

GOVERNMENT STIMULUS

12 November 2020

Stimulus to boost growth

Fiscal stimulus under Atmanirbhar Bharat 3.0 package is pegged at Rs 2.65tn. Focus is on manufacturing, rural, exports and infrastructure. Credit guarantee scheme has been extended till 31 Mar 2021 and 26 stressed sectors (Kamath Committee) too have been included. While government spending has been muted in the year, private sector revival is visible in high frequency indicators as India's Covid-19 infection rate has seen a substantial reduction. We believe there is an upside risk to our growth estimate of (-) 8.4% in FY21.

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Stimulus of Rs 2.65tn under Atmanirbhar 3.0: Today's announcements focused on 1) job creation through "Atmanirbhar Bharat Rozgar Yojana" with an allocation of Rs 60bn, 2) extension of emergency line of credit for MSMEs and credit guarantee to 26 stressed sectors (proposed by Kamath Committee) till Mar'21, 3) boosting domestic manufacturing through the PLI scheme over a span of 5-years, with an allocation of Rs 1.46tn, (4) stimulating housing demand through IT relief for developers and homebuyers along with additional outlay of Rs 180bn under PMAY-U, and 5) promoting infra debt financing through equity infusion of Rs 60bn into NIIF.

Stimulating rural demand: Rural economy has got a boost in the form of Rs 650bn outlay on account of fertilizer subsidy to farmers and outlay of Rs 100bn under PM Garib Kalyan Yojana. Exports too have got an outlay of Rs 30bn and Rs 9bn has been proposed as grant for development of Covid-19 vaccine. Government will also provide an additional outlay of Rs 102bn with the objective to promote industries and create industrial infra under Aatmanirbhar Bharat.

Total stimulus at 15% of GDP: Total monetary and fiscal stimulus amounts to Rs 29.9tn with monetary stimulus of Rs 12.7tn (6.4% of GDP). General government spending has been relatively muted in Sep'20. On the other hand, recovery in economy is visible in a number of high frequency indicators such as GST collections, railway freight and electricity demand. RBI's recent Economic Activity Index also highlighted positive growth in Q3FY21 (after technical recession in H1). We believe there is an upside risk to our current growth forecast of (-) 8.4% in FY21 led by manufacturing.

KEY HIGHLIGHTS

- Stimulus of Rs 2.65tn under Atmanirbhar 3.0.
- Focus on job creation, manufacturing, extending credit guarantee to stressed sectors and infrastructure.
- Total stimulus at Rs 29.88tn (15% of GDP) this year.



FIG 1 – DETAIL BREAKDOWN OF ALLOCATION UNDER STIMULUS 3.0

	(Rs bn)
PM Awaas Yojana	180
Rural employment	100
Grant for development of Covid-19 vaccine	9
Industrial infra, industrial incentives	102
Boosting exports	30
PLI	1,459
Fertilizer subsidy	650
Equity infusion in NIIF debt PF	60
Atmanirbhar Bharat Rozgar Yojana	60
Total	2,650

Source: PIB, Bank of Baroda Research

FIG 2 – TOTAL STIMULUS

	(Rs tn)
Pradhan Mantri Garib Kalyan (PMGKP)	1.92
Atmanirbhar Bharat Abhiyan 1.0	11.02
PM Anna Yojana- extended	0.82
Atmanirbhar Bharat Abhiyan 2.0	0.73
Total stimulus 3.0	2.65
RBI measures	12.71
Total Measures	29.87

Source: PIB, Bank of Baroda Research

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