



- ECONOMIC SURVEY 2020-21

Economic Survey 2020-21

- It is a survey presented by Chief Economist and his team covering the developments in Indian Economy in last one year
- It has two volumes: 1. Current Economic Trends
2. Statistical Data
- Front Page: Depicting Covid-19 , Front line staff, V-shaped recovery and various Risks and Opportunities
- Theme: 'Saving lives and Livelihoods'
- Shloka: 'Saving a life that is in jeopardy is the origin of Dharma' ---Mahabharata Chapter 13 Shloka 598

Projections

- The Economic Survey projects India's real GDP to record at 11% growth in 21-22 and nominal GDP to grow by 15.4% highest since independence.

NOTES:

- Real GDP: Real GDP is an inflation adjusted GDP to reflect the value of goods and services produced by an economy in a given year, expressed in base-year prices. Also referred to as constant-price GDP, inflation corrected GDP.
- Nominal GDP: Nominal GDP measures a country's GDP using current prices, without adjusting for inflation.
- The present base year for GDP is 2011-12.

V-shaped Recovery

- While there was a 23.9% contraction in GDP in Q1, the recovery has been a V-shaped one as seen in the 7.5% decline in Q2 and the recovery across all key economic indicators.

NOTES:

- V-Shaped Recovery;
V-Shaped recovery is a type of economic recession and recovery that resembles a 'V' shape in charting

After a sharp economic decline there is a quick & sustained recovery in measures of economic performance.

Fiscal Deficit

- The target of Fiscal Deficit is 3.5% of GDP. (7.96 lakh crore)
- This will be missed.
- As there is a need for more sustained & calibrated measures to facilitate the process of economic recovery
- Fiscal Deficit April-December 2020 stood at Rs. 11.58 lakh crore exceeding the Budget target by 145.5%
- Receipt: 11,21,678 crore Expenditure: 22.8 lakh crore
- This is due to Counter-cyclical-policy: Which is when a government spends more or provides tax relief during a slow down.

Agriculture

- The Agriculture sector clocked a growth of 3.4% at constant prices during 2020-21. In 2019-20 it was 2.8%
- Food subsidy Bill is becoming unmanageable large. It called for a revision in central issue price, which remained at Rs. 2 and Rs. 3 per kg for wheat and rice respectively since 2013.
- Rabi sowing at a record 685 lakh hectares that is about 3% more than 666 lakh hectares last year
- Areas under major rabi crops wheat, gram and mustard. Wheat sown over 336 lakh Ha, Gram 112 lakh Ha, Mustard 74 lakh Ha.
- Total pulses 167 lakh Ha last year 163 lakh Ha
- All major rabi coarse cereal crops such as barley, jowar and maize registered a dip in area sown

Healthcare Expenditure

- Spending on Healthcare need be 2.5-3% of GDP.
- Increased healthcare spending can reduce out-of-pocket expenditure from 65% to 35%

NOTES:

- **Out-Of-Pocket Expenditure:**
Out-of-pocket payments are expenditures born directly by a patient whereas insurance doesn't cover the full cost of health good or service.
They include cost-sharing, self-medication and other expenditure paid directly by a private household.

Improvement in access to bare necessities

- There has been a pan India improvement in access to bare necessities for both rural and urban India in 2018 as compared to 2012.

NOTES:

- Bare Necessities Index:
The index summarizes 26 indicators on five dimensions
Water
Sanitation
Housing
Micro-environment
Other Facilities

Bare Necessities Index

- The Index has been developed as a means of assessing economic development using the 'basic needs' approach
- It has been defined based on data collected by the National Statistical Office during 2012-2018 as National Family Health Surveys
- Examples of parameters:
 - Type of kitchen
 - Ventilation in dwelling unit
 - Access to bathroom
 - Electricity
 - Type of fuel used for cooking
- Punjab, Kerala, Sikkim, Goa, Delhi IMPROVED
- LOWEST AT INDEX: UP, MP, Bihar, Jharkhand, West-Bengal, Odisha, Assam, Manipur and Tripura

Bare Necessities Index

- A BNI value has a range of 0 to 1, with 0 being the least desirable and 1 being the most desirable score
- In 2012, only Delhi and Goa had a BNI score of over 0.7 for both urban and rural households.
- In 2018, nine states and Union Territories- Kerala, Goa, Gujarat, Punjab, Haryana, New Delhi, Sikkim and Mizoram- logged a score of more than 0.7.
- The number of states who posted an unideal score of below 0.5 has fallen from 12 to 4.

