

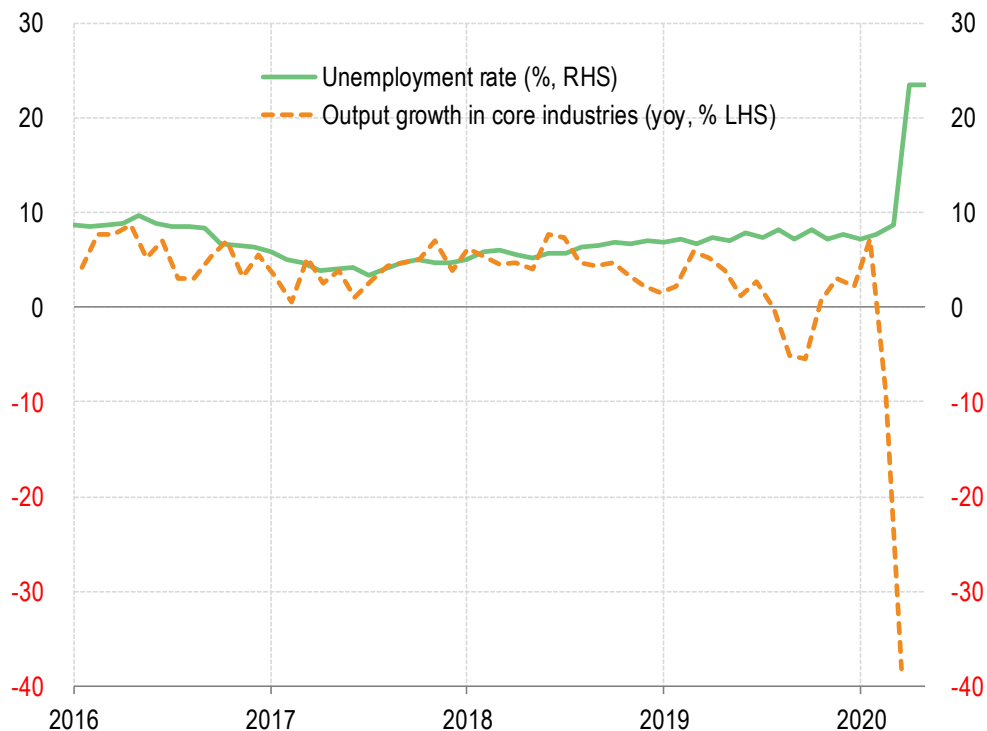


## India: Unemployment surges in May

In fiscal year 2019/20 (ended in March), India's GDP growth slowed sharply to only 4.2%, and growth prospects for the current fiscal year look extremely bleak. The slowdown in 2019/20 GDP is especially alarming considering that it predates the outbreak of the Covid-19 pandemic. The economy has slowed since 2018, and even without taking into account the impact of Covid 19, growth was set to fall far short of its long-term potential of 7.3% in the years ahead. As a result, Moody's has downgraded India's sovereign rating.

The latest economic indicators suggest a very severe contraction between April and June 2020. In April, electrical power generation and cement production fell 22.7% and 86% year-on-year, respectively, while merchandise transport plummeted 35%. For the second consecutive month, the unemployment rate hit 23.5% in May, compared to 7% in the year-earlier period, and the household confidence index fell dramatically. Even if the country were to ease the lockdown measures in place since 1 June, migrant workers are highly unlikely to return to the cities for several months.

### Unemployment rate and output growth in core industries



Source: CMIE, RBI