



GDP Review (Apr - Jun 2010)

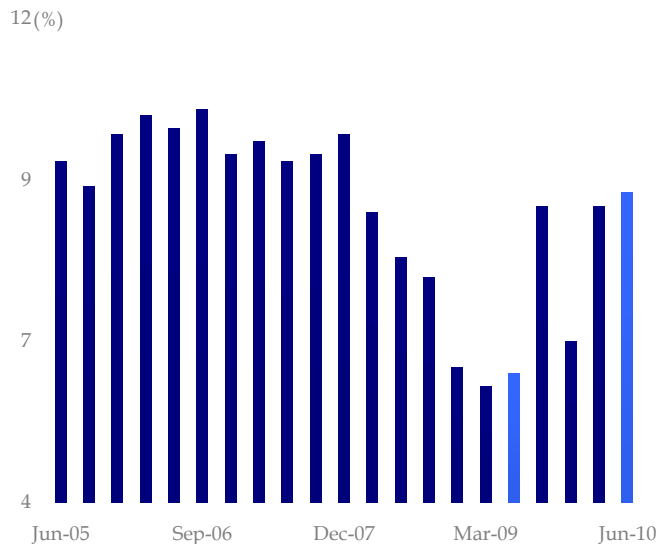
Current Scenario

- ✓ 1QFY11 GDP grew at the fastest pace in ten quarters at 8.8% compared to 8.6% in 4QFY10 and 6.0% in 1QFY10
- ✓ Powered by inflation, nominal GDP expanded 21.7% YoY, highest growth in 2004-05 series, as compared to 7.0% in 1QFY10
- ✗ Financial services sector restrained the growth in service sector as it slowed down to 8.0% as against 11.8% in 1QFY10
- ✓ Manufacturing as expected grew at a spectacular rate of 12.4% as compared to 3.8% in 1QFY10; while it slowed down as compared to 16.3% in 4QFY10
- ✗ Demand side of the GDP data is depicting a weaker stance as growth in Private consumption, Govt consumption and capital formation proved to be disappointing

Outlook

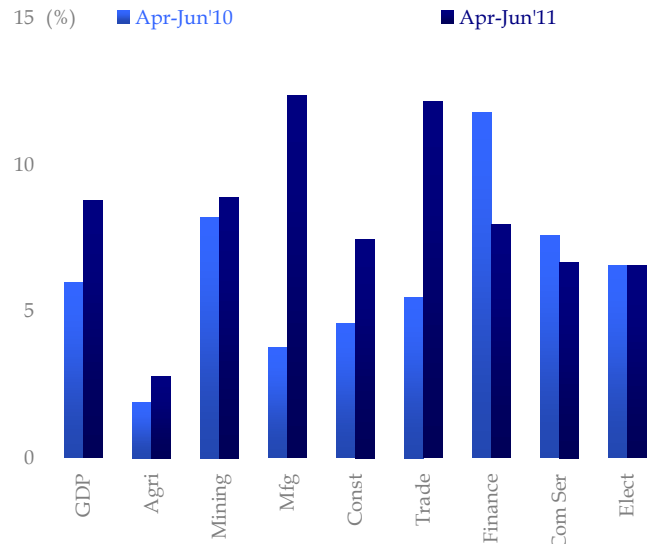
- ✗ Base effect, Infrastructure output and lower capital goods figure is indicating that GDP for next quarter is expected to be lower as compared to this quarter
- ✗ Good monsoon is likely to reflect more positively on agriculture as compared to mining and construction sector in next quarter
- ✓ Private consumption demand is expected to pick up going forward as inflation is likely to slow down due to RBI policy actions and better rainfall this season as compared to last year
- ✗ We expect RBI to replicate its last monetary tightening action in the mid policy review by tightening Repo rate by 25 bps and Reverse Repo by 50 bps
- ✗ With inflation in double digits and growth of 8.8% in 1QFY11, RBI is likely to retain tight stance and raise key rates by another 75-100 bps in this fiscal

Total GDP (Quarterly YoY)



