News Articles: Economy

1. **How growth reshaped India’s destiny, and why we need an encore** – Pramit Bhattacharya, Nikita Kwatra, Live Mint, 18th July 2020

   Three decades of rapid economic growth have changed the country but India’s economic transformation remains a work in progress

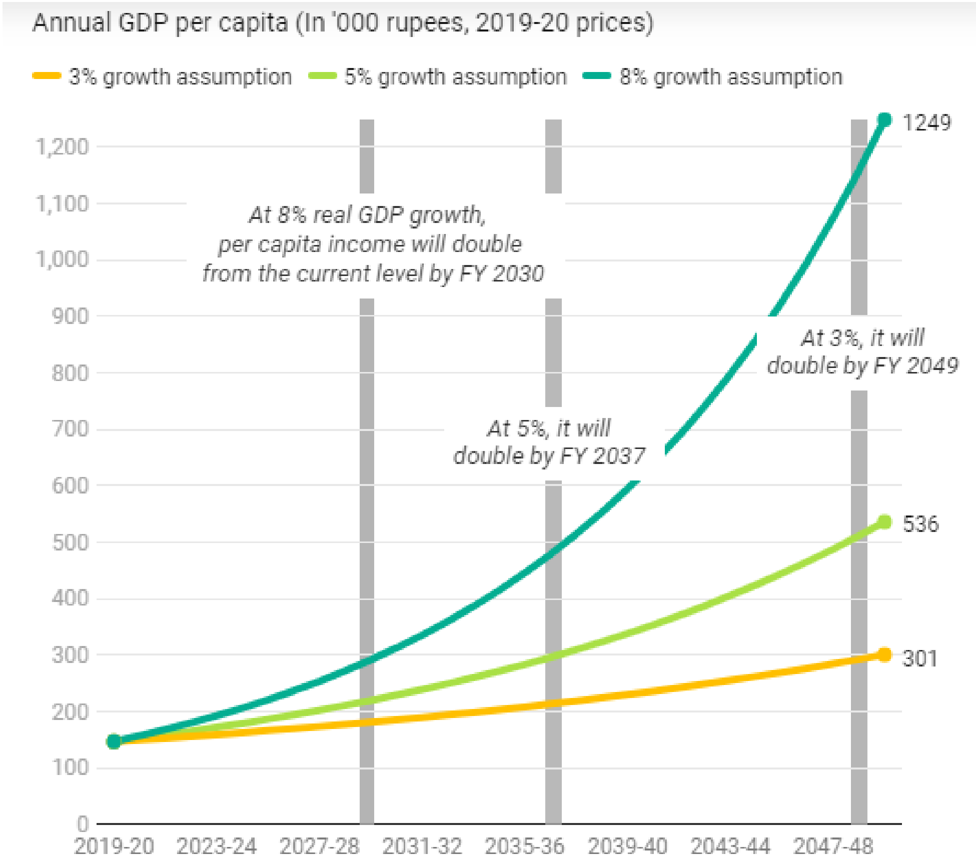
   The pandemic-induced recession has brought back memories of 1979, when India’s GDP (gross domestic product) contracted by more than 5 percent for the first time since independence. But 1979 also marked a turning point for the Indian economy.

   India saw an unprecedented growth surge for more than three decades since that historic contraction. The growth surge survived a balance-of-payments crisis, stock market scams, and multiple phases of political instability. It pulled millions out of poverty, and transformed our lives.

   Will 2020 be a similar year for the Indian economy? Will the economy contract only to get back on a higher and firmer growth trajectory in the years to come? This is arguably the most important question the country faces, for more reasons than one.

   Growth matters so much firstly because it directly impacts the average income levels. If for instance, GDP grows at an average inflation-adjusted (real) rate of 8 percent per annum, an average Indian would roughly double her income in 10 years. A more modest 5 percent GDP growth would mean that the same journey would take 17 years. And if the GDP growth rate were to revert to the pre-1979 trajectory of 3 percent per annum, it would take nearly 30 years for India’s per capita income to double. For perspective, between 1980 and 2010, India’s per capita income went up more than three times to ₹86,560 (at 2019-20 prices).

   How soon your income doubles depends on how fast the economy grows



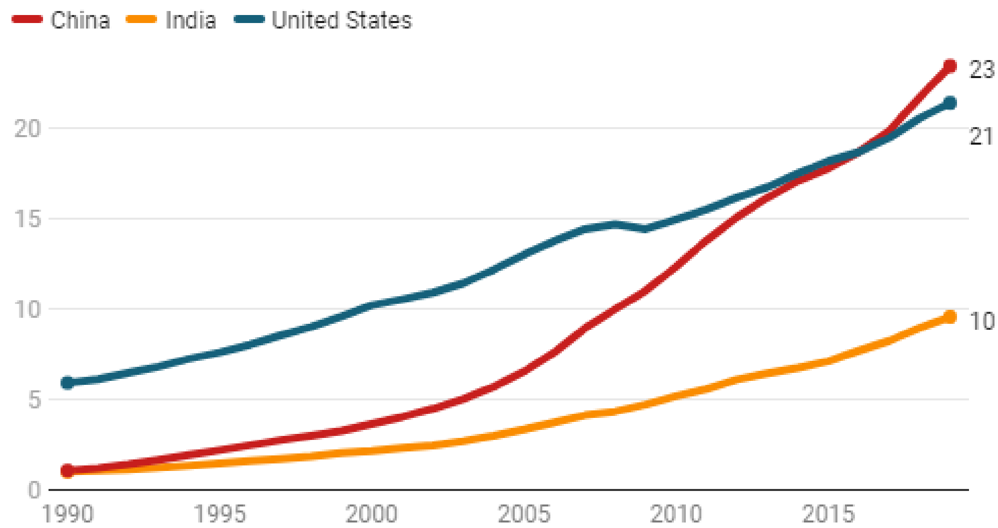
Per capita income estimates have been calculated using the three different assumptions of GDP growth and are based on UN population projections.

Second, it is the trajectory of growth that will influence how far India is able to stand up to external aggression and threats. As the events of the past few weeks have shown, China's emergence as a new superpower will test India's ability to protect its interests and those of its allies in the neighbourhood. Having greater economic firepower will make it easier to deal with such a challenge. China's own clout springs as much from its wealth as it does from its military might.

China's growth take-off occurred around the same time as India's, after Deng Xiaoping took charge of the ruling communist party in 1978. Till about 1990, the GDP of the two countries were roughly equal in purchasing power parity (PPP) terms. Since then, China zoomed ahead to eclipse the US, leaving India far behind.

Starting from similar GDP (PPP) levels as India in 1990, China went past the US in 2017

GDP PPP (in current international dollars, trillions)



Source: World Bank • Get the data • Created with Datawrapper

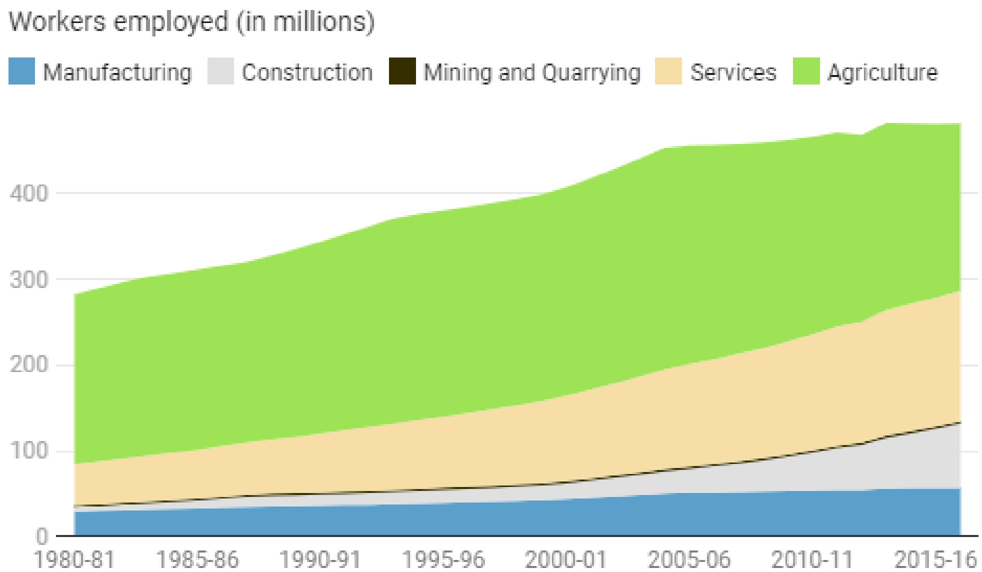
Getting growth back on track is important for a third big reason. Without fast evenly balanced growth, it won't be possible to create enough decent jobs for the millions of youth who are joining India's workforce each year. This is important for them to lead decent lives, to raise domestic purchasing power that will sustain India's next cycle of growth, and to defuse the demographic time bomb that is building up with rising youth unemployment in the country.

