

## 10 Best Reasons Why India May or May Not Face Recession Post Covid

### Mainak Ghosal\*

*Consultant for Indian Banking & Construction Industry; Secretary, Consulting Engineers Association of India (E&NE). Kolkata; Governing Body Member, Indian Association of Structural Engineers, New Delhi, India*

**\*Corresponding Author:** Mainak Ghosal, Consultant for Indian Banking & Construction Industry; Secretary, Consulting Engineers Association of India (E&NE). Kolkata; Governing Body Member, Indian Association of Structural Engineers, New Delhi, India.

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Just a few days ago former IMF Chief Economist Ken Rogoff predicted that the USA will plunge into recession due to supply shocks from the ongoing war in Ukraine and the inflation crisis adding to it. Also, the World Bank chief, David Malpass had said that the ongoing inflation might last for two years and some countries will find it 'very hard' to avoid recession. But what will happen to India due to this catastrophe? We all know that when the US sneezes, the world catches a cold - which means that a recession in the US will leave a cascading effect on other economies like what happened in the aftermath of the 2008 US Housing crisis.

But the question is what exactly is 'Recession' & how does it crop up? According to the National Bureau of Economic Research (NBER), it is a situation when the GDP of any economy remains negative for two consecutive quarters. When Covid appeared, the money supply drastically dwindled which affected the purchasing power of the common man. To counteract this, the US increased its liquidity in the market, which in turn increased the Demand much above that of the existing Supply rate thus causing inflation. To control inflation, Central Bank increases the interest rates to match the unequal Demand = Supply situation.

However, there are many reasons to suggest that India may not face a certain recession in the near future because of the following factors highly prevalent in India.

1. Abundance of natural resources (both renewable & non-renewable) in India.
2. Adequacy of skilled & productive manpower or demographic dividend.
3. Technological capability.
4. Sound Manufacturing sector be it FMCG or Infrastructure etc.
5. Sound Service sector like IT for example.
6. Adequacy of Agricultural output like our sugar, wheat, and cotton exporting hubs.
7. Liberal & Encouraging Policy Framework like Productivity Linked Incentive (PLI) schemes.
8. Competitive Environment like the relaxation of FDIs in all sectors.
9. Accountable Political systems like the 5 trillion-dollar economy initiative.
10. Good Educational facilities like many foreign students are pursuing their degrees here.
11. Overall good Infrastructure like 100% power connection, roads being widened, Metro rail projects coming up, etc.
12. Free flow of Capital & Technology like Forex reserves is to the tune of 640 billion dollars & huge technological base available from outside even.
13. Tapping & optimization of Natural Resources like Reliance Energy using Solar energy.
14. Good governance & Transparency in Operations like digitization & the performance of RTI Acts
15. Accountable Corporate Democracy like the IBBI & IBC code helped in managing NPAs to the worth of Rs.50,000 crores.
16. Visionary & decisive Leadership which is the case at present.

But all that glitters is not gold. There are some Astrologers who still believe in metaphysics that a recession is bound to happen since the zodiac stars like Saturn & Jupiter will come together or cross paths as happened during the Dotcom bubble crisis and Covid-19. They say the star Saturn is the cause of the recession and when it is in relation (conjunction or opposition) with or its vision falls on Jupiter or Rahu or Ketu recession occurs- as per Hindu Samhita Granth.

Hence, taking into all the pluses and minuses though it is too early to predict anything now, it can be safely concluded that even though a recession occurs it will not be disastrous but a mild one in nature.

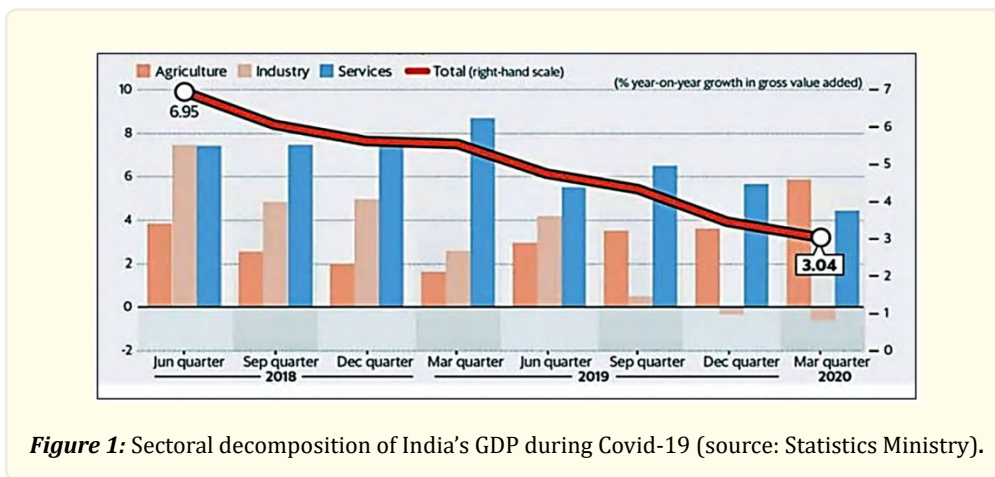


Figure 1: Sectoral decomposition of India's GDP during Covid-19 (source: Statistics Ministry).

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