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Crystal Ball Gazing: 2021-22 May See GDP At Near 10%

By **Sunil Fernandes** | Updated: Friday, January 1, 2021, 9:09 [IST]

In the next financial year i.e. 2021-22, Care Ratings projects the domestic economy to register positive growth of around 10% (best case), propped up by the low-base effect.

In a report titled, Prognosis 2021: Crystal ball gazing, the rating agency says for 2020-21 financial year, India's GDP growth would be -7 to -7.9% as against the 4.2% growth a year earlier.



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"In financial year i.e. 2021-22, we project the domestic economy to register positive growth of around 10% (best case), propped up by the low-base effect. This number can be lower in case there is any improvement in the negative growth rate of FY21. However, despite the higher growth trajectory, the size of the economy would be around that of 2019-20. With economic activity expected to attain the pre-lockdown levels only gradually amid uncertain prospects, the purported growth trajectory of the nation's economy has been effectively derailed for the next 1-2 years," the ratings agency has said.

The Crystal Ball Gazing report says that although business and commercial activity is expected to be higher in the coming months with the resumption of economic activity and optimism surrounding the vaccine, uncertainty abounds on all these fronts.

"Concerns over the new strain of virus and associated restrictions are

overshadowing the optimism of a faster vaccine fuelled economic recovery. Moreover, the rate at which various sectors can increase their output remains uneven and prone to uncertainty. Activity levels are unlikely to attain pre-lockdown levels until mid- 2021 for most segments," the ratings agency has stated in its report.

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Care Ratings in its report says that the manufacturing sector, which contributes to around 17-18% of India's GDP and employs around 12% of the country's workforce, was downbeat long before COVID-19, recording negative growth since September 2019.

"The COVID-19 pandemic further escalated its long-standing woes. There was a notable impact on the sector during the initial months of the nation-wide lockdown (April-May'20) as most manufacturing units were closed and there was reverse migration by laborers.

However, the manufacturing sector has recovered faster than expected following the unlocking process supported by strong demand, in large part believed to be pent up demand. The manufacturing sector registered a positive growth of 0.6% in Q2-2020-21 compared with -39.3% in Q1-2020-21. High-frequency indicators like PMI - manufacturing and IIP manufacturing have shown resilient performance in October and November 2020. Despite the improvement, various industries in the manufacturing sector continue to record low rates of capacity utilization," the Care Ratings report states.

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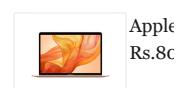
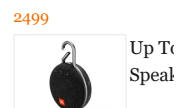
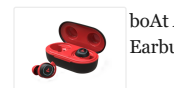
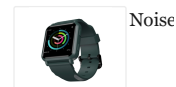


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