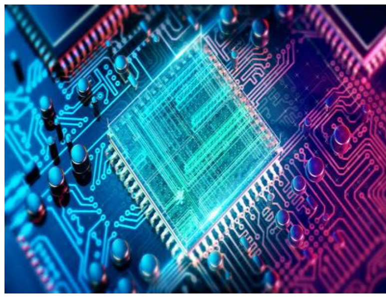
Economic Survey Snapshot - 2020-21











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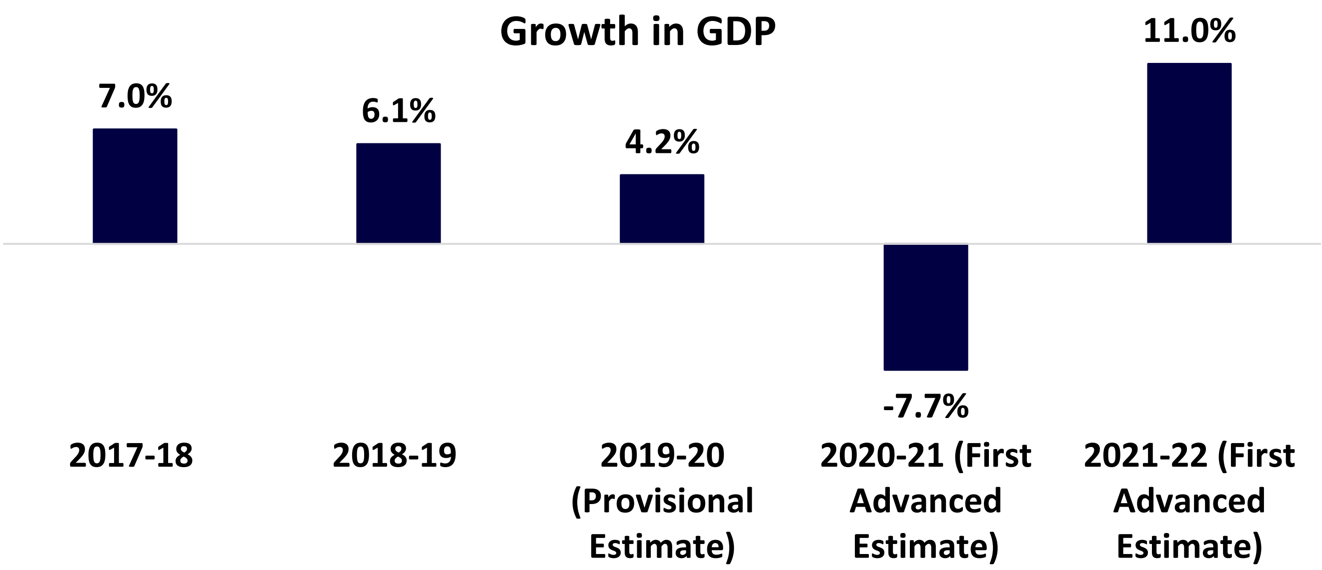
Gross Domestic Product



