

Indian Economy: Some Contemporary Perspectives
Professor. Wasim Ahmad
Department of Economic Sciences
Indian Institute of Technology, Kanpur
Lecture No. 39
Indian Economy- Indian Economic Outlook (2020-21)

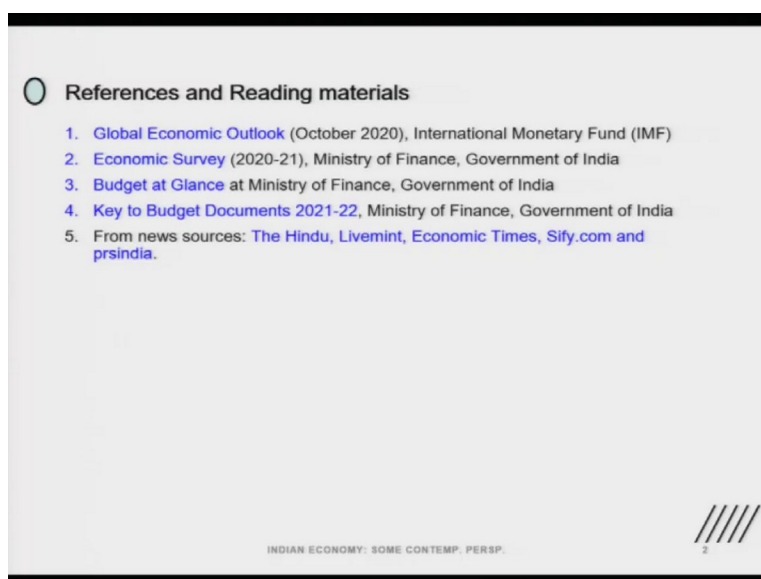
So, hi everyone, we are going to talk about the one of the topics that I have mentioned in the in the course syllabus about the current economic outlook. So, India's current economic outlook. So, we will be now, spending a one hour time, two sessions on how we can understand the India's economic outlook better, this particular topic may be changing from time to time.

So, but I would recommend everyone that whatever we have covered so far, in terms of the covering up the different sectors, that background will also help you understand the current economic outlook. There are certain things those who are from economics, you must be knowing that the basic understanding of economics is required, some indicators that you should be knowing, those who are from non-economics, I would request all of you to at least go through some basic of economics.

For example, even the NCERT book of 12 standard will be more than sufficient to understand the economic survey, especially with regard to how GDP is calculated and what is the definition of GDP, but in terms of when we mentioned about growth, so it is always considered in terms of GDP a real one, but when I mention, whenever there will be nominal, so nominal is a GDP is much higher compared to real. So, real will be lower because it is adjusted.

But once we have with regard, adjusted with regard to base rate, base year, but with nominal will always be higher. So, with this background in mind, let us start. So, I have referred economic survey.

(Refer Slide Time: 1:59)



So, for the in India we have economic survey, but this I am telling from the point of view of not economics, but from the non-economics audience also. So, if you want to read about the global economic outlook or if you want to know about the what is the economic outlook of global economy, so then there is a very valid and proper document credible document published by the IMF and you may be reading a newspaper that whenever IMF comes out with this report, there will be a lot of write ups in media and debate and discussion.

Because this particular report gives you the basic idea and forward looking scenarios that how a country is going to do in coming quarters or next year or 1 to 2 years. So, it is called Global Economic Outlook, published by the International Monetary Fund. It appears in the month of April and October. So, if you have a, if you go on the website, if you simply search on Google, global economic outlook plus IMF, you will have the, it will link to the IMF website and there you can download the data.

You can also download the full report executive summary will be more than sufficient to read about, but I would urge everyone to at least have a look at this document. Doctor. Gita Gopinath leads and she writes now. So, global economic outlook provides the insights about the global economies, developing European countries and it covers all the aspects of the macro economy. Then for India we have economic survey 2020-21 Ministry of Finance, government of India, chapter 1 I have referred.

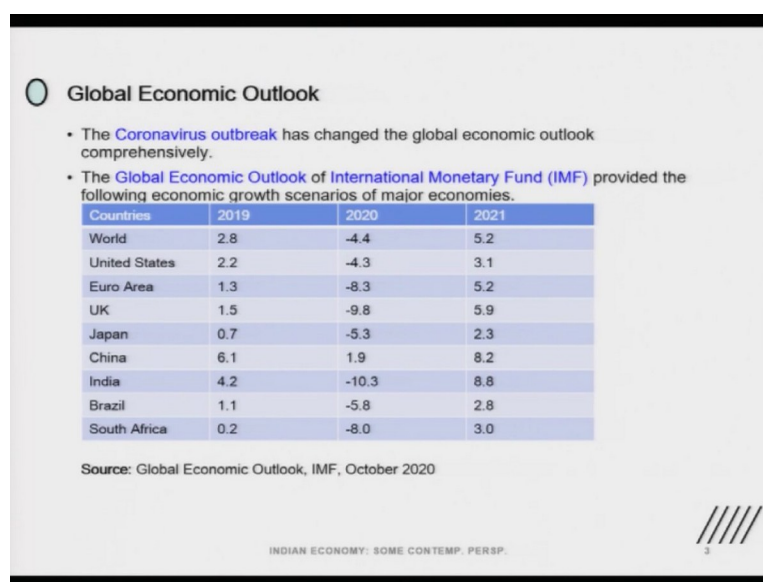
So, this about this talks about the major highlights of the economy, then we have the budget at a glance, at the Ministry of Finance we have said this document is very important to understand that how budget is formulated in India what all steps are followed what article

