



Towards a resilient economy

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(Mains GS 3 : Inclusive growth and issues arising from it.)

Context:

- The recent National Statistical Office (NSO) data estimated India's economic growth surged to 20.1% in the April-June quarter.
- This shows a V shaped recovery of the Indian economy.

About National Statistical Office (NSO):

- NSO is one of the wings of the Ministry of Statistics and Programme Implementation.
- The NSO compiles and releases the Index of Industrial Production (IIP) every month in the form of 'quick estimates'; conducts the Annual Survey of Industries (ASI).
- It also provides statistical information to assess and evaluate the changes in the growth, composition and structure of the organised manufacturing sector.
- NSO organizes and conducts periodic all-India Economic Censuses and follow-up enterprise surveys.
- It also provides an in-house facility to process the data collected through various socio-economic surveys and follow-up enterprise surveys of Economic Censuses.

Sign of recovery:

- After a devastating second wave of **COVID-19** along with huge contraction in gross domestic product (GDP) by 24.4% in the April-June quarter of 2020-21, this economic growth surge shows resilience with a good growth trajectory.
- Recently launched Trade and Development Report 2021 of UNCTAD estimated that global growth will hit 5.3% in 2021 and for India it will be 7.2%.

The growth prospects:

- According to the UNCTAD report, India showed 1.9% growth in the first quarter of 2021 which was supported by government spending in goods and services.
- But unfortunately a second wave of the pandemic hit the country in the second quarter.
- This leads to widespread lockdown and drastic consumption and investment adjustments which inflated food and general price.
- However despite all these hurdles, India's economic growth in 2021 estimated at 7.2% shows resilience in the economy which makes it one of the fastest compared to most countries.

Action required:

- The economy is likely to face a deceleration of growth to 6.7% in 2022.
- Despite controlling pandemics, huge national and international actions are required for making the economy revive and sustain growth.

Support to TRIPS waiver:

- The Trade and Development report, 2021 strongly supports India's proposed temporary suspension of the World Trade Organization TRIPS waiver.
- This waiver is considered as a necessary step to enable the local manufacture of vaccines in developing countries but is being resisted by some advanced economies.
- The waiver requirement further increases as COVAX and C-TAP schemes are unable to mobilise the requisite resources from Northern governments and corporations.

Towards resilient growth:

- For resilient economic growth a global strategy is required which mitigates the threat of global warming and addresses the inequities and fragilities of a financialised world.
- For doing this developing countries required new sources of finance and support from the international community in line with its commitment to common but differentiated responsibilities.

A robust public sector:

- At the national level, economic resilience will be delivered only through public investment.
- In COVID-19 the idea that resilience is a public good and responsibility of the state is reinforced.
- A robust public sector with the resources to make the necessary investments provides the complementary services and coordinates the multiple activities that building resilience involves.

Mobilising resources:

- The challenge of mobilising financial resources for sustained growth is too important thus can not be left solely to market forces.
- For mobilising economic resources at their best requires a financial system that accords a more significant role to public banks and guards against the emergence of megabanks.
- A stronger regulatory oversight is more likely to deliver a healthier investment climate.

Proper wages:

- The cutting of wages to boost competitiveness derail the growth as wages are a critical source of demand thus their growth can bring productivity and underpin a strong social contract.
- Thus to boost demand a minimum wage and related labour legislation are needed which provide appropriate protection against abusive practices.
- In a country like India where huge informality exists, policies which target informality are of particular importance.

Conclusion:

- To build a healthy and diversified economy requires a strong industrial policy which focuses on building digital capacities.
- Thus for a resilient economy a more robust social security net is required which includes those also who left behind.

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