

'Upturn V-shaped but small firms, urban poor hit harder'

Inflation to dip below 6% soon, but stay in 5-6% range: CEA

SPECIAL CORRESPONDENT
NEW DELHI

Chief Economic Adviser (CEA) Krishnamurthy Subramanian acknowledged on Thursday that some parts of the economy may be witnessing a K-shaped recovery, as smaller firms and urban poor had been hit harder by the pandemic, but stressed that India's overall economic rebound remains V-shaped.

Also, retail inflation would slip below 6% this month or in August, but would remain rangebound at 5%-6% in the near future, he said, adding that India's growth would pick up to 8% after stabilising at 6.5%-7% over the coming years. "There has been a V-shaped recovery in the last year," Dr.



Subramanian said at FICCI's capital markets conference. "Yes, when you start unpacking across sectors, large and listed firms have done really well and deleveraged and their bottom lines are improved.

"But some of the smaller firms are impacted more. Similarly, people at the bottom of the pyramid, especially the urban poor have

been impacted more," he added. "Some commentators may say therefore, this is a K-shaped recovery. But that is more at the sectoral level... at the macro level, there has been a V-shaped recovery."

The CEA also projected that a third COVID-19 wave, if it occurred, may be of a low intensity with a much lower economic impact as India would get closer to herd immunity, based on the government's target to vaccinate the entire adult population by December.

"Inflation should be rangebound going forward, despite the rise in commodity prices. It's likely to be between 5% and 6% but certainly within the [RBI's] tolerance range," he said.