Creating decent non-farm jobs is also key to raising farm incomes. In an oft-cited 1954 research paper, the Nobel-winning economist Arthur Lewis showed that by moving surplus labour from the farm to the non-farm sector, developing economies could raise productivity in both sectors, and raise overall savings and growth. Since then, several economies, including the fast-growing economies of East Asia, have followed such a Lewisian transformation to shift workers from farms to factories, driving up growth and reducing poverty at the same time.

India's growth process over the past four decades has also witnessed a shift away from farm to non-farm jobs but the process has been lop-sided, and the transformation remains incomplete.

Even though the share of farm jobs have shrunk over time, the farm sector remains the biggest employer in the country. And unlike in other fast-growing Asian economies, the new non-farm jobs have mostly been in construction and services, rather than in factories.

Since '81, construction and services have seen a jobs boom but not manufacturing



Source: KLEMS Database • Get the data • Created with Datawrapper

While the construction sector pays better than the farm sector, it offers only slightly more productive jobs. The services sector does offer some high-productivity jobs (such as in software services) but the bulk of the new service sector jobs in India have been low-end ones, such as in trade, transport, and storage with relatively lower productivity levels, data from the Reserve Bank of India's KLEMS database shows.

If India is to create more high-productivity jobs in the future, India will need fast growth spread across more sectors.

The final and perhaps the most important reason why India needs several more decades of rapid growth is its huge poverty challenge, aggravated now by the pandemic. Growth alone may not have been enough to lift poverty, even in the past. But periods of growth acceleration have typically led to a faster decline in poverty, the data shows.

Growth seems to have aided poverty reduction in India

Time period	Average GDP growth (% CAGR)	Average annual % point decline in poverty rate
2005-12	8.5	-2.2
1994-05	6.3	-0.7
1988-94	5.6	-0.5
1983-88	4.8	-1.1

Poverty declines in 1983-88 and 1988-94 have been calculated based on the Lakdwala committee poverty estimates, the official poverty estimates of that era. The poverty reduction during 1994-05 and 2005-12 periods have been calculated based on the Tendulkar committee estimates, the official estimates for the latter era. Average GDP growth is based on the 2004-05 series estimates

Growth not only boosts average income levels but also generates extra funds for welfare programs. After all, the biggest ever poverty decline in India's post-independence history occurred during the 2004-11 period when nearly 150 million people were pulled out of poverty across the country, with the poverty rate falling to 22 percent. This period saw very rapid growth as well as increased rural spending on schemes such as the rural employment guarantee program, which helped the poverty reduction effort, according to several empirical studies.

As with other aspects of India's more recent economic history, the trajectory of poverty since 2011-12 remains mired in controversy. The most recent and buried National Sample Survey (NSS) report on consumption expenditure in 2017-18 suggests that India's poverty rate actually inched up one percentage point to 23 percent, according to Mint's calculations. However, the statistics ministry has contested the findings of the NSS survey, arguing that consumption could not have declined in an era of high growth. But given that the growth numbers have come under fire from independent experts, that argument has not convinced everyone.

Writing in these pages, the demographer Sonalde Desai has argued that while consumption spending indeed grew between 2011-12 and 2017-18, the rate of growth was far lower than what it was in previous years. Desai based her arguments on the results of a survey carried across three states in the same years as the NSS surveys.

Thus the actual rise in consumption may be higher than what the NSS survey showed and India's growth may be more modest than what the statistics ministry's data shows, Desai argued. And if that argument holds, it suggests that a leg-up to growth in the coming years would be necessary to boost consumption spending, and drive down poverty levels.

It is worth remembering that India's growth performance has been superior to that of most other large developing economies in the world over the past few decades even if it has not been able to better China's record so far.

After China, India has been most successful in reducing poverty and dependence on farms

Not only have per capita incomes grown faster in India than in most other comparable countries, India has also seen a relatively rapid decline in dependence on farm jobs and a faster pace of poverty decline, at least till 2011-12.

India needs a growth encore. Will it get one?

https://www.livemint.com/news/india/how-growth-reshaped-india-s-destiny-and-why-we-need-an-encore-11595033394815.html

2. Clean energy can shore up Indian economy from current downturn: Niti Aayog – PTI, Business Standard, 17th July 2020

Niti Aayog CEO Amitabh Kant said India offers an exciting long-term market for both domestic and international investors in clean energy space

Niti Aayog CEO Amitabh Kant on Friday said clean energy has potential to shore up the Indian economy from the current downturn, urging investors to exploit long-term opportunities in the sector.

Speaking at a webinar organised by the Council on Energy Environment and Water (CEEW), Kant said India offers an exciting long-term market for both domestic and international investors in clean energy space.

He said capital flow in the developing world is the need of the hour and paradigm shift will be critical for sustainable economies in the post Covid-19 era.

Apart from the liquidity enhancement measures and the rather bold reforms in the energy sector announced by the government, the domestic bond market offers another opportunity that must be tapped to finance the energy transition, Kant said.

He said, "We must encourage that class of capital market investors to invest in the clean energy."

Stating that green growth can drive the economic recovery for the country from the current downturn, he said India has already set up goals to ensure 24x7 adequate, reliable energy access as well as clean energy transition by reducing the country's reliance on fossil fuel based energy.

"There is a need to deepen the market to further global energy transition. The motivation behind the transition varies across the developing world. Therefore, capital flow in the developing world is the need of the hour," Kant added.

On the India Energy Modelling Forum, he said it will provide a platform to examine important energy and environmental related issues, and facilitate exchange of ideas.

The forum aims at providing a platform to examine important energy and environmental related issues and inform decision-making process to the Indian government.

It also aims to improve cooperation among modelling teams, government, knowledge partners and funders, besides facilitating exchange of ideas and ensuring production of high-quality studies.

https://www.business-standard.com/article/economic-revival/clean-energy-can-shore-up-indian-economy-from-current-downturn-niti-aayog-120071701413_1.html

3. **Revival Of Consumption Demand In The Indian Economy: Cash Dole-out Is Not The Solution** – Jagdish Shettigar, Pooja Misra, Business World, 17th July 2020

With economic activities grinding to a halt due to the pandemic, COVID-19 has dealt a double whammy to a large section of the Indian population.

The Indian economy is fast settling to a 'New Normal' with Unlock 2.0 effective July 1, 2020, relaxing the night curfew timings, provision of additional domestic flights and trains, and more activities being permitted in a calibrated manner outside of containment zones. The Government has progressively moved from – 'जान हैं तो जहान हैं' (only if I am alive and healthy, I can conquer the world) to 'जान भी जहान भी' (I have to be both healthy and live a long life of prosperity and success). With the pandemic having negatively impacted countries globally, the International Monetary Fund (IMF) in its revised projections of June 2020 has predicted that the Indian economy will contract 4.5% in FY21 as against the optimistic forecast announced of 1.9% growth in April 2020.

The reason being cited for the revised downward forecast has been the pandemic led severe nationwide extended lockdown leading to supply chain disruptions, massive job losses with unemployment numbers in India rising to 27.1% (as per CMIE) in May 2020 resulting in loss of income, lower consumption demand and weaker consumer sentiment.

