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Brickwork lowers FY22 growth estimate amid Covid fears, high oil prices

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The slowdown in eight-core sectors growth in November at 3.1%, which is the lowest in the current fiscal, and IIP growth at 3.2% for October 2021, also do not infuse much confidence

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After having witnessed a sequential improvement in Q2FY22, due to pent-up demand, it appears that the growth rates in the third and fourth quarters need a downward revision, it said in a statement on Thursday.

An apparent third wave, rising international crude oil prices, mineral products, steadily increasing costs of raw materials and freight rates, disruptions in semiconductor supply, and coal and power supply are likely to slow down the growth momentum, it said.

"For the full fiscal, we expect agricultural activities to be resilient as usual, while the manufacturing and services sectors will bear the brunt, if the current situation prolongs further," Brickwork added.

It noted that economic recovery was well under way after the second wave of the pandemic although since October, there have been some disruptions caused by semiconductor shortage, along with supply shortages in coal and power outages causing a slowdown in the manufacturing sector. Rising input prices too have added to the problem.

Nevertheless, there was steady improvement in economic revival. The progress in vaccination too promised broad steady progress in economic revival, and the economy was poised to achieve 9.5% growth projected by the RBI.

However, the fast spread of the Omicron variant, heralding the third wave of the pandemic, has added to the uncertainty and insecurity, and threatens to disrupt progress in the broad-based recovery.

The fresh restrictions to contain the virus spread may further dampen the recovery in contact-intensive sectors, and supply disruptions and the shortage of semiconductors may continue to adversely impact the manufacturing sector output.