

India's 2019 Elections (Lok Sabha)

BJP led National Democratic Alliance(NDA) steals the show

The Incumbent BJP led NDA secured a second term for itself with a thumping majority giving optimism of a pro-reform mandate for the next 5 years. On Thursday, May 30th Mr. Narendra Modi will be sworn in as India's Prime Minister for a second term. This will be the first time a prime minister and his party have won two consecutive Lok Sabha (lower parliamentary house) elections by winning more than 50% of the votes.

In line with exit poll outcome, the election results for the 542 seats in Lok Sabha marked a commanding majority for NDA with 350+ seats, versus ~92 for UPA and ~99 for non-allied parties. BJP itself secured 303 seats (higher than the 272 halfway mark and 282 secured in 2014). BJP+ won with a vote share of 45.5% (an increase of 6.8% from 2014) vis-à-vis 27% for Congress and the rest for other parties. NDA swept the northern, western, central & eastern India.

Most market participants; domestic as well as foreign investors; had factored in the continuation of Modi Government for political stability, policy continuity, reform continuity and faster resolution of impending issues.

We believe, in its 2nd term the NDA will attempt to achieve the missed targets set for 1st term, viz. Growth revival, capex revival, job creation, agricultural sector relief, housing for all. Reforms for inclusive growth now mandate adopting some relaxation from the consolidation attempted between 2014 and 2018.

Macro Highlights:

Policy continuity is likely to see emphasis of:

1. Banking sector consolidation and capitalization;
2. Resolution of bankruptcy cases;
3. Improving efficiency of GST collections (higher revenues, simplified processes);
4. Efficient expenditure mix (revenue-capital) to remain growth supportive;
5. Fiscal discipline and consolidation (by expenditure curtailment).

Inflation comfort:

Slower growth, domestically and globally, implies moderating core inflation. We see limited upside risks to headline inflation outside the target range (4+/-2%). Hence, given the comfort on the inflation front for the next 2-3 quarters, growth revival would command greater policy attention. Fiscal and monetary support from Indian policy makers will help to ensure:

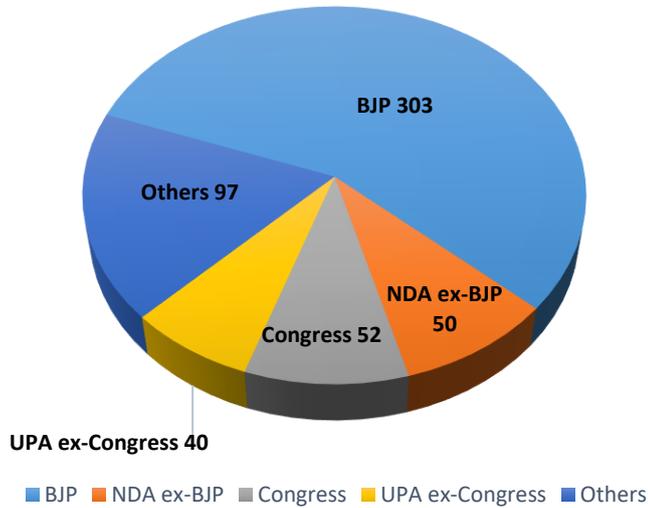
1. lower real rates,
2. supportive liquidity
3. easy financing become imperative for the same.

We believe a 25 bps rate cut in June is likely with scope of another 25bps if policy makers follow through with a prudent expenditure mix in the Union Budget for FY20.

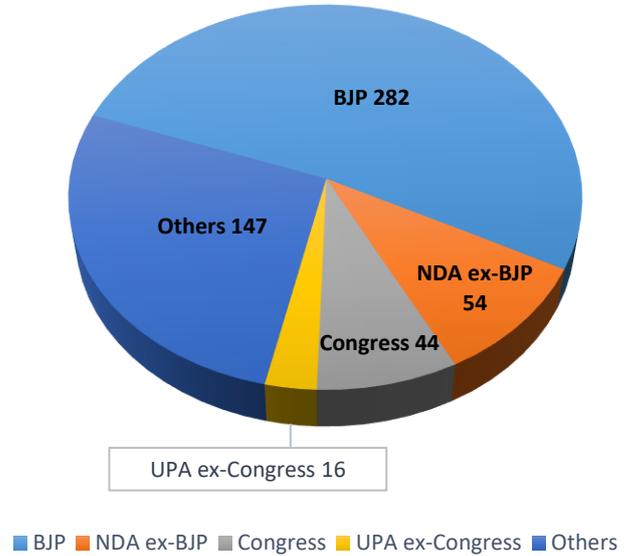
Market reaction:

Exit poll outcome and election results (BJP majority) led to Sensex and NIFTY touching record levels of 40,000 and 12,000 respectively. The 10 year yield softened 5-6bps and the INR gained around 0.5%. Most markets retraced from their highs. We believe, continued policy reforms amidst less stringent fiscal consolidation remain imperative as growth revival may take time.

2019 Election Results Total Seats Shared



2014 Election Results Total Seats Shared



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