

INEVITABLE COLLAPSE: ON STEEPEST CONTRACTION OF GDP

With COVID-19 hitting private consumption, demand recovery will hinge on govt. spending

The inevitable has happened. India's GDP suffered its steepest contraction on record in the April-June quarter, as output shrank 23.9% from a year earlier, provisional data show. It is evident that the stringent COVID-19 lockdowns in force through the first third of the quarter, and substantially in May, hollowed out demand. Private consumption spending, which accounts for almost 60% of GDP, contracted 26.7% as consumers abjured almost all discretionary spending. And exports, which contribute to a fifth of GDP and reflect overseas demand for Indian goods and services, shrank by nearly 20%. Investment activity was the worst-hit, collapsing 47% and shrinking in share of GDP to about 22% from 32% a year earlier as larger businesses conserved cash and refrained from any capital spending in the face of uncertainty, and smaller firms prioritised survival. Across the real economy, every single industry and services sector shrank with the solitary exception of agriculture, which grew 3.4% and outpaced the year earlier quarter's 3% expansion. Construction suffered the most, plunging 50%, followed by the omnibus services category — trade, hotels, communication, transport and broadcasting — which shrank 47%, hit by the pandemic-linked restrictions. Manufacturing too took a severe beating, contracting 39% as demand for products deemed non-essential evaporated, and factories, even after reopening, struggled to run amid shortages of labour and added safety norms.

It was left to the government to keep the bottom from falling out on demand as the Centre's pandemic mitigation expenditure helped expand its consumption spending by 16.4% year-on-year and softened the overall blow to GDP. However, with the fiscal deficit already having exceeded the full-year's budgeted target in just the first four months, and revenue receipts impacted by the economic contraction, the government is unlikely to maintain a similar trend in expenditure growth over the next three quarters. Unless, of course, it is prepared to forsake its vaunted fiscal conservatism and finds innovative ways to mobilise resources. The still rising trajectory of new COVID-19 infections and a high level of job losses and income erosion are also sure to retard any recovery in momentum. If the latest survey-based data from IHS Markit show manufacturing PMI for August signalling growth for the first time in five months, the same researcher's findings also stress that "job shedding continues at a strong rate" in the industry. Equally significantly, the output numbers which are expected to undergo revision given the acknowledged difficulties in collecting data, do not capture a swathe of informal sector activity that was severely impacted. Agriculture too faces headwinds in the form of higher-than-ideal rainfall in August in several key crop growing regions in western and central India and with the impact of recent farm market ordinances yet to play out, it may be a while before the end of the tunnel is sighted.

Meanings of Difficult Words:

- ❖ **inevitable** (adjective) – unavoidable, unpreventable.
- ❖ **steepest** (superlative adjective) of **steep** (adjective) – sharp, sudden, rapid.
- ❖ **contraction** (noun) – In economics, it refers to a decline in national output as measured by gross domestic product.
- ❖ **hit** (verb) – affect badly, devastate, damage, ruin.
- ❖ **Gross domestic product (GDP)** (noun) – a measure of economic activity in a country. It is the total value of a country's annual output of goods and service.
- ❖ **private consumption or consumption expenditure** (noun) – the spending by households (consumers) on goods and services, excluding new housing.

