

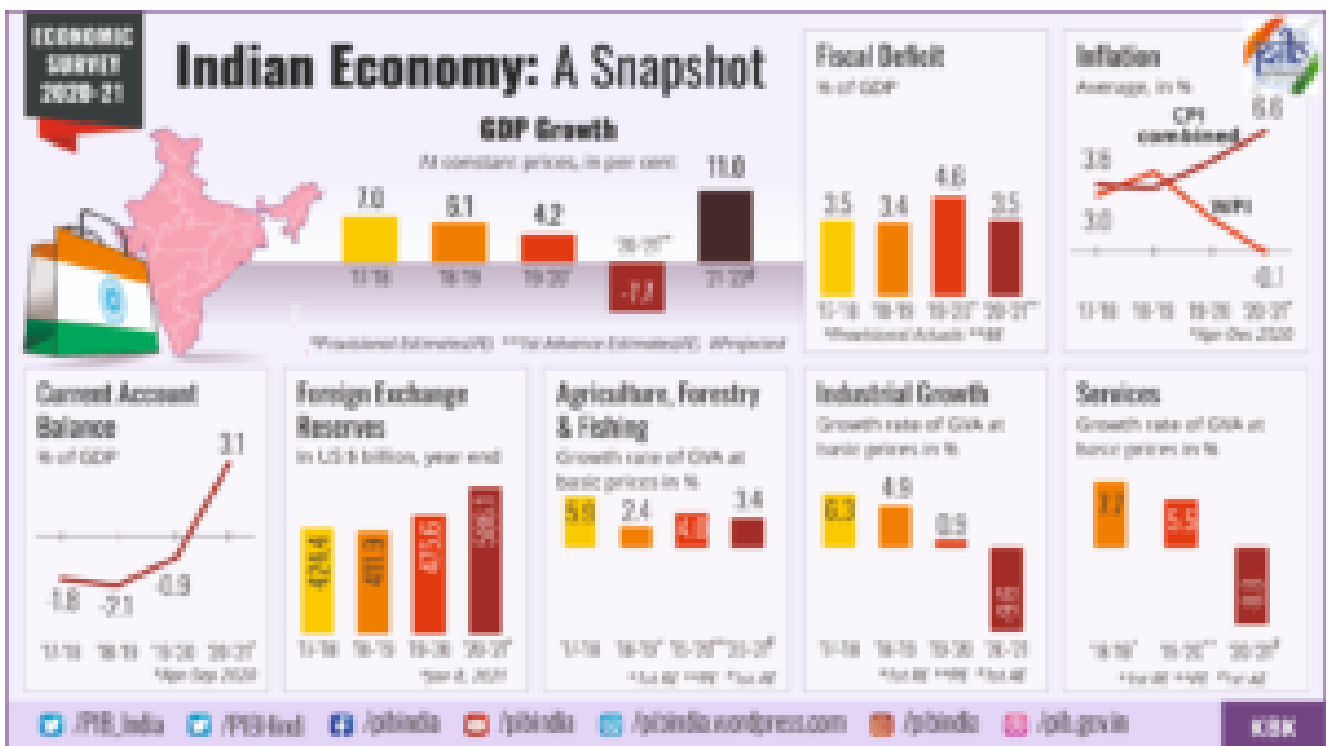
Economic Survey-2021: State of the Economy in 2020-21: A Macro View

January 30, 2021

- COVID-19 pandemic ensued **global economic downturn**, the most severe one since the Global Financial Crisis
- The lockdowns and social distancing norms brought the already slowing **global economy to a standstill**
- Global economic output estimated to fall by 3.5% in 2020 (IMF January 2021 estimates)
- Governments and central banks across the globe deployed various policy tools to support their economies such as lowering policy rates, quantitative easing measures, etc.
- India adopted a **four-pillar strategy** of containment, fiscal, financial, and long-term structural reforms:
 - **Calibrated fiscal and monetary support** was provided, cushioning the vulnerable during the lockdown and boosting consumption and investment while unlocking
 - A **favourable monetary policy** ensured abundant liquidity and immediate relief to debtors while unclogging monetary policy transmission
- As per the advance estimates by NSO, India's GDP is estimated to grow by (-) 7.7% in FY21 – a **robust sequential growth of 23.9%** in H2: FY21 over H1: FY21
- India's **real GDP** to record a **11.0% growth in FY 2021-22** and **nominal GDP** to grow by **15.4%** – the **highest since independence**:
 - Rebound to be led by low base and continued normalization in economic activities as the rollout of COVID-19 vaccines gathers traction
- **Government consumption** and **net exports** cushioned the

growth from diving further down, whereas investment and private consumption pulled it down

- The recovery in second half of FY 2020-21 is expected to be powered by **government consumption**, estimated to grow at **17% YoY**
- Exports expected to decline by 5.8% and imports by 11.3% in the second half of FY21
- India expected to have a **Current Account Surplus of 2% of GDP** in FY21, a **historic high after 17 years**



