

TENUOUS REVIVAL: ON BOOSTING INDIAN ECONOMY

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

The [national income estimates released by the NSO](#) posit an economy that appears to have found some footing in the January-March quarter before the pandemic's second wave hit. [GDP expanded by 1.6% in the final quarter](#) of the last fiscal, an acceleration from the 0.5% growth in the preceding three-month period, that marginally softened the extent of the [full-year's record contraction to 7.3%](#). The Centre had earlier projected full-year GDP to contract by 8%. There was a 3.7% growth in fourth-quarter gross value added, with all but two of the economy's eight broad sectors posting expansions. Mining and quarrying and the worst-hit contact-intensive omnibus services category of trade, hotels, transport, communications and broadcasting contracted 5.7% and 2.3%, respectively. Still, the pandemic's crushing impact over the preceding three quarters meant that only the agriculture, forestry and fishing and the utility services recorded full-year growth. On the expenditure side, private consumption spending appeared to have rebounded to growth for the first time in four quarters, posting an expansion of 2.7% that moderated the full-year's contraction to 9.1%. And gross fixed capital formation, a proxy for private investment, jumped 11% in the three-month period, most likely helped in fair measure by an increase in capital spending by the Government.

The NSO data, however, needs to be seen in perspective. With the ground having shifted since March with the surge in COVID-19 infections, it is vital to correlate the figures with on-the-ground information. Manufacturing GVA appeared to have gained some traction in the last quarter (a 6.9% expansion), following a return to growth in the September-December period after five straight quarters of contraction. Disappointingly, IHS Markit's Manufacturing PMI survey for May showed the key sector facing the prospect of stagnation as weakening demand pushed increases in new orders and output to 10-month lows. Similarly, the fiscal 2020-21 provisional estimates for private consumption spending — the bulwark accounting for over 50% of GDP — showed the expenditure figure at 75.6-lakh crore, its weakest level in three years. Here again, the Refinitiv-Ipsos Primary Consumer Sentiment Index for May, showed consumer confidence had tumbled by 6.3 percentage points from April as fears over the pandemic's impact depressed respondents' outlook on all four fronts including jobs and personal financial conditions. With unabated job losses pushing overall unemployment to a one-year high of 11.9% in May, as per CMIE data, and rural areas ravaged, only an accelerated nationwide vaccine roll-out and direct job and income boosting measures can prevent the economy from backsliding again.

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