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The statistics ministry's estimates see manufacturing sector to contract 9.4%.

## Govt expects GDP to shrink 7.7% this fiscal

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**Asit Ranjan Mishra**

Govt's forecast is steeper than the 7.5% slump estimated by the central bank

India's economy is on course for the sharpest annual contraction on record, but the latest government estimates suggest that the biggest challenges of the pandemic are behind it, with the economy expected to expand in the fiscal second-half.

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The forecast for the contraction is steeper than the 7.5% slump estimated by the country's central bank.

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The shock caused Asia's third-largest economy to shrink by almost a quarter in the June quarter, but economic activity rebounded as the government lifted restrictions, with the pace of contraction slowing to 7.5% in the September quarter.

The Union finance ministry in a statement said the advance estimates reflect a continued resurgence in economic activity in the fiscal third and fourth quarters and forecast a V-shaped recovery.

"The relatively more manageable pandemic situation in the country as compared to advanced nations has further added momentum to the economic recovery," the ministry said.



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On the demand side, the government's final consumption expenditure is estimated to support economic recovery, with a projected growth of 5.8%.

While the economy contracted 15.7% in the six months ended 30 September, the advance estimates of gross domestic product (GDP) suggest that it will expand 0.6% in the second half of the fiscal year.

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The advance estimates project India's nominal GDP to decline 4.2% to ₹194 trillion, sharply lower than the ₹224 trillion assumed in the Union Budget presented in February last year.

This is expected to complicate budget calculations and widen the country's fiscal deficit.

The GDP expansion forecast needs to be viewed with caution as the extrapolation of available data has its limitations, said Madan Sabnavis, chief economist at Care Ratings.

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“Growth is expected to improve in the second half of 2020-21 with the improved pace of economic activity across most sectors. Consumer demand and investments, which are necessary to propel the economy, would continue to be tepid and are unlikely to see a noteworthy improvement during the course of the year,” he added. “Demand in the contact-intensive (services) sectors is likely to remain subdued for some time due to continued social distancing norms.”

The World Bank, in its Global Economic Prospects report, released on Tuesday, revised its earlier projection of 9.6% contraction of the Indian economy in fiscal 2021, reflecting a sharp decline in household spending and private investment. OPEN APP

The Reserve Bank of India (RBI) expects the economy to post a 0.1% growth in the December quarter and a 0.7% expansion in the March quarter to end fiscal 2021 with a 7.5% contraction.



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