

GDP growth likely to be around 8.3% in FY22: Brickwork Ratings

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MUMBAI, FEB 25 : The impact of third Covid wave on economic momentum is expected to lower India's FY22 GDP growth to 8.3 per cent, said Brickwork Ratings.

The ratings agency had earlier given a forecast of 8.5 to 9 per cent for FY22.

"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," the agency said.

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." Besides, the agency pointed out that rising international crude oil and input prices have added to the problem.

"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... but the highly transmissible Omicron variant disrupted the revival process and added to the uncertainty and insecurity." Furthermore, it said that although 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.

Additionally, 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." "For the full fiscal, we expect agricultural activities to be resilient as usual, while the manufacturing and services sectors continue to suffer."