Source: Khandwala Research, Bloomberg & CSO

Sectoral GDP



Source: Khandwala Research, Economic Outlook for 2008-09

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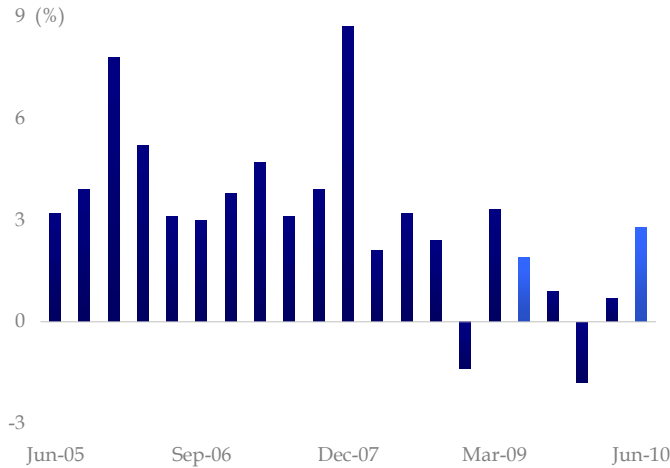
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Agriculture, Forestry & Fishing

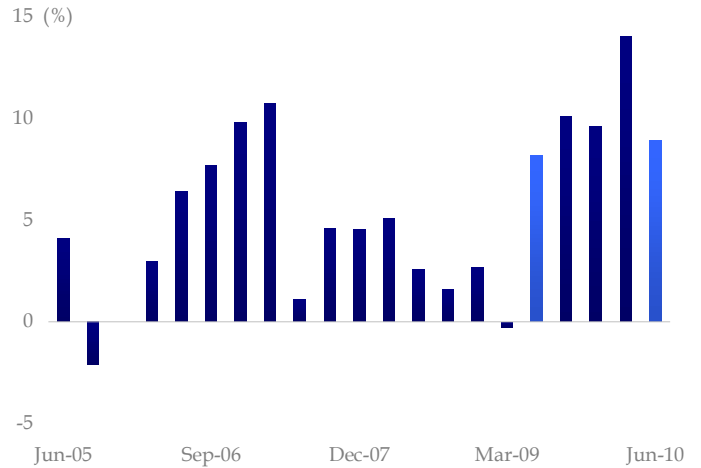
Farm sector rose to 2.8% as compared to a 1.9% growth in 1QFY10. We expect farm sector to show robust growth due to better than expected monsoon which is just 2% deficit from LPA.



Source: Khandwala Research, Bloomberg & CSO

Mining & Quarrying

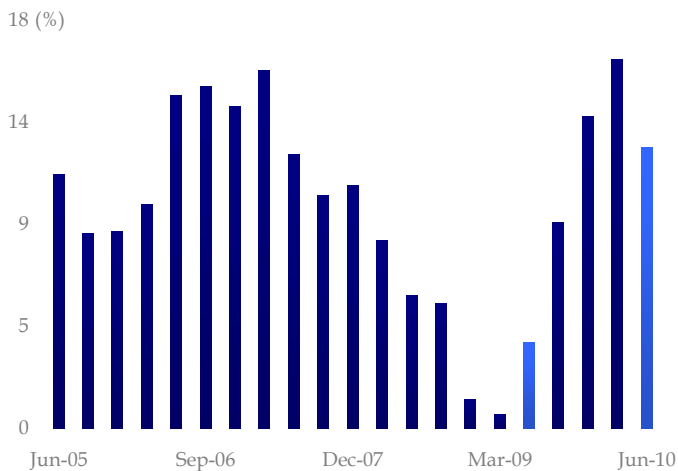
Mining sector grew at a modest rate of 8.9% as compared to 8.2% in the previous year and 14.0% in 4QFY10. Sector is expected to slow down in next quarter due to heavy rainfall in this quarter.



