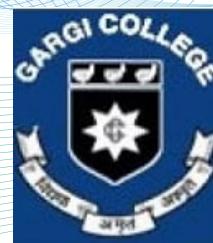
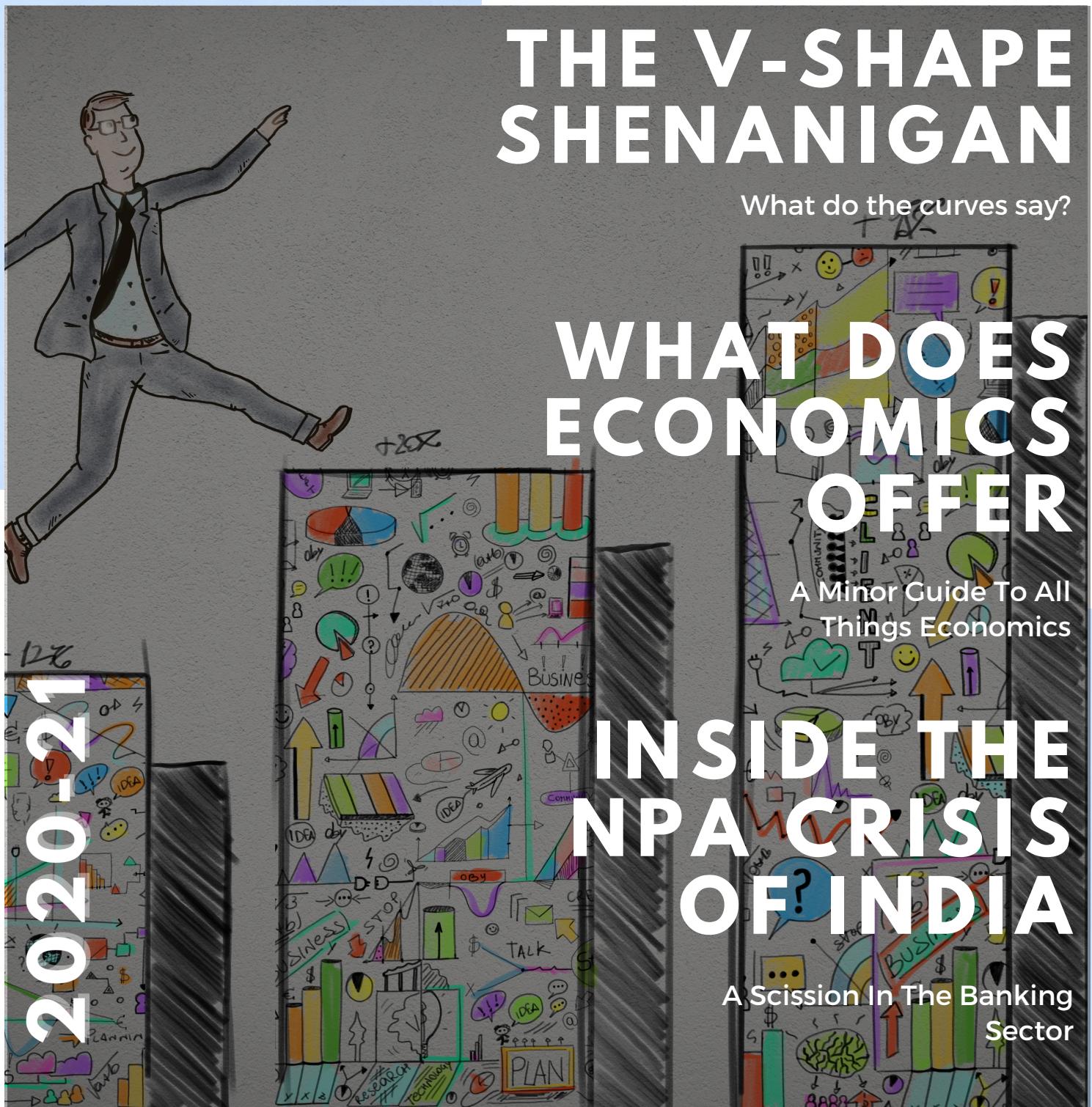


# Ecobuzz



# **Department Of Economics, Gargi College**



# THE V-CURVE SHENANIGAN

DATA ANALYTICS TEAM  
EDITORIAL BOARD



From the above graph we can infer that before the lockdown, the unemployment rate was not very high. But, **as the country started moving towards a full lockdown, the unemployment rate also started rising.** Since the economy was closed and there were minimal economic activities in the country, **companies started facing losses, and thus, they started laying off employees.** Therefore, increasing unemployment as a result of this, the unemployment rate was the highest during April-May.

As the economy started opening and companies were allowed to operate, the unemployment rate started declining. This can be observed in the graph after May 2020.

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After looking at the data on active covid-19 cases in India, we observe that **cases are tapering down and this might be a good sign.**

For three weeks, the active Covid-19 caseload in India stayed below the 5 lakhs mark. According to official figures, there were 4,35,603 active Covid-19 patients in the country at the end of November. This is significant in the wake of the past caseload growth in India.

