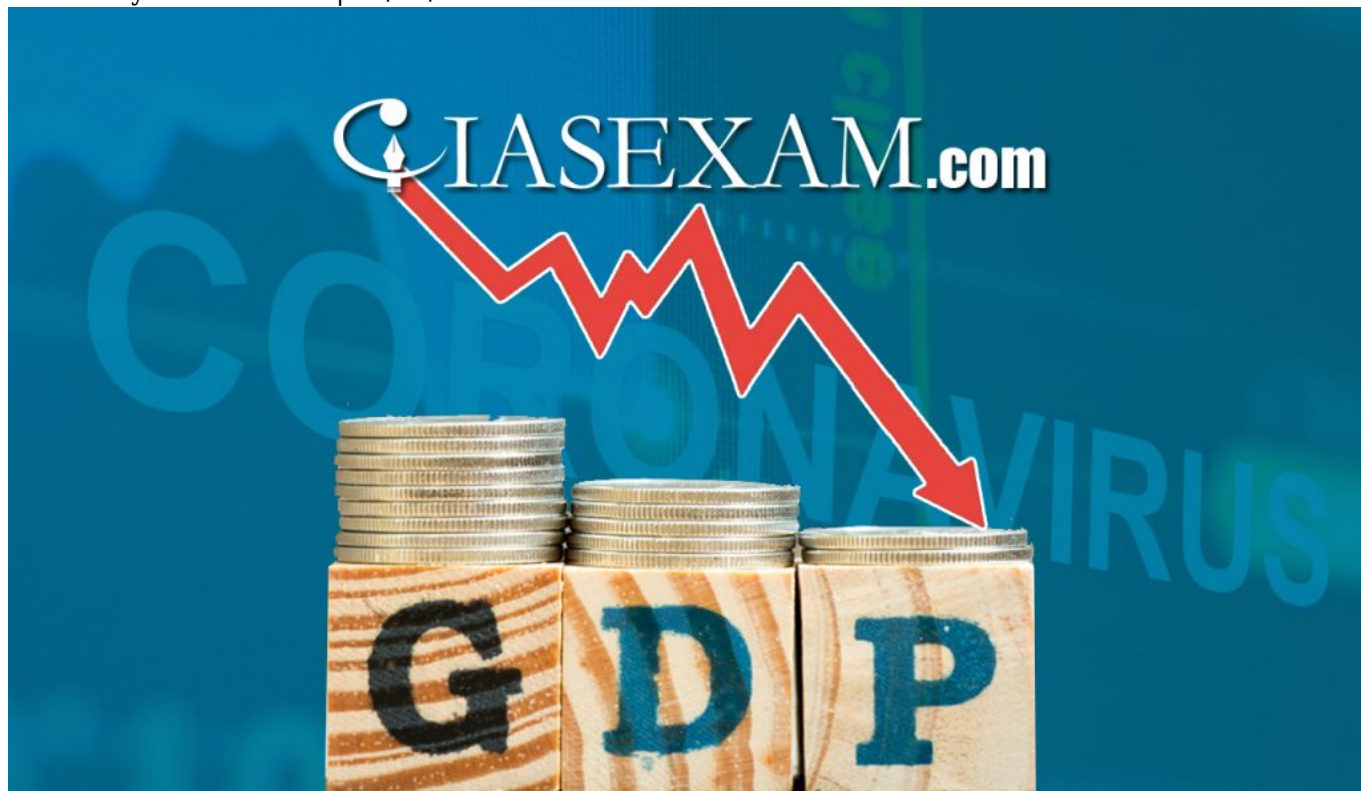


# Fitch revises India GDP forecast for FY21 to -10.5%

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Fitch has sharply lowered its forecast for India's gross domestic product (GDP) growth for the current fiscal 2020-21 (FY21) and now expects the country's GDP to contract 10.5 per cent versus its earlier estimate of 5 per cent contraction in this period. This, at a time, when the rating agency has revised upwards, albeit modestly, its forecast for global GDP – from the earlier estimated fall of 4.6 per cent to 4.4 percent now.

The downward revision in India's forecast for FY21 comes on the heels of a sharp contraction in Indian economy in the April – June 2020 period, when the GDP came in at a negative to 23.9 per cent year-on-year (YoY) – the worst performance in nearly four decades.

## **Key Highlights**

- That said, the rating agency expects GDP in India to rebound strongly in the third quarter of calendar year 2020 (Q3-20) as the economy re-opens. However, it cautions that the recovery has been sluggish and uneven.
- As coronavirus cases rise and force some states and union territories to re-tighten restrictions, the continued spread of the virus and the imposition of sporadic shutdowns across the country has depressed sentiment and disrupted economic activity. "Supply-chain disruptions and excise duties increases have caused prices to rise. However, we expect inflation to slow amid weak underlying demand, an easing in

supply-chain disruptions and a good monsoon,” Fitch said.

- Fitch expects global GDP to fall by 4.4 per cent in 2020, a modest upward revision from the 4.6 per cent decline expected earlier. The recovery in economic activity after the unprecedented severe coronavirus-related recession in March and April has been swifter than anticipated, Fitch said, but they expect the pace of expansion to moderate soon.
- Fitch now expects the US economy to contract by 4.6 per cent this year compared to a fall of 5.6 percent earlier. Their China growth forecast for 2020 now stands at +2.7 per cent compared to +1.2 per cent in June.
- “These revisions have been partly offset by cuts to our 2020 GDP forecasts for the Eurozone to -9.0 per cent (-8.0 per cent), the UK to -11.5 per cent (-9.0 per cent) and for emerging markets (EM) excluding China to -5.7 per cent (-4.7 percent),” Fitch said.

**SOURCE:** *Business Standard*