Source: Khandwala Research, Bloomberg & CSO

Manufacturing

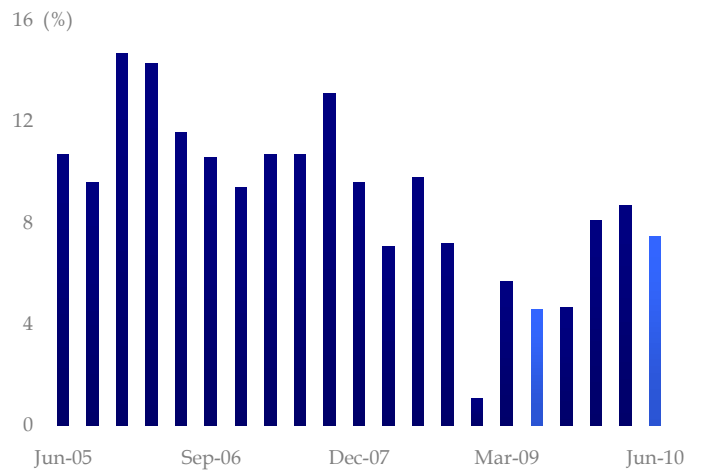
Manufacturing sector accelerated to 12.4% as compared to a mere growth of 3.8% YoY. We expect manufacturing sector growth to have already peaked at 16.3% in Mar'10, manufacturing growth is likely to slow down and show moderate growth next quarter.



Source: Khandwala Research, Bloomberg & CSO

Construction

Construction sector growth surged to 7.5% YoY as compared to 4.6% in 1QFY10. Monsoon is likely to dampen the growth in construction sector in the 2QFY11.

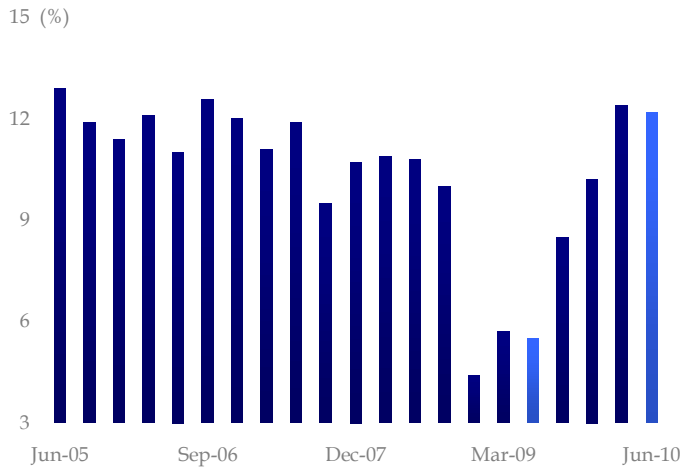


Source: Khandwala Research, Bloomberg & CSO



Trade, Hotels, Transport & Communication

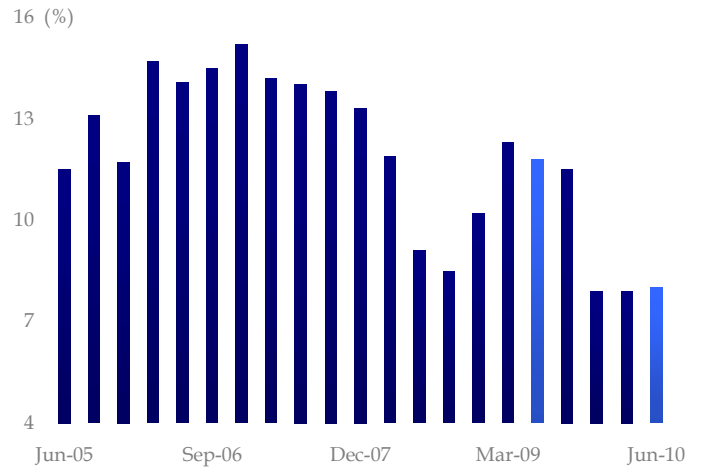
Sector registered a speedier growth of 12.2% YoY as compared to 5.5% in 1QFY10. Improving global outlook is likely to further boost the growth in this sector.



