

Economic recovery uneven, government should continue support measures for affected sectors: Report

Synopsis

Its survey participants are of the view that the economy is seeing a reasonable recovery after three waves of the pandemic, even though it is not broad-based, the brokerage's chief economist Tanvee Gupta Jain said.



This compares with 2 per cent households considering it a good time to buy consumer durables in April 2020 and 27 per cent in the pre-pandemic period.

Pointing out that the ongoing recovery is still uneven and not broad-based, a foreign brokerage report said the government should continue the income support measures for the affected sectors. The Swiss brokerage UBS Securities India, citing their macro tour results, said the economy is on a recovery path with potential growth of 6-6.5 per cent in the medium to long term.

Its survey participants are of the view that the economy is seeing a reasonable recovery after three waves of the pandemic, even though it is not broad-based, the brokerage's chief economist [Tanvee Gupta](#) Jain said.

She pointed out that this is because corporate India (or the organised sector) has fared well during the pandemic but growth in the non-corporate or [unorganised sector](#) remains sluggish.

Therefore, she said, the key will be to boost growth in the informal/unorganised sector via adequate policy support by undertaking the committed capex targets as indicated in the Budget; providing funding support to MSMEs; and implementing the much-needed supply-side reforms, among others.

The participants also feel that the country's potential growth is 6-6.5 per cent as the digitalisation thrust is leading to higher productivity gains.

On consumer sentiment, she said though it has been inching up, none of the numbers show they are even third of a percentage closer to pre-pandemic levels, she said.

Its consumer surveys show an increase in household optimism regarding their income during the week to February 20, with 13 per cent of households believing their current income is higher than last year's. This proportion was in single digits for the 21 months between April 2020 and December 2021.

That said, the proportion is still much lower than the 30 per cent registered during the pre-pandemic period, suggesting there is still a long way to go despite the improvement, Jain said.

Similarly, in February, only 9 per cent of households believed this was a better time to buy consumer durables compared to a year ago.

This compares with 2 per cent households considering it a good time to buy consumer durables in April 2020 and 27 per cent in the pre-pandemic period.

Rising consumer sentiment is a crucial turning point indicator in economic growth, as a sustained increase in consumption demand will be key to incentivise the private sector to invest, given that capacity utilisation remains low, she noted.

Therefore, the policy focus should be to nurture consumer spending so it does not slip again, she added.