

Care Ratings revises India's GDP growth forecast to 10.2 pc for FY22



Agencies

STORY OUTLINE

- This is the third revision by the rating agency in the last one month
- The agency said the post-election lockdowns can be expected
- The rating agency had projected GVA to increase from Rs 124.11 lakh crore (FY21) to Rs 136.82 lakh crore (FY22)

According to the agency, the loss in GDP this year due to the lockdowns would be to the extent of 0.8-1 per cent from our earlier estimate of 11-11.2 per cent.

With economic activities getting affected across the country due to curbs imposed by states amid surge in COVID-19 cases, **Care Ratings** NSE -0.60 % has revised down its forecast for **GDP** growth to 10.2 per cent in 2021-22 from earlier projection of 10.7-10.9 per cent. This is the third revision by the rating agency in the last one month.

"We have revised our forecast for GDP growth for **FY22** as the underlying conditions have changed rapidly in the last 30 days or so. It stands now at 10.2 per cent," Care Ratings said in a report.

On March 24, 2021, the agency had projected GDP growth between 11-11.2 per cent based on GVA (gross value added) growth of 10.2 per cent.

The spread of the virus in **Maharashtra** had led to the announcement of a "lockdown" by the state government which began in a less stringent manner from the first week of April, it said.

Factoring the potential loss of economic output due to the restrictions in the state, the agency, on April 5, lowered its GDP forecast for the current fiscal year to 10.7-10.9 per cent.

But the "lockdown" was made more obtrusive to business activity by April 20, with more stringency expected for the forthcoming fortnight, it added.



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Further, the spread of the virus to other states has caused similar actions by governments which have ranged from night curfews and weekend lockdowns to full lockdowns.

The report said two events in the country -- state elections and **Kumbh Mela** -- have seen millions of people coming together with social distancing norms not being followed.

This has potential to spread the virus at an exponential rate throughout the country and several states have announced measures to test people returning from the pilgrimage, it said.

The agency said the post-election lockdowns in five states/UT -- Assam, West Bengal, Tamil Nadu, Kerala and Puducherry -- can be expected once polling is completed and more people are tested for COVID-19.

The rating agency had projected GVA (gross value added) to increase from Rs 124.11 lakh crore (FY21) to Rs 136.82 lakh crore (FY22) which was an increase of 10.2 per cent.

With a potential fall in output of Rs 1.13 lakh crore, GVA will be Rs 135.69 lakh crore and growth will be 9.3 per cent. As tax collections too would be affected, there would be an impact on GDP growth which is now placed at 10.2 per cent.

According to the agency, the loss in GDP this year due to the lockdowns would be to the extent of 0.8-1 per cent from our earlier estimate of 11-11.2 per cent.

This estimate would be subject to further revision as more information would flow through May and the agency gets a sense on whether these lockdowns will get extended further, the report said.

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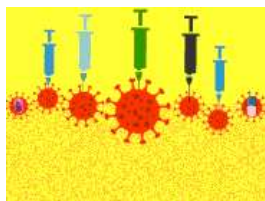
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