Source: Khandwala Research, Bloomberg & CSO

Financing, Insurance, Real Estate & Business Services

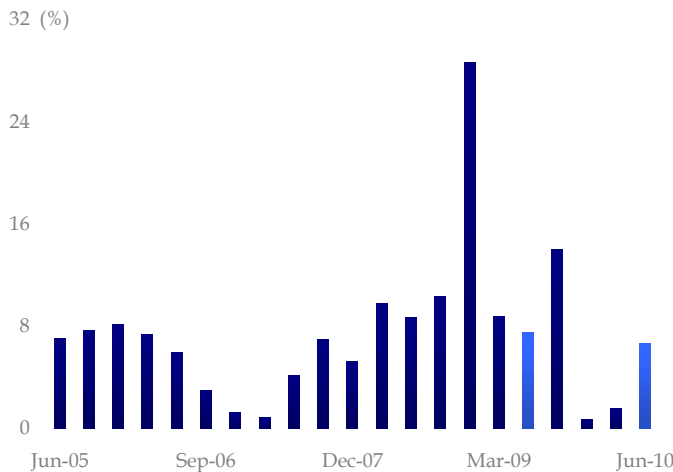
Segment registered a subdued growth of 8.0% YoY as compared to 11.8%. Recovery in credit offtake and more banking licenses granted this year is likely to improve this sector's performance going forward.



Source: Khandwala Research, Bloomberg & CSO

Community, Social & Personal Services

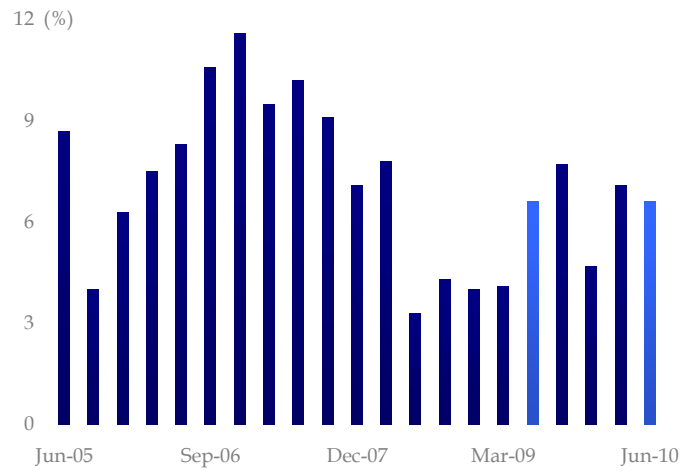
Community sector rose to 6.7% YoY as compared to 7.6% growth in the last year. Govt has increased the spending for the social sector in the B.E of FY11 to 37% of the plan outlay which is likely to show improvement in the next few quarters.



Source: Khandwala Research, Bloomberg & CSO

Electricity

Electricity grew at constant rate of 6.6% as compared to 6.6% in the 1QFY10, while it slowed down as compared to 7.1% in \$QFY10. Electricity for Jul'10 grew at constant rate of 3.8% as compared to 1QFY10.



