



Economic Performance Comparison Between India and China

Why in News

According to the September 2020 **Centre for Monitoring Indian Economy (CMIE) data**, economic recovery after the lockdown has **thrown up some paradoxes for India**. However, **China has recorded growth** for the consecutive third quarter (July-September 2020).

- CMIE is a **leading business information company**. It was established in 1976, primarily as an independent think tank.

Key Points

▪ Employment:

- The CMIE data shows that there is a revival in employment amid a fall in **labour force participation**. The **labour force participation rate (LFPR)** is defined as the percentage of persons in the labour force (i.e. working or seeking or available for work) in the population.
 - However, usually when more people find jobs a greater number should have come in looking for jobs.
 - The unusual trend can be explained by a **rural-urban disaggregation of the data**. Rural India is seeing an increase in jobs due to post harvest activity whereas employment in urban India is decreasing.
 - Also, better quality and higher paying jobs in urban areas are being lost and substituted by lower-paid rural jobs.
 - This phenomenon points to the fact that **a reversal of migration back to the cities is not happening** to the extent that it should have.

▪ Inflation:

- The supply side shock due to lockdown has led to an increase in **headline inflation** mainly driven by increase in food prices.
 - **Headline inflation** is a measure of the total inflation within an economy, including commodities such as food and energy prices.
- However, **the unexpected trend is the rise in core inflation** i.e. non-food, non fuel inflation, that too during a period when growth is set to register a record contraction.
 - **Core inflation** is the change in the costs of goods and services but does not include those from the food and energy sectors.
- **Ideally, the collapse in demand** due to lockdown **should have triggered a drop in core inflation**.

▪ Consumer Confidence:

- Another unexpected development is evident in the **Reserve Bank of India's (RBI)'s**

latest consumer confidence survey.

- The central bank's '**current situation index**' fell to an all-time low in September, 2020 even as its 'forward-looking surveys' show that consumer confidence for the year 2020-21 has improved.
 - **Current situation index** is a sub index that measures overall consumer sentiment regarding the present economic situation.
- So even as the current situation of households has been progressively worsening, the survey points to households reporting better prospects for the future.

▪ **Growth:**

- According to the recent **IMF's [World Economic Outlook \(WEO\) report](#)**, Indian economy is going to be the **worst affected** among the comparative countries like China, U.S.A., Pakistan and Brazil.
- India is not only going to be worst-affected in the short term but also in the medium term.
- The IMF has also **doubled** the rate of **Gross Domestic Production (GDP)** contraction for India. However, globally the growth has become better.

▪ **China's Economic Performance:**

- China's **economic growth continued to gain momentum in the third quarter**, with the GDP expanding 4.9% from a year earlier in the July-September, 2020 period.
- China is witnessing an **increase in tourism; growth in industrial production and exports** that has generated revenue and jobs for millions Chinese people. However, **Consumption is yet to regain its normal vigour** in China.
- The **[International Monetary Fund](#)** (IMF) has forecasted that China's economy will expand by 1.9 % in 2020, making it the only major economy to register growth in a pandemic-hit year.
- The economic rebound follows China's broad return to normalcy in early months of 2020, following sweeping **Covid-19** curbs including stringent lockdowns, extensive contact tracing, and restrictions on international travel through the first half of the year.

[Source: IE](#)

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