

'Rural lending reviving, agri gives hope'

Steps needed to mitigate uncertainty due to mini lockdowns, build on signs of V-shaped recovery: CII

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There are early signs of a V-shaped recovery in the economy in the immediate aftermath of the lockdown, driven mostly by agriculture and rural lending, as well as positive trends in FMCG, pharma and even construction, says the Confederation of Indian Industries.

However, the uncertainty of mini lockdowns and unnecessarily wide containment zones continue to affect business operations, the industry group said on Tuesday.

"In order to nurture the nascent signs of recovery, it is important to mitigate the uncertainties that are currently prevailing regarding restrictions. Corporates are unable to plan beyond a horizon of a few weeks, affecting all operations," said CII



Surging hope: The CII said a bumper harvest expected in the wake of a normal monsoon is a positive. • C.V. SUBRAHMANYAM

Director General Chandrajit Banerjee.

Given that it was not possible to predict the course of the pandemic, he recommended a dashboard approach, where the progression of infections would trigger predictable responses in a way that would re-

duce uncertainty and boost consumer and industry confidence.

'Allow business to go on' Containment zones need to be limited to micro areas to ensure that supply chains function seamlessly; and business activities must be al-

lowed to function by removing the uncertainty associated with imposing mini lockdowns, he added.

These policy measures were needed to build on the encouraging signs showing improvement in the economy this month, in comparison to the multi-year lows seen in April, said CII.

List of positives

Its dashboard of positive indicators include GST collections, railway freight traffic, petrol consumption, peak power demand and electronic toll collections, as well as expectations of a bumper harvest in the wake of a normal monsoon.

Termining the agriculture sector a "beacon of hope", CII noted that rural lending by non-banking financial companies (NBFCs) is at

about 80% of the usual levels. Stressed sectors include aviation, hotels and commercial vehicles, which show no signs of recovery yet. However, the information technology and health sectors are likely to hold steady even if they do not show much growth.

An increase in people eating at home and a greater demand for sanitation and hygiene products is likely to drive 15-20% growth in the FMCG sector. With most construction sites resuming operations, CII is predicting a bounceback in the sector which employs the largest number of people outside farming.

The representative body added that commercial real estate is holding up on lease renewals, though new leases are not being signed.