to higher fuel prices and higher disposable income as indicated in the budget FY11. We expect inflation to touch ~10.0% by next month and remain in double digits for few months
- ✓ Increasing the disposable income and higher allocation to the rural and social sector spending, is likely to enhance the Private consumption. However higher inflation and crowding out effect on private credit might push the interest rates and stall growth
- ✓ Growth in Intermediate sector and capital goods sector is indicating that manufacturing sector is likely to improve in the 4HFY10

Total GDP (Quarterly YoY)



Source: Khandwala Research, Bloomberg & CSO

Sectoral GDP

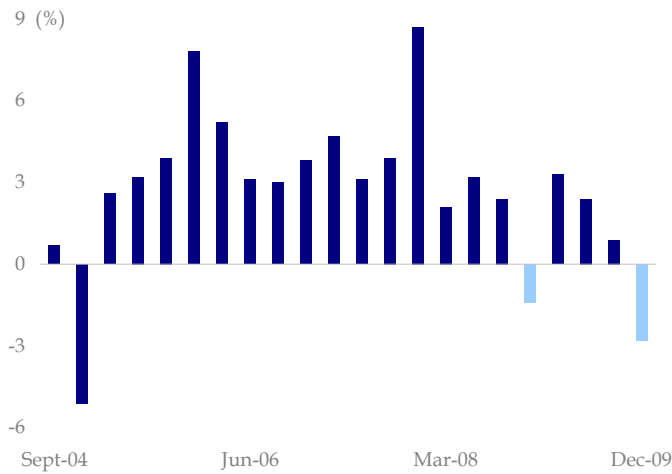


Source: Khandwala Research, Economic Outlook for 2008-09



Agriculture, Forestry & Fishing

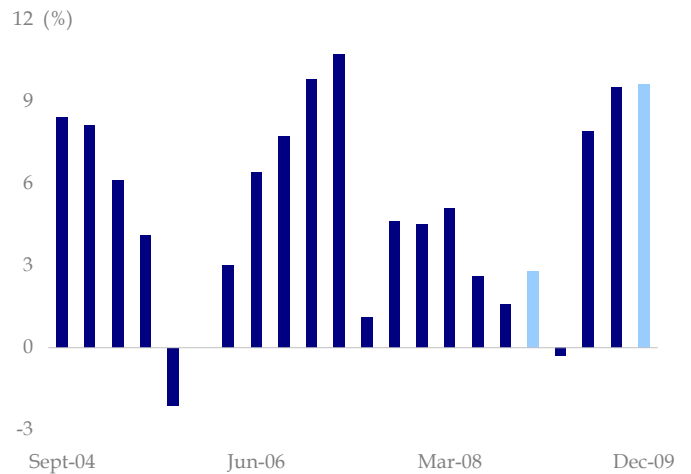
Farm sector as expected declined by 2.8% as compared to a (1.4)% growth in 3QFY09. We expect farm sector to improve next quarter as rabi crop outlook is likely to surge and is expected to more or less offset summer crop deficit.



Source: Khandwala Research, Bloomberg & CSO

Mining & Quarrying

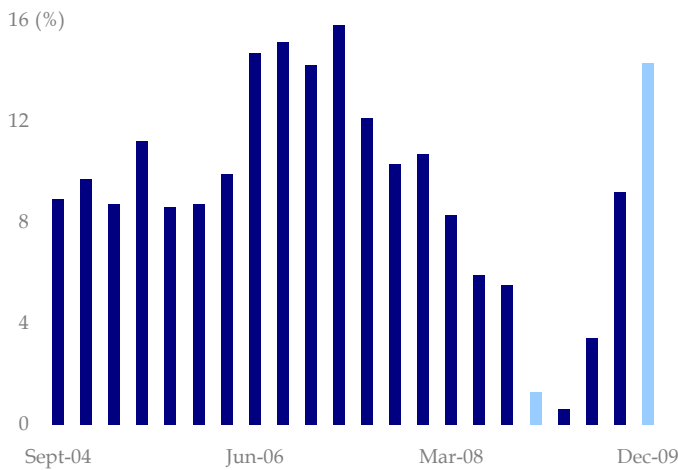
Mining sector continued to outperform with a growth of 9.6% YoY against 2.8% in 3QFY09. Sector is expected to continue to show a spectacular performance in next quarter with superior growth in coal and iron ore in Jan'10.