Interestingly, CMIE data shows that with Unlock 1.0 happening, unemployment numbers ending July 7, 2020, was at 9.19%, nearer to pre-COVID levels. Also, a better than normal monsoon will have a positive impact on the agricultural sector which is forecasted to improve by 3.0% approximately and the services sector is expected to increase by 4.4%. These two sectors contribute more than 70% of the overall GDP of the country. Also, the demand in the FMCG sector is returning to pre-COVID levels and the rural market is almost intact as per the recent Nielsen survey reports.

In response to the economy being halted abruptly in its track of economic growth (with the lockdown announced on March 25, 2020) and with a viewpoint of being able to provide a kick-start to the economy on June 8, 2020 (with Unlock 1.0 happening), the call by the Prime Minister, Narendra Modi was for the citizens to aim for being 'आत्मनिर्भर', i.e. self-reliant and 'Vocal for Local'.

Some of the policy announcements to provide the much-needed boost to the Indian economy have been:

The Government of India has already announced a stimulus package to the tune of Rs. 20 lakh crores (equivalent to 10% of the country’s GDP). Some term the stimulus provided by the Government as being tepid compared to other emerging economies and far lesser than those announced by advanced economies while others view it as a reformative fiscal package. We would agree with the latter ie the stimulus package is a reformative one which will have a far-reaching impact in the medium to long term.

The first stimulus was announced by the Union Finance Minister, Nirmala Sitharaman on March 26, 2020, which included free food grains for three months for 80 crore of India’s poorest section (extended in the second stimulus for another three months), one-time transfer of Rs 2000 to 7 crore farmers, Rs 500 transferred to 20.05 crore women Jan Dhan account holders for three months to be able to deal with the COVID pandemic.

So while on the one hand, it was a case of free food grains/money transferred to the poorer section of society, on the other hand, one needs to bear in mind that the Government has sourced the food grains and thereby started the demand cycle of growth. This was followed by measures being announced by the Reserve Bank of India (RBI) to infuse liquidity in the financial circular flow. Subsequently, the Finance Minister announced a five-part stimulus package between May 13 and May 17, 2020, and pronounced other far-reaching policy reforms for the economy such as the amount to be paid under MGNREGA being increased to Rs 202 per day from Rs 182; an additional allocation of Rs 40,000 crore for this scheme (this is in addition to the Budgetary provision). This will again enable extra income in the hands of people thereby fuelling up consumption levels in the economy.

For the Indian farmers there have been sweeping policy changes made leading to critics stating that liberalization for the Indian Industry happened in 1991 but for the Indian farmer, liberalization has just set in via three ordinances: 1. Amendment to the Agricultural Produce Marketing Committees Act which enables farmers to sell their produce outside the mandis giving them the benefit of ‘my crop, my right’; 2. Essential Commodities Act, 1955, focusing on lifting the restrictions on commodities such as cereals, pulses, onions, etc; 3. Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, which provides a charter for farmers to engage in contract farming with large food multinational companies leading to a scenario of ‘One India, One Agricultural Market’. The advantage for farmers now being able to access markets directly (without the intervention of the middlemen and thereby, breaking the monopoly of APMCs) will help them gain the benefits of higher prices for their produce. This would lead to increased income in the hands of these farmers which in turn will result in increased demand for products and services. Also, with the infrastructure of cold chain and refrigerated transportation being encouraged to be built by the Government, the farmers will be in a position to command better prices in the medium to long term.

To top it further, on June 30, 2020, the Prime Minister, Narendra Modi announced that under the Pradhan Mantri Garib Kalyan Ann Yojna, 80 crore people would be receiving 5 kg free ration and 1 kg dal per month till November end, 2020. Under the aegis of ‘One Nation, One Ration Card’ the benefits of this scheme would be derived by the lower economic strata including the migrant workers and their families.

Are these measures adequate?

With economic activities grinding to a halt due to the pandemic, COVID-19 has dealt a double whammy to a large section of the Indian population. It has resulted in the loss of cash and income especially for people at the bottom of the pyramid and to further worsen the situation migrant workers have also lost access to food and shelter. Critics state that the policy measures announced by the Government are largely supply-side measures (such as FDI limit in defence manufacturing increased to 74%; Rs. 3 lakh crore to be given as collateral-free automatic loan to MSMEs, etc) and are inadequate.

As per critics, it is demand-side measures which are needed to be able to provide the requisite boost and reverse the contractionary momentum of the Indian economy. As stated earlier, the Government has worked on this front too, by allocating Rs. 50,000 crore for implementation of public infrastructure works across six States and 116 districts being earmarked for the migrant workers returning home; Government bearing the Employee Provident Fund (EPF) contribution for three months of those earning up to Rs.15,000/- per month, reducing EPF contribution from 12% to 10% for three months for those in a higher income bracket thus leading to more cash available in the hands of the individual to spend, etc. Thus, once the economy gets a kick-start due to the above demand increasing measures, it will have a multiplier effect on the entire economy. It should also be contemplated that prior to the Covid19 pandemic the Indian economy was already facing a demand constraint.

Thus, in such a scenario, giving out cash handouts to the poorest section of society is not the answer to the revival of consumption demand. Proponents of demand-side measures claim that providing more cash handouts will increase private consumption demand in the economy. This will restart the circular flow of goods and services, and consumption and production will gain momentum. However, in place of giving hard cash and thereby starting the demand cycle, by providing food grains the Government is boosting demand on behalf of this section of society which in turn will kick-start the revival of the economy.

Points to ponder on…

Cash dole-out will lead to additional government expenditure and with revenue collections plummeting due to lower tax collections during the Lockdown, it will exert pressure on an already rising fiscal deficit number of the Indian economy. The Government will have little option but to ask RBI to monetise a part of the fiscal deficit.

Is monetising of fiscal deficit the need of the hour?

The concept of monetisation of fiscal deficit was abandoned two decades ago with big-ticket reforms enabling the citizens to partake of single-digit inflation since then. With the Fiscal Responsibility and Budget Management Act 2003 (FRBM) in place, the focus of this Act was to bar RBI from participating in primary issuance of

Government Securities since April 1, 2006. There is an escape clause which states that RBI can subscribe to the primary issue of Central Government securities in case the fiscal deficit target is exceeded on “grounds of national security, the act of war, national calamity, the collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, the decline in real output growth of a quarter, by at least three per cent points below its average of the previous four quarters”. The permissible deviation in the Act is to an extent of 0.5%. However, this escape clause has already been invoked by the Government on February 1, 2020, prior to the Covid19 pandemic. To further add to the already existing woes in the economy, monetisation of fiscal deficit will also lead to increased money supply resulting in inflationary pressures.

A contrarian view is that increased Government expenditure can be netted out by increased direct taxes. But, one should bear in mind that increased taxes will lead to lesser income in the hands of taxpayers thereby once again negatively impacting consumption levels. It will lead to a situation of a trade-off between consumption levels increasing for essential items if cash dole-outs are given as against increased discretionary spending by the taxpayers. The Government, in this case, would need to choose between which of the two is the lesser devil?

Another fact that needs to be looked at and considered is that the full-blown impact of the pandemic has not been experienced by the economy. With Unlock happening in phases, people contracting the virus are increasing by leaps and bounds. With increased fiscal deficit already having put the Government in a corner, is this the right time for the cash handout to be given or should the Government wait and watch for some time.

Rather, as the stimulus package has already permitted delayed tax payments, if the economy does not revive fast enough, one would also need to consider if the Government would need to cut tax rates, including GST and put more money in the hands of people.

So, are cash handouts needed or should the Government use the limited fiscal space to be able to facilitate schemes such as Garib Kalyan Rozgaar Abhiyan and expedite implementation of public infrastructure works and those related to augmentation of livelihood opportunities? In lieu of cash dole-out, giving of free ration coupled with the Ayushman Bharat Scheme (free health coverage) and the Pradhan Mantri Awas Yojna (housing for all) is an adequate measure to help this section of population sustain and survive.