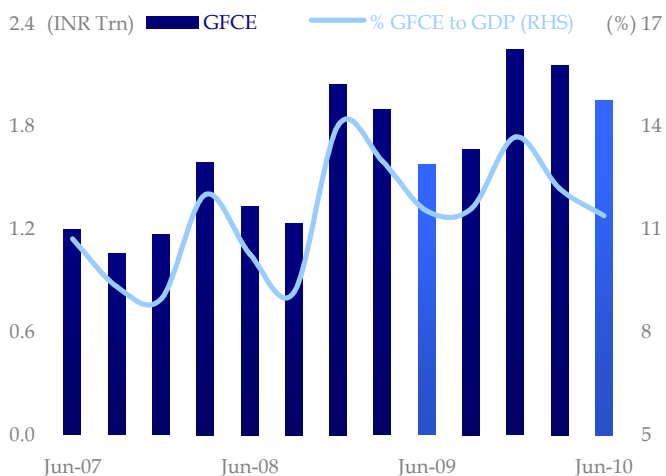
Source: Khandwala Research, Bloomberg



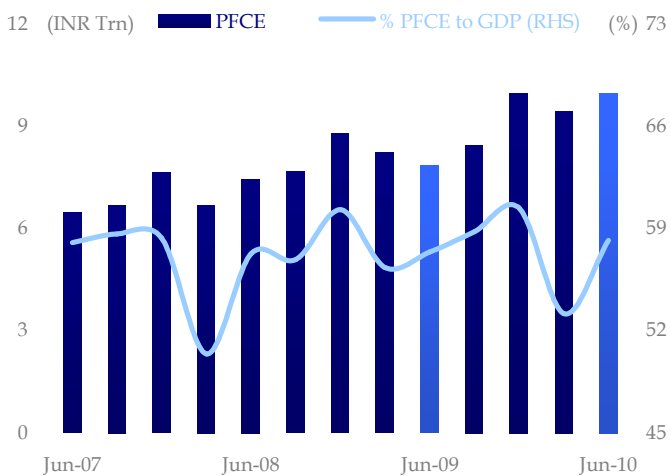
Govt Final Consumption Expenditure and % of GDP **Private Final Consumption Expenditure and % of GDP**

Government Final Consumption Expenditure (GFCE) as expected declined by 0.6% YoY at constant prices as compared to 15.3% YoY growth in 1QFY10. Govt expenditure is expected to improve in the next few quarters to cope up with its budget estimate.

Private Final Consumption Expenditure (PFCE) clocked in growth of 0.3% YoY at constant prices as compared to 2.9% in 1QFY10. Better monsoon is likely to ease inflation and thereby add more to the disposable income, which is likely to boost PFCE going forward.



Source: Khandwala Research, Bloomberg & CSO



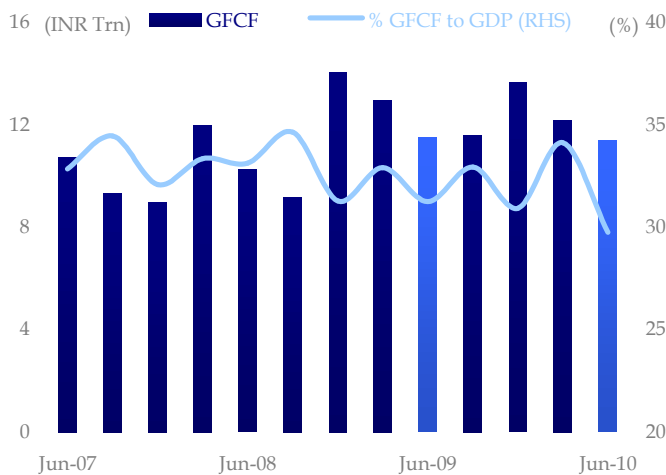
Source: Khandwala Research, Bloomberg & CSO

Gross Fixed Capital Formation and % of GDP

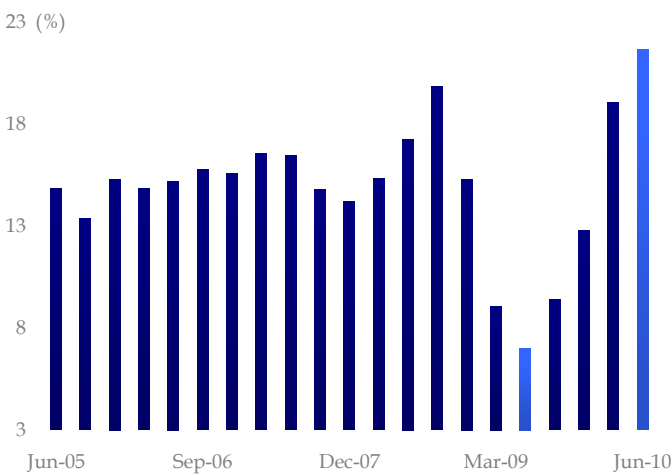
Gross Fixed Capital Formation (GFCF), a measure of investment grew at 3.7% YoY as compared to (0.7)% in 1QFY10 and is 31.2% of the GDP at the constant prices. Capital goods growth in IIP has shown signs of slowdown in GFCF, we expect it to moderate further.

Nominal GDP Growth

Nominal GDP amplified to 21.7% YoY as compared to 19.1% in 4QFY10 and 7.0% in 1QFY10. 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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