

Economy shows signs of revival from 2nd covid wave: FinMin

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The Indian economy is showing signs of recovery from the debilitating impact of the pandemic's second wave, bolstered by targeted fiscal relief, monetary policy measures, and a rapid vaccination drive, the finance ministry said on Friday.

"Maintaining a rapid pace on vaccination and quickly bridging healthcare infrastructure gaps across both urban and rural areas would emerge as the most sustainable stimulus for durable recovery of the Indian economy," the ministry's department of economic affairs said in its latest monthly economic report.

The Union cabinet on Thursday approved a ₹23,123 crore package to prevent a repeat of the devastating second wave that claimed thousands of lives and exposed India's creaky healthcare infrastructure. Patients struggled to find hospital beds, oxygen and medicines as the second wave raged from March till May. Cases continue to pour in from some states, though they have subsided from the peak levels.

The 'India Covid-19 Emergency Response and Health System Preparedness Package:

Economy shows revival signs

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Phase-II' will be implemented by 31 March, with the share of the Centre and states at ₹15,000 crore and ₹8,123 crore, respectively.

The finance ministry said as daily coronavirus cases and deaths have ebbed since the second half of May, the recovery momentum in several high-frequency indicators has gained pace. "India is on the move again with the total volume of e-way bills rising by 37.1% in June over May and 26% YoY. This augurs well for GST collections in subsequent months," it said.

The ministry, however, said the road to recovery remains uneven, with indicators such as port traffic, air traffic, PMI Manufacturing and Services showing a lag in rebounding from the second wave's impact. "Resilient tax collections of the central government in the first two months of FY21 and sustained momentum in capital expenditure, particularly in the road and rail sector, augurs well for pivoting targeted fiscal support for continued economic recovery," it said.

The report said the recently-announced ₹6.29 trillion economic relief package is expected to further oil the wheels of the



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capex cycle through the implementation of the production-linked incentive scheme and streamlining of processes for public-private partnership projects and asset monetization. "Consumption sentiment is expected to pick up with further enhancement of employment support under Aatma Nirbhar Bharat Rozgar Yojana and wider BharatNet digitization coverage. Free foodgrain and enhanced fertilizer subsidies under the package along with continued MGNREGA implementation, on the other hand, would serve as a cushion for rural demand in the coming quarters," it said.

On rising inflation, the

finance ministry said localized lockdowns due to the second wave could have led to some supply-side disruptions, contributing to price pressures. "With the encouraging progress of the southwest monsoon, supply-side interventions in pulses and edible oils market, and gradual unlocking of states with declining caseload would mitigate cost pressures going forward. However, rising global commodity prices, especially of crude and logistics costs, pose upside risks to the inflation outlook," it added.

Global crude oil prices climbed to \$77.16 a barrel on 5 July, its highest in nearly three years, and was trading at over \$75 a barrel on Friday. According to the latest survey conducted in May by the Reserve Bank of India, one-year ahead inflation expectations of households have risen to 10.9%, from 10.2% in March, partly reflecting the uncertainty brought about by the severity of the second wave.

Accounting for these factors, RBI has projected Consumer Price Inflation (CPI) at 5.2% in the June quarter, 5.4% in the September quarter, 4.7% in the December quarter and 5.3% in the March quarter of FY22, with risks broadly balanced.