Source: Khandwala Research, Bloomberg & CSO

Manufacturing

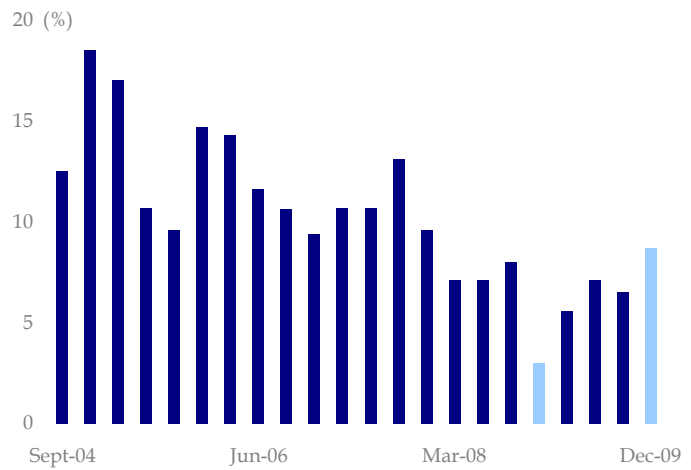
Manufacturing sector accelerated with a growth of 14.3% as compared to a mere growth of 1.3% YoY. Lower base effect plus a pick up in capital goods sector and intermediary sector indicate that next quarter is again expected to be favourable for this sector.



Source: Khandwala Research, Bloomberg & CSO

Construction

Construction sector growth surged to 8.7% YoY as compared to 3.0% in 3QFY09. In budget for FY11 46.0% of plan outlay is provided to Infrastructure development which is likely to further accelerate the growth in this sector for the next year.

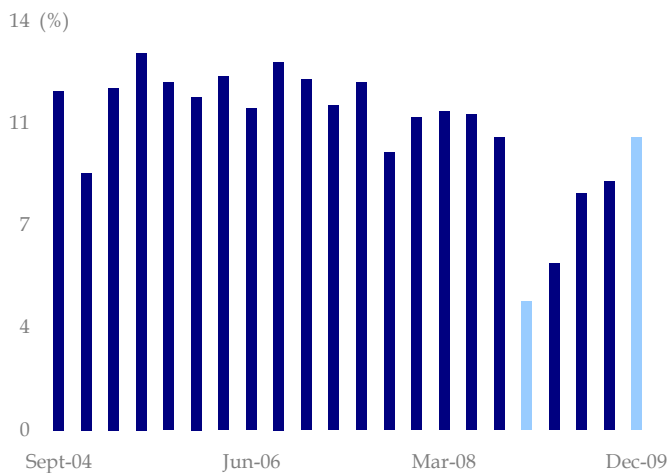


Source: Khandwala Research, Bloomberg & CSO



Trade, Hotels, Transport & Communication

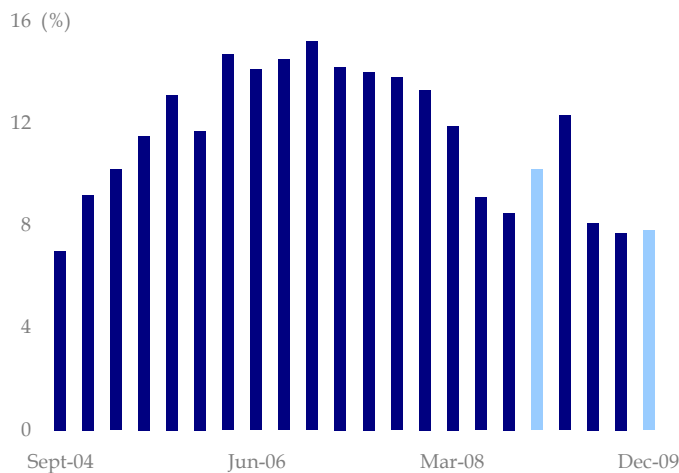
Sector registered a speedier growth of 10.0% YoY as compared to 4.1% in 3QFY10. Improving global outlook and better provisions for this sector in the budget FY11 is likely to boost the growth in this sector.



