GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

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UNSTARRED QUESTION NO. 205
ANSWERED ON 15.09.2020

Measures to improve falling GDP

205. Smt. Phulo Devi Netam:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the GDP rate of the country is continuously falling down;
(b) if so, the details of GDP rate of the last two years along with the reasons therefor;
(c) the estimated rate of GDP in the third and fourth quarter of 2020; and
(d) the details of corrective measures taken to improve the rate of GDP?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ANURAG SINGH THAKUR)

(a) to (d) As per the Estimates of Gross Domestic Product (GDP) released by National Statistical Office (NSO), GDP growth on average was 7.5 percent in 2014-19, which is the highest amongst G-20 countries. As per latest estimates of NSO, the annual GDP growth rates at constant (2011-12) prices during FY 2018-19 and FY 2019-20 stood at 6.1 per cent (First Revised Estimates) and 4.2 per cent (Provisional Estimates) respectively. The deceleration in the growth rate of GDP in FY 2019-20 coincided with a deceleration in growth of global output from 3.6 percent in 2018 to 2.9 percent in 2019 as estimated in the World Economic Outlook (WEO), update June, 2020 published by International Monetary Fund (IMF).

Indian economy had begun to regain momentum with signs of uptick in consumption and investment towards the end of third quarter of 2019-20, only to be halted by COVID-19 which struck in the fourth quarter of 2019-20. The Government imposed a strict 21 days nationwide lockdown from 25th March, 2020, with subsequent extensions and relaxations, under the Disaster Management Act, 2005 to contain the spread of the virus. India enforced one of the most stringent lockdowns as reflected in the Government Response Stringency Index measured by Oxford University. As per the Estimates of Gross Domestic Product for the First Quarter (Q1) of 2020-21 released by the National Statistical Office on 31stAugust 2020, the real GDP in India contracted by 23.9 per cent during the first quarter of 2020-21 (as against a 5.2 per cent growth in Q1 of 2019-20). The contraction in GDP in April to June quarter is consistent with the effect of the stringent lockdown.

With the phased unlocking of the Indian economy since June 1, 2020, high frequency economic indicators like PMI Manufacturing, index of eight core industries, E-way bills, Kharif sowing, power consumption, railway freight, cargo traffic and passenger vehicle sales have recovered and indicate growing convergence with previous year's activity levels.

The Government has implemented several major reforms in recent years to boost investment and GDP growth. The Government enacted the Insolvency and Bankruptcy Code (IBC) and recapitalized banks. The other measures taken, inter-alia, include Goods and Services Tax (GST) to simplify the indirect taxation regime, Make-in-India programme to boost domestic manufacturing capacity, liberalization of Foreign Direct Investment (FDI) and Jan Dhan-Aadhaar-Mobile (JAM) Trinity towards greater transparency, efficiency and financial inclusion. In September, 2019 the corporate tax rate was reduced to 15 per cent for new domestic manufacturing companies, which is amongst the lowest in the world. In December 2019, the government announced the Rs.103 lakh crore National Infrastructure Pipeline which would significantly boost infrastructure and spur growth impulses in the economy. The Union Budget 2020-21 also announced a number of measures to support broad-based and inclusive economic development. These, inter-alia, include rationalization of personal income tax rates to support domestic demand, a 16-point action plan for holistic development of the agriculture sector and critical measures to boost infrastructure and rural spending.

Further, in May 2020, Government announced a special economic and comprehensive package of Rs. 20 lakh crores - equivalent to 10 per cent of India's GDP– to combat the impact of the COVID-19 pandemic in India. The package includes, among others, relief measures under the Pradhan Mantri Garib Kalyan Yojana, Pradhan Mantri Garib Kalyan Rojgar Abhiyaan, relief measures for MSMEs and NBFCs, increased allocation under MGNREGS, interest subvention for MUDRA loans and revamp of Viability Gap Funding scheme for social infrastructure. The implementation of the package is reviewed and monitored regularly.

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