Inflation

- The Economic Survey has suggested focusing on core inflation to get a clear picture of the inflation in the country.
- Sole focus on combined CPI inflation may not be appropriate.
- The current spike in consumer price-based retail inflation of food prices is mainly a supply-side phenomenon.
- Food habits have undergone revisions since 2011-12, which is the CPI base year, the same is not reflected in the index yet.
- The base year of CPI therefore needs to be revised to overcome the measurement error that may be arising from the change in food habits.
- Therefore greater focus on core inflation is warranted.

Inflation Notes

- **Headline inflation:** is the raw inflation figure reported through the Consumer Price Index (CPI) that is released monthly by the Bureau of Labour Statistics.
- The CPI calculates the cost to purchase a fixed basket of goods, as a way of determining how much inflation is occurring in the broad economy.
- **Core Inflation:** is commonly defined as a measure of inflation that omits changes in food and energy prices. As some goods and commodities have extremely volatile price movements like food and energy.
- **Retail Inflation:** Retail Inflation often refers to the rate of inflation based on the consumer price index (CPI). The change in price index over a period of time is referred to as CPI-based inflation, or retail inflation

Service Sector

- Service sector likely to contract by 8.8% in FY 21 despite record 34% jump in FDI inflows
- There is likely drop in contributions from Tourism, Aviation, Hospitality sectors during 2021.
- Service sector accounts for 54% of the country's economy

Need for Banking Fresh Asset Quality Review

- At present NPAs estimated to be 7.5% of all loans
- GNPA ratio is expected to rise to 13.5% in September 2021

NOTES:

- GNPA stands for gross non-performing assets. It is the amount of all loans defaulted on by people who have received loans from the banking institution
- NPA stands for a non-performing asset: is a loan or advance for which the principal or interest payment remained overdue for a period of 90 days.
- GNPA Ratio: GNPA is the ratio of the total GNPA of the total advances.

NPAs

- Net NPAs: Net NPA is a term used by commercial banks to indicate less allowance for poor and uncertain debts than the amount of non-performing loans.
- Net NPA = $(\text{Total Gross NPA}) - (\text{Provision for unpaid debts}) / \text{Gross Advance}$

NOTES:

- Banks need support in terms of funds infusion as banks are the prime source of credit creation in money market which is essential for investment in infra spending and job creation and improving GDP of the country.

Core Infrastructure Output Contracts 1.3% in December

- Core infrastructure output contracts 1.3% in December
- 8 core industries constitute 40.27% of the Index of Industrial Production (IIP)
- Barring coal and electricity, all sectors recorded negative growth in December 2020.

- Eight core sectors are

Electricity	Steel	Refinery products
Crude oil	Coal	Cement
Natural Gas	Fertilizers	

- Weightage:

Petroleum & Refinery production:	28.04%
Electricity Generation.	: 19.85%
Steel production	: 17.92%
Coal production	: 10.33%

Core Industries / IIP

- Index of eight core industries is released by ministry of Commerce and Industries.

Index For Industrial Production: (IIP)

IIP is an index which shows the growth rates in different industry groups of the economy in a stipulated period of time.

- IIP is compiled and published monthly by the National Statistics Office (NSO), Ministry of Statistics and Programme Implementation six weeks after the reference month ends
- The IIP is a composite indicator that measures changes in the volume of production of a basket of industrial products over a period of time.
- IIP's current base year is 2011-12 since May 2017

On Line Schooling

- The Economic Survey 2020-21 stated that if the country leverages on the surge in adoption of online schooling, it can reduce inequalities in education outcomes with reduction in digital divide between rural and urban, gender, age and income groups.
- PM E-Vidya is an important initiative, which is a comprehensive initiative to unify all efforts related to digital, online and on-air education to enable multi-mode and equitable access to education for students and teachers.
- Around 92 courses have started and 1.5 crore students are enrolled under Swayam MOOCs which are online courses relating to NIOs.
- While Rs. 818.17 cr. Has been allotted to States /Uts to promote online learning through digital initiatives, additional amount of Rs. 268 cr. Has been allotted for on line teacher training under 'Samagra Shiksha Scheme'.

