Fact Sheet – Gross Domestic Product (GDP)
February 2020

GDP growth at 4.7 percent in Q3 FY20, Second Advance Estimate for 2019-20 retained at 5.0 percent

- *GDP data released today reported growth at 4.7 percent in Q3 2019-20. This marks a marginal uptick from 4.5 percent growth in Q2 2019-20 reported in November last year. However, according to the latest release growth in Q2 2019-20 has been revised upwards to 5.1 percent. Growth in GVA at basic prices was reported at 4.5 percent in Q3 2019-20.*

- *Economic activity wise classification of GDP indicated an improved performance in agriculture and mining sectors. The second advance estimates of agricultural output released by Ministry of Agriculture earlier this month reported an improvement. Also, a normal monsoon has ensured enough water in major reservoirs of the country. Furthermore, trade, hotels & transport & financial, real estate heads under the services sector have noted a marginal improvement as well. Services sector clocked a growth of 7.4 percent in Q3 2019-20, vis-à-vis 7.3 percent growth in Q2 2019-20.*

- *The performance of industry sector remained passive. Manufacturing reported negative growth for the second consecutive quarter in Q3 2019-20. Quarter 3 numbers are usually supported by festive sales – which remained muted this year. Electricity and construction sectors noted moderation too.*

- *On expenditure side, growth in gross fixed capital formation remained subdued in Q3 2019-20. Private consumption spending noted an uptick clocking a growth of 5.9 percent in Q3 2019-20, vis-à-vis 5.6 percent growth in Q2 2019-20. Weak demand and muted private investment continue to remain key concerns. Government consumption expenditure reported 11.8 percent growth in Q3 2019-20 vis-à-vis 13.2 percent in Q2 2019-20- and has been supporting growth for some time now.*

- *Second Advance estimate for GDP growth in 2019-20 has been retained at 5.0 percent. However, achieving this number would mean clocking 5.8 percent growth in the last quarter – which could be a challenge. We feel that given the elevated downside risks the number might see a downward revision in future.*

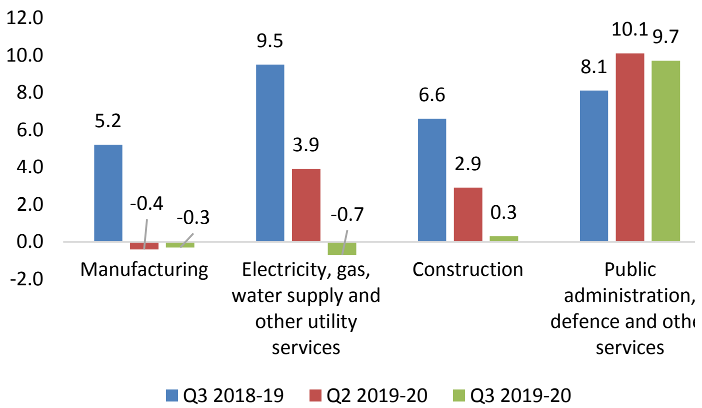
Quarterly Growth in GDP: Expenditure Side (y-o-y in %)

Quarter	Q3 FY19	Q4 FY19	Q1 FY 20	Q2 FY 20	Q3 FY 20
GDP @ market prices	6.0	5.8	5.6	5.1	4.7
Private Final Consumption Expenditure	7.0	7.3	5.0	5.6	5.9
Government Final Consumption Expenditure	7.0	13.1	8.8	13.2	11.8
Gross Fixed Capital Formation	11.4	3.6	4.3	-4.1	-5.2

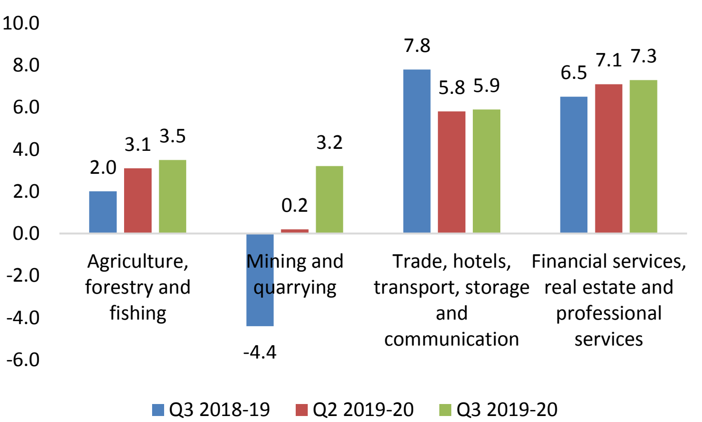
Quarterly Growth in GVA: Economic Activity wise (y-o-y in%)

