

UNLOCK 1.0: Challenges to reopen the economy

May 8, 2020

Source: The Hindu

Manifest Pedagogy: The challenge of getting the economy back on track is paramount as we are moving towards the end of the lockdown period. There is a problem of labour shortages and rural distress at the same time. So what is the key government strategy going to be and what impact will it have on daily life?

Update

Union Ministry of Home Affairs (MHA) guidelines for Economy unlock 1.0

The guidelines have come into effect from June 1, 2020 and would be effective till June 30, 2020.

Salient features:

Phased unlocking:

- **Lockdown measures** would continue to be implemented **strictly in the containment zones.**
- These will be **demarcated by the State/ UT Governments**, after taking into consideration the guidelines issued by the Health Ministry.
- Within the containment zones **only essential activities are allowed.**
- States and UTs, based on their assessment of the situation, may prohibit certain activities outside the Containment zones or impose such restrictions, as deemed necessary.
- **All activities that were prohibited earlier would be opened up in areas outside Containment Zones in a phased**

manner, with the stipulation of Standard Operating Procedures (SOPs), to be prescribed by the Ministry of Health and Family welfare (MoHFW).

Phase I (permitted to open from June 8, 2020)

- Religious places and places of worship for public;
- Hotels, restaurants and other hospitality services;
- Shopping malls.

Phase II

- Schools, colleges, educational/ training/ coaching institutions etc...
- State Governments/ UT administrations are being advised to hold consultations at the institution level with all stakeholders including parents.
- Based on the feedback, a decision on the re-opening of these institutions will be taken in the month of July, 2020.

Phase III

- International air travel of passengers;
- Operation of Metro Rail;
- Cinema halls, gymnasiums, swimming pools, entertainment parks, theatres, bars and auditoriums, assembly halls and similar places;
- Social/ political/ sports/ entertainment/ academic/ cultural/ religious functions/ and other large congregations.

Unrestricted Movement of Persons and Goods:

- **No restriction on inter-State and intra-State movement** of persons and goods.
- No separate permission/ approval/ e-permit would be required for such movements.
- Based on **reasons of public health** and its assessment of the situation, **a state/UT may regulate the movement of**

persons and would give wide publicity in advance regarding the restrictions to be placed on such movement and the related procedures to be followed.

- **Night curfew would continue to remain** in force on the movement of individuals, for all non-essential activities with revised timings of **9 pm to 5 am**.

Protection for vulnerable persons:

- Vulnerable persons, i.e., persons above 65 years of age, persons with co-morbidities, pregnant women, and children below the age of 10 years, are advised to stay at home, except for meeting essential requirements and for health purposes.

Use of Aarogya Setu:

- Aarogya Setu mobile application facilitates quick identification of persons infected by COVID-19, or at risk of being infected, thus acting as a shield for individuals and the community.
- With a view to ensure safety in offices and workplaces, the employers are advised to ensure that all employees with compatible mobile phones have installed the application.

Posted on 8th May 2020

In news: Post COVID-19 lockdown the government is planning to reopen the economy

Placing it in syllabus: COVID 19 and economy

Static dimensions: Covid 19 and its economic impact

Current dimensions: What are the challenges ahead?

Content:

Covid 19 and its economic impact:

- The pandemic and consequent lockdown have hit various sectors, including MSME, hospitality, civil aviation, agriculture and allied sectors.
- The **country's core sector growth has contracted by 6.5% in March**, according to the data of the Ministry of Commerce and Industry.
- **Barring coal, all other sectors have witnessed a sharp output contraction.**
- The **sharpest fall was in cement (-24.7%).**



- Steel, natural gas, and fertiliser sectors saw double-digit declines due to **weak demand, labour constraints and shortage of raw material.**
- Even before the onset of the lockdown to contain coronavirus, the core industry's growth was mere 0.6% in the financial year 2020, the lowest in eight years.
- **Contraction in output in four industries – coal, crude oil, natural gas, and cement, and subdued growth in the remaining four led to lower growth during 2020.**
- These distress signals indicate that **India's GDP is getting trimmed.**
- On April 4, 2020, Crisil revised India's GDP growth for the financial year 2021 from 3.5% earlier to 1.8%.
- Chief Economic Advisor (CEA) K V Subramanian has predicted the **GDP growth in the first quarter (April to June) of 2020 to range between one to two per cent.**
- In the second quarter, the economy could pick up as industries restart their operations with the streamlining of supply chains.

The government has constituted an **empowered group headed by Economic Affairs Secretary Atanu Chakraborty**, entrusted with the task of suggesting measures that can bring the economy back on track quickly post the lockdown.

What are the challenges ahead?

- Despite some easing in industrial activities, the production activities have remained muted with **labour shortages and other issues.**
- However, it is **difficult to estimate possible job losses** due to lingering uncertainty.
- Though the Indian government is likely to cap its overall spending on COVID related relief at \$60 billion, it is speculated that the **excess spending could trigger a sovereign rating downgrade.**
- India should be aware of these downgrades as rating agencies treat developed nations and emerging markets differently.
- The **global economic scenario is weak** and there is bound to be an **impact on Indian exports.**
- There are large chances that Non performing assets (**NPAs**) of banks may increase.



- Government revenues are in a tight position due to “**very weak**” tax collections.
- With the **widening fiscal deficit, there is limited scope for the government to spend.**



Hence, “One size fits all” approach should not be considered and India has to consider its own ground realities while giving economic stimulus packages to Indian industry.

Mould your thought: What is the impact of COVID 19 on Indian economy? What are the challenges ahead to reopen the economy?