SUBJECTIVE QUESTIONS

1. Based on the plot of GDP v/s time you obtained from the dataset, you can observe how there are sudden drops in the value of GDP at certain years. Do some research and try to figure out the reason (the event) that caused this drop to occur.

2. Is your predicted value higher or lower than the previous year's GDP. You must have heard of an incoming recession. Is your calculated value in touch with the real expected value. Justify.

NOTE: Deadline for submission is 13th April, 10 AM

1(ans)
In India, there have been several events that have caused sudden drops in the country's GDP. Here are a few possible reasons for the drops observed in the GDP plot:

1- Demonetization (2016): In November 2016, the Indian government announced the demonetization of high-value banknotes, which accounted for approximately 86% of the country's currency in circulation. The move was intended to crack down on corruption and illegal activities, but it had significant negative effects on the economy, including a decline in consumer spending and a slowdown in economic activity. This led to a drop in GDP growth from 8.2% in Q1 of 2016-17 to 5.7% in Q2 of the same year.

2 - COVID-19 pandemic (2020-2021): The COVID-19 pandemic has had a significant impact on the Indian economy, with the country experiencing one of the sharpest economic contractions in the world. The government imposed a nationwide lockdown in March 2020 to contain the spread of the virus, which led to a significant decline in economic activity. The lockdown was gradually lifted, but the economic recovery has been slow, with the country's GDP contracting by a record 23.9% in Q1 of 2020-21.

3 - Global financial crisis (2008): The global financial crisis of 2008 had a significant impact on the Indian economy, with the country's GDP growth rate dropping from over 9% in 2007-08 to 6.7% in 2008-09. The crisis led to a decline in exports, a slowdown in investment, and a decrease in consumer spending, all of which contributed to the drop in GDP.

4 - Oil price shock (1991): In 1991, India experienced a balance of payments crisis due to a combination of factors, including high oil prices and a large trade deficit. The crisis led to a significant drop in GDP, and the government

was forced to implement structural reforms to liberalise the economy and reduce the country's dependence on foreign aid.
These are just a few examples of events that have caused sudden drops in India's GDP. Further research would be needed to determine the specific event(s) that caused the drops observed in the plot being considered.

2(ans)
Predicted values are lower than the previous year’s GDP.
It suggests that the economy is expected to contract. This may indicate that there are underlying economic issues or factors that are causing the slowdown, such as declining consumer confidence, decreased investments, or reduced productivity.

Regarding the incoming recession, it is important to note that predicting economic downturns is a challenging task. However, certain economic indicators can be used to anticipate recessions, such as a decline in consumer spending, a drop in the stock market, or a decrease in GDP growth rates over multiple quarters. Therefore, it is important to review these indicators in conjunction with the predicted GDP values to get a more comprehensive view of the overall economic situation.

In terms of whether the calculated value is in touch with the real expected value, it will depend on the accuracy of the underlying assumptions and methodology used in the prediction. It is essential to consider various factors, such as the historical trends of GDP, the current economic conditions, and any external factors that may impact the economy. Additionally, comparing the predicted GDP value with other economic indicators can provide a more comprehensive view of the overall economic situation and help determine whether the prediction is realistic.