Source: Khandwala Research, Bloomberg & CSO

Financing, Insurance, Real Estate & Business Services

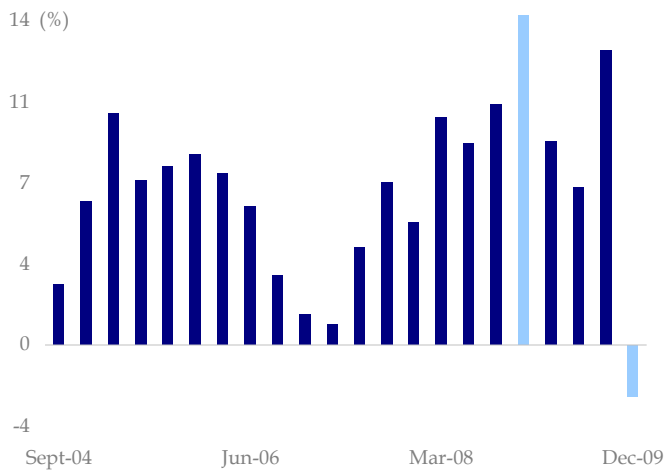
Segment registered a subdued growth of 7.8% YoY as compared to 10.2%. Credit offtake and more banking licenses granted this year is likely to improve this sectors performance going forward.



Source: Khandwala Research, Bloomberg & CSO

Community, Social & Personal Services

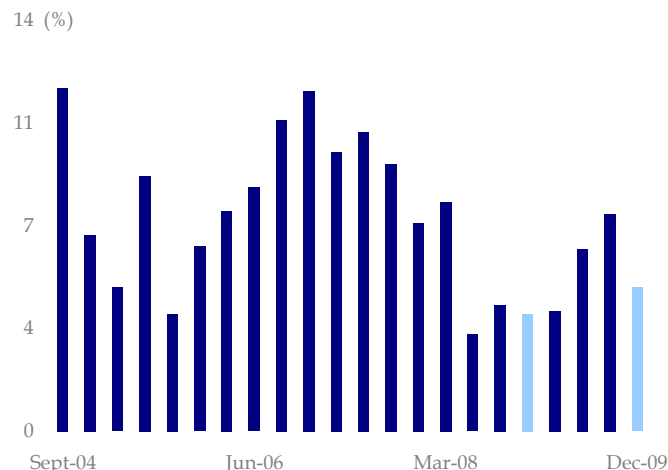
Community sector as expected slowed down to (2.2)% YoY as compared to 28.7% growth in the last year. Govt has increased the spending for the social sector in the B.E of FY11 to 37% of the plan outlay but higher base is likely to show subdued growth.



Source: Khandwala Research, Bloomberg & CSO

Electricity

Electricity grew at sluggish rate of 4.9% compared to 7.4% in the 2QFY10, while at almost the same growth level compared to 4.0% in 3QFY10. Growth rate for the first nine months registered at 6.2% as compared to 3.9% in the last year.



