India’s FY22 GDP expected to grow at 10-10.5%: **Brickwork Ratings**

India’s FY22 GDP is expected to grow at 10-10.5 per cent on a year-on-year basis, Brickwork Ratings said.

According to the ratings agency, Q2FY22 GDP is expected to grow at 8.3 per cent year-on-year on the back of a faster-than-expected revival in economic activities as well as a decline in new Covid cases, leading to sustained improvement in growth prospects.

“Most states have already relaxed restrictions on economic activities; with the progress achieved in vaccinating a sizeable proportion of the population, economic activities are likely to gather momentum,” the agency said in a statement.

“The pandemic toll on the economy has been huge, and contact-intensive sectors and supply disruptions may take some more time to fully recover. The economy is slowly and gradually getting back to normalcy, and this is evident from the recent revival in production activities and consumption demand,” it added.

The agency said that the resilience in withstanding the restrictions imposed due to the second wave of the pandemic is evident in contact-intensive sectors such as trade, hotels and transport.

“Although the second wave has adversely impacted the construction sector, disruption in the sector seems to be much less than that witnessed last year. After having witnessed sequential decline in Q1FY22, reflecting a demand slowdown due to lockdowns, industrial activities have shown significant growth recently,” it said.

Amid the waning possibility of a third Covid wave, the agency expects the economy to register better growth in the remaining part of the year.

“The downside risks of a possible third wave to growth too are limited due to the progress achieved in vaccination. Most importantly, downside risks emanating from rising international crude oil prices, mineral products, steadily increasing costs of raw materials and freight rates, disruptions in semi-conductor supply and coal supply shortages are likely to downplay the growth momentum,” Brickwork Ratings said.

In addition, the agency cited that after remaining cautious in increasing its expenditures, the government is also confident of being able to contain the fiscal deficit at the budgeted level, aided by buyout revenues.

“The capital expenditure has been increased in the recent months, which will pave the way for accelerating growth. Pent-up demand during the festival season is likely to improve demand conditions further, paving the way for improved capacity utilisation during the third and fourth quarters,” it said.