112 and how it talks about, what is the consolidated fund that we have for India. How it is generated? So, annual statement that we have, annual budget statement that we have what is the meaning of that.

Then here we have the key to budget documents 2021-22 this is also one important document to know about. Then I have also referred some of the web sources for example, the news website the Hindu, Livemint, Economics Time, Sify dot com and prsindia. So here you will have the full lot of summary of the budgets because on the union budget website, the Ministry of Finance website it is, it is given in, so the document is very large and even the highlights are not covered that much.

So, you will find some uniqueness with the analysis of each and every newspaper. So, you might be reading, those who are from economics, I would recommend that you should read at least one of the business dailies, either Economic Times or Business Standard or Financial Express or Business Line or whatever you feel accessible and I am saying in the form of hard copies, so you should always read the newspaper, because online content sometimes are not very useful. Livemint is one authentic sources that I always rely and rest of these sources are just because of their analysis.

(Refer Slide Time: 05:37)



Global Economic Outlook

- The **Coronavirus outbreak** has changed the global economic outlook comprehensively.
- The **Global Economic Outlook of International Monetary Fund (IMF)** provided the following economic growth scenarios of major economies.

Countries	2019	2020	2021
World	2.8	-4.4	5.2
United States	2.2	-4.3	3.1
Euro Area	1.3	-8.3	5.2
UK	1.5	-9.8	5.9
Japan	0.7	-5.3	2.3
China	6.1	1.9	8.2
India	4.2	-10.3	8.8
Brazil	1.1	-5.8	2.8
South Africa	0.2	-8.0	3.0

Source: Global Economic Outlook, IMF, October 2020

INDIAN ECONOMY: SOME CONTEMP. PERSP.

So, let us start. So, we had a very special year 2020, which gave us enormous experience in terms of not just the life but also about how we have to survive in a difficult period, difficult time. So, each and every one whosoever has seen those changes that we observed across our life and across country and across borders, we know that how difficult it was from the point of view of the existence and well-being.

And so far, in across the world, more than 100 million people are being suffered because of this, there are cases in India it has crossed more than 10 million cases. We have the, though we have the one of the highest recoveries in the world, but we still lost more than 100,000 lives 1.5 lakhs around and it goes beyond and we had the peak of this global pandemic that we had, because of the Coronavirus, it started with China, Wuhan province where it was first noticed and from there, it travelled across the world through the individuals traveling and then it became, it took the shape of pandemic in the mid-March.

Because in Europe, there was a lot of uncertainty with regard to the life and livelihood and there were a higher number of cases reported and even in terms of that numbers it was reported highest then the US took the lead and then after that Brazil, then we had Russia and then India join and we had the peak during September especially the second and third week, when we had experienced the largest number of cases and even doubling rate was quite high.

And then it became a quite a challenging time for the government and even for the individuals working in different domains supporting the exercise of the pandemic related measures and especially we had to take into account, we have a very harsh measures for example, we had to experience a lifetime experience of the lockdowns, where we had to put a check on our movements. So, those are the cases.

So, these are general cases, I think everyone has gone through the newspaper and everyone has fair idea, the experience that we have seen, but let us talk about the number. So, after that government took measures each and every country across the world took measures. So, I will give you the background of the economic growth scenarios that the country you are going to have.

So, we have the growth for 2019, 2020 and 2021. What will be the growth in 2021? You will find that global economic outlook it reports this in terms of outputs, so the world had the growth rate of 2.8 percent in 2009. Now it is in 2020 it is minus 4.4 and in 2021 it is going to be 5.2 in terms of output and then we have the US, it had the growth rate of 2.2. So, you will find that in 2020 each and every country is having the growth number in negative except China, China has reported the growth of 1.9 percent and it is positive and the lowest was in India.

So, I have given only the figures that I had for the leading economies, but not for all, so in case of India it came down to 10.3; then it was UK minus 9.8 and then as it is expected that in

2021 the output growth will be much better and each and every country you can see that in 2021 we have the positive number.

So, these numbers clearly indicate that there is a, there is a better future in terms of the growth because then we have the vaccine announcement, then there are governments taking care of the well-being of the individuals, now we have the proper mechanism of dealing with the pandemic in place. People are also habituated with the pandemic guidