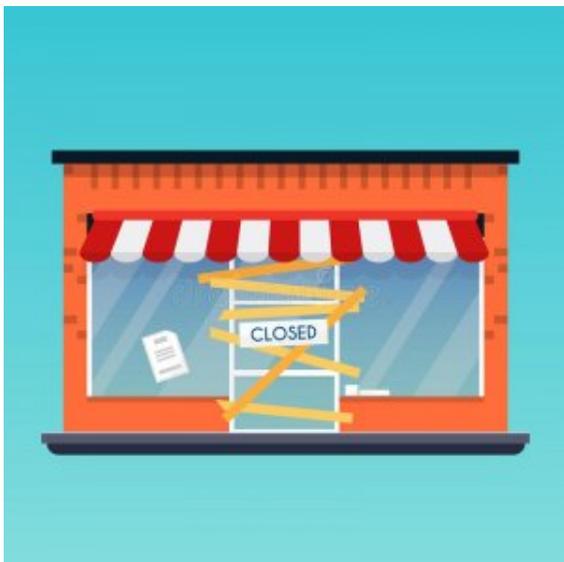


## India's economy will contract this year. What does this mean?



Credit: Dreamstime.com

**This week the International Monetary Fund noted that India's economy will contract by almost 5 percent this year.** This means that we will produce 5 percent fewer goods and services compared to last year. This is the first time in 40 years that the economy is expected to contract. Normally it grows by 6-7 percent every year.

**Why is this happening?** Because of COVID, the economy was shut down for almost two months. That meant that people could not go out and buy goods and services (visit restaurants, go to shopping malls, travel on trains or planes). Even now, because of the fear of COVID, many people cannot or will not like to leave their homes. If people don't go out and buy things, why will businesses produce those goods and services? That's why economic activity is contracting.

In turn, because many businesses have temporarily — or permanently — shut down, many workers who come to the cities from the villages have lost their jobs. These "migrant workers" also wanted to return home because they were worried of catching COVID in the cities. They felt safer going back to the villages. But because there were no trains or buses plying, most of these migrant workers had to walk for hundreds of kilometres to reach home.

The whole world is waiting for a vaccine. It's only when people feel completely safe from COVID will they resume normal activities and the economy will start growing again. But there are important economic lessons from COVID. We need to create more safety nets for the poor and migrant workers so they have food, income, shelter and better access to health and

education if the economy were to ever shut down like this again. That must be the enduring lesson from this crisis.