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India Economics

2QFY07 GDP beats estimates; up 9.2% - with both industry and services crossing 10%

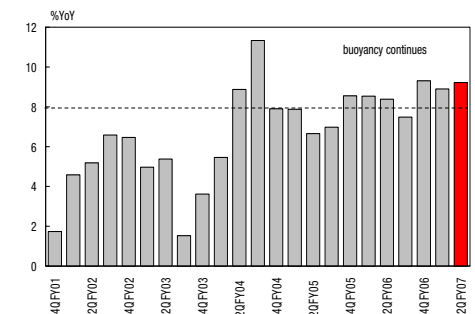
GDP: Actual and Forecasts (%)

	Q1	Actual	Q2FY07		FY06		Full-Year Estimates		
			Citigroup	Consensus	Q2	1H	FY06	FY07E	FY08E
GDP(%YoY)	8.9	9.2	8.5	8.6	8.4	8.5	8.4	8.3	8.0

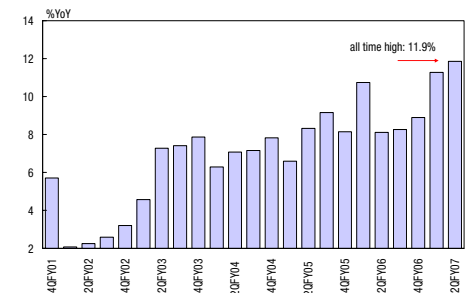
Source: CSO, Citigroup, IDEA Global

- **2QFY07 GDP rose 9.2%**; higher than our as well as consensus estimates and the 8.2% growth seen during the same period last year. Growth was led by double-digit trends in both services and industry, up 10.9% and 10.3% respectively, while agriculture slowed to 1.7%. Cumulatively, growth over 1HFY07 rose to 9.1% vs 8.5% in 1HFY06.
- **Key Highlights** include: (1) Double-digit growth in Manufacturing (+11.9%) for the second consecutive quarter, (2) A sustained uptrend in electricity (+7.7%), and (3) The continuation of strong trends in trade, transport, and communications (+13.9%).
- **Possible Upside to GDP numbers.** Although numbers for industry and services are likely to be higher than expected, we are maintaining our headline GDP number at 8.3% for FY07 until further clarity emerges on the impact of evolving El Nino conditions on agriculture. While we expect the RBI to hike its reverse repo rate once more in FY07, key risks remain politics and rates rising more than 100bps.

Quarterly Trends in GDP (%YoY)



Quarterly Trends in Manufacturing (%YoY)



Source: CSO

Annual and Quarterly - Trends and Components in GDP (%YoY)

	Wts	FY07			FY06		Full Year Estimates		
		Q1	Q2	1H	Q2	1H	FY06	FY07E	FY08E
Agriculture	25.3	3.4	1.7	2.6	4.0	3.7	3.9	3.0	3.0
Industry	25.4	9.7	10.3	10.0	7.8	9.0	8.7	9.2	9.2
Manufacturing	14.7	11.3	11.9	11.6	8.1	9.4	9.0	9.1	9.2
Mining	2.3	3.4	3.1	3.2	-2.6	0.3	0.9	3.0	4.5
Electricity	2.5	5.4	7.7	6.5	2.6	5.0	5.3	5.0	4.5
Construction	5.9	9.5	9.8	9.7	12.3	12.4	12.1	12.5	12.0
Services	49.2	10.6	10.9	10.7	10.0	9.9	10.0	9.8	9.2
Trade,hotels,comm	21.6	13.2	13.9	13.5	11.0	11.4	11.5	12.0	11.0
Financing, insurance	13.0	8.9	9.5	9.2	10.5	9.6	9.7	9.6	9.0
Community services	14.7	7.4	6.9	7.2	8.0	7.6	7.8	6.0	6.0
GDP at factor cost	100.0	8.9	9.2	9.1	8.4	8.5	8.4	8.3	8.0
Non Farm Growth	74.7	10.3	10.7	10.5	9.3	9.6	9.6	9.6	9.2

Source: CSO, Citigroup

Disclosure Appendix

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