R&D Investment

- India's business sector contributes the lowest to R&D compared to each of the top ten economies in terms of GDP.
- It needs to significantly increase investments in R&D if the country's aspiration of emerging as the third largest economy is to be met.
- Present investment 0.7% of GDP need to be 2% of GDP
- Indian residents contribute only 36% of patents filed in India compared with 62% on an average in the top-10 economies
- Tax incentives for R&D are more liberal in India when compared to top-10 economies

Rapid Broadband Penetration

- Growth has been rapid. 776.45 million subscribers at the end of September 2020.
- The wireless data usage grew at an exponential rate during 2019 and was at 76.47 Exa bytes (one billion GB). In 2020 upto September it had reached 75.21 Exa bytes
- The telecom sector plays an important role in implementation of JAM-trinity (JanDhan-Aadhar-Mobile) based social sector schemes and other pro-development initiatives of the government.
- The sector has been recognized all over the world as ‘a powerful tool for development and poverty reduction,’

Rapid Broadband Penetration

- As on January 15, around 4.87 lakh km of optical fibre cable has been laid to cover 1.63 lakh Gram Panchayats and nearly 1.51 lakh GPs have become service-ready.
- Average wireless data consumption per subscriber per month has also increased from 9.1 GB in March 2019 to 12.2GB in June-2020.
- The reduced cost of data could enable affordable internet access at a rapid pace. As on June 2020, the cost of wireless data stood at Rs.10.55 per GB.
- Share of landline telephones now stands at only 1.7%
- The overall tele-density in India stands at 86.6% at the end of November2020, tele-density in rural: 59.1% Urban: 139%

Exports

- India can improve its export performance by building specialization in products in which it has comparative advantage such as cotton, carpets and other textiles, rather than spreading its exports thinly over many products.
- Bangladesh has managed much higher export growth CAGR 8.6%. The top five export commodities account for more than 90% of total exports. These five commodities mainly pertain to textiles & apparels and footwear industry, which are highly labor-intensive.
- Bangladesh exports those commodities where it has a comparative advantage.
- India's export performance is broad-based as the top five export commodities jointly contributes around 40% of total exports.

Exports

- The disruption of global manufacturing value chains due to the Covid-19 pandemic presented a big opportunity for India to become one of the key nodes in the chain.
- In pharmaceutical exports India held the potential to be the pharmacy of the World
- Export improvements are noticed in exports of software and agriculture and allied products.
- There has been improved equity capital inflows, robust FDI inflows and build-up of foreign reserve (all time high \$ 586.1 billion on January 8th 2021).
- All this give the much-needed space for enhanced domestic investments.

Air Passenger Traffic

- Air passenger travel and aircraft movements are predicted to reach pre-Covid levels in early 2021
- India is expected to become the third largest overall aviation market, including domestic and international traffic by fiscal year 2025.
- Cargo took the lead in transporting life-critical supplies to the remotest corners of India under the government's Lifeline UDAN initiative.
- Freight carried April 2020- 0.5 lakh tonnes, November 2020- over 2 lakh tonnes

Issue of climate Finance

- The Economic Survey has made a strong pitch for developed nations to transfer money to developing countries in the fight against climate change
- The world that benefitted from carbon emissions that made them developed, must repay.
- There is insufficient transfer of funds to the Green Climate Fund (GCF). Target was \$100 billion a year by 2020 to address the needs of developing countries. In contrast contribution is \$10.3 billion
- Today, China, the US in that order, remain the three biggest emitters of Carbon Dioxide. While India's emissions growth rate is the highest among the three, the country also has a comparatively lower base as well as a much more energy-starved population. On an average basis, an American's carbon footprint continues to be about 27 times that of an Indian.

Bet on Growth

- There is emphasis on government expenditure even at the cost of high fiscal deficit.
- Government spending during economic slow down is considered stimulus to economy
- This stimulus is likely to create inequality in the society, however it is also estimated in case of growth in economy (increase in GDP) the growth will take care of poverty and inequality.

Thank You