On the other hand, by providing food grains the Government is boosting demand on behalf of this section of society which in turn will kick-start the revival of the economy. This will also ensure that the limited fiscal space is available for the Government to invest in infrastructure projects which in turn will generate employment for the lower-income strata and enable them to sustain their livelihood. Concomitantly, shouldn't one appreciate the fact that the Government has kept the burden on taxpayers at a minimum?

The million-dollar question now is: Keeping the available limited fiscal space in mind, should the Government give out cash dole-outs to people at the bottom of the pyramid or use it for implementation of public infrastructure works and those related to augmentation of livelihood opportunities is a better solution?

If the economy is not able to reverse the contractionary trend fast enough, shouldn't the Government cut tax rates and increase money in the hands of people leading to increased consumption of essentials and propelling discretionary spending thereby giving the necessary boost to consumer durables and electronics, automobiles, apparel, luxury products etc.

In the post-COVID-19 scenario, with productive activity in the economy coming to a standstill both demand and supply-side measures implemented hand in hand are the need of the hour.

Thus, the Government has rightly strategized for a mixed bag of stimulus to stabilise and refuel India's economic growth track and also adequately provided for the lesser strata of society, ie free food grains, free healthcare facilities and housing for all.

http://bweducation.businessworld.in/article/Revival-Of-Consumption-Demand-In-The-Indian-Economy-Cash-Dole-out-Is-Not-The-Solution-/17-07-2020-298534/

4. **Centre's fiscal deficit to shoot up to 7.6% in FY21; twice budget target: Report** – PTI, Financial Express, 17th July 2020

The pandemic has resulted in long lockdowns that chilled all the economic activities. The agency said India's gross domestic product (GDP) will contract by 5.3 per cent, while states like Assam, Goa, Gujarat and Sikkim are expected to witness a double-digit contraction, it said.

The Centre’s fiscal deficit is expected to touch 7.6 per cent in 2020-21, more than double the Budget Estimate, as the country spends extra to minimise the impact of the COVID-19 pandemic while facing a shortfall in revenues, a report said on Friday. At a combined level, the fiscal deficit of the Centre and states together will come at 12.1 per cent, with the states contributing 4.5 per cent, India Ratings and Research said in the report. It also said the government has already announced a stimulus package damaging the fiscal math by 1.1 per cent. Calls are also going on for a second package.

The pandemic has resulted in long lockdowns that chilled all the economic activities. The agency said India’s gross domestic product (GDP) will contract by 5.3 per cent, while states like Assam, Goa, Gujarat and Sikkim are expected to witness a double-digit contraction, it said.

With the growth and revenues going down, the obvious impact will be on the fiscal deficit, which is considered an important macroeconomic health indicator. “The aggregate central and state fiscal deficit in FY21 will increase to 12.1 per cent of GDP (Centre: 7.6 per cent, states: 4.5 per cent), mainly due to the expected shortfall in revenue collections rather than increased expenditure,” it said.

India Ratings and Research Chief Economist D K Pant said the pandemic hit at a time when the Indian economy was already experiencing a slowdown due to weakness in consumption demand. “It has severely disrupted the supply side, as production and sale were allowed only in the areas classified as ‘essential’ during the lockdown.”

He said the states receiving significant remittances “India is the biggest receiver of such fund transfer by any country’s diaspora” will be impacted because return and/or repatriation of expatriates to India has its own consequences for the Indian economy.

The growth slowdown will have a significant impact on the asset quality of the financial sector, and both banks and non-banks would require more capital to continue lending, it said. Reverse migration out of cities and industrial towns to their hometowns will delay the manufacturing sector’s recovery and may also translate into elevated wages, it the rating agency said.

https://www.financialexpress.com/economy/covid-effect-centres-fiscal-deficit-to-shoot-up-to-7-6-in-fy21-twice-budget-target-report/2027594/

5. **Improvement in economy might slow down or even stagnate in the second quarter** – Dharmakirti Joshi, The Indian Express, 17th July 2020

India has had little option but to open up the economy. That has led to some improvement in economic activity towards the latter part of the April-June quarter — but this is unlikely to sustain. In the July-September quarter, we expect the pace of improvement to slow down or even stagnate and fall in some cases.

These aren't "normal" times or even "normal abnormal" times. What we are going through can at best be characterised as "abnormal abnormal" times.

At the peak of the global financial crisis (GFC) in 2008-09, India grew at 3.1 per cent, a good 300 basis points faster than the world average — a speed differential it had maintained in the preceding decade. The COVID-19 pandemic struck at a time when India was growing at its slowest pace (4.2 per cent in 2019-20) since the GFC, crushing, at once, demand and economic activity. These blows have been compounded by unprecedented human misery, fears around safety, and a big reduction in incomes, visibility of income in the near future, and sources of livelihood.

We foresee a 25 per cent contraction in India's GDP in the first quarter of the current financial year, and 5 per cent contraction for the entire fiscal year. While S&P Global foresees, on average, a 3 per cent permanent hit to GDP in the Asia-Pacific economies (excluding China and India) over the medium run, for India, we estimate the permanent loss at 10 per cent of GDP.

The problem is that the monetary measures announced after the pandemic do not have the heft to trigger a recovery because of rising financial sector stress and lack of fiscal space. Therefore, even as economic data of the past three months signals a move from "free fall" to "uneven improvement", caution is in order.

The National Statistical Office released its estimate of the Index of Industrial Production (IIP) for April and May 2020 with the caveat that it must not be compared with previous data because the response rates to its surveys were low following the lockdown. The contraction would have been very deep in April because India possibly had "the most stringent nationwide lockdown in the world". Also, in March, with only a few days of the lockdown being imposed, the IIP had contracted as much as 18 per cent.

The abnormal abnormality in the data collection process has meant that the proxies for traditional measures and real-time assessment of economic activity are finding favour globally. Last month, the economists Michael Spence and Chen Long noted that, “among the 19 countries and regions that have announced first-quarter GDP, we find that three-quarters of the variation in GDP growth can be explained by differences in mobility during this period”.

In India, too, analysts are relying on alternative sources of high-frequency data such as Google mobility indicators, goods and services tax collections, e-way bills, freight movement and power consumption to gauge the direction and quantum of economic activity. These show that large parts of the economy came to a halt in April, and were followed by uneven recovery till June. The Google mobility indicators show that grocery and pharmacy sectors have recovered the fastest, and retail and recreation the slowest. But, despite the improvements, all of them are below their pre-COVID levels.

So, how does the economic recovery look from here? To a large extent, it will depend on the shape the COVID-19 infection curve takes. Given India’s high population density and weak health infrastructure, the reliance so far has been on lockdown and social distancing. The longer the lockdown, the greater is the impact on livelihoods. That, in turn, necessitates income support for vulnerable households and financial support for susceptible businesses.

India has had little option but to open up the economy. That has led to some improvement in economic activity towards the latter part of the April-June quarter — but this is unlikely to sustain. In the July-September quarter, we expect the pace of improvement to slow down or even stagnate and fall in some cases. This is because of several reasons. First, some regions, where the spread has been faster, have reintroduced containment measures, which will adversely impact economic activity. Second, the partial unlocking of the economy and the back and forth on containment measures will continue to pose a hindrance to supply chains, transportation and logistics. Third, it will take time to restore normalcy in the services sector, particularly in hospitality, travel, sports and entertainment.

After two quarters of contraction, we foresee mild growth in the third quarter. But this is predicated on three things happening: The monsoon turning out to be normal, COVID infections peaking early in this quarter, and an additional fiscal stimulus of 1 per cent of GDP beyond what has been committed so far.

India’s inadequate fiscal stimulus is often contrasted with the largesse of the advanced countries, which are better positioned to spend their way out of the crisis. These countries have followed what the Nobel laureate Joseph Stiglitz calls a “fire-hose” approach to limit the economic fallout. So far, India has followed a calibrated approach, which does not lean much on direct fiscal spending, but comes with a dash of reforms.

