

Economic Recovery Post Pandemic

The Covid-19 pandemic is a global crisis that has hit the world on multiple fronts. As a result, India's economy has taken a massive hit. There has been a sharp contraction in economic activities in 2020. The economy is believed to resume to positive growth this year. Economic recovery post-pandemic is an important topic for the UPSC exam and it covers education-related aspects of the [UPSC syllabus](#). In this article, you can read all about the important points concerning the recovery of the Indian Economy Post Pandemic.

India's Economy and Covid-19 Pandemic

The Indian economy was in one of its worst ever phases even before the Covid-19 pandemic.

- GDP growth fell continuously for eight quarters. GDP was 8.2% in March 2018 and had fallen to 3.1% in March 2020.
- Private consumption and investment had collapsed even before the pandemic.
- Nominal GDP growth in 2019-20 fell to just 7.2%, the lowest since 1975-76.
- As per the data from the [Controller General of Accounts](#), gross tax revenue collections were 81.6% of the budget estimates in 2019-20, which is the lowest since 2000-01.

In the wake of the pandemic:

- With rampant job losses and surging covid-19 cases, the Indian economy was facing a recession in September 2020.
- The economy recorded the largest [GDP](#) contraction (23.9%) for a financial year quarter in the First Quarter of 2020.
- The manufacturing and construction sectors shrunk by 39.3% and 50.3%, respectively, while the overall services sector contracted by 20.6%.
- As the economy gets unlocked, it has started to recover from the pandemic-induced slowdown on the back of various government initiatives and is expected to carry on this momentum.

Indicators of Recovery Post Pandemic

In this section, we talk about a few indicators of economic recovery in the post-pandemic phase, although the pandemic as of April 2021, seems to be entering into another phase of surging infections. It is safe to say that we are not yet in the post-pandemic phase in the true sense of the word.

NIBRI Index:

- Nomura's India Business Resumption Index (NIBRI), a measurement for tracking the extent of normalisation in the economy, hit 98.1 points in February 2021. It had hit a record low at 44.8 in April-June during the national lockdown.
- The economy has reflected growth prospects due to fiscal activism.

Investments:

- FDI equity inflow in India stood at US\$ 49.97 billion in 2019-20.
- Foreign Portfolio Investment has been Rs. 12.9 trillion (US\$ 174.31 billion) in India between 2020 and 2021 (as of September 2020).

GDP Indications:

- The [National Statistical Office](#) estimated real GDP growth to be (-) 7.7% as opposed to (-) 10.3% projected by IMF in October 2020.
- RBI's monetary policy committee had projected a GDP of (-) 7.5%.

Revival of Imports & Exports:

- Merchandise imports experienced a growth of 7.6 per cent in December 2020.
- The rise in the imports of pearls and precious stones, machinery and electric goods shows the revival of **Domestic Economic Activities**.

Financial Market Surges:

- The BSE index jumped 91 per cent from a record low of 25,881 in over 10 months.

GST Collection:

- The GST collection was Rs 1.15 lakh crore in December 2020.
- The collection was the **highest since the GST implementation**. **Read more on [Goods and Services Tax \(GST\)](#)**.

India's Economy and Recovery Factors

Some of the stimulus packages introduced by the Government are discussed below.

- The Finance Minister announced an INR 1.7 trillion relief package in March 2020.
- The Prime Minister of India declared a COVID relief package of INR 20 trillion in May 2020.
 - It was termed Atmanirbhar Bharat Abhiyan.

- The combined package works out to roughly 10 percent of the GDP.
- It included a Rs 1.7 lakh crore package of free foodgrains to the poor and cash to poor women and the elderly.
- The Finance Minister announced a comprehensive stimulus package worth INR 2.65 lakh crore in November 2020.

Atmanirbhar Bharat Abhiyan

- The five pillars of this programme are economy, infrastructure, technology-driven systems, demography and demand.
- Import substitution, reviving demand and promoting export-oriented industrialisation were three prime focus areas.
- The key beneficiaries of this initiative are - Banking, MSMEs and Agriculture sectors.
- The scheme has 500 million beneficiaries in the health sector.

Read more on the [Atmanirbhar Bharat Abhiyan](#) in the link.

Household Savings

- The Centre for Monitoring Indian Economy, RBI said household financial savings in India shot up to 21% of GDP in the first quarter of the fiscal year 2020-21.
- The household financial savings was 7.2 per cent in 2018-19 and 8.2 per cent in 2019-20.
- CMIE Managing Director cited a recent report by the McKinsey Global Institute that expected a strong rebound in consumer demand with the end of the pandemic in countries like the US, China and Germany.
- As mobility restrictions are removed, households are in a strong position to spend.
- **Household savings will play a vital role in the economic revival.**

Consumer Sentiment in India

- As per the CMIE Report, the **Index of Consumer Sentiments** in India was 46.8% lower in March 2021 than its average level during April 2019-March 2020.
- Indian households witnessed a huge increase in savings but the sentiments recovery is not the same.
- The **Index of Consumer Sentiments** tells about the changed views of households regarding the purchase of **non-essentials and durables**.
- The fiscal transfers by the Indian government to households during the lockdown in the form of [MGNREGA](#) and **PM-KISAN** impacted consumer sentiments in **Rural Areas**.

- **Consumer Pyramids Household Survey, CMIE** reports that the consumer sentiments in households with an annual income of over Rs 10 lakh were the least affected as of March 2021.

K- Shaped Recovery

- India's economy is expected to have a K-shaped recovery.
- The K-shaped recovery was most evident in the **September 2020 Quarter**.
- India's GDP is expected to grow by 12.5% in the fiscal year starting from April 1, 2021.
- The increased inequality will hit the consumption and growth of the economy.

Conclusion

- India's economy seems to be in better shape than apprehended post the pandemic.
 - Government initiatives including fiscal and social measures have worked to the advantage of the economy in combating the slowdown.
 - The covid-19 pandemic has invariably changed the economic sentiments and functioning in India which is expected to have some long-term effects.
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