

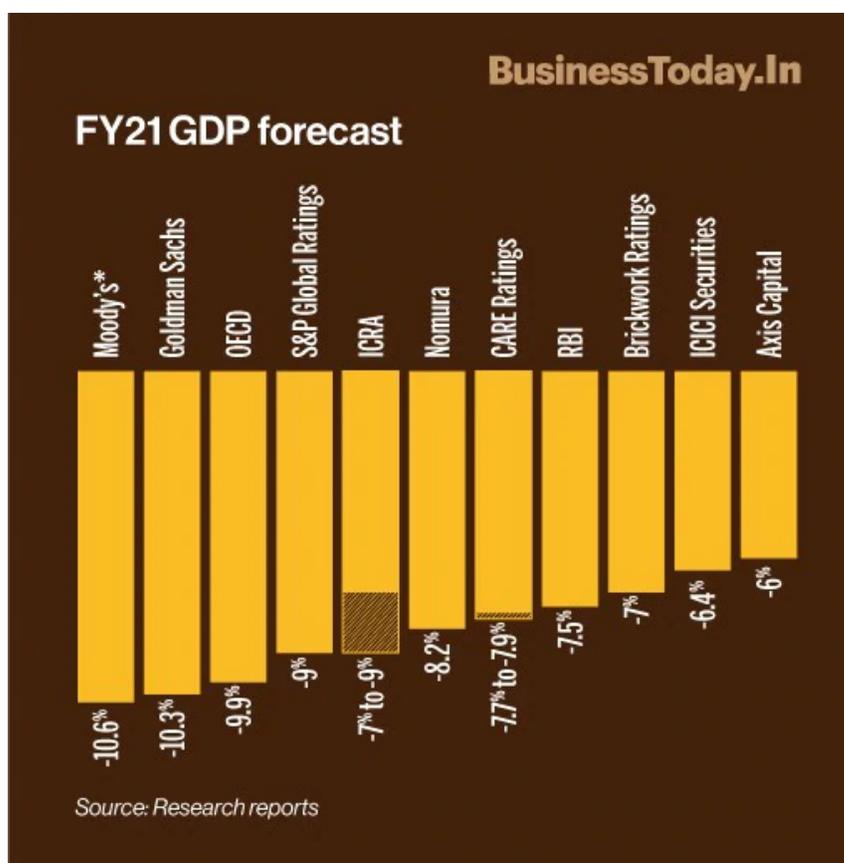
RBI's FY21 GDP estimates more optimistic than others

December 5, 2020 | Updated 00:24 IST

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The Reserve Bank of India (RBI)'s policy announcement turned out to be a damp squib with a status quo on rates but its economic growth projections provided the required solace. The central bank expects the Indian economy to contract 7.5 per cent in FY21 compared to an earlier assessment of 9.5 per cent contraction. RBI seemed quite sanguine about the economic revival compared to the forecasts of many other leading agencies for the current fiscal.

Various agencies and brokerage firms have pegged a lower reduction in the economy for FY21 following a softer decline in GDP for the September quarter, at 7.5 per cent, against a 23.9 per cent fall in the first quarter. For instance, investment bank Goldman Sachs revised its GDP forecast to -10.3% from -14.8 % earlier and Nomura is expecting an 8.2 per cent fall in the economy. Rating agency ICRA has pegged the contraction in the range of 7 to 9 per cent against the previous estimate of 11 per cent while CARE Ratings projects a 7.7 to 7.9 per cent decline versus -8.2 per cent earlier. Moody's Investors Service has revised upwards its forecast for fiscal 2021 to -10.6 per cent from -11.5 per cent projected earlier.



Although a couple of brokerages like Axis Capital and ICICI Securities have predicted a much lower fall in the range of 6-6.4 per cent, another rating agency, **Brickwork Ratings revised its GDP forecast to -7 per cent from -9.5 per cent earlier.**

The RBI's revised projection stems from the recent boost in the economic revival -- both in rural as well as urban areas -- in many sectors. "Turning to the growth outlook, the recovery in rural demand is expected to strengthen further, while urban demand is also gaining momentum as unlocking spurs activity and employment, especially of labour displaced by COVID-19. These positive impulses are, however, clouded by a possible rise in infections in some parts of the country, prompting some local containment measures. At the same time, the recovery rate has crossed 94 per cent and there is considerable optimism on successes in vaccine trials. Consumers remain optimistic about the outlook, and business sentiment of manufacturing firms is gradually improving," it said in its policy statement.

Further, the central bank projects 0.1 per cent GDP growth at the end of December and accelerate further to 0.7 per cent in Q4FY21.