There are risks to both approaches. The effectiveness of a generous stimulus is reduced by a rise in precautionary savings among households. Further, if there is a second wave, it raises the question of whether there will be enough fiscal ammunition left. The risk with India's approach is that too little a stimulus can hurt the productive capacity of the economy and complicate the recovery process.

The interesting twist in the government's economic package, though, has been the move on economic reforms, particularly in agriculture and mining, which aim to raise the "trend" rather than the "cyclical" rate of growth. These need to be relentlessly pursued, complemented by other reforms to improve the business environment. Only that can create an upside to medium-term growth prospects and over time, help trim the rise in the debt-to-GDP ratio expected this fiscal. This will also make it easier for India to go the extra mile on a fiscal push and pull out of the woods.

https://indianexpress.com/article/opinion/columns/indian-economy-slowdown-coronavirus-impact-gdp-growth-covid19-relief-measures-dharmakirti-joshi-6509486/

6. **Recovery is not about starting from scratch, but starting better** – Silvio Dulinsky, World Economic Forum, 17th July 2020

- COVID-19 presents us with many challenges, the greatest of which could be a loss of confidence in our institutions.
- It has exacerbated existing tensions and created new ones.
- We must tackle these challenges with purpose and urgency – or risk deepening social and economic crises, too.

The pandemic is very different from previous crises - not only because of its origin, its effects and its severity, but also because of the response from governments and its social impact. There are several combined crises: health, economics, fiscal, sectoral and, in many cases, political.

Perhaps the biggest challenge we face is a deep recession of confidence. Not only in the institutions, which had been suffering for a long time, but now also among people, in neighbourhood shops, in favourite restaurants and in the local economy in general. This is a major challenge for the recovery of the economy, which will leave scars that are difficult to eliminate.

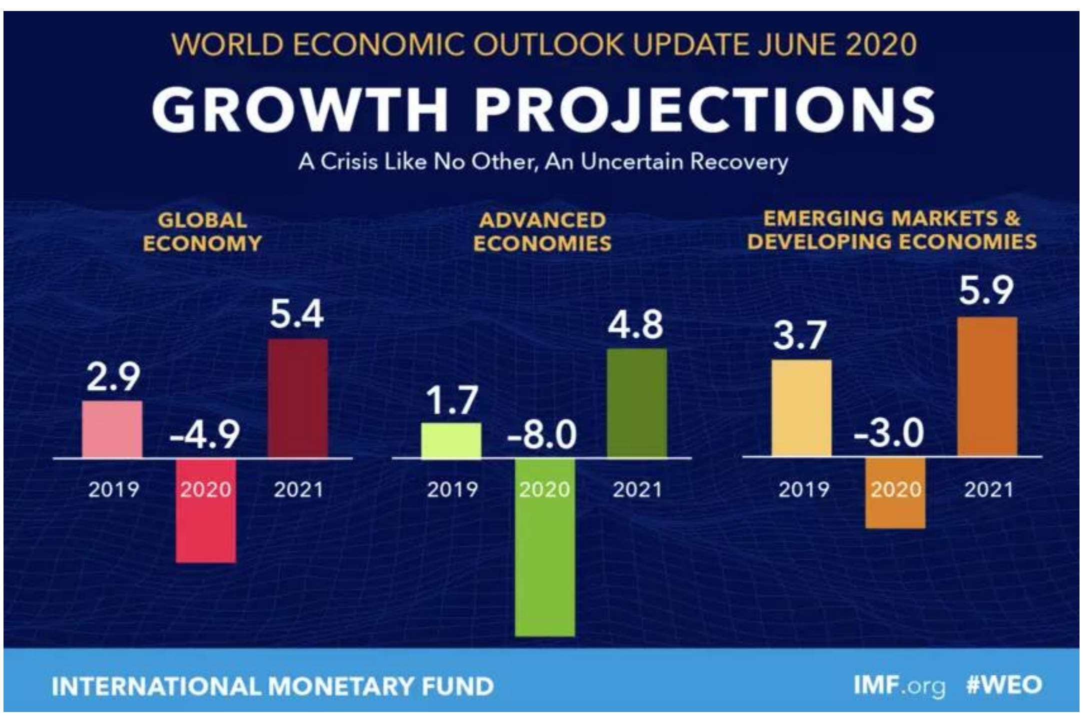
The world was already experiencing pockets of tension before the pandemic, and the current crisis is accentuating those trends. The financial crisis of the past decade left many disappointed with the capitalist-liberal system – people who concluded that globalization worked only for a few, leaving the majority behind. This culminated in Brexit and the election of populist leaders in several countries.

But COVID-19 has changed the cards for all players. It is a completely new game.

We are in the midst of the deepest recession in the history of most countries in times of peace. IMF, World Bank and OECD studies show a devastating impact around the world. However, the effect is not the same for all countries or sectors of the economy, and consequently for all people. It’s like being in a storm in the middle of the ocean. Everyone feels the impact of the huge waves. But some of us are in a large transatlantic ship, whereas others have to swim on their own.

What will the world be like after the pandemic? In general, there is little visibility and a lot of speculation. But some things we know for sure, and others seem reasonably possible: accelerating digitalization, increasing public and private debt, changes in value chains and consumption patterns and greater political polarization.

In the face of much larger deficits to avoid a negative spiral in the economy, society will find it difficult to accept austerity policies. Tax increases are possible, especially for higher incomes and for companies.



Governments are looking for ways to increase the resilience of both society and the economy against future crises. Many advocate incentives for local production and consumption, which can lead to protectionist measures.

Politics will also be more polarized. The conflict, which comes from before, between a more nationalist right and a more progressive left, seems to have been exacerbated in many countries. These groups will struggle to define what role a more assertive state should play.

At the geopolitical level, the rivalry in fields where traditionally there was collaboration has been accentuated. Even during the Cold War, the blocs found points of convergence in health, technology and the environment. Currently, these three areas face challenges due to a greater dispute between countries.

In other aspects we are much more ignorant. Is it possible to completely control the disease? We do not know if and when a vaccine will work. We do not know what the path to economic recovery will be like.

It is essential to have a sense of urgency if we are to rebuild a more inclusive and sustainable economic model. If we do not face the challenges accentuated by the pandemic, the social crisis will intensify, leading to greater polarization and even more intense confrontations. It is up to all of us that the human and economic tragedy is not the only legacy of this crisis. It is not a question of starting from scratch, but of starting better.

https://www.weforum.org/agenda/2020/07/its-not-about-starting-from-scratch-but-starting-from-better/

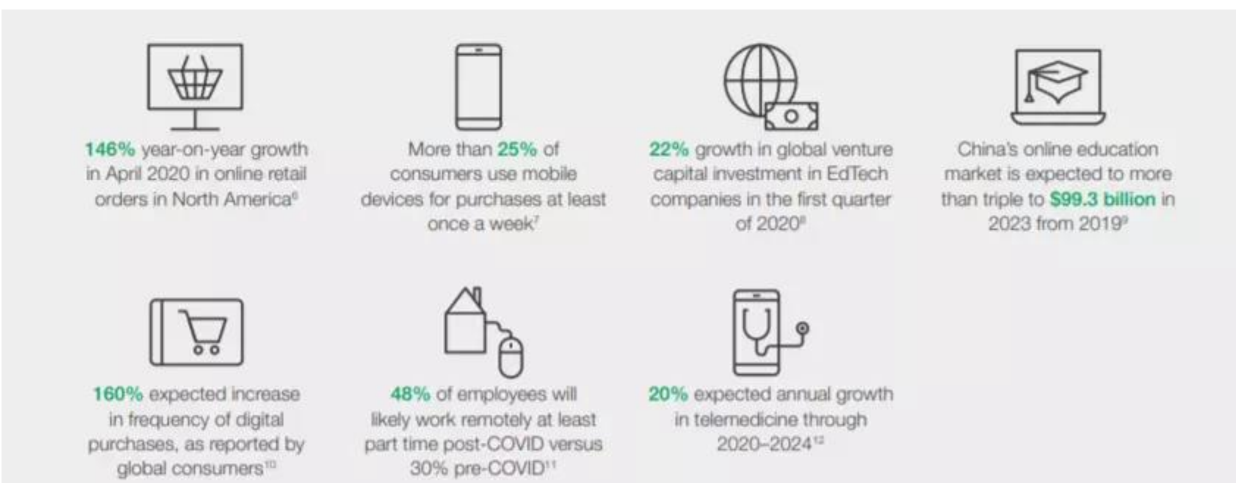
7. **3 ways digital businesses can enable the Great Reset** – Manju George & Nokuthula Lukhele, World Economic Forum, 17th July 2020

- The COVID-19 pandemic is a watershed moment for the digital transformation of business;
- Updating business models for a digital-first world, led by purpose, is now an imperative for almost every company;
- New and creative digital collaborations can reach and serve a more diverse set of people at unprecedented speed and scale.

