

FIGURES MAY PROMPT FM TO ANNOUNCE TURNAROUND MEASURES IN BUDGET

Govt Expects Economy to Contract 7.7% in FY21

First advance estimates suggest sharp rebound in H2; strong fundamentals to help sustain a post-lockdown V-shaped recovery: Finmin

Our Bureau

New Delhi: India's economy is expected to contract 7.7% in the current financial year, according to the government's first advance estimates, putting pressure on finance minister Nirmala Sitharaman to announce measures in the February 1 budget to help turn things around.

Gross domestic product (GDP) had declined 15.7% in the first half of the year, according to estimates released earlier. The full-year estimates suggest the economy will post a small decline, of about Rs10,000 crore, in GDP in the second half from the year earlier, suggesting a sharp recovery from the first half's pandemic-induced deep contraction.

"The advance estimates of 2020-21 reflect continued resurgence in economic activity in Q3 and Q4, which would enable the Indian economy to end the year with a contraction of 7.7%," the finance ministry said in a statement. Strong fun-

Deep Contraction

DEMAND SIDE GDP

	FY21 Growth (%)
Pvt Consumption	-9.5
Govt Consumption	5.8
Fixed Investment	-14.5
Exports	-8.3
Imports	-20.5
GDP	-7.7

SUPPLY SIDE GVA

	FY21 Growth (%)
Agriculture	3.4
Mining	-12.4
Utilities	2.7
Manufacturing	-9.4
Construction	-12.6
Services	-8.8
GVA	-7.2

BUT RECOVERY SEEN

High frequency indicators show growth in H2

Revival seen in financial, insurance, real estate service

Supportive policy, global recovery to aid growth

Vaccine rollout boosts sentiment

CONCERN AREAS

Only farm, utility services grow

Sharp decline in private consumption, investment

FY21 fiscal deficit seen 7-8% of GDP

Services sector, trade remain feeble

Slower fall in exports than imports shows poor domestic absorption demand

damentals will help "sustain a post-lockdown V-shaped recovery," it said.

The relatively more manageable Covid situation in the country compared with that in more advanced nations has further added momentum to the recovery, the finance ministry added.

Apart from agriculture, which is projected to grow 3.4% in FY21, all other sectors will see a decline in output, according to the advance estimates released by the National Statistical Office (NSO) on Thursday. The official projection is in

line with the most recent independent estimates. These reflected an improvement from double-digit contractions forecast earlier, following the sharp recovery in the December quarter.

"This forecast also assumes that for H2 there will be virtually nil growth, which is a good sign," CARE Ratings said in a note forecasting marginally negative growth in the third quarter and positive growth in the fourth.

Nominal GDP Seen 4.2% Lower from FY20 >> 8