

INDIA'S MIDDLE CLASS SHRANK BY 32 MN IN 2020, SAYS PEW REPORT

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The shrinking of middle class population could have a medium-term impact on India's growth trajectory

The [coronavirus pandemic](#) may have shrunk India's middle-class population by 32 million and driven 75 million below the poverty line in 2020, a Pew Research Centre report said, as a severe recession walloped Asia's third-largest economy.

The report, which is based on an analysis of World Bank data, said that in comparison [China](#) fared much better, with the number of people in the middle-income tier decreasing by only 10 million, while the poverty level remained virtually unchanged in 2020.

"Given that India and China also account for more than a third of the global population, with about 1.4 billion people each, the course of the pandemic in these two countries and how each recovers will have a substantial effect on changes in the distribution of income at the global level," the report said.

India plunged into its deepest recession in more than 40 years as the pandemic led to massive job losses, while China was able to prevent a contraction. In its World Economic Update released in January, the International Monetary Fund estimated India's economy to contract 8% in FY21 while China's economy was expected to expand by 2.3% in 2020. The pandemic could partly reverse India's earlier success of substantially reducing poverty, but the shrinking of its middle class population that drives consumption in the country could have medium-term impact on India's growth trajectory.

Before the pandemic, it was anticipated that 99 million people in India would belong in the global middle class in 2020. A year into the pandemic, this number is estimated to be 66 million, cut by a third.

Meanwhile, the number of poor in India is projected to have reached 134 million, more than double the 59 million expected prior to the recession. "The poverty rate in India likely rose to 9.7% in 2020, up sharply from the January 2020 forecast of 4.3%," Pew Research said.

The research agency divides the population in a country into five groups: poor, low income, middle income, upper-middle income, and high income for its analysis. The poor live on \$2 or less daily, low income on \$2.01-\$10, middle income on \$10.01-\$20, upper-middle income on \$20.01-\$50, and high income on more than \$50.

Separately, the United Nations Conference on Trade and Development (UNCTAD) in a report released on Thursday, said developing countries have experienced some of the worst personal income drops relative to gross domestic product (GDP) because of the pandemic and government actions will at best lead to an uneven K-shaped recovery within and across countries.

"In countries where poverty levels are already high and large parts of the labour force are working in informal jobs, the immediate impact of even a small downturn in economic activity can be devastating, with the World Bank estimating a quarter of a billion more people sliding into

poverty (on a \$3.20 daily benchmark) as a result of the pandemic," UNCTAD said.

Pew Research put the caveat that the estimates are subject to a degree of uncertainty based on actual growth of the two economies and on the effectiveness of social spending carried out by the governments during the covid-19 downturn. "If the covid-19 recession has worsened inequality, the increase in the number of poor is likely greater than estimated in this analysis, and the decrease in the number who are high income is likely less than estimated. The middle class may have shrunk by more than projected," it said.

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