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Editorial

The economic impact due to COVID-19 pandemic in India has been largely disruptive. Growth of the Indian economy in the fourth quarter of the fiscal year 2020 went down to 3.1 per cent and this drop was mainly due to the pandemic effect of the coronavirus. The Indian economy was already in a downward spiral, with growth rate slumping to an 11-year low of 3.1 per cent in the March quarter of the financial year 2020 due to the occurrence of coronavirus in early 2020. Therefore, India had been witnessing a pre-pandemic slowdown, and according to the World Bank, the pandemic had "magnified pre-existing risks to India's economic outlook". The rapidly surging Covid-19 occurrence forced the government to impose a nationwide lockdown which resulted in India's first recession at the rate of -6.6 per cent in the financial year 2021 after a gap of 40 years. The World Bank and rating agencies had initially revised India's growth for the financial year 2021 with the lowest figures India has seen in three decades since India's economic liberalization in the 1990s. However, after the announcement of the economic package in mid-May, GDP estimates were downgraded even more to negative figures, signalling a deep recession. While the economy was mending its way up, the second wave beginning March 2021 led to loss of many more lives and further deceleration of growth momentum. However, high-frequency data indicates that the Indian economy came out of the Omicron wave in January with little damage, in stark contrast with the two previous coronavirus waves. The PMI indices for manufacturing and services sectors showed only a slowdown in activity in January, well short of an outright decline as in previous occasions. During the first wave, mobility restrictions and supply shortages led to a surge in retail inflation. However, with global economic recovery and hardening commodity prices, both wholesale and retail inflation have remained elevated, putting pressure on the Reserve Bank of India to change its accommodative stance to boost growth. State Bank of India research estimates a contraction of over 40 per cent in the GDP in the first quarter. The contraction will not be uniform, rather it will differ according to various parameters such as state and sector. Ministry of Statistics, Government of India had released the GDP figures for first quarter of the financial year 2021 on 1st September 2020, which showed a contraction of 24 per cent as compared to the same period the year before. Government had announced an overall economic stimulus package worth 20 lakh crore on 12th May. Two days later government had cleared a number of proposals in the economic package including a free food grains package. In December 2020, a Right to Information petition revealed that less than 10 per cent of this stimulus had been actually disbursed. By July 2020, a number of economic indicators showed signs of rebound and recovery. Government had announced two more economic stimulus packages on 12th October and 12th November to bring the total economic stimulus to 29.87 lakh crore. It is noteworthy that India was back to pre-COVID-19 growth by December 2021.

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