



## Current Affairs of the Day

### GS III

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- Current inflation target band apt for next 5 years, says RBI report.



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Ray of hope: Agri stays resilient, manufacturing returns to growth; NSO widens FY21 estimate to 8% contraction. In Q3, manufacturing GVA grew 1.6% after dipping 35.9% and 1.5% in the first two quarters.

#### Highlights:

1. India's economy resurfaced to growth territory in the third quarter of the fiscal year (FY) 2020-21, clocking a 0.4% rise in the gross domestic product (GDP), as per data from the National Statistical Office (NSO).
2. GDP had shrunk in the first two quarters by 24.4% and 7.3% as per revised data, amid the COVID-19 pandemic and lockdowns, marking a technical recession.
3. The NSO has also revised its advance national income estimates for FY21 to project an 8% decline in GDP, compared with the 4% growth seen in FY20. The NSO had earlier estimated a 7.7% shrinkage for FY21.
4. The Finance Ministry termed the 0.4% real GDP growth in Q3 as a return to 'the pre-pandemic times of positive growth rates' and a reflection of a 'further strengthening of V-shaped recovery that began in Q2'.

## Current inflation target band apt for next 5 years, says RBI report

**News:** With the next review of the flexible-inflation targeting (FIT) framework coming up soon, the Reserve Bank of India, in the Report on Currency and Finance for FY21, said the current inflation target of 4% with a +/-2% tolerance band is appropriate for the next five years.

#### Highlights:

1. The RBI said the period of study in this report was from October 2016 to March 2020 commencing with the formal operationalisation of the FIT framework in India but excluding the period of the COVID-19 pandemic, in view of data distortions.
2. The report said trend inflation had fallen from above 9% before FIT to a range of 3.8-4.3% during the FIT, indicating that 4% is the appropriate level of the inflation target.



3. It said during the FIT period, the monetary transmission had been full and reasonably swift across the money market but less than complete in the bond markets.
4. “While there has been an improvement in transmission to lending and deposit rates of banks, external benchmarks across all categories of loans and deposits could improve transmission further,” it said.