

2021 could be the year of the Great Reset

Care Ratings' Economic Comeback Meter shows that the Indian economy has been on a comeback path, though there's far more ground to cover.

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HYDERABAD: If 2020 plunged the world into a Great Recession, 2021 could be the year of a Great Reset, if data is to be believed. India is currently coursing through a technical recession, but high frequency indicators are consistently faring better, confirming that recovery could be faster than expected in Asia's third largest economy.

Care Ratings' Economic Comeback Meter shows that the Indian economy has been on a comeback path, though there's far more ground to cover. That's because only select parameters are witnessing a gradual but sustained improvement, though this positive momentum has been consistent for four months in a row running up to November 2020.

The three broad measures—investment, production and consumption—are exhibiting mixed performance. While production is represented by power generation, e-way bills, and non-oil-gold imports, consumption is measured using sales of passenger cars, 2-wheelers, petrol consumption, and GST collections. Investment is gauged using bank credit growth, debt issuances in the market, and other factors.

If the Markit India Services Purchasing Managers' Index stood at 53.7 in November (reading above 50 indicates expansion), both the manufacturing and services sectors saw price pressures. Similarly, exports lost momentum last month declining 8.7 per cent in November over last year, even as imports were weak with demand for capital goods remaining subdued.

Coming to consumption, passenger vehicle sales, the benchmark of consumer demand, shot up 4.7 per cent in November, though the pace of growth was slower than festive season sales. Credit growth too picked up to 5.5 per cent in November, but was far less than desired. Agriculture, which grew at a consistent 3.4 per cent during the first half, is expected to remain the economy's bright spot.

Experts believe much of the recovery during late 2020 was been driven by pent-up demand, but whether that leads to trendline growth is unclear. On its part, the RBI is hopeful that growth will enter the positive zone in the ongoing quarter itself. In FY21, GDP growth will likely contract by 7.5 per cent as against its earlier projection of 9-10 per cent. The good news is, FY22 will likely record a double-digit growth rate of 10 per cent for the first time in over a decade. Even the government believes that the sustained improvement in high frequency indicators in October and November ignite optimism of a better Q3.

“There is a growing cautious optimism that the steep plunges of April-June quarter may not resurface with significant progress in vaccines and contact intensive sectors increasingly adapting to a virtual normal,” the Union Ministry of Finance observed in

its monthly update. “This V-shaped recovery, evident at the half-way stage of 2020-21, reflects the resilience and robustness of the Indian economy. The fundamentals of the economy remain strong as gradual scaling back of lockdowns, along with the astute support of Atmanirbhar Bharat Mission has placed the economy firmly on the path of recovery,” it added.

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