

Wednesday 10th April, 2019 – 1:05pm

India

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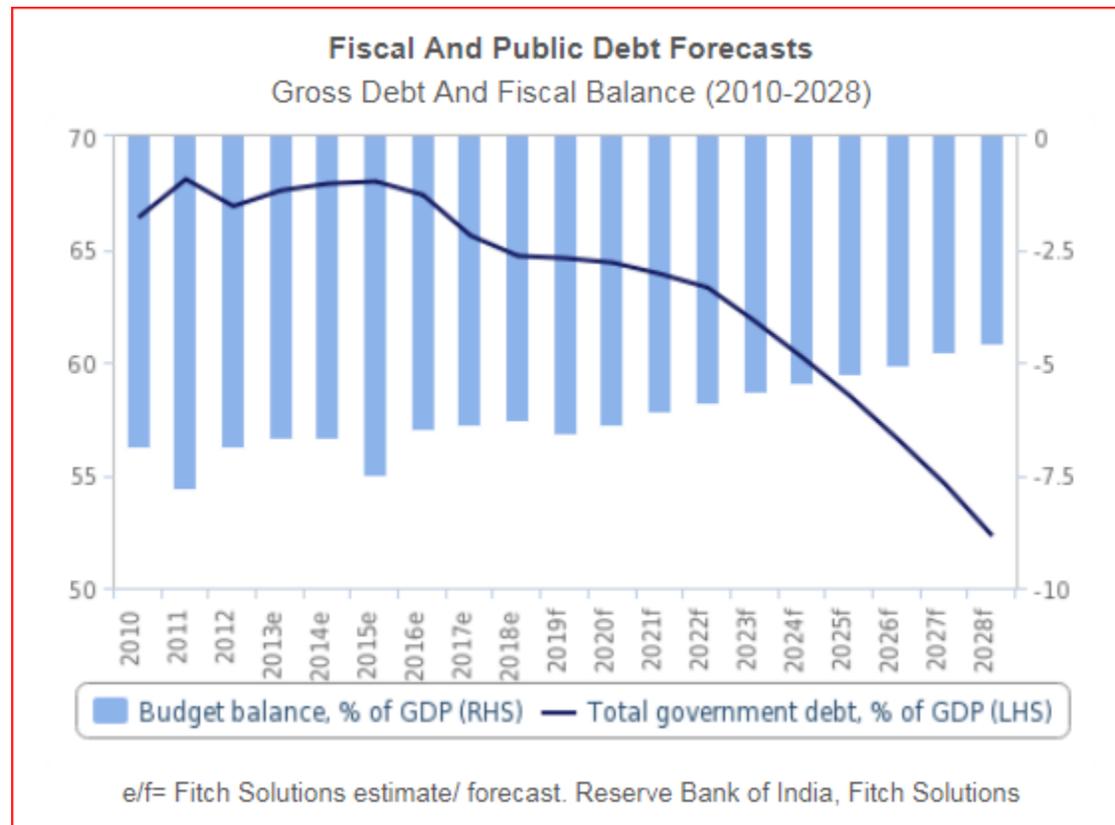
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## Election details

- The 2019 Indian general election is scheduled to be held in seven phases from 11 April to 19 May 2019. The counting of votes will be conducted on 23 May, and on the same day, the results will be declared.
- India's population is 1.34 billion and is predicted to soon surpass China's population of 1.39 billion, moreover India's economy is likely to overtake UK's and become the world's fifth largest.
- The current PM is Narendra Modi and his main rival is opposition leader Rahul Gandhi.
- Parliament has 543 elected seats and any party or coalition needs a minimum of 272 MP's to form a government.
- At last election in 2014, Modi won 282 seats; Gandhi Congress Party won 44 seats in 2014, down from 206 in 2009.
- This election is being seen as a referendum on Mr. Modi, a polarizing figure adored by many but also accused of stoking divisions between India's Hindu majority and the country's 200 million Muslims.
- Until a few months ago, Mr. Modi and his BJP party were seen as the overwhelming favorites. However, the loss of key states in December's regional elections injected a sense of serious competition into the national vote.

## India's Fiscal Position

- India's public debt-to-GDP ratio is one of the highest among emerging Asian countries, standing at around 68.2% in FY2017/18 (April-March), but it has been on a downtrend over the past decade.



- The Debt-GDP ratio is expected to decline due to the country's relatively strong economic growth and the government commitment to consolidating its fiscal accounts.
- Over the past five years, subsidies on average accounted for approximately 16.0% of the central government's expenditure and 2.3% of GDP. Rather than cutting subsidies directly, which is politically sensitive, the government is reining in expenditure by introducing electronic cash transfers to cover food and fertilizer subsidies.

- The government is expected to focus on supporting economic growth, and has increased the outlay for the infrastructure sector, which raises the risks of policy slippage from cost overruns and implementation delays.