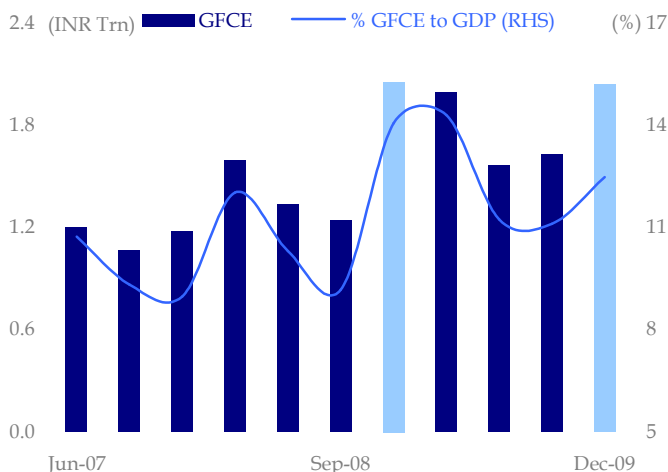
Source: Khandwala Research, Bloomberg



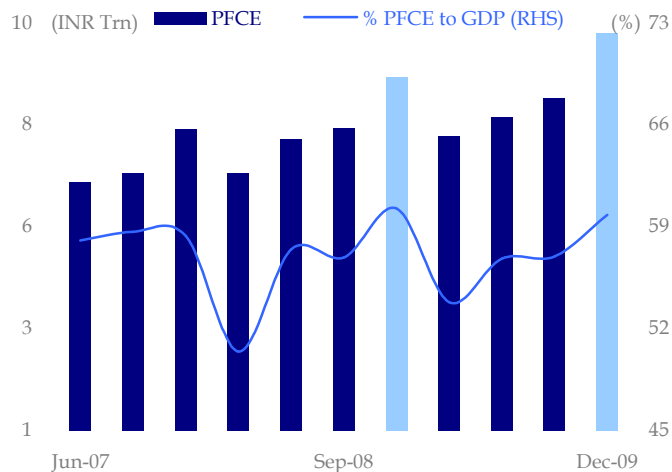
Govt Final Consumption Expenditure and % of GDP Private Final Consumption Expenditure and % of GDP

Government Final Consumption Expenditure (GFCE) declined to 10.25% at constant prices as compared to 26.91% YoY growth in 2QFY10. Govt expenditure has significantly declined in this quarter and as indicated in the budget it will further reduce.

Private Final Consumption Expenditure (PFCE) clocked in growth of 3.4% YoY at constant prices as compared to 5.5% in 2QFY10. As proposed in the budget the disposable income is expected to rise in FY11 thereby likely to boost the PFCE.



Source: Khandwala Research, Bloomberg & CSO



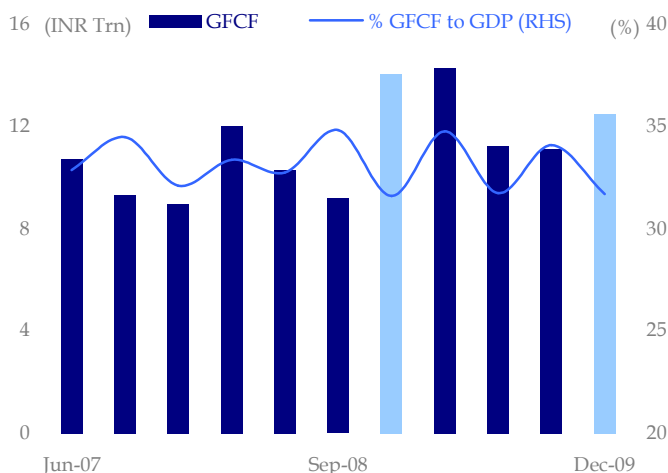
Source: Khandwala Research, Bloomberg & CSO

Gross Fixed Capital Formation and % of GDP

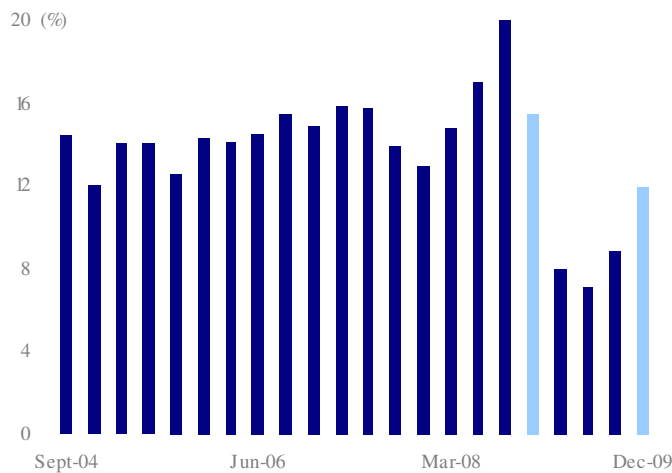
Gross Fixed Capital Formation (GFCF), a measure of investment grew at 8.9% YoY as compared to 7.3% in 2QFY10 and is 32.7% of the GDP at the constant prices.

Nominal GDP Growth

Nominal GDP slowed down to 11.9% YoY compared to 15.5% YoY due to higher base effect. Nominal GDP has picked up pace due to higher inflation; it is likely to continue to be in double digits due to higher inflationary outlook.



Source: Khandwala Research, Bloomberg & CSO



Source: Khandwala Research, Bloomberg & CSO



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