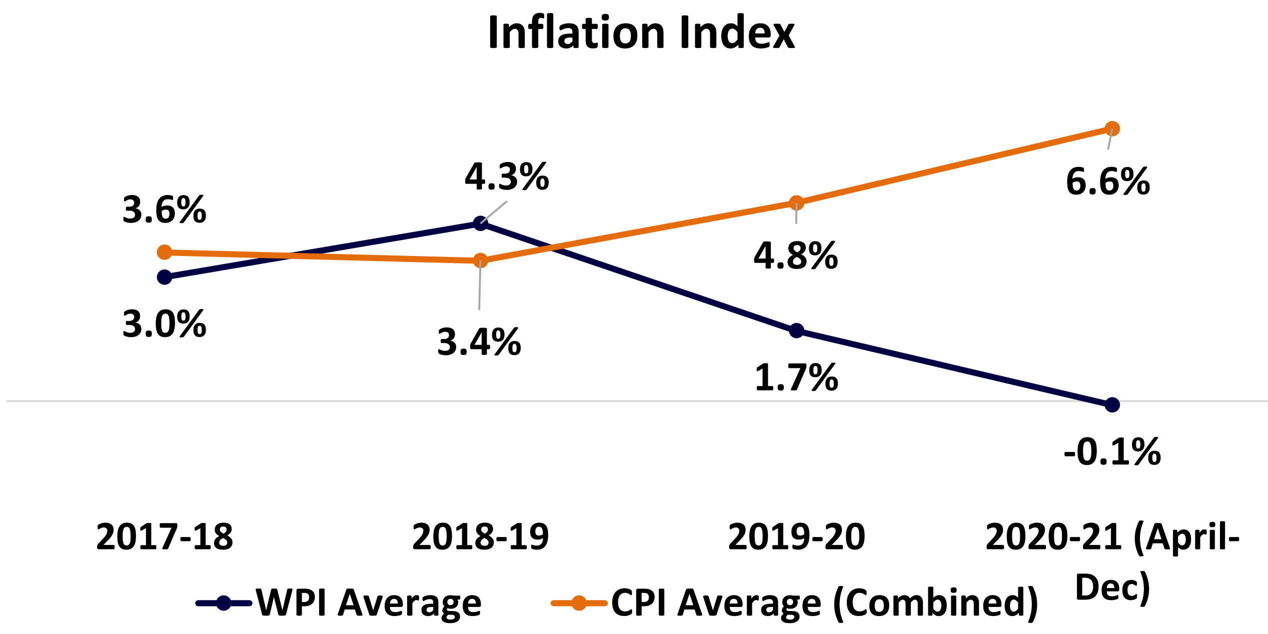
Source: Economic Survey 2020-21

- As per First Advance Estimates, growth in real GDP during 2020-21 is estimated at -7.7 per cent, as compared to the growth rate of 4.2 per cent in 2019-20.

- GDP growth is pegged at 11 per cent in 2021-22, which is in line with IMF estimates.

- NSO manifests that the economy is expected to stage a resilient V-shaped recovery in second half of FY 2020-21. Faster normalization of business activities amid gradual lifting of restrictions, higher festive and pent-up demand and policy support is expected to translate into a faster-than-anticipated economic recovery over the second half of FY 2020-21.