MAIN REVENUE AND EXPENDITURE CATEGORIES												
Main Sources Of Revenue			% Of Total			Main Areas Of Expenditure			% Of Total			
Corporation Tax		29.0				Interest Payments & Debt Servicing		24.5				
Goods and Services Tax		22.9				Central Assistance for State and UT Plans		16.9				
Income Tax		22.3				Transport		9.5				
Union Excise Duties		14.2				Agriculture and Allied Activities		9.3				
Service Tax		6.9				Defence		8.5				
						Pensions		7.5				

Source: Union Budget Documents, Fitch Solutions

Fiscal And Public Debt Forecasts (India 2017-2028)												
Indicator	2017e	2018e	2019f	2020f	2021f	2022f	2023f	2024f	2025f	2026f	2027f	2028f
Total revenue, INRbn	42,093.8	50,255.4	57,487.3	65,595.2	75,427.1	86,295.0	98,166.2	111,708.4	127,161.2	144,796.8	164,931.1	187,916.8
Total revenue, INR, % y-o-y	13.9	19.4	14.4	14.1	15.0	14.4	13.8	13.8	13.8	13.9	13.9	13.9
Total expenditure, INRbn	53,082.4	61,629.3	71,129.4	80,321.0	90,794.6	102,416.9	115,272.3	129,814.4	146,272.0	164,905.6	186,012.3	209,929.7
Total expenditure, INR, % y-o-y	13.4	16.1	15.4	12.9	13.0	12.8	12.6	12.6	12.7	12.7	12.8	12.9
Budget balance, INRbn	-10,988.5	-11,967.1	-13,642.1	-14,725.8	-15,367.7	-16,121.8	-17,106.0	-18,106.0	-19,110.9	-20,109.0	-21,081.2	-22,012.9
Budget balance, % of GDP	-6.4	-6.3	-6.6	-6.4	-6.1	-5.9	-5.7	-5.5	-5.3	-5.1	-4.8	-4.6
Total government debt, EURbn	1,600.1	1,515.6	1,584.6	1,632.2	1,824.9	1,986.5	2,121.5	2,283.9	2,444.4	2,606.7	2,768.7	2,927.5
Total government debt, % of GDP	65.6	64.7	64.6	64.4	63.9	63.3	61.8	60.2	58.5	56.6	54.6	52.3

e/f = Fitch Solutions estimates/forecasts. Source: National Sources, Fitch Solutions

### Monetary Policy to Ease

- The Reserve Bank of India (RBI) cut interest rates by 25bps rate cut at its April 4<sup>th</sup> monetary policy review meeting, which took the repo and reverse repo rate to 6.00% and 5.75%, respectively, from 6.25% and 6.00% previously.
- The RBI's April statement appears to be indicating a further dovish shift from that in February, despite its 'neutral stance'. The RBI broadly revised down its inflation projections in April to 2.4% from 2.8%.

- The RBI also highlighted growing signs of weakening domestic investment and the global growth moderation putting downward pressure on Indian export growth.
- The RBI further noted that the output gap remains negative, growing external headwinds to the Indian economy, and the need to 'strengthen domestic growth impulses by spurring private investment which has remained sluggish.

### **Rating Outlook**

- S&P affirmed a stable outlook for India reflecting expectations that over the next two years, growth will remain strong, India will maintain its sound net external position, and fiscal deficits will remain elevated.
- Upward pressure on the ratings could build if the government significantly curtails its fiscal deficits and the associated change in its net indebtedness at the general government level. Upward pressure could also build if India's external accounts strengthen substantially.
- Downward pressure on the ratings could emerge if GDP growth falls; if net general government deficits rise significantly from their current elevated levels; or if political developments materially undermine economic reform momentum.

## Republic of India

Moody's		Fitch	
1) Outlook	STABLE	18) Outlook	STABLE
2) CC LT Foreign Bank Depst	Baa2	19) LT Issuer Default Rating	BBB-
3) CC LT Foreign Curr Debt	Baa1	20) LT LC Issuer Default	BBB-
4) CC ST Foreign Bank Depst	P-2	21) Foreign Currency LT Debt	BBB-
5) CC ST Foreign Curr Debt	P-2	22) Local Currency LT Debt	BBB-
6) Long Term Rating	Baa2	23) Foreign Currency ST Debt	F3
7) LC Curr Issuer Rating	Baa2	24) ST Issuer Default Rating	F3
8) FC Curr Issuer Rating	Baa2	25) ST LC Issuer Default	F3
9) Local Currency LT Debt	Baa2		
10) Senior Unsecured Debt	Baa2		
11) Local Currency ST Debt	P-2		
12) Standard & Poor's			
13) Outlook	STABLE 		
14) Foreign Currency LT Debt	BBB-u	26) Foreign Currency LT Debt	WR
15) Local Currency LT Debt	BBB-u	27) Local Currency LT Debt	WR
16) Foreign Currency ST Debt	A-3u	28) Foreign Currency ST Debt	WR
17) Local Currency ST Debt	A-3u	29) Local Currency ST Debt	WR

Source: Bloomberg

**Disclaimers**

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