

MARKETS DEBATE

Is the revival in GDP growth sustainable?

Q1FY19 has logged GDP growth of 8.2%, kindling hopes of an economic revival



SAMPATH REDDY
Chief investment officer, Bajaj Allianz Life Insurance

India's GDP growth is witnessing a revival post demonetisation and GST implementation. Private consumption growth rose sharply to 8.6% in Q1FY19, better than 6.9% in Q1FY18. Private consumption expenditure now accounts for 54.9%; services sector grew by 7.5% in Q1FY19 compared with 8.5% in Q1FY18. Domestic consumption demand continues to be healthy. However, private sector investment demand has been subdued for past few years, with most of the investment spending being driven by the government. Investment demand grew by 10% in Q1FY19 compared to 0.8% in Q1FY18. We believe with better earnings growth, investment cycle would pick up in FY20. While, we do not see much risk of rising rupee on growth for now, a depreciating rupee will have limited upward pressure on inflation. However, the RBI has been pre-emptive and has already gone in for consecutive rate hikes to keep inflation within its prescribed target. India's growth story remains intact and has the potential to grow over 8% per annum.



RITIKA MANKAR MUKHERJEE
Senior economist, Ambit Capital

Whilst a genuine improvement in activity levels did materialise in Q1FY19, GDP growth was buoyed by a low base effect from last year. This is because GST was implemented in Q1FY18, which proved to be disruptive, and growth in the quarter was recorded at an unusually low level of 5.6% YoY. As this unique base effect normalises, GDP growth in the coming quarters should settle at lower levels that are closer to ~7-7.2% YoY. Despite clear signs of pickup in domestic consumption, a secular revival in investment growth appears unlikely in FY19 given that the government's ability to push up capex is constrained. In a pre-election year, government's spending priorities are tilted towards revenue expenditure rather than capex. Further, capacity utilisation in most sectors remains below 80% and Indian households' ability to drive capex activity appears compromised as evinced by declining savings ratio. Currency depreciation should boost exports in the medium-term but a rising import bill poses a risk for GDP growth as India's imports are significantly higher than its exports. ☺

28 September 2018 / OUTLOOK BUSINESS

THE INSIDE STORY

IG PETROCHEMICALS SHEKHAVATI INVESTMENT CORPORATION*

Sold 1.03 million
@₹480 per share
Holds 10.05% stake

L&T INFOTECH L&T LIMITED*

Sold 10.5 million
@₹1,759 per share
Holds 77.89% stake

BAJAJ FINANCE ATUL JAIN

Sold 261,972
@₹2,942 per share
Holds 0.01% stake

ALKEM LABORATORIES DEEPAK KUMAR SINGH

Sold 97,985
@₹2,032.43 per share
Holds 2.86% stake

INDUSIND BANK ROMESH SOBTI

Sold 80,000
@₹1,953 per share
Holds 0.00001% stake

HEXAWARE TECHNOLOGIES HT GLOBAL IT SOLUTIONS HOLDINGS*

Sold 25 million
@₹447 per share
Holds 62.76% stake

Promoter group members/directors stake in personal capacity. The holding does not include investment companies acting in concert. * Denotes promoter holding through promoter entity. Insider trades disclosed between August 24 and September 9.