

## RESEARCH

### BOB Economics Research | Q3FY21 GDP

Growth back in positive territory

## SUMMARY

### India Economics: Q3FY21 GDP

After two consecutive quarters of decline, GDP and GVA growth returned to the positive territory at 0.4% and 1% respectively in Q3FY21. The growth momentum was led by construction, manufacturing and financial services and real estate. Notably, FY21 GVA has been revised up to (-) 6.5% from (-) 7.2%. However, GDP growth has been revised lower to account for higher subsidy payouts. We expect GDP to fall by 7.3% in FY21. However, we see a sharp reversal at 11.5% in FY22 on the back of base effect and normalisation.

[Click here for the full report.](#)

## TOP PICKS

### LARGE-CAP IDEAS

Company	Rating	Target
<a href="#">Cipla</a>	Buy	1,000
<a href="#">GAIL</a>	Buy	160
<a href="#">Petronet LNG</a>	Buy	330
<a href="#">TCS</a>	Buy	3,710
<a href="#">Tech Mahindra</a>	Buy	1,130

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	3,750
<a href="#">Greenply Industries</a>	Buy	195
<a href="#">Laurus Labs</a>	Buy	480
<a href="#">Transport Corp</a>	Buy	330
<a href="#">Mahanagar Gas</a>	Sell	750

Source: BOBCAPS Research

## DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	1.52	14bps	49bps	26bps
India 10Y yield (%)	6.18	4bps	26bps	(19bps)
USD/INR	72.43	(0.1)	0.7	(1.2)
Brent Crude (US\$/bbl)	66.88	(0.2)	19.7	28.2
Dow	31,402	(1.8)	1.4	21.9
Shanghai	3,585	0.6	(1.1)	19.8
Sensex	51,039	0.5	5.6	28.4
India FII (US\$ mn)	24 Feb	MTD	CYTD	FYTD
FII-D	(239.3)	(588.7)	(1,087.1)	(5,180.7)
FII-E	(41.6)	3,887.4	5,865.6	35,841.4

Source: Bank of Baroda Economics Research

## BOBCAPS Research

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## Q3FY21 GDP

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### Growth back in positive territory

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**Investment demand picks up:** India's GDP growth moved into positive territory at 0.4% in Q3FY21 from (-) 7.3% in Q2FY21. The sharp reversal can be explained by improvement in both consumption, in particular government spending, and investment. From (-) 24% in Q2, government consumption is now at (-) 1.1%. Ditto for private consumption from (-) 11.3% in Q2 to (-) 2.4% in Q3. Notably, investment spending has shown an increase of 2.6% from (-) 6.8%. Inventory build-up continued for second consecutive quarter.

**GVA growth improves:** GVA growth improved to 1% in Q3 from contraction of 7.3% in Q2 led by broad based recovery in all sectors. Agri output increased by 3.9% (3.4% during FYTD21). Construction output increased by 6.2% in Q3 compared with a decline of 16.8% during FYTD21. Manufacturing output registered an increase of 1.6% (decline of 11.9% during FYTD21). Within services, trade, hotels etc reported a contraction of 7.7% against a decline of 23.5% during FYTD21. Higher GST collections since October imply this recovery will continue. Financial services reported an increase of 6.6% in Q3 led by real estate. Public admin and defence continued to contract by 1.5% in Q3 despite higher government spending dragged down by informal services.

**GVA/GDP growth forecasts revised:** FY21 GVA growth has now been revised upwards to (-) 6.5% from (-) 7.2% earlier led by industry and trade, hotels etc (services). The other services categories and agriculture have seen a downward revision. Investment demand is now estimated to fall by 12.4% versus a decline of 14.5% earlier. The focus of the government is to revive investments through PLI scheme and higher infra spending. We expect GDP growth to fall by 7.3% in FY21, before seeing a revival to 11.5% in FY22, on the back of a low base, higher capital spending by government, additional output from PLI scheme and pick-up in exports.



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### Recommendations and Absolute returns (%) over 12 months

**BUY** – Expected return >+15%

**ADD** – Expected return from >+5% to +15%

**REDUCE** – Expected return from -5% to +5%

**SELL** – Expected return <-5%

**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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