

India's GDP to contract by 20 per cent in first quarter of FY21: Care Ratings

The Central Statistics Office (CSO) will release the gross domestic product (GDP) data for the first quarter of FY21 on August 31, which is expected to statistically mirror the adverse impact of the pandemic led lockdown on economic growth.

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The agency said disruptions caused by the countrywide lockdown crippled most economic and commercial activities across the country as has been depicted by various high frequency indicators slipping into red during these months.

Mumbai: India's GDP is likely to contract by 20 per cent during the first quarter of the current fiscal on account of the COVID-19 pandemic-induced disruptions, [Care Ratings](#) said.

The Central Statistics Office (CSO) will release the [gross domestic product](#) (GDP) data for the first quarter of FY21 on August 31, which is expected to statistically mirror the adverse impact of the pandemic led lockdown on economic growth.

"Notwithstanding the fact that considerable uncertainty prevails regarding the quarterly economic performance, taking cognizance of the adverse impact of lockdown we are pegging the real GDP growth at (-) 20 per cent YoY for Q1 FY21," the rating agency said in a report.

The agency said disruptions caused by the countrywide lockdown crippled most economic and commercial activities across the country as has been depicted by various high frequency indicators slipping into red during these months.

Although the government had exempted certain select activities pertaining to agriculture, banking including NBFCs and HFCs, construction activities in rural areas from lockdown restrictions, these activities have remained muted due to labour shortages and other operational issues.

It said gross value added (GVA) is expected to have contracted by nearly 19.9 per cent in Q1 FY21, led by broad based contraction across sectors, barring agriculture and public expenditure.

Low tax collections weighed on GDP, dragging down the growth further, the report noted.

Among the eight sectors under the broad categorisation of GVA, two sectors namely -- agriculture, forestry and fishing and public administration; defence and other services -- are expected to register positive growth rates, while others are expected to de-grow in Q1 FY21, the report pointed out.

It said the [industry](#) is likely to witness a steep de-growth of 35.9 per cent year-on-year in the June quarter.

Services sector may contract by 16.8 per cent, but increase in government expenditure will provide modest support, the report said.

Increase in spending on public administration by the government following announcement of stimulus measures is expected to drive growth in the sector in Q1 FY21, it said.

On demand side, the rating agency said investment scenario has been dwindling with lower capacity utilization (below 70 per cent).

Private sector consumption remained below par as a side effect of lockdown.

Exports have contracted by a considerable 37 per cent in Q1 FY21 due to muted demand in global markets and trade restrictions imposed by certain countries due to the pandemic.

Tax collections were also hit as aggregate GST collections in Q1 FY21 were 41 per cent lower at Rs 1.85 lakh crore as compared with Q1 FY20 on account of restrictions on movements of goods and muted demand due to lockdown, it added.

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