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## Economy Slows Down Ahead of Elections 2019

### Has Indian Economy Slowed Down in Q4FY19?

The vastly conflicting signals Indian economy was throwing up until late 2018 appear to have finally aligned. Nearly every macro and micro economic indicator is now pointing towards a slowdown and revolving around the Indian economy, slowly and steadily. India is well and truly in the grip of a slowdown that is threatening to get worse by the day. Any economy thrives on 4 parameters i.e Public & Private investments and Public & private consumptions. Earlier Government used to pump money in infrastructure building and despite GST and demonitisation, we did witness domestic consumption coming from Autos, consumer durable and FMCG which grew at 15-16%.

### Why did Indian Economy Slowed Down?

The Ministry of Finance in its Monthly Economic Report of March 2019 warned that "India's economy appears to have slowed down slightly in 2018-19." The proximate factors responsible for this slowdown include declining growth of private consumption, tepid increase in fixed investment, and muted exports of Indian economy slowed down as Public investments halted on account of expenses shifted towards elections. Private consumptions also slowed down as volume growth of FMCG and Autos have slowed down. The slowdown in the demand for FMCG companies has occurred as people fear of no stable government at the helm. Major purchases by the masses have deferred as they fear whether the new government will draft in stable policies. As a result, during uncertain times, people have chosen to stay away from consumption and shall resume with the consumption post the election results and new budget.

### FMCG Sector from Hereon

On account of consumption slowdown, the primary sector to get impacted is the FMCG sector. The volume growth of all the companies in the FMCG Pack with the likes of Paints, biscuits, soaps etc. have witnessed slowdown in its volume growth in 4QFY19 as against robust volume growth in 4QFY19. We believe, the spillover effect will be felt in 1QFY20 as well but demand will eventually turn stable from Q2FY20. The raw material prices for most of the FMCG companies have increased followed by slowdown in the demand which had a dual impact on the margins of the companies. We feel current correction augurs very good for the FMCG companies to BUY at CMP as they have the best return ratios across sectors. The introduction of new budget under the new government is likely to infuse demand back in the economy by giving advantages to the rural people by way of either hike in MSP (Minimum Selling Price) or by giving interest subvention. Hence we will recommend utilizing the current correction in FMCG companies to BUY good quality stocks like Britannia, HUL, Asian Paints, Marico etc. for longer tenure to earn attractive returns.

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