

India's GDP growth rate forecasted at 6.6% for FY2020: Fitch Rating's Global Economic Outlook, June 2019

According to Fitch Rating's Global Economic Outlook (GEO), June 2019, World GDP is forecasted at 2.7% for 2020 and 2021 each, as compared to 2.8% in 2019. This forecast is unchanged from the March 2019 GEO. Modest upgrades to 2019 forecasts for the US, the Eurozone, the UK and China after positive surprises in 1Q19 have been offset by forecast cuts for Brazil, Mexico, Russia, Korea, South Africa, Canada and Australia.

As per the report, the trade war is weighing on investment prospects and has sharply increased downside risks to world economic growth forecasts as increased uncertainty about trade is already making firms more cautious on capex.

Deteriorating prospects for business investment, lingering weakness in consumer spending growth in China and a softer growth outlook for other emerging markets (EM) have culminated in more bearish forecasts for the world economy,

Global Forecast Summary

GDP Growth (%)	2018	2019f	2020f	2021f
US	2.9	2.4	1.8	1.7
Eurozone	1.9	1.2	1.3	1.2
China	6.6	6.2	6.0	5.8
Japan	0.8	0.8	0.5	0.6
UK	1.4	1.4	1.5	1.8
Developed ^A	2.1	1.8	1.5	1.5
Emerging	5.1	4.5	4.8	4.9
World	3.2	2.8	2.7	2.7

Source: PHD Research Bureau compiled from Fitch

Note:

^A US, Japan, France, Germany, Italy, Spain, UK, Canada, Australia and Switzerland.

^B Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkey.

^C 'Fitch 20' countries weighted by nominal GDP in USD at market exchange rates (3 year average)

Outlook for India:

India's Gross Domestic Product (GDP) growth is forecasted at 6.6% for the current fiscal, from 6.8% projected earlier, citing persistent slowdown in manufacturing and agriculture sectors. However, GDP growth forecast for FY21 and FY22 at 7.1% and 7%, respectively.

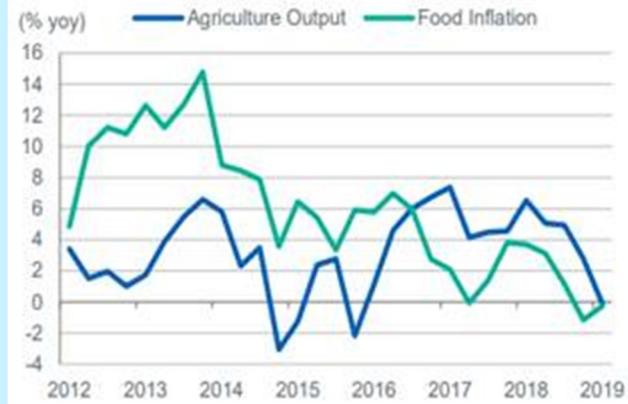
India Forecast Summary

(%)FY starting April	FY18-19	FY19-20f	FY20-21f	FY21-22f
GDP	6.8	6.6	7.1	7.0
Consumer Spending	8.1	7.0	7.9	7.3
Fixed Investment	10.0	3.0	7.3	7.4
Net Trade (contribution pps.)	-1.1	0.0	-0.2	-0.1
CPI Inflation (end-cal. year)	2.1	3.8	4.1	3.8
Policy Interest Rate (end-cal. year)	6.50	5.5	5.75	6.00
Exchange rate. USD/INR (end cal. Year)	69.82	70.00	71.00	72.00

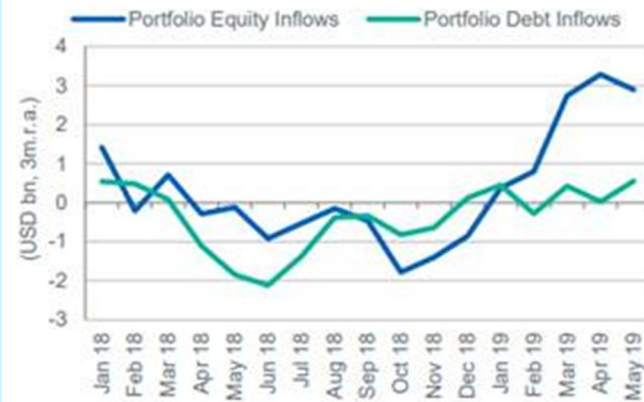
Source: PHD Research Bureau compiled from Fitch Ratings (Note: cal. – calendar)

According to Fitch Ratings, India's GDP growth declined for the fourth consecutive quarter in 1Q19, with the economy expanding by 5.8% yoy, down from a cyclical high of 8.1% in 1Q18. This is the lowest growth outturn in five years.

India - Agriculture Output & Food Inflation



India - Portfolio Inflows



Source: PHD Research Bureau compiled from Fitch Ratings

The slowdown over the past year has been driven by steadily cooling activity in the manufacturing sector and, to a lesser extent, agriculture. Weaker momentum has been mainly domestically driven, though export growth has also faltered more recently.

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