

**Indian economy**

## India falls into recession as pandemic weighs on output

Contraction of 7.5% in three months to September follows record fall the previous quarter



People shop at an open air vegetable market in Mumbai. Agriculture has outperformed the wider economy thanks to good crop seasons and government stimulus. © AFP via Getty Images

**Benjamin Parkin** in Mumbai 2 HOURS AGO

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India's economy contracted 7.5 per cent year-on-year in the quarter ending September, taking it into a technical recession as strict lockdown measures to deal with the coronavirus pandemic continued to weigh on output.

The performance was better than many analysts had forecast but still reflected the heavy blow the pandemic has delivered to what was recently the world's fastest-growing large economy.

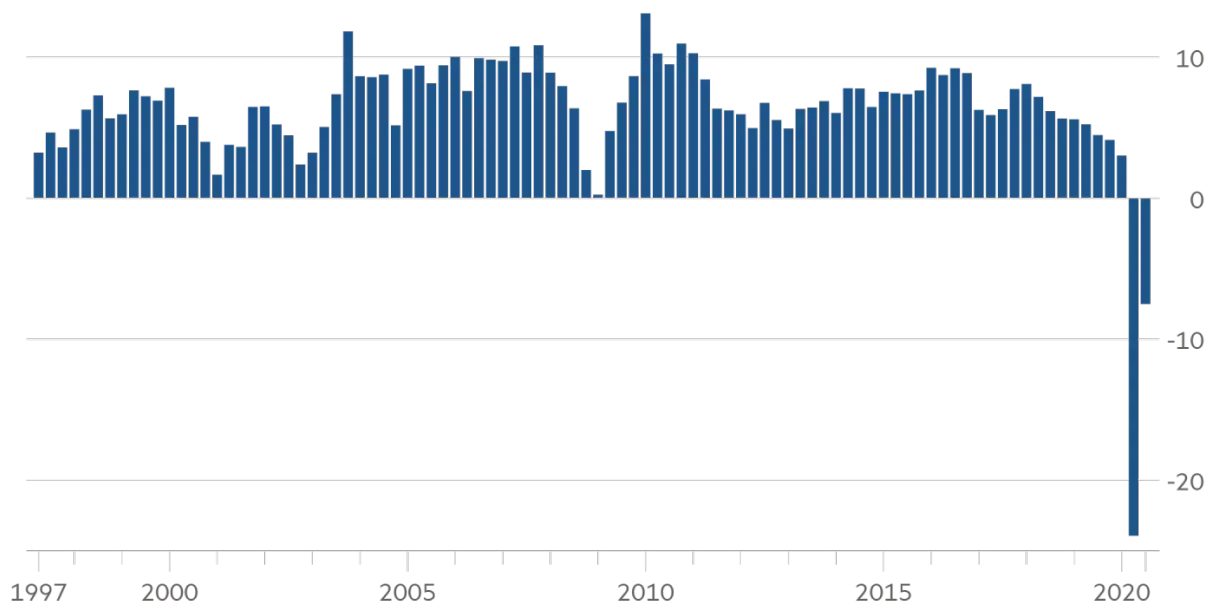
India's output contracted by a record [24 per cent](#) year-on-year in the April to June quarter, when much of the economy was shuttered by a strict lockdown, but activity has since picked up somewhat after businesses and industry were allowed to reopen. A recession is defined as two consecutive quarters of negative growth.

The third quarter's performance is "a positive indication", said Shumita Deveshwar, a senior director at research firm TS Lombard, though she added: "This is still a long road ahead for us as far as a sustainable recovery is concerned."

Eswar Prasad, an economist at Cornell University, called the contraction "a body blow to India's economy" that "sets back much of the progress, especially on poverty reduction, that had been achieved in previous years through high growth".

## India faces historic recession

Annual % change in gross domestic product



Source: World Bank  
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"India's inability to control the spread of the virus has taken a severe toll on growth that will set the economy back for years to come," he said.

The country of 1.4bn people has been among the hardest hit by the pandemic, both economically and in terms of Covid-19 infections and deaths. India has recorded 9.3m confirmed cases, the world's second-highest tally, and almost 140,000 deaths.

The sudden and severe lockdown into which India was plunged in March, when the country had a few hundred confirmed Covid-19 cases, is estimated to have claimed over 100m jobs and devastated the livelihoods of many of [the country's poor](#).

Yet the restrictions ultimately failed to stem the virus. Seropositivity studies conducted across the country indicate that the spread of the virus has been [far wider](#) than official numbers suggest, finding antibodies in between a quarter and a half of those surveyed.

After the initial months of lockdown, central and local authorities have largely opted to press ahead with reopening, conscious of the economic cost and buoyed by India's lower fatality rate compared to many other countries.

This helped business and consumer activity pick up between July and September from their historic lows in the previous quarter, with indicators such as consumer durables and rail freight registering sharp improvements.

The construction sector contracted 8.6 per cent in the September quarter, compared to 50 per cent in the previous quarter. Agriculture, which has outperformed the wider economy thanks to good crop seasons and government stimulus, grew 3.4 per cent. Manufacturing registered a surprise increase of 0.6 per cent.

Kshatrapati Shivaji, India's chief statistician, called these figures "very, very encouraging for a country like ours", telling a TV channel that it was a sign of "the collective effort that has taken place".

But Ms Deveshwar said she worried that strained government finances would limit India's ability to address deeper structural issues that weighed on growth even before the pandemic, such as bad loans in the banking system and inadequate infrastructure.

The country's pre-pandemic level of output "is a really long way off", she said. The government is "hoping there'll be an organic resurgence in growth, because that really is our only hope".

Capital Economics said in a note that India's best hope for a recovery lay in the success of the Oxford University and AstraZeneca vaccine, which is being manufactured and tested at scale in the country.

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