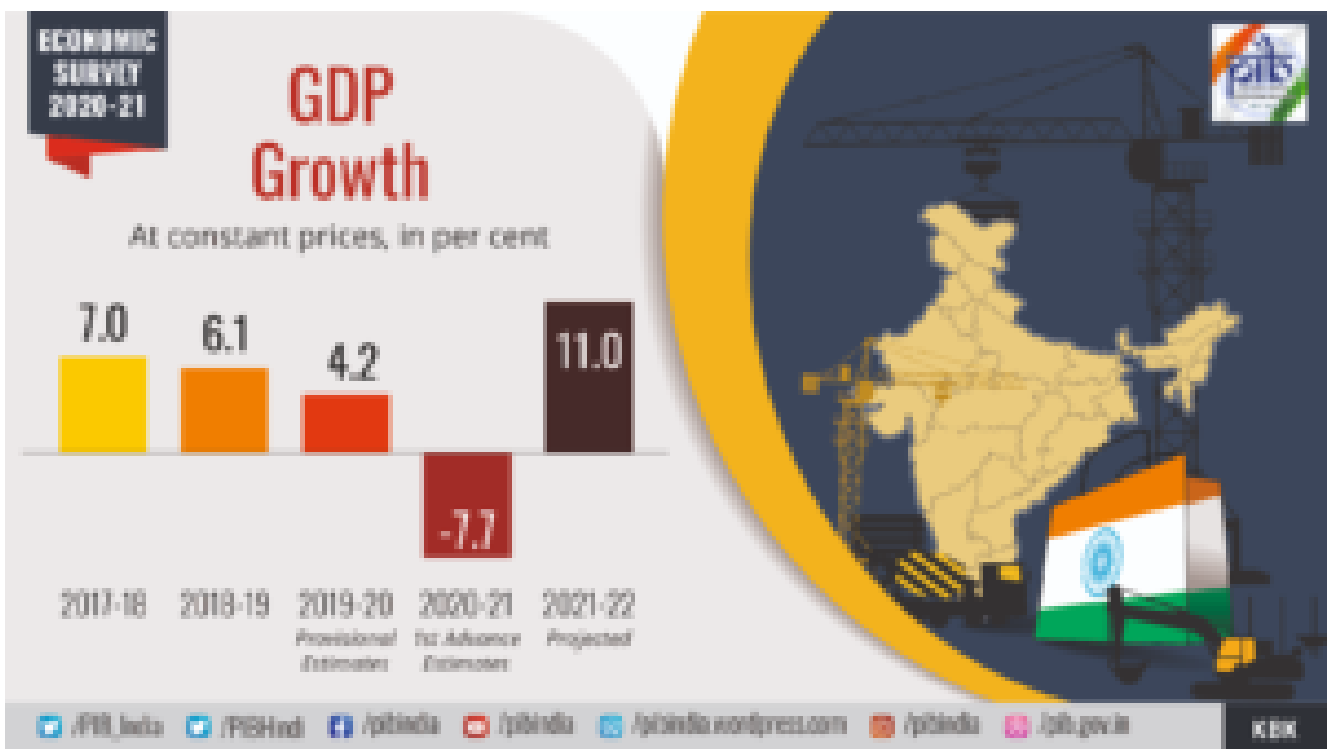
- On supply side, Gross Value Added (GVA) growth pegged at -7.2% in FY21 as against 3.9% in FY20:
 - **Agriculture set to cushion the shock of the COVID-19 pandemic on the Indian economy in FY21 with a growth of 3.4%**
 - **Industry and services estimated to contract by 9.6% and 8.8% respectively during FY21**
- Agriculture remained the silver lining while **contact-based services, manufacturing, construction were hit hardest**, and recovering steadily
- India remained a **preferred investment destination** in FY 2020-21 with FDI pouring in amidst global asset shifts

towards equities and prospects of quicker recovery in emerging economies:

- Net **FPI inflows** recorded an **all-time monthly high of US\$ 9.8 billion** in November 2020, as investors' risk appetite returned
- **India was the only country among emerging markets to receive equity FII inflows in 2020**
- Buoyant SENSEX and NIFTY resulted in India's **market-cap to GDP ratio crossing 100% for the first time since October 2010**
- **Softening of CPI inflation** recently reflects easing of supply side constraints that affected food inflation
- Mild contraction of 0.8% in investment (as measured by Gross Fixed Capital Formation) in 2nd half of FY21, as against 29% drop in 1st half of FY21
- Reignited **inter and intra state movement** and record-high monthly **GST collections** have marked the unlocking of industrial and commercial activity
- The **external sector** provided an effective cushion to growth with India recording a **Current Account Surplus of 3.1% of GDP** in the first half of FY21:
 - **Strong services exports** and weak demand leading to a sharper contraction in imports (merchandise imports contracted by 39.7%) than exports (merchandise exports contracted by 21.2%)
 - **Forex reserves** increased to a level so as to cover 18 months worth of imports in December 2020
 - **External debt** as a ratio to GDP increased to 21.6% at end-September 2020 from 20.6% at end-March 2020
 - Ratio of forex reserves to total and short-term debt improved because of the sizable accretion in reserves
- **V-shaped recovery** is underway, as demonstrated by a sustained resurgence in high frequency indicators such as power demand, e-way bills, GST collection, steel consumption, etc.
- India became the **fastest country to roll-out 10 lakh**

vaccines in 6 days and also emerged as a **leading supplier of the vaccine** to neighbouring countries and Brazil

