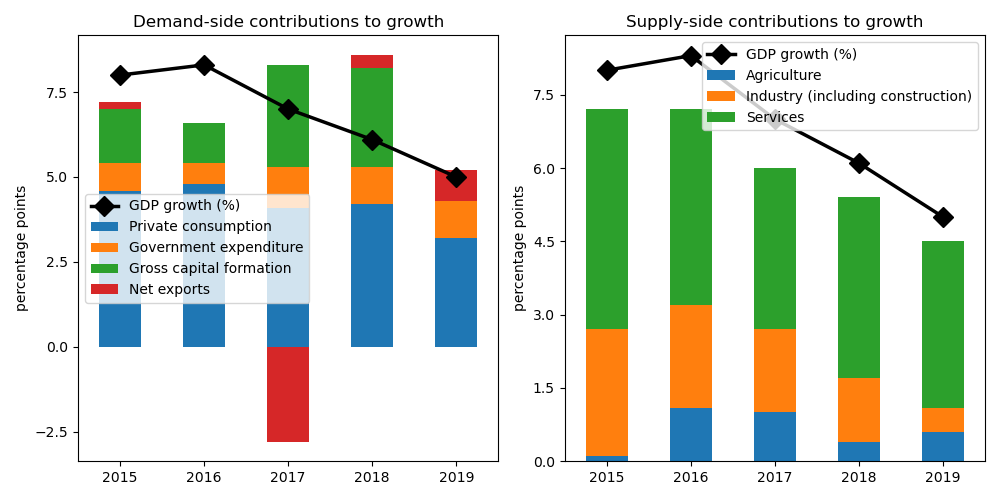
India: Recent Economic Developments and Outlook

# GDP growth in 2019 slowed down

GDP growth slowed down from 6.1% in 2018 to 5.0% in 2019. On the demand side, private consumption, accounting for 60.2% of GDP, contributed the most with 3.2 percentage points (pp). Government expenditure added 1.1pp. Net exports added 0.9pp. Meanwhile, gross capital formation had trivial contribution to growth this period. On the supply side, services, accounting for 49.9% of GDP, contributed the most with 3.4pp. Agriculture added 0.6pp. Industry (including construction) shared 0.5pp.



## Government expenditure achieved largest gain on the demand side

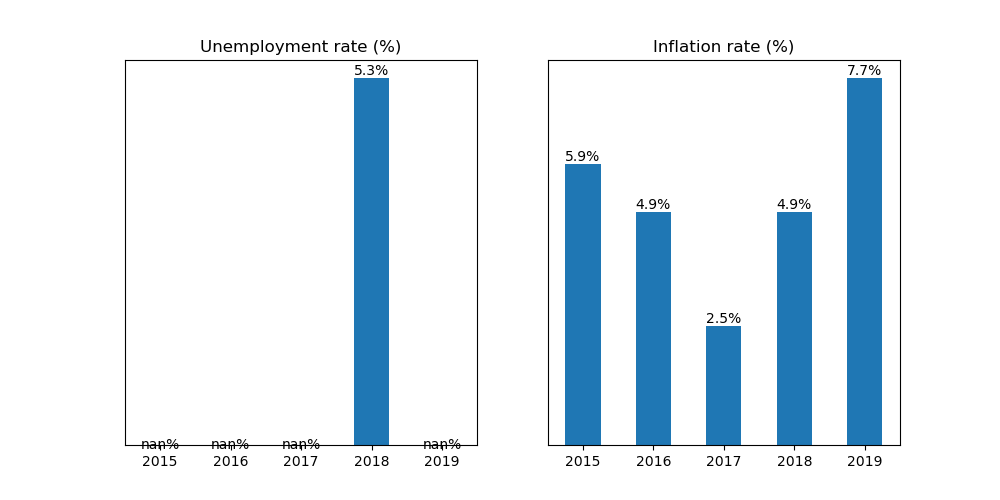
Government expenditure picked up by the biggest margin at 9.8% annual growth. Private consumption jumped by 5.3%. Meanwhile, gross capital formation kept unchanged this period. On the other hand, net exports contracted by 22.8%.

## On the supply side, growth in services accelerated the fastest

Services expanded by the largest edge at 7.0% annual growth. Agriculture picked up by 3.7%. Industry (including construction) grew by 1.8%.

## Unemployment declined; inflation worsened

Unemployment rate declined from 5.3% in 2018 to nan% in 2019. Consequently, inflation worsened from 4.9% to 7.7%. At the end of the year, the central bank set the policy rate at 6.25%.



## Current account balance posted a deficit

Current account balance (CAB) recorded a deficit at 1.0% of GDP in 2019. Net trade in goods and services reached USD -73.5 billion. In 2018, CAB posted a deficit at 2.4% of GDP.

USA is the country's top export destination accounting for 16.8% of total exports in 2019. Other major exports partners include United Arab Emirates (9.1%), China (5.3%), China, Hong Kong SAR (3.6%), and Singapore (3.3%). Top export commodities are mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes, accounting for 13.8% of total exports.

For imports, top imports origin in 2019 is China (14.3% of total imports), followed by USA (7.3%), United Arab Emirates (6.3%), Saudi Arabia (5.6%), and Iraq (4.6%). Major import commodities are mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes, accounting for 31.9% of total imports.

# Output contracted in Q3 2020

Output plunged by 7.5% year-on-year in Q3 of 2020. Growth in overall economic activity improved from a contraction of 23.9% in the previous quarter. Private consumption decreased by the biggest margin at -11.4% annual growth. On the other hand, government expenditure and private consumption decreased by 22.5% and 11.4%, respectively.

## Consumer confidence up

Meanwhile, consumer confidence index was in the positive territory at 49.9 points in Q3 of 2020. Confidence declined from nan points in the previous quarter. Expectations of consumers about the general economic situation in the next 12 months turned optimistic at 115.9 points from nan points over the same period, reflecting improved consumer sentiments.

## Industrial output expanded

Industrial production expanded by 0.2% year-on-year in September, an increase from -7.4% growth in the previous month. Growth in manufacturing jumped to -0.6% from -7.9%.

## Inflation jumped

Overall inflation jumped to 7.6% year-on-year in October from 7.3% in the previous month.

India's central bank held unchanged the official policy rate to 4.0% in December from the same in November.

# Outlook tilted downwards this year

On November 2020, Consensus Economics panelists project India's economic growth ending in 2020 at -9.4%. In 2021, the panelists foresee growth at 10.2%. Over the same period, consumption is expected to grow by -10.3% and 11.5%, while investment is projected to grow by -22.6% and 15.7%. Industrial production is seen to grow by -14.3% and 12.1%.

Meanwhile, Consensus Economics panelists foresee inflation averaging in 2020 at 5.8%. In 2021, the panelists project inflation at 4.4%.