



India economy shrinks 23% in first quarter of 2020-21

Indian economy lost more than Rs. 11.1 lakh crore or 23% of GDP in the first quarter of 2020-21 on account of the strict lockdown announced during April-June period in response to the outbreak of COVID pandemic. The sharp decline in GDP is on expected lines as manufacturing and services sectors were severely disrupted from the nation-wide lockdown. Manufacturing and services sectors contracted 39% and 20% respectively. Construction sector witnessed 50% decline in output, while trade and hotels saw 47% contraction in output. Mining output fell 23.3%, while finance, real estate and professional services declined 5.3%. The only sector that posted positive growth was agriculture with a growth of 3.4%.

Most economists expect GDP to decline in the remaining three quarters of the current financial year (2020-21) as the rate of COVID infection in the country has not flattened. With the spread of COVID virus not under control in many parts of the country, the process of unlocking is expected to be gradual, thereby affecting the normalization of economic activity.

Experts are divided on whether the government should increase spending to boost consumption and investment demand. Private consumption declined 27% during the first quarter as consumers reduced their discretionary expenditure amidst heightened uncertainty over their future income. Investment demand has fallen 47% as firms refrained from expanding production capacities amidst uncertain economic outlook.

In this uncertain environment, most economists feel that the government cannot do much to kickstart economic activity unless the COVID health crisis is completely brought under control. Some economists suggest the government to increase infrastructure spending, especially on rural roads to infuse cash in the hands of public so that they will start spending it. Others suggest government to inject cash directly in the hands of public by transferring money through Jan Dhan accounts, PM Kisan scheme and other government programmes. Economists also suggest the government to support enterprises, both small and medium enterprises, through payroll subsidy so that firms may not retrench workers amidst declining sales and mounting losses. Some experts recommend the government to support sectors such as aviation, tourism, hospitality that are the worst affected by the current crisis.

With limited fiscal resource available, government is judiciously spending on various priorities as it has to preserve some spending power for future if the battle against COVID crisis prolongs.



Notifications

Press Information Bureau, Government of India

Index of eight core industries for July 2020

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1649978>

Fixation of tariff value

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1650013>

First quarter GDP estimates

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1650021>

Daily Bulletin on COVID 19

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1650074>

DGFT

Procedure for application for export of N-95/FFP2 masks

<https://content.dgft.gov.in/Website/dgftprod/c0a8170b-af75-49e7-9bba-4f2b131b6019/Trade%20Notice%2025.pdf>

Re-validations to export authorizations for SCOMET items

[https://content.dgft.gov.in/Website/dgftprod/25b2c0c3-101b-46b5-9a09-326d667edd8c/Trade%20Notice%20No%20%2026%20dated%2031-08-2020%20on%20revalidation%20of%20SCOMET%20authorisation%20for%20Tech%20Transfer\(1\).pdf](https://content.dgft.gov.in/Website/dgftprod/25b2c0c3-101b-46b5-9a09-326d667edd8c/Trade%20Notice%20No%20%2026%20dated%2031-08-2020%20on%20revalidation%20of%20SCOMET%20authorisation%20for%20Tech%20Transfer(1).pdf)

CBIC

Tariff value notification

<https://www.cbic.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2020/cs-nt2020/csnt83-2020.pdf>