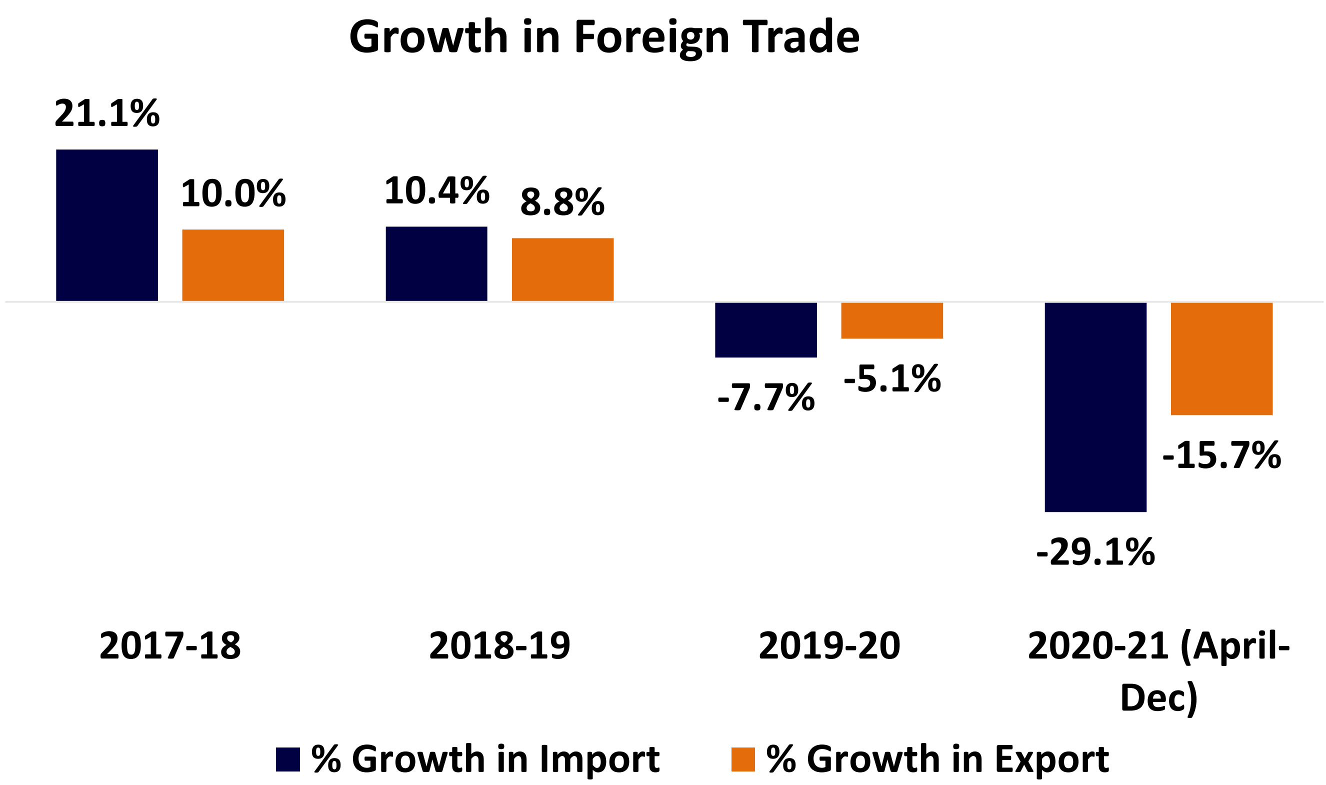
Inflation



Source: Economic Survey 2020-21

- Consumer Price Index-Combined (CPI-C) inflation increased to 6.6 per cent in 2020-21 (April to December, 2020) as compared to 4.8 per cent in 2019-20 (April to December, 2019). Though, Wholesale Price Index (WPI) inflation has seen an increase between 2017-18 and 2018-19, it fell from 1.7 per cent in 2019-20 (April to December, 2018) to -0.1 per cent during 2020-21 (April to December, 2020).

Imports and Exports



Source: Economic Survey 2020-21

- Percentage of growth rate of Import & Export decline by 29.1 per cent and 15.7 per cent respectively attributable to the challenges posed by the COVID Pandemic.

- In 2020-21, Centre's fiscal deficit was budgeted at INR 7.96 lakh crore (3.5 per cent of GDP) as compared to INR 9.36 lakh crore (4.6 per cent of GDP) in 2019. In the first eight months of 2020-21, fiscal deficit stood at 135.1 per cent of the budgeted level.

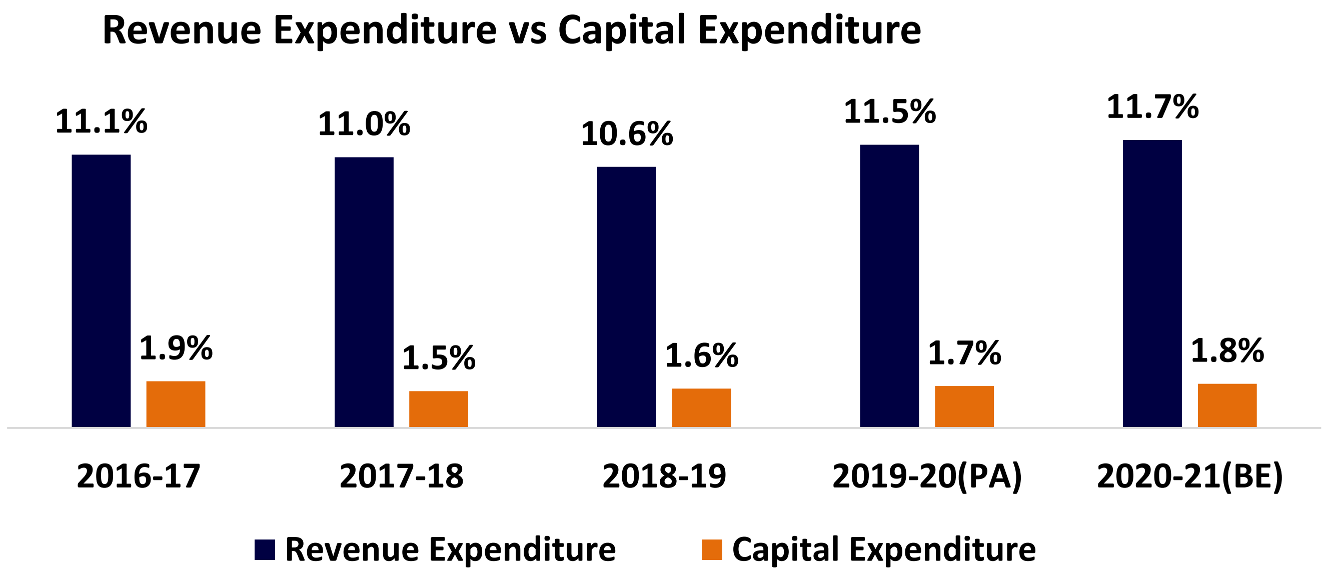
- The Balance of Payments (BoP) position of India improved from accumulated foreign reserves of US$ 304.2 billion at end of 2013-14 to US$ 477.8 billion at end of 2019-20.

- The Current Account Deficit, which averaged 2.2 per cent of GDP in last 10 years, turned into surplus at 0.1 percent of GDP in Q4 2019-20. In first half of FY 2020-21, a steep contraction in merchandise imports and lower outgo for travel services led to a sharper fall in current payments (by 30.8 per cent) than current receipts (15.1 per cent) – leading to a current account surplus of US$ 34.7 billion (3.1 per cent of GDP). Given the trend in imports of both goods and services, it is expected that India will end with an annual current account surplus of at least 2 per cent of GDP..