COVID-19 has irrevocably changed our world. As we learn to work, learn, shop and interact through virtual means, the companies we interact with are also adapting. The pandemic is a watershed moment for the digital transformation of business. The rules for business success have changed and are ever more reliant on harnessing the power of digital models to create new value and experiences.

Among the many trends that COVID-19 has accelerated, two stand out: the call for companies to lead in addressing societal challenges is getting louder, and the marketplace is indicating that companies must adopt digital business models at their core to survive and compete. In May 2020, a Fortune survey found that roughly half of chief executive officers believe the crisis will accelerate their move towards stakeholder capitalism. Seventy-seven percent say it will force their companies to speed up their digital transformations.

Digital transformation is not a new endeavour for business, though prior attempts have often failed to realize its full potential. Companies are estimated to have spent $1.2 trillion on digital transformation efforts in 2019, yet only 13% of leaders say their organizations are ready for the digital age. What is new in the wake of the pandemic is a shared opportunity for leaders. Successful leaders will now seize the opportunity to advance a new trajectory for digital transformation that aligns with the changing role of business: to be a powerful enabler of long-term value creation for all its stakeholders.



A recent report, Digital Transformation: Powering the Great Reset, shaped by leaders from across industries, explores three opportunities for digitally enabled corporate leadership to support the Great Reset of our economies and societies.

Opportunity 1: Transform business

Amid the uncertainty as to what behaviours and trends from the crisis will endure, this much is clear: Updating their business for a digital-first world, led by purpose, is now an imperative for almost every company. To do so, companies will have to determine where new business value exists in the new normal, what digital business models will capture it, and which tools and behaviours will support the adaptability and resilience that these models require.

Successful efforts will affect structural shifts within a company and go beyond incremental efficiencies to fundamentally transform what business they are in and how they operate. A good example is Ping An in China, which over the last decade transformed from being an insurance company into managing five digital ecosystems in finance, property, automotive, healthcare and smart city services, and today serves more than half a billion online customers.

Technology disruption is rapidly shifting traditional industry boundaries, and increasingly forcing companies to collaborate with others, and create new, shared value in digital ecosystems. It is estimated that digital ecosystems could represent more than $60 trillion in revenue by 2025, or more than 30% of global corporate revenue. In this rapidly changing landscape, “digital-at-the-core” business models that are adaptive, data-led, asset-light and based on services rather than products give companies an advantage. Operating models, supply chains and teams must become more intelligent, resilient, and agile.

A company’s ability to harness value from data will be at the heart of this transition. More granular, real time, predictive data can enable decisions “at the edge” distributed across multiple partners and machines. It can empower front-line employees to deliver better consumer experiences and stronger collaborations. At the same time, as digital interactions with consumers grow, companies must take proactive steps to protect their data privacy and security and adopt models that give them agency over their data.

Learning from prior attempts, companies must ensure their digital transformations are guided by its overall purpose and strategy, driven by cross-functional teams, and measured by “fit-for-purpose” performance metrics. They must balance goals – combining short term efficiency gains with long-term new value and integrating business value with a broader societal purpose. The approach to implementation must be iterative – charting a clear course yet retaining the flexibility to pivot when needed. Most importantly, companies must continuously update capabilities and skills of executive teams and Boards to be digital leaders.

Opportunity 2: Empower stakeholders

Digital technologies and models can be powerful tools for companies to empower all their stakeholders, and to put into practice stakeholder principles of the COVID era.

In aftermath of the pandemic, many employees will need to be reskilled or redeployed at scale and be better equipped to succeed in a digital world.

As consumers seek stronger health and safety measures, convenient and flexible purchase options and affordable and trusted products, models such as digitally enabled platforms and “as-a-service” can help redefine service delivery.

Digital models can also help suppliers and partners who were hit hard by lockdowns, border restrictions and a sharp economic downturn. Schneider Electric, for example, expanded its e-commerce platform in India to enable business customers and partners – many of which are small businesses – to source products digitally, with free shipping, expert guidance and flexible payment options in partnership with fintech companies.

Technology has already played a critical role in helping communities respond to the crises and will continue to be a key enabler in their recovery.

Opportunity 3: Change systems

Traditional business models have left multiple communities unserved in “market deserts” with no or limited access to services such as food, digital connectivity, skills or finance. While the pandemic further aggravated these gaps, it also presents a unique opportunity to accelerate digital collaborations that can transform age-old systems and address systemic market failures. Built across traditional industry boundaries, new, creative and unusual digital collaborations can reach and serve a more diverse set of people at unprecedented speed and scale.

Take for instance digital inclusion and transformation of small businesses around the world. Small businesses constitute 40–60% of GDP in most countries, yet many are cut off from the digital economy. In Europe, for instance, only 20% are digitalised. Innovative partnerships among technology companies, banks, governments and education providers can accelerate digital transformation for small businesses, equipping them with skills, finance and digital tools needed to update their businesses for the digital era. The power of digital models to redefine systems is already visible in examples like Ant Financial, that uses its digital platform for microloans in China.

It conducts algorithmic analysis of huge amounts of transactional and behavioural data from sellers, marketers, service providers and manufacturers to calculate real-time credit scores and process microloans in minutes. Appropriate finance and technologies tools can be especially empowering for businesses and households that have seen persistent gaps in racial equity and justice, such as black communities in the United States. The digital transformation and financial inclusion of small business can set forth a virtuous cycle of enhanced labour productivity and innovation, rejuvenated local communities and strengthened social cohesion.

Digital and data collaborations across industries can also help accelerate other positive outcomes across our social and economic systems – from value-based healthcare to the circular economy.

In the coming years, it is possible that no one will speak of “digital transformation” because the term will have become irrelevant: Non-digital businesses will simply not exist. To avoid becoming one of those dying businesses, business leaders must take the opportunity – and a pressing need – to invest in bold and purposeful digital transformations now.

https://www.weforum.org/agenda/2020/07/3-ways-digital-business-can-enable-the-great-reset/

8. 5 Ways the current lockdown is affecting the global economy – India Infoline News Service, 17th July 2020

To put it honestly, this lockdown has been the greatest economic destroyer since the Great Depression in the 1930s.Which industries or functions are mostly being impacted by this lockdown? Let us look at five of them.