- ❖ **hinge on** (verb) – depend on, be based, be dependent.
- ❖ **government expenditure or public spending** (noun) – money spent by the government.
- ❖ **on record** (phrase) – officially documented /measured.
- ❖ **shrank** past of **shrink** (verb) – lessen, reduce, decrease.
- ❖ **provisional** (adjective) – interim, transitional, temporary.
- ❖ **stringent** (adjective) – strict/stern, severe, tough/rigorous.
- ❖ **lockdown** (noun) – an emergency protocol implemented by the authorities that prevents people from leaving from a place; An extended state of confinement/encirclement/isolation of a person by the authority.
- ❖ **in force** (phrase) – in effect, in action, operational, effective.
- ❖ **substantially** (adverb) – considerably, significantly, largely.
- ❖ **hollow out** (verb) – remove, undermine, weaken, erode.
- ❖ **account for** (phrasal verb) – constitute, make up, comprise, form.
- ❖ **contract** (verb) – decline, decrease, diminish, reduce.
- ❖ **abjure** (verb) – renounce, give up, relinquish, reject/forgo.
- ❖ **discretionary** (adjective) – optional, non-compulsory, voluntary, non-mandatory.
- ❖ **reflect** (verb) – indicate, show, reveal, exhibit.
- ❖ **worst-hit** (adjective) – affected severely.
- ❖ **conserve** (verb) – preserve, protect, save.
- ❖ **refrain from** (verb) – stop oneself, abstain, desist from, hold back.
- ❖ **in the face of** (phrase) – despite, notwithstanding, regardless of; when confronted with.
- ❖ **uncertainty** (noun) – unpredictability, unreliability, riskiness/precariousness.
- ❖ **prioritise** (verb) – make a point of, highlight, call attention to (something as very important).
- ❖ **solitary** (adjective) – single, lone, sole, only, one.
- ❖ **outpace** (verb) – surpass, outshine, do better than.
- ❖ **expansion** (noun) – development, growth.
- ❖ **plunge** (verb) – fall/drop, plummet, tumble, nosedive suddenly & uncontrollably.
- ❖ **omnibus** (adjective) – the Latin word literally meaning “for all”; consisting several parts/items.
- ❖ **pandemic** (noun) – the worldwide spread of a new disease; The illness spreads around the world and typically affects a large number of people across a wide area.
- ❖ **take a beating** (phrase) – suffer damage.
- ❖ **deem** (verb) – regard as, consider; view as.
- ❖ **evaporate** (verb) – vanish, fade, disappear, contract, lessen.
- ❖ **amid** (preposition) – in the middle of, surrounded by; during.
- ❖ **leave (to)** (verb) – entrust, hand over, pass on.
- ❖ **the bottom falls out** (phrase) – used to refer to a disastrous loss or collapse of something.
- ❖ **mitigation** (noun) – alleviation, reduction; lessening.
- ❖ **year-on-year** (adjective) – year over year (for comparison).
- ❖ **blow** (noun) – misfortune, setback, disappointment; shock, jolt.
- ❖ **fiscal deficit** (noun) – the difference between total expenditure and total income of the government.
- ❖ **unlikely** (adjective) – not likely, improbable, questionable.
- ❖ **unless** (conjunction) – used to talk about a situation that could happen, or something that could be true, in the future.
- ❖ **of course** (phrase) – certainly, absolutely; as you would expect, needless to say.
- ❖ **forsake** (verb) – renounce, give up, abandon /discard.
- ❖ **vaunted** (adjective) – acclaimed, highly rated, admired.
- ❖ **fiscal conservatism** (noun) – a political position that calls for lower levels of public spending, lower taxes and lower government debt.
- ❖ **mobilise** (verb) – (of resources) bring into use.
- ❖ **trajectory** (noun) – course, track, direction, route.
- ❖ **erosion** (noun) – destruction, deterioration, decline, weakening.
- ❖ **retard** (verb) – delay, hold back, postpone.

- ❖ **momentum** (noun) – strength, energy, force.
- ❖ **Purchasing Managers' Index (PMI)** (noun) – Purchasing Managers Index (PMI) is a monthly business survey data provided by IHS Markit. The monthly data are derived from surveys of senior executives at private sector companies. PMI data is used for accurate and timely insight into the health of a particular economy. The PMI data are used by financial and corporate professionals to better understand where economies and markets are headed, and to uncover opportunities.
- ❖ **signal** (verb) – indicate, communicate, express, signify.
- ❖ **stress** (verb) – pressurize, burden, overtax, strain.
- ❖ **shed** (verb) – get rid of, discard, throw out, drop, abandon.
- ❖ **significantly** (adverb) – notably, importantly, seriously, crucially.
- ❖ **undergo** (verb) – go through, experience, be subjected to, engage in.
- ❖ **given** (preposition) – considering, taking into account, bearing in mind.
- ❖ **swathe** (noun) – a wide area of something.
- ❖ **informal sector** (noun) – informal economy, grey economy is the part of an economy that is neither taxed, nor monitored by any form of government.
- ❖ **headwinds** (noun) – (in business) situations or conditions that make growth harder/difficult. Whereas tailwinds describe a situation or condition that will move growth, revenues, or profits higher.
- ❖ **farm market** (noun) – a physical retail marketplace intended to sell foods directly by farmers to consumers.
- ❖ **ordinance** (noun) – (local) order, decree, directive/regulation.
- ❖ **play out** (phrasal verb) – happen, occur, take place.
- ❖ **(light at) the end of the tunnel** (phrase) – a hopeful sign/indication that a bad or unpleasant situation will end soon.
- ❖ **sight** (verb) – notice, observe, spot, discern, detect.