- First half of FY 2020-21 saw modest net capital flows at US$ 16.5 billion, as against US$ 40.0 billion in similar period of FY 2019-20, mainly accounted for by net repayments of external commercial borrowings (ECBs) and decline in banking capital. However, there is an increase in net foreign investment to US$ 31.4 billion in first half of FY 2020-21, vis-à-vis US$ 28.7 billion in corresponding period a year ago.

Other Key Highlights:

- Revenue Expenditure as per cent of GDP has increased from 11.5per cent in 2019-20 to 11.7 per cent in 2020-21. Similarly, capital expenditure as per cent of GDP has increased from 1.7per cent in 2019-20 to 1.8per cent in 2020-21.



Source: Economic Survey 2020-21

- During April-October 2020, net FDI flows recorded an inflow of US$ 27.5 billion, 14.8 per cent higher as compared to first seven months of 2019-20. It is an endorsement of India's status as a preferred investment destination amongst the global investors.

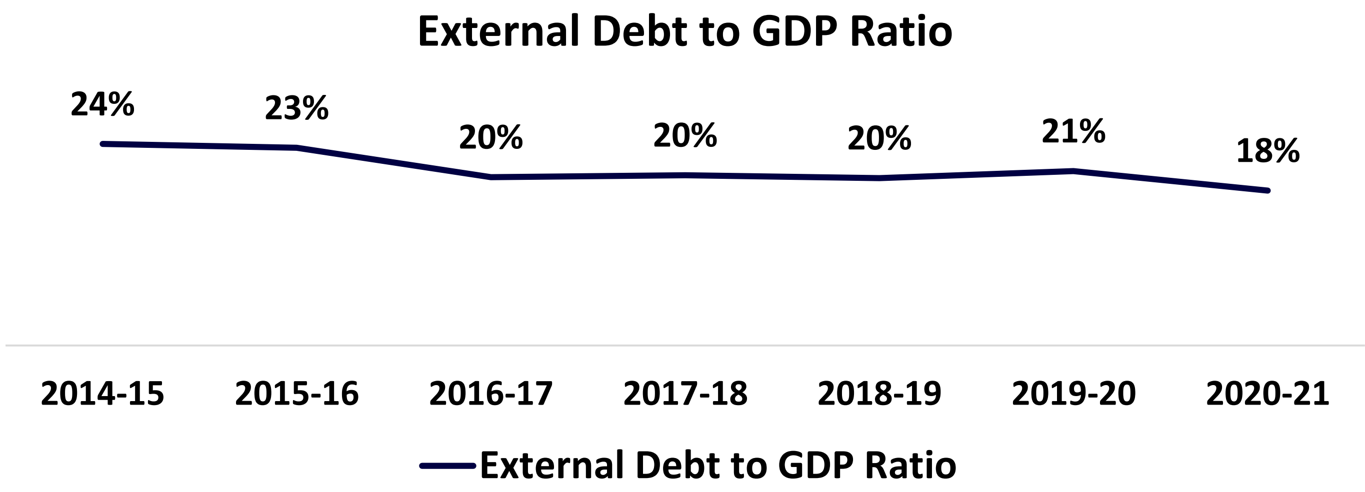
- As far as sector-wise FDI is concerned, computer software and hardware attracted the highest FDI equity inflows of US$ 17.6 billion in April-September, 2020 vis-à-vis US$ 4.0 billion in April-September, 2019.

- Years 2019 & 2020 are landmark years in history of labour reforms as 29 central labour laws amalgamated, rationalized and simplified into Four Labour Codes.

- Unemployment rates at all India level declined to 5.8 per cent in 2018-19 from 6.1 per cent in 2017-18.

- Online schooling has taken off in a big way during pandemic. Percentage of school students owning a smartphone increased from 36.5per cent in 2018 to 61.8 per cent in 2020 in Rural India

- Agriculture sector is projected to clock 3.4per cent growth, while industry and services are expected to contract by 9.6 per cent and 8.8 per cent, respectively.



Source: Economic Survey 2020-21

- India’s external debt to GDP ratio has been well below the optimal zone over the years as it came down from 38.7 per cent in 1992-92 to 21 per cent in 2019-20 and has now further declined to 18 per cent in 2020-21.

“Based on the comments made in the Economic Survey, we expect the Union Budget to incorporate a growth in gross tax revenues of 15-16per cent, which in conjunction with a stiff target for disinvestment proceeds, would allow the Government to project a considerable expansion in spending, especially on capital expenditure. The ensuing higher GDP growth, would help Union Government finances to revert to a sustainable fiscal trajectory over the medium term.

In line with our estimate that the Government of India will target a fiscal deficit of 5.0per cent of GDP for FY2022, we peg its gross dated borrowings at Rs. 11.7 trillion for the coming fiscal.”

~Aditi Nayar, ICRA Ltd's Principal Economist

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