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ECONOMY | OCTOBER 21, 2021, 07:24 PM IST

## Expect economy to grow at 10.5% or higher in FY22: Niti Aayog's Rajiv Kumar

By Shereen Bhan  | Oct 21, 2021, 07:24 PM IST (Published)

### Mini

Rajiv Kumar, Vice Chairman, Niti Aayog is of the view that the recovery has been uneven in some sense, but that unevenness has not been due to demand deficiency but due to some supply constraints in chips, and global trips, those are the three which have constrained our recovery. Nonetheless, we this in stride and expect the economy to grow 10.5 or higher during FY22,

The biannual monetary policy report has projected 7.8 percent growth for the Indian economy in FY23, if the monsoon is normal and supply chain disruptions ease. The Reserve Bank of India (RBI) has retained the growth forecast for FY22 at 9.5 percent, and lowered its projection for retail inflation from 5.7 to 5.3 percent.



Recent reports from leading brokerages are forecasting that India is on the cusp of a huge capex cycle, akin to that in 2003. Therefore, the pace of growth in this cycle is likely to resemble the 2004 to 2008 period.

Morgan Stanley expects India's gross domestic product (GDP) growth to average 7 percent from FY23 to FY26. It also expects capital formation as a percentage of GDP to rise by 6 percentage points. Meanwhile, Credit Suisse also expects a surge in capex, but its forecast for GDP growth next year is higher than consensus at 13 percent.

To talk more about the state of the economy, revival in the investment cycle and the road ahead in the area of public-private partnership, CNBC-TV18 spoke to Rajiv Kumar, Vice Chairman, Niti Aayog, on the sidelines of the Public Affairs Forum of India's (PAFI) 8th National Forum.

On economic recovery, he said, "My assessment of the economic cycle that we are in, the economic situation we are in, is that we are in the last leg of the W, because we went down and came up again after the first wave, and then we went down soon after the second wave, but now in the July to September period, we have seen an unmistakable recovery, a strengthening recovery."



"As we go forward, all the estimates have been actually revised upwards and you have got the consensus estimated at about 9.22 percent. I am happy to note that some agencies are already saying that we could be higher."

"The Honourable Minister of Finance has maintained that the country's economy will grow at about 10 percent or more and I completely agree with that and endorse that. You will see, going forward, that the economy in FY22 will achieve 10.5 percent growth, if not more.

"The recovery has been uneven in some sense, but that unevenness has been not any longer due to demand deficiency — because the consumer confidence has come up in a significant manner — but due to some supply constraints in chips, ships, and global trips. Those are the three (things) which have constrained our recovery, and it did affect us," said Kumar.

"Nonetheless, we will take this in our stride and expect the economy to grow at 10.5 or higher during FY22," stated Kumar,

He further said that the PMI for both manufacturing and servicing have shown a very smart uptick in the last month. The PMI for manufacturing came in at 53.7 and for services as 55.2 and it is a three-month lead indicator, indicating it could strengthen even more, going forward. "I stuck my neck out in July to say that we will get a 10 percent growth, and that has been borne out. I hope and expect that this time too, the economy will not disappoint me," said Kumar.

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When asked how much of the shortages in chips and ships and other constraints will be risk factors, going ahead, Kumar said, "This is indeed one of the risk factors, but I am a little surprised at the downturn in two-wheeler demand. I suspect that this might be telling us about a transition, a very strong transition from the ICE scooters to the electric two-wheelers. I think, consumers may well now be rethinking about what they would

want to do and the entry of some of the very large players who have, in some sense, disrupted the market, Take Ola, for example. Others too have announced their plans. So, it may well be that two-wheeler demand is not such a demand downturn after all, as projecting a transition to a new form, which will be very good for us as we go forward because India could emerge as one of the leading hubs of electric two-wheelers and which we could start exporting as well.”

"So, the industry is in a bit of a transition, and the four-wheelers, of course, are being affected by the chips, and I hope that will be sorted out soon. So, despite these constraints, and these headwinds, I think we are on the road for double-digit growth in FY22," he reiterated.

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Talking about high fuel prices and on whether the government would cut taxes, he said, he was not competent to comment on that, but as an economist he believed that that the condition of the global markets have to reflect on our own domestic markets and domestic prices.

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He further said it is quite clear that core inflation, although a little higher than retail inflation, is still not something that will cause a lot of worry because it is well within the range as it were.

***For the entire interview, watch the accompanying video***

*(Edited by : Thomas Abraham)*



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