Quarter	Q3 FY19	Q4 FY19	Q1 FY 20	Q2 FY 20	Q3 FY 20
GVA @ basic prices	5.6	5.7	5.4	4.9	4.5
Agriculture & Allied Activities	2.0	-0.1	2.8	3.1	3.5
Industry	5.0	4.2	3.8	0.8	0.2
Services	7.4	8.4	6.9	7.3	7.4

Segments seeing moderation: Growth in %



Segments seeing improvement: Growth in %



Source: CMIE

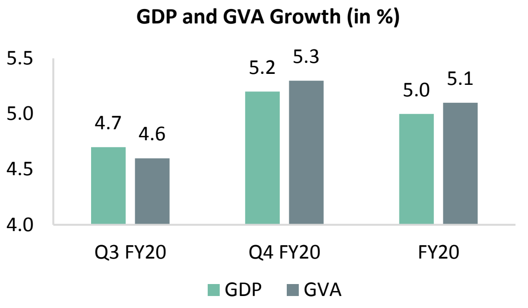
Fact Sheet – Gross Domestic Product (GDP)
February 2020

Year	2018-19 RE	2019-20 2nd AE
GVA	**6.0**	**4.9**
Agriculture, forestry and fishing	**2.4**	**3.7**
Industry	**4.9**	**1.8**
Mining and quarrying	-5.9	2.8
Manufacturing	5.7	0.9
Electricity, gas, water supply and other utility services	8.2	4.6
Construction	6.1	3.0
Services	**7.7**	**7.0**
Trade, hotels, transport, storage and communication	7.7	5.6
Financial services, real estate and professional services	6.8	7.3
Public administration, defence and other services	9.4	8.8

Year	2018-19 RE	2019-20 2nd AE
GDP	**6.1**	**5.0**
PFCE	7.2	5.3
GFCE	10.1	9.8
GFCF	9.8	-0.6
Exports of goods and services	12.3	-1.9
Imports of goods and services	8.6	-5.5

Sharp moderation in private consumption, capital formation and exports of goods and services has led to an evident moderation in growth. The slowdown in private final consumption expenditure is worrisome and the same has also been corroborated in FICCI's surveys for a few quarters now. Nearly three quarter of the surveyed companies in our latest Business Confidence Survey reported weak demand as a problem area. Also, the global economy continues to go through a rough patch. While the year 2019 was underlined with challenges arising out of geo-political concerns such as trade tensions, Brexit, oil price volatility; possibility of any recovery in 2020 will be undermined by an exponential spread of coronavirus.

Growth Estimate from FICCI's Economic Outlook Survey



- **The latest round of FICCI's Economic Outlook Survey puts forth an annual median GDP growth forecast for 2019-20 at 5.0 percent** - this marks a sharp downward revision of 1.4 percentage points from the growth estimate of 6.4 percent reported in the previous survey
- The quarterly median forecasts indicate a GDP growth of 4.7 percent in the third quarter of 2019-20
- **Growth for 2020-21 is projected at 5.5 percent**

FICCI Comments

GDP growth reported at 4.7 percent in quarter 3 of 2019-20 is in line with the broad expectations. In fact, FICCI's Economic Outlook Survey released last month had put across a median GDP growth forecast of 4.7 percent for the third quarter. However, the developments on external front continue to challenge the overall economic situation. The rapid spread of coronavirus epidemic is causing significant uncertainty, and we hope that greater clarity will emerge by the first quarter of next fiscal year. Nevertheless, we are encouraged by the proactive consultations being undertaken by the government to ensure that the export and import supply chains remain intact through this difficult time.

Further, while the second advance estimate for fiscal year 2019-20 has been retained at 5.0 percent, we feel that given the elevated downside risks, the number might see a downward revision in the future.

The Union Budget 2020-21 announced earlier this month had set out a positive undertone by laying emphasis on key sectors like agriculture, MSMEs and infrastructure. Many of the reforms announced will go a long way in setting a solid foundation for future and will aid the growth process going ahead.

Even though the RBI refrained from revising down the repo rate in the latest bi-month monetary policy announced on February 6, 2020, the additional measures announced to revive credit flow were noteworthy. However, FICCI would like to reiterate that undertaking a cut in the repo rate would be very timely. While inflation has risen and is a major concern at present it is largely a supply side phenomenon that needs to be managed through robust supply chain and infrastructure.