

COVID-19 and Indian Economy: Impact on Growth, Manufacturing, Trade and MSME Sector

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Abstract

The study aims to make an assessment of COVID-19 on Indian economy by analysing its impact on growth, manufacturing, trade and micro, small and medium enterprises (MSME) sector, and highlights key policy measures to control the possible fallout in the economy. The impact of the pandemic across sectors and in different scenarios of complete, extended and partial lockdown, and at different levels of capacity utilization is massive on the Indian economy. India's economy may barely manage to have a positive growth of 0.5 per cent in an optimistic scenario but also faces the possibility of a 3–7 per cent negative growth in worst case scenarios for the calendar year 2020. The impact is severe on trade, manufacturing and MSME sectors. The likely impact (deceleration) of COVID-19 from best case scenario to worst scenario are as follows: manufacturing sector may shrink from 5.5 to 20 per cent, exports from 13.7 to 20.8 per cent, imports from 17.3 to 25 per cent and MSME net value added (NVA) from 2.1 to 5.7 per cent in 2020 over previous year. The economy is heading towards a recession and the situation demands systematic, well targeted and aggressive fiscal-monetary stimulus measures.

Keywords

COVID-19, lockdown, gross value added, manufacturing and trade