



## Technical Recession in India

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### Why in News

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According to the **Reserve Bank of India's**, “**nowcasting**”, India’s economy will contract by 8.6% in the **second consecutive quarter (July, August, September)** of the current financial year which means the economy is in a ‘**technical recession**’.

In simpler words, a technical recession is two quarters in a row of economic contraction.

### Key Points

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- **Nowcast:**
  - **Nowcast** in economics means the prediction of the present or the very near future of the state of the economy.
  - Nowcast began with the first issue of the Bulletin in January 1947, but interrupted during the period 1995 to date.
- **Current Scenario:**
  - In the second quarter the pace of contraction is **8.6%**.
  - This is considerably slower than the **23.9% decline in the real GDP** during the first quarter (April, May, June).
- **Implication:**

The contraction implies that India has entered a **technical recession** in the first half of 2020-21 for the first time in its history.

# CONTRACTION IN INDIA. ELSEWHERE

Quarterly Real GDP growth rate (in %)

	October to December 2019	January to March 2020	April to June 2020	July to September 2020
India	4.1	3.1	-23.9	-8.6*
US	2.3	0.3	-9	-2.9
UK	1	-2.1	-21.5	-9.6
China	6	-6.8	3.2	4.9
Brazil	1.7	-0.3	-11.4	NA
Indonesia	5	3	-5.3	-3.5
South Africa	-0.5	0.1	-17.1	NA

## Key Economic Words

- **Gross Domestic Product (GDP)** is the **final value of the goods and services** produced **within the geographic boundaries** of a country during a specified period of time, normally a year.
- **Expansionary Phase:** When the overall output of goods and services typically measured by the **GDP increases** from one quarter (or month) to another.
- **Recessionary Phase:** When the overall output of goods and services typically measured by the **GDP decreases** from one quarter (or month) to another.
- **Business Cycle:** It is composed of concerted **cyclical upswings and downswings** in the broad measures of economic activity which are output, **employment, income, and sales** in other words it is a cycle created by the expansionary and recessionary phases clubbed together.
- **Recession:** It is a **macroeconomic** term that refers to a **slowdown or a massive contraction** in economic activities for a **long enough period**, or it can be said that when a recessionary phase sustains for long enough, it is called a **recession**.
- **Depression:** It is a **deep and long-lasting period of negative economic growth**, with output falling for at least 12 months and GDP falling by over 10% or it can be referred to as a severe and prolonged recession.

**Source:IE**