Chief economic advisor (CEA) K V Subramanian is expecting an economic recovery ahead of the festive season as around 700 million could be partially vaccinated by September.

"Vaccinating about half the population would also help in containing the impact of the pandemic," the CEA told Business Standard. There had been some moderation in the momentum in the recovery that had been achieved in the last quarter of FY21, he said. The decline in April and a "greater decline" in May could be contained, he pointed out citing improvement in some of the high frequency indicators.

Economic activity can come back once the pandemic related strictures are removed, Covid-appropriate behaviour becomes a part of life and the pace of vaccination accelerates, Subramanian said.

"Given the supply projection by the Ministry of Health and Family Welfare and our own assessment as well, 700 million need to be vaccinated for herd immunity to be achieved. We have used evidence which supports the research. In the case of the US and Brazil, death rates have come down significantly after 70 per cent of their population got vaccinated," the CEA said during the interaction.

In the US, once the first dose exceeded 25 per cent of the population, death rates dropped significantly. Some research also shows that the first dose itself reduces the mortality rate by 18 per cent.

"Given the supply that is being projected, we estimate that about close to 700 million can receive the first dose by September," he added.

It's difficult to furnish growth estimates, given the prevailing uncertainty, unlike the Economic Survey, which is based on extensive data and involves depth, according to the CEA. The Survey had forecast growth of 11.5 per cent for financial year 2022.

Earlier this week, the government's statistics office had released India's Gross Domestic Product (GDP) data showing a contraction of 7.3 per cent in the Covid-19-battered financial year 2020-21. However, it showed a growth of 1.6 per cent in the fourth quarter of the fiscal.

After factoring in India's growth numbers, many of the rating agencies and research houses slashed their estimated growth projection below 10 per cent for FY22. Even the Central bank is indicating that accommodative policy will continue till signs of durable growth are visible.

Subramanian explained that analysts should be looking at gross value added (GVA) for the third and fourth quarters of FY21 since GDP is GVA plus taxes minus subsidies.

"Also, if you look at the fourth quarter, the GVA is far more representative of what happened in the economy than the 1.6 per cent," he added.

On inflation fears, the CEA said that Wholesale Price Index was impacted because of the lower base. The Consumer Price Index (CPI) is closer to the middle of the inflation range (which is above 4 per cent). This is on account of food, he said — a significant contributor — moderating.

Contesting the claim of global rating agencies that India's long-term rating could be under risk, the CEA said there were "conceptual issues" with the sovereign rating methodology, and that had been highlighted multiple times to rating agencies. Even some of the assumptions that are made on the cost of borrowing are generally extrapolated from the developed economies, he said.

"We have shown clear evidence for India. Careful studies have been published in leading journals showing that the crowding out phenomenon is actually not necessarily true in emerging economies. There is a lot of anchoring in some of these assessments which are not consistent with cutting-edge literature. These are aspects which rating agencies must look at," he pointed out.

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