

CORONAVIRUS PANDEMIC HAS ROILED GLOBAL MARKETS

Relevant for: Developmental Issues | Topic: Health & Sanitation and related issues

Mar 02, 2020-Monday

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Humidity

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The gross domestic product (GDP) data released on Friday — for the third quarter ended December — has only served to muddy the economic narrative. GDP growth came in at 4.7%, which is higher than the 4.5% growth seen in the September quarter, except that because of revisions in older data, the September quarter growth has also been revised — to 5.1%. Simply put, the growing narrative that the economy had bottomed out — indicated by some high frequency data — no longer holds. In fact, growth only seems to have slowed further, from 5.1% in the September quarter to 4.7% in the December quarter.

Economists have pointed out that significant revisions of data make it difficult for them to assess the health of the economy and that's something the government would do well to remember. Irrespective of the revision, the narrative of the worst being over was anyway beginning to wear thin. That's because of the coronavirus. The World Health Organization may be loath to call it a pandemic, but it is clearly one, and the virus is now displaying some alarming features (including community transmission). So far, the virus has also not shown the unsustainability and unviability that other such viruses did in the past — their growth pretty much petered out over time. The coronavirus seems to be slowing in China, but marching through Europe, West Asia, the United States, and Africa. India has been lucky so far.

Concerns about the pandemic have already roiled global markets, and it is clear that the pandemic will have an impact on global trade and supply chains, global and local economies, and also on the free movement of people. This quarter, the fourth of financial year 2019-2020 is likely to bear the brunt of this, which means that there is little chance of the Indian economy showing a recovery in the three months ending March.

END

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