Greater Jammu
the daily newspaper

Brickwork cuts India's GDP forecast to 8.3% for FY-2022

By Greater Jammu -February 25, 2022

New Delhi: With the economic activities losing steam in the wake of Omicron surge, Brickworks Ratings on Friday revised GDP growth forecast downward to 8.3 per cent in the current fiscal as against earlier estimate of 8.5-9 per cent.

"For the full fiscal, we expect agricultural activities to be resilient as usual, while the manufacturing and services sectors continue to suffer. Accordingly, we revise our GDP growth estimates for the current fiscal to 8.3 per cent as against our earlier estimate of 8.5 per cent to 9 per cent," the rating agency said. It noted that though the impact of the third wave on economic activities may be limited compared to the first and second waves, there is some loss of momentum to revival.

"Persistent supply-side bottlenecks, steadily rising international crude oil prices and increasing raw material costs have added to the woes. Hence, the growth rates in Q3 and Q4 may be lower than projected earlier. After having witnessed 20.1 per cent and 8.4 per cent growth in Q1 and Q2, respectively, we expect the Q3 GDP may come in lower at 5.8 per cent," Brickwork said.

The rating and research agency said that the latest growth indicators suggest a loss of economic momentum in recent months. The rapid spread of Covid in January 2022 led to renewed restrictions on economic activities, dampening the revival process, particularly in contact-intensive sectors.

"In addition, there have been production constraints caused by a semiconductor shortage in electronic and automobile industries, along with supply shortages in coal and power outages causing a slowdown in the manufacturing sector. Rising international crude oil and input prices have also added to the problem," it noted. It stated that economic recovery was well underway after the second wave of the pandemic, and there was a steady improvement in the revival of both industry and services. Further, progress in vaccination promised broad-based and steady progress in the economic revival, but the highly transmissible Omicron variant disrupted the revival process and added to the uncertainty and insecurity.

"Fresh restrictions to contain the virus spread dampened recovery in contact-intensive sectors, posing additional risks to the services sector growth momentum. While, the progress in capital expenditure, supported by buoyant revenue growth, largely helped sustain the recovery. After holding back in the first half, both Central and State governments have increased their public spending," Brickwork said.