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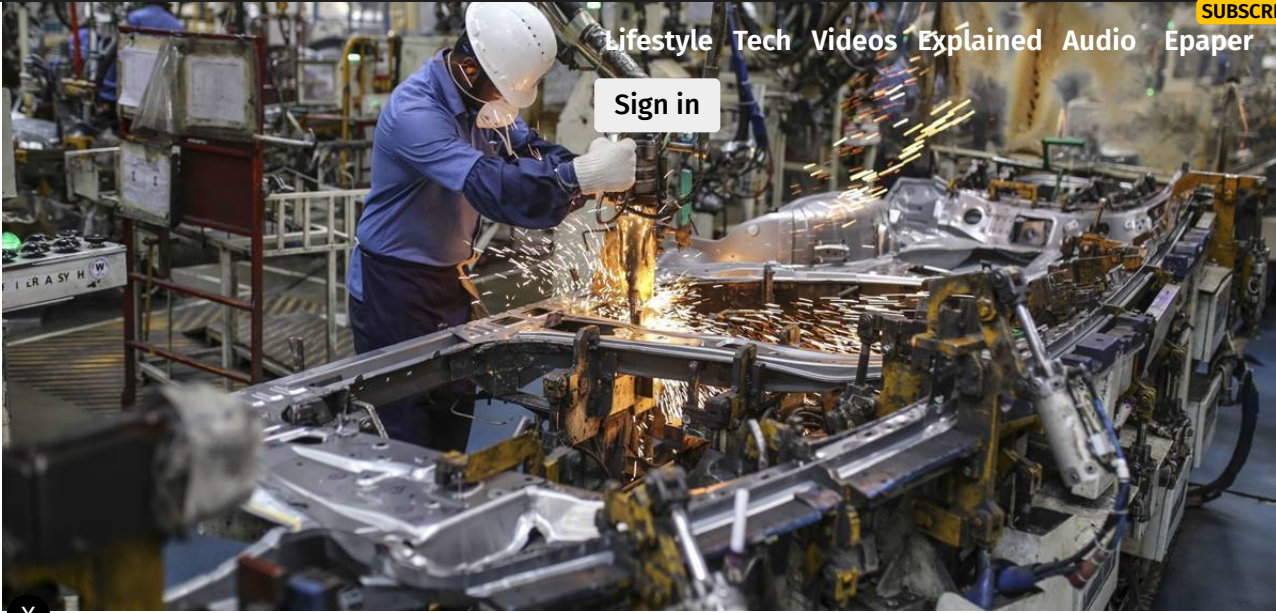
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# Covid to washout FY21, economists see 10% growth in FY22 on low base

Pick up in economic activity, negligible chances of lockdown boost hopes of next fiscal seeing positive growth.



Written by [Sunny Verma](#), [Aanchal Magazine](#) | New Delhi | Updated: November 28, 2020 7:44:44 am


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A worker labors at the welding line on the Innova Crysta compact multi-purpose vehicle (MPV) production line at the Toyota Kirloskar Motor Ltd. plant in Bidadi, Karnataka, India, on Wednesday, Sept. 9, 2020. (Photographer: Dhiraj Singh/Bloomberg)

Even as fiscal 2020-21 will be a washout year in terms of GDP growth, market participants and economists are looking forward to a positive growth of more than 10 per cent in the fiscal year 2021-22 on the back of low base year growth, continuation of the pick up in economic activity and negligible chances of another national lockdown despite any fresh wave of [Covid-19](#) cases.

Economists are looking forward to resumption of marginally positive growth from fourth quarter onwards, with expansion picking up in the following year.

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For the October-December quarter, the outlook appears bleak, given that infrastructure output contracted 2.5 per cent in October from a year earlier, falling for an eighth straight month, government data on Friday showed. Infrastructure output, which comprises eight sectors including coal, crude oil and electricity and accounts for nearly 40 per cent of industrial output, contracted 13 per cent in the seven months through October from a year earlier, according to data released separately by the government on Friday.

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The fiscal deficit is likely to be higher than 8 per cent of GDP in the current fiscal, say economists, up from the initial government estimates of 3.5 per cent, primarily due to the sharp economic contraction and fall in revenues triggered by the [pandemic](#).

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Barclays India, in its report released on Friday, said while the economy has shrunk for two consecutive quarters, it does not see this trend to sustain in the December quarter and said that the economy will return to positive growth and growth by 0.4 per cent.

There are others who seem optimistic but see positive growth only in the fourth quarter.

“The worst is definitely behind us as gradually after the lockdowns have been opened up economy is looking better day after day, month after month. Growth in the third quarter, though still negative, will be better than second quarter. It could be around -2.5 per cent in third quarter and a marginally positive growth in the fourth quarter,” Madan Sabnavis, chief economist, Care Ratings, told [The Indian Express](#). “Fiscal year 2020-21 is certainly a washout year and FY22 will give a numerically much higher positive growth rate of may be more than 10 per cent because we are rising from very low base. But the economy may not be showing that kind of strength it had in the past in terms of investment activity and expansion,” he said. Some sectors like travel and tourism, hospitality and services are expected to continue facing a slump in demand and recovery is seen uneven across sectors. Funding constraints for a number of enterprises will impact growth momentum. Less headroom for further fiscal spending is expected to keep growth revival in check.

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“... while overall growth momentum for the country remains still weak, the rural economy continues to offer considerable resilience and may play a key role in economic recovery and providing employment generation,” said Siddhartha Sanyal, chief economist and head-research, Bandhan Bank.

What is expected to push growth next year is that despite any second wave Covid-19 cases, a nation-wide lockdown is being ruled even though there could be localised shutdowns. Availability of vaccine next year and herd immunity are expected to ensure contraction recorded in the current year is not repeated next year.

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“We expect India’s real GDP growth to [Sign in](#) to +11.5% YoY in FY22. While economic growth in FY22 could be well above the past 5-year average, this largely reflects the rebound from deeper contraction in FY21 GDP,” said Tanvee Gupta Jain, Economist, UBS Securities India Pvt Ltd.



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