

# ADB Revises FY21 GDP Contraction Estimate to 9%

## **GLOOMY OUTLOOK** Pandemic weighs heavily on economic activity, consumer sentiment

*Our Bureau*

### **New Delhi:**

The Asian Development Bank (ADB) expects India's economy to contract by 9% in 2020-21, worse than its earlier forecast of 4% three months ago in June, as the Covid-19 pandemic weighs heavily on economic activity and consumer sentiment in the country.

"India imposed strict lockdown measures to contain the spread of the pandemic and this has had a severe impact on economic activity," ADB chief economist Yasuyuki Sawada said in a statement on Tuesday. The revision is in line with growth forecasts by other agencies. Standard & Poor Ratings and Nomura downgraded their forecasts to a sharper contraction of 9% for India's economy in the current financial year as against their earlier expectations. Moody's has projected a deeper contraction of 11.5% following a sharper 23.9% contraction in the April-June quarter, following hard and prolonged lockdown.

The multilateral lender, however, forecast a strong recovery for India's economy in 2021-22 in its Asian Development Outlook (ADO) 2020 Update, with an 8% growth in GDP with mobility and business activities resuming more widely.

But the outlook for FY22 is hinged on the measures the government takes to control the spread of the pandemic. It flagged downside risks including contraction of investment as investors remain deterred by heightened risks and uncertainties while maintaining that private consumption may continue to suffer.

"It is crucial that containment measures, such as robust testing, tracking and ensuring treatment capacities are implemented consistently and effectively to stop the spread of Covid-19 and provide a sustainable platform for the economy's recovery for the next fiscal year and beyond," Sawada said.

The ADB cautioned that the outlook remains "highly vulnerable to either a prolonged outbreak or a resurgence of cases", with the country now having one of the highest numbers of Covid-19 cases globally. The outbreak has intensified in India, which recorded over 4.9 million cases as of September 13, just behind the US, which has the largest number of cases globally at over 6.5 million. It said the government initiatives to address the pandemic, including the rural employment guarantee programme and other social protection measures will aid rural incomes and protect the vulnerable sections.