- **Economy's homecoming to normalcy** brought closer by the initiation of a mega vaccination drive:
 - **Hopes of a robust recovery** in services sector, consumption, and investment have been rekindled
 - Reforms must go on to enable India realize its potential growth and erase the adverse impact of the pandemic
- India's **mature policy response** to the 'once-in-a-century' crisis provides important lessons for democracies to avoid myopic policy-making and demonstrates benefits of focusing on **long-term gains**



Major Structural Reforms Undertaken as a Part of Atmanirbhar Bharat Package

Sector	Structural Reform Undertaken
	Deregulation and Liberalization of Sectors

<p>Agriculture</p>	<ul style="list-style-type: none"> • Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, 2020 • Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Act, 2020 • Essential Commodities (Amendment) Act, 2020
<p>MSMEs</p>	<ul style="list-style-type: none"> • New MSME definition covering almost 99 per cent of all firms enabling MSMEs to grow in size and create jobs • Removal of artificial separation between manufacturing and service MSMEs
<p>Labour</p>	<ul style="list-style-type: none"> • Enactment of four labour codes namely, Wage Code, Industrial Relations Code, 2020, Code on Occupational Safety, Health & Working Conditions Code, 2020 & Social Security Code, 2020 • ‘One labour return, one licence and one registration’
<p>Business Process Outsourcing (BPO)</p>	<p>Simplification of the Other Service Provider (OSP) guidelines of the Department of Telecom. Several requirements, which prevented companies from adopting ‘Work from Home’ and ‘Work from Anywhere’ policies have been removed</p>
<p>Power</p>	<ul style="list-style-type: none"> • Tariff Policy Reform: DISCOM inefficiencies not to burden consumers, Progressive reduction in cross subsidies, Time bound grant of open access, etc. • Privatization of Distribution in UTs
<p>PSUs</p>	<ul style="list-style-type: none"> • PSUs in only strategic sectors • Privatization of PSUs in non-strategic sectors

<p>Mineral Sector</p>	<ul style="list-style-type: none"> • Commercial Mining in Coal Sector • Removal of distinction between captive and merchant mines • Transparent auction of mining blocks • Amendment to Stamp Act, 1899 to bring uniformity in stamp duty across States • Introduction of a seamless composite exploration- cum- mining- cum- production regime
<p style="text-align: center;">Strengthening Productive Capacity</p>	
<p>Industry</p>	<ul style="list-style-type: none"> • Production Linked Incentive (PLI) Scheme for 10 identified sectors • National GIS-enabled Land Bank system launched
<p>Space</p>	<ul style="list-style-type: none"> • Level playing field provided to private companies in satellites, launches and space-based services • Liberal geo-spatial data policy for providing remote-sensing data to tech-entrepreneurs
<p>Defence</p>	<ul style="list-style-type: none"> • Corporatization of Ordnance Factory Board • FDI limit in the Defence manufacturing under automatic route to be raised from 49 per cent to 74 per cent. • Time-bound defence procurement process
<p style="text-align: center;">Strengthening Productive Capacity</p>	
<p>Education</p>	<ul style="list-style-type: none"> • PM-eVidya to enable multi-mode and equitable access to education • Manodarpan initiative for psychosocial support

<p style="text-align: center;">Social Infrastructure</p>	<p style="text-align: center;">Scheme for Financial Support to Public Private Partnerships (PPPs) in Infrastructure Viability Gap Funding (VGF) Scheme extended till 2024-25</p>
<p style="text-align: center;">Ease of Doing Business</p>	
<p style="text-align: center;">Financial Markets</p>	<ul style="list-style-type: none"> • Direct listing of securities by Indian public companies in permissible foreign jurisdictions • Provisions to reduce timeline for completion of rights issues by companies • Private companies which list NCDs on stock exchanges not to be regarded as listed companies
<p style="text-align: center;">Corporates</p>	<ul style="list-style-type: none"> • Including the provisions of Part IXA (Producer Companies) of Companies Act, 1956 in Companies Act, 2013 • Decriminalization of Companies Act defaults involving minor technical and procedural defaults • Power to create additional/ specialized benches for NCLAT • Lower penalties for all defaults for Small Companies, One-person Companies, Producer Companies & Start Ups • Simplified Proforma for Incorporating Company Electronically Plus (SPICe +) introduced

Administration

- National platform for recruitment: National Recruitment Agency to conduct a Common Eligibility Test
- Revised guidelines on Compulsory retirement to remove ineffective or corrupt officials through Fundamental Rule 56(j)/(l) and Rule 48 of CCS (Pension) Rule
- Faceless tax assessment and a 12-point taxpayers charter
- Fast track Investment Clearance through Empowered Group of Secretaries