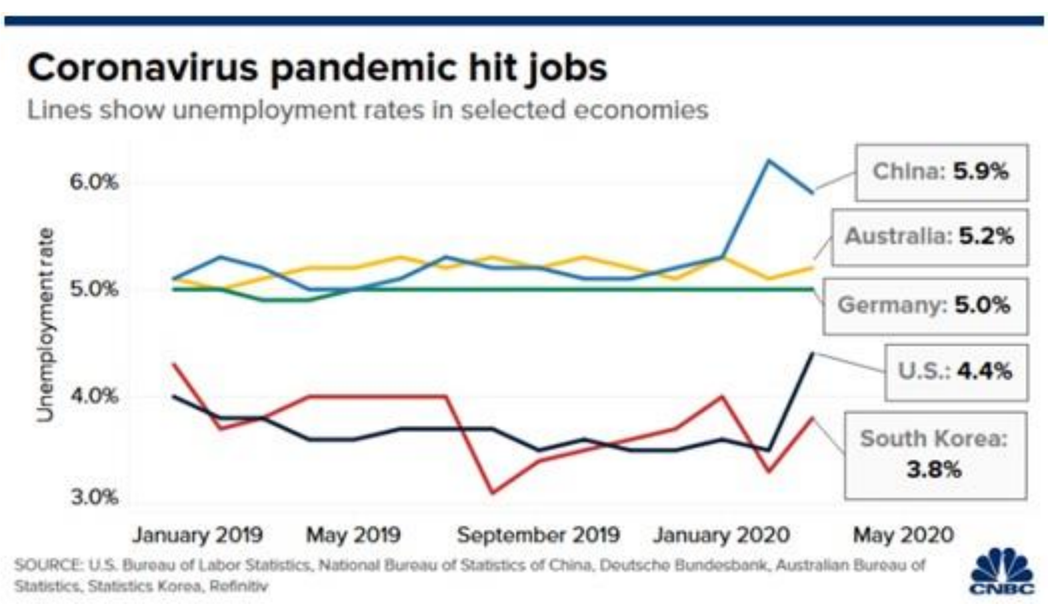
As we have witnessed during the current crisis, most countries have largely responded to the Coronavirus pandemic through a complete lockdown of their economic activities. This has indefinitely closed down business enterprise and forced millions of working people like us to stay put at home.

To put it honestly, this lockdown has been the greatest economic destroyer since the Great Depression in the 1930s. According to the International Monetary Fund (IMF), the global economy is projected to shrink by 3% this year - much worse than the economic fallout after the 2008 financial crisis.

Which industries or functions are mostly being impacted by this lockdown? Let us look at five of them.

1. Unemployment or job loss

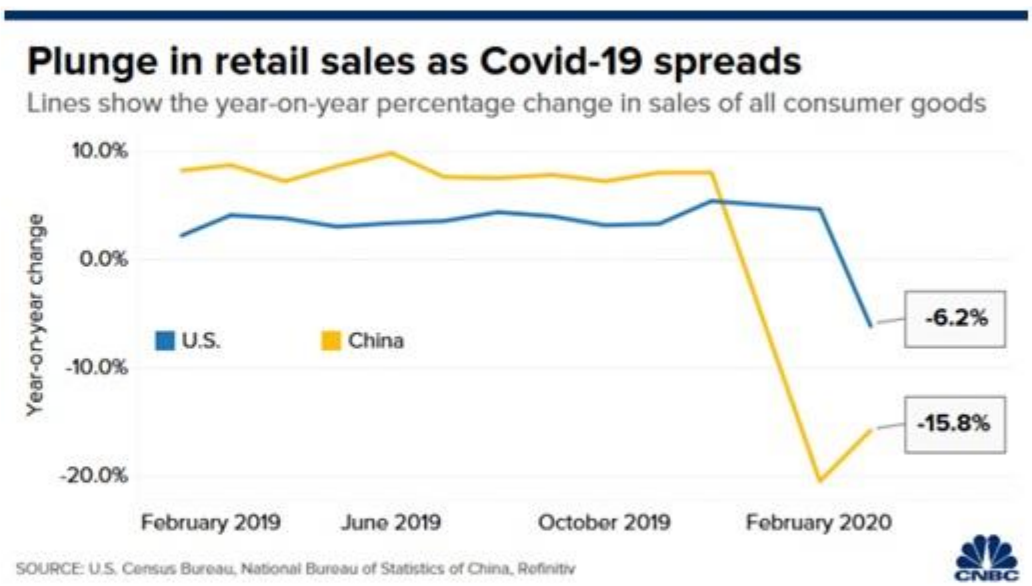
Probably the only area that impacts our livelihood directly–the global lockdown has certainly accelerated job losses in multiple countries. This is showing up on their unemployment figures – ranging from a low of 3.8% in South Korea to a high of 5.9% in China for the month of May 2020.



What's worse for job seekers is that this pandemic has spurred job losses in several industries including the service industry, tourism, and hospitality. Additionally, the pandemic has truly reduced economic growth globally – as it has impacted both advanced and emerging economies.

2. Impact on the global services industry

Talking of employment and job creation, the global services industry has been a source of jobs around the globe – and particularly in the U.S and China. With the largest consumer base, these two major economies have largely contributed to global spending and retail sales – all of which has been severely impacted by the lockdown on the consumer and retail market.

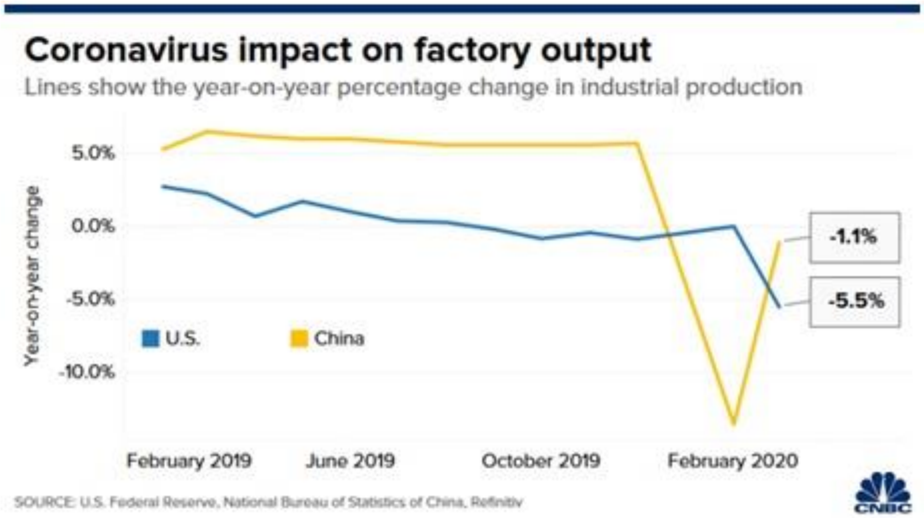


With most retail stores forced to shut down, the pandemic has ensured a sharp decline in overall sales. While e-commerce-driven retail in companies like Amazon has been encouraging, it has failed to stem the overall decline in sales for this industry.

But what about global manufacturing? Is it the same story and is there some hope?

3. Manufacturing industry

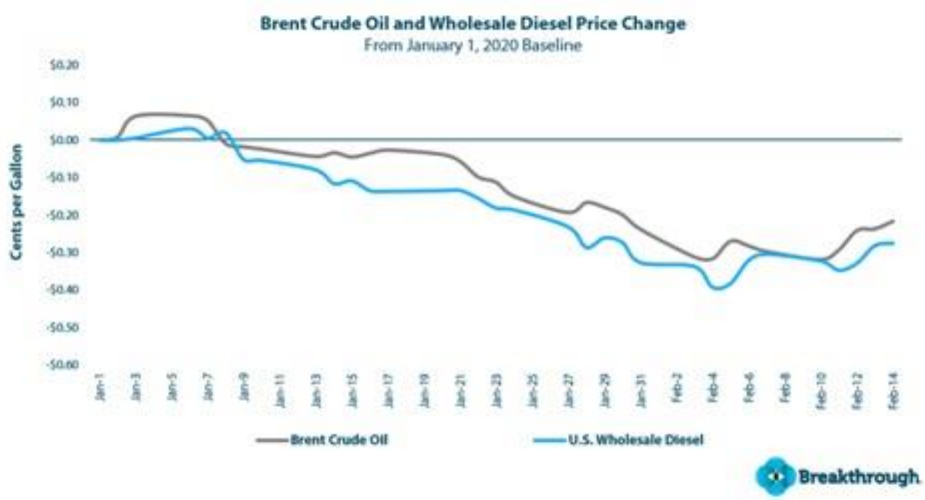
Thanks to a fall in domestic and external demand, the manufacturing output in most countries has seen a slump in recent months. If we talk about Chinese manufacturers, the U.S-China trade standoff in the recent two years had already impacted China-based factories and their overall output.