While the overall picture is comforting, **there are signs of distress at the micro-level.** Some states such as Kerala and Delhi have recently seen sharp spikes in Covid-19 spread. At the district level, there are reports that semi-urban and rural districts have increased their share in India's Covid-19 tally. **The spread of novel coronavirus in rural and semi-urban districts is a cause of concern as these areas don't have a public or even health infrastructure to tackle severe cases of Covid-19.**

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PMI is an indicator of **economic activity in the manufacturing and service sectors**. If we observe the graph, we will see a V-shaped recovery.

This is because before the lockdown, the economy was functioning at a normal pace and PMI was at a normal rate but as the country started moving towards full lockdown, PMI started declining. As a result, **PMI hit its lowest in April**.

As the economy started to open, the economic activity in the manufacturing and service sectors started to increase and so, PMI started to increase. Thus giving us a V-shaped graph.

The RBI has kept the policy stance accommodative throughout the year **as an attempt to revive growth and mitigate the adverse impact of coronavirus (COVID-19) on the economy while ensuring that inflation remains within the target**. As can be observed from the graph, there were **sharp cuts** in policy rate starting from 5.15% in February 2020 to 4% in May 2020 and maintained the policy rate at 4% for the rest of the year primarily for two main reasons:

- **On the supply front**, due to the COVID pandemic and the prolonged lockdown, the demand decreased significantly due to which the businesses and industries started to face heavy losses. The repo rate was reduced as a relief measure so that private and commercial interest rates can reduce and lead to a decrease in expenses and therefore losses of business and industries.

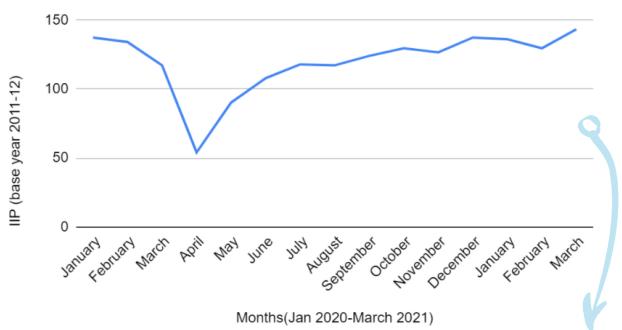
- **On the demand front**, the repo rate was reduced so that the consumers could be induced to consume more to stimulate demand in the economy and revive growth.

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Index Of Industrial Production

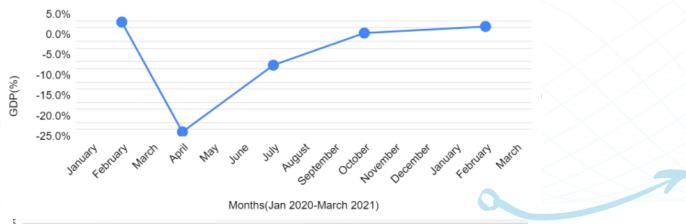


If we observe the graph, we will see a V-shaped recovery. In Q4 (Jan 2020- March 2020), we will see that as the country was slowly moving towards full lockdown the **industrial production started declining**. As the country reached a full lockdown situation in March, the economy was closed and there were no more economic activities. As a result of this, **IIP hit its lowest in April**.

Now as the economy has started to open, industrial production has started to increase and slowly reached the normal level. This is why we see a V-shaped Graph.



GDP vs. Months



Owing to the worsening of the COVID-19 pandemic in the country and stringent **mobility impositions, demand and consequently the supply of goods and services decreased significantly**. The GDP went down as low as 23.9% in Q1, 2020-21 and witnessed a V-shaped recovery as soon as the circumstances improved.

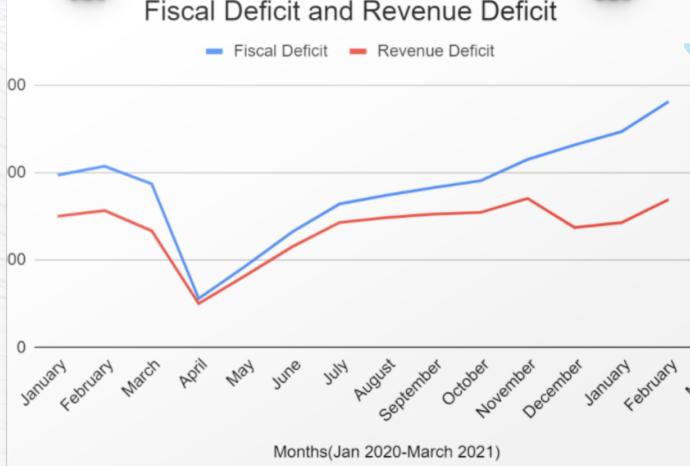
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Since COVID gripped the entire world and consumption took a hit, exports and imports reduced drastically. The situation started to improve once the lockdown stringency and covid cases declined.



Fiscal Deficit and Revenue Deficit



Due to reduced economic activity, fiscal deficit and revenue deficit declined and witnessed a constant drop in April 2020. However, **they began rising as soon as the mobility restrictions were relaxed.**