A GOLDEN MOMENT: ON INDIA'S WIN IN CHESS OLYMPIAD

India's chess players deserve more attention after the Olympiad triumph

If further proof was needed of India's growing stature in world chess and of the mind sport's rising popularity in the country, the online Chess Olympiad provided it in emphatic fashion on Sunday. India became the joint champion, along with title favourite Russia, even as the Olympiad trended on Twitter and thousands followed the action through live streaming on social media. The title had to be shared because the result in two games in the second match of the final was affected by a net outage. India's Nihal Sarin and Divya Deshmukh had lost on time — competitive chess is always a race against the clock — but probably neither would have if they were not disconnected. The Indian team management lodged a complaint and the world chess governing body FIDE's decision to have joint champions was agreeable to Russia too, and thus there was a fruitful ending to the final. That was not quite the situation, though, when Armenia raised a similar complaint after it lost a crucial game, involving Nihal, to India in the first match of the quarter-final. The Armenians protested by not playing the second match and withdrew from the competition. But that incident should not take the sheen off India's triumph. Chess Olympiad has always been the most prestigious team event in the game, and its history stretches to 1924. India's best effort has been the third place in 2014. FIDE decided to conduct an online Olympiad because the 44th edition had to be postponed till next year due to the pandemic.

Though India was seeded only seventh, among 163 countries, no contender would have taken it lightly, given the presence of strong players in the three categories — men, women and junior. If Viswanathan Anand and Koneru Humpy are among the greatest players the world has ever seen, Nihal and R. Praggnanandhaa could be tomorrow's stars. In the euphoria surrounding the great Indian victory, some grim facts should not be

overlooked. On Saturday when the Arjuna awards were being distributed by President Ram Nath Kovind online, the Indian chess team pulled off a thrilling victory against Poland in the semifinal of the Olympiad. Ironically, no chess player has won an Arjuna for seven years, though there have been several outstanding performances and India is ranked fourth in the world. India captain Vidit Gujrathi had said how the team was on its own ahead of the Olympiad with no support from the All India Chess Federation. The federation officials are embroiled in a tussle for power. They announced two separate teams for the Olympiad, forcing chief selector R.B. Ramesh to quit. This moment of glory, therefore, is also a time for introspection.

Meanings of Difficult Words:

- ❖ **olympiad** (noun) – a major international contest in a particular game/sport.
- ❖ **Chess Olympiad** (noun) – Chess Olympiad is a major international chess tournament happening biennially (once every two years) and it is organised by FIDE, the international chess federation. Teams from 163 countries participated in this year's Chess Olympiad contest. (An online version of the Chess Olympiad contest is being held for the first time this year because of coronavirus).
- ❖ **attention** (noun) – support, aid/care, assistance, succour.
- ❖ **triumph** (noun) – victory, win, success.
- ❖ **stature** (noun) – reputation, status, position, standing.
- ❖ **emphatic** (adjective) – clear, definite, powerful, striking, distinctive.
- ❖ **fashion** (noun) – method, manner, way.
- ❖ **streaming** (noun) – a process of transmitting or receiving (data, especially video and audio material) over the internet.
- ❖ **net outage** (noun) – loss of internet service; internet connection failure.
- ❖ **a race against time/the clock** (phrase) – a situation in which something has to be done very quickly.
- ❖ **probably** (adverb) – most likely, in all likelihood, all things considered, perhaps.
- ❖ **fruitful** (adjective) – beneficial, valuable, advantageous.
- ❖ **quite a/the something** (phrase) – used to indicate that a person or thing is particularly impressive/unusual in a certain way.
- ❖ **take the shine off** (phrase) – destroy, ruin, spoil (the brilliance/exceptional talent/delight of something).
- ❖ **sheen** (noun) – shine, lustre, sparkle; brilliance (exceptional talent).
- ❖ **stretch** (verb) – extend (over a period of time).
- ❖ **seed** (verb) – to rank (a competitor/contender) in a tournament (based on track record).
- ❖ **lightly** (adverb) – carelessly.
- ❖ **given** (preposition) – considering, taking into account, bearing in mind.
- ❖ **euphoria** (noun) – elation, excitement, delight/happiness.
- ❖ **grim** (adjective) – terrible, awful, dreadful, horrible, frightful.
- ❖ **overlook** (verb) – miss, fail to notice; disregard, neglect/ignore.
- ❖ **pull off** (phrasal verb) – achieve, succeed in, accomplish.
- ❖ **ironically** (adverb) – paradoxically, unexpectedly, strangely.
- ❖ **outstanding** (adjective) – extraordinary, exceptional, excellent.
- ❖ **on one's own** (phrase) – alone, all alone, by oneself, all by oneself.
- ❖ **All India Chess Federation AICF** (noun) – it is central administrative body for the game of chess in India. Founded in 1951, the federation is affiliated to FIDE, the international chess federation (Fédération Internationale des Échecs), the world body for chess.
- ❖ **embroil** (verb) – involve, entangle, mix up.
- ❖ **tussle** (noun) – argument, disagreement, quarrel, contention.
- ❖ **glory** (noun) – acclamation, eminence, reputation/recognition (won by outstanding achievements).
- ❖ **introspection** (noun) – self-observation, self-analysis, self-examination; contemplation.