What about manufacturing industries outside China? Largely, the pandemic has impacted factories that depend on China for intermediary material to manufacture their own goods. Other manufacturing firms are "facing the pinch" simply due to the severe lockdown measures – as well as a major drop in the demand for their goods.

4. The demand for oil and natural gas

There are high chances that you are not fueling up your vehicles as much as you used to. This is another global (and worrying) trend. The global restriction on international travel has largely contributed to a fall in oil demand. With so many countries going into lockdown mode, the crude oil price has dropped from around $55 for a barrel in February to lesser than $30 in May.

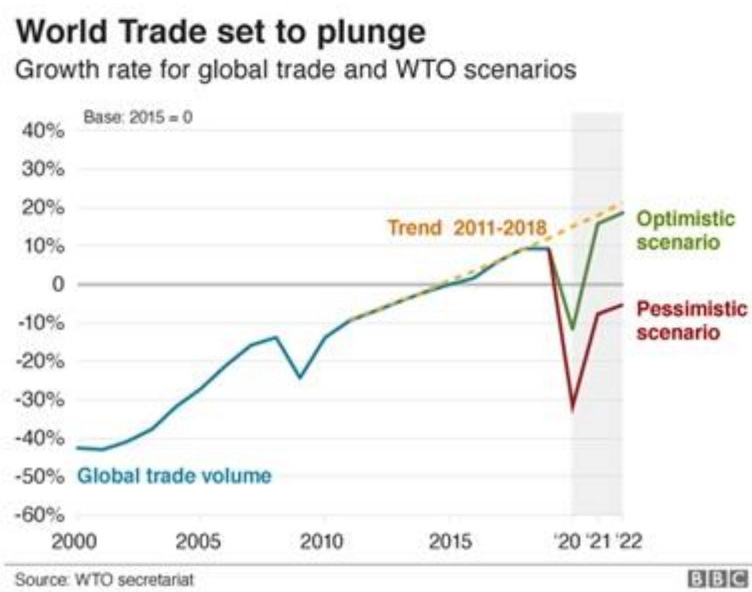


Along with oil, the global demand for natural gas has seen a sharp decline in recent months. Last but not the least, let us talk about the impact of the lockdown on global trade.

5. Global trade

According to the World Trade Organization (WTO), the global volume of both exports and imports is expected to plummet by at least 12.9% this year. When you talk of global supply chains or logistics, the challenge that traders are facing a severe restriction on the movement of goods – despite high availability.

Besides, as trade is not considered an essential service, trading companies cannot employ labor – despite their availability – to drive their trucks or load goods into cargo ships.



Additionally, we find economies like India securing their medical supplies like paracetamol or even face masks – thus effectively banning their exports to other countries.

Conclusion

Thanks to these five factors – and much more, the global economy is expected to largely shrink in 2020 – and into 2021 – as projected by the IMF. Even a slow or partial economic recovery in 2021 will not be enough to undo the damage caused this year. Economic experts estimate that the overall loss to global GDP across 2020 and 2021 could be in the range of over $9 trillion.

The true impact of this unprecedented pandemic remains to be seen.

https://www.indiainfoline.com/article/general-blog/5-ways-the-current-lockdown-is-affecting-the-global-economy-120071700368_1.html

9. **Relationships should be repaired in name of economic recovery** – Editorial, South China Morning Post, 18th July 2020

China's unexpected growth figures are positive for the world and, although there are many thorny issues to resolve with the West, stress why there is need to find common ground.

China was the first country to be hit by the coronavirus pandemic. Its economy may now be the first to recover. A better-than-expected growth of 3.2 per cent was posted in the second quarter from a year earlier.

Led by industry and infrastructure spending, it amounted to a sharp reversal from the first quarter's contraction of 6.8 per cent, an impressive growth compared to other major economies still suffering from the devastation wrought by the pandemic.

Economists have warned that it may be too early for Beijing to start uncorking champagne. After all, consumer spending and exports have been subdued while growth has been uneven across industrial sectors. The job market showed only marginal improvement last month with one out of five people in their early 20s being unemployed. It is possible a rebound will hit a plateau in the next two quarters.

Even so, China's recovery is still a significant positive for global growth. It may not come to the rescue of the world economy like it did more than a decade ago, in the aftermath of the global financial crisis. It will still play a large role in global recovery.

This may be something for Washington to keep in mind as it rallies allies and friendly governments to "contain" and "punish" China, for any number of real or imagined infractions.

There seems to be a divergence between international economics and politics. The latter has become toxic, if not dangerous, especially between China and the United States. But direct foreign investment is expected to pick up on the mainland for the rest of the year.

It fell 1.3 per cent year on year in the first half of the year, but is likely to recover from now on. In a letter to top international business leaders, President Xi Jinping has personally promised that China will stick to "peaceful development", continue economic reform and deepen the opening of its domestic market to foreign investors.

Between China and the West, there are many thorny issues to resolve. But if there is a common interest, it is that everyone needs to rescue their economy.

It is easy to paint China as the bogeyman but people should recall the leading role played by China in helping the world economy recover last time.

In 2009, 2010 and 2012 China's global demand exceeded that of the US and the European Union combined. In 2011 and 2013, it was the single largest contributor to global GDP growth. Foreign critics like to point out that China is still recovering from its debt binge, neglecting to mention that what they criticised might have helped their economies recover.

It is unlikely China will step up to the plate again. However, economic recovery can still be the common ground for all sides to build consensus and repair relationships.

https://www.scmp.com/comment/opinion/article/3093728/relationships-should-be-repaired-name-economic-recovery

10. Look to women to drive global economic recovery from pandemic - Melinda Gates – Ellen Wulfhorst, Reuters, 17th July 2020

Efforts to help the world economy recover from the coronavirus crisis must give a lead role to women, even as the pandemic deals an especially sharp blow to their jobs and finances, philanthropist Melinda Gates said.

Recovery policies and strategies that focus on women - and do not minimize or overlook them - will prove the most successful, the co-chair of The Bill and Melinda Gates Foundation said in an interview this week.

"They are going to be the engines of recovery, and we will build back faster and better," Gates told the Thomson Reuters Foundation.

"Otherwise it's going to be a very, very long and slow recovery in country after country around the world."

Gates spoke following the publication this week of an opinion piece she wrote in Foreign Affairs magazine, in which she outlined policy proposals focused on women.

She said it was vital for policymakers to ensure emergency cash aid schemes reach women who do not have a tax number or formal identity documents.

Stimulus programs must be designed to include the smallest businesses, which are often run by women, she wrote.

“You’ve got to get the money in the hands of the women... because of the sensible decisions they make,” said Gates, who co-chairs the foundation with her husband, billionaire Microsoft co-founder Bill Gates.

In the United States, women have lost more jobs than men in the pandemic, accounting for more than half the jobs lost since February, according to a labor data analysis by the National Women’s Law Center, a U.S. women’s rights non-profit.

Some 60% of job gains in June went to women, who neverthessless showed an unemployment rate of 11.2% compared with 10.2% among men, it said.

Women have also been putting in more time on unpaid labor at home with extra housework, child care, home schooling and caring for elderly family members.

Recent research by the Boston Consulting Group found women with children now spend an average of 65 hours a week on unpaid chores, nearly a third more than fathers.

“Woman are shouldering the burden of COVID-19 more than anyone else, and they are the ones who can help us get out of this situation as we build back,” Gates said.

“It’s the women who will help us with the recovery economically, if we do the right things.”

She noted that countries such as Germany and New Zealand that have fared well in the fight against the spread of the novel coronavirus have women leaders.

“They just have a different lens, an aperture of society,” she said.

“Women have had to wear so many hats for so long and juggle so much that they know what everyone’s up against in society.”

The Gates Foundation has recently been involved in efforts to ensure the fair allocation of potential COVID-19 vaccine availability to developing countries in the face of unprecedented demand.

It also has been working on addressing inequity in global health care and treatment of infectious diseases.

https://www.reuters.com/article/health-coronavirus-women/interview-look-to-women-to-drive-global-economic-recovery-from-pandemic-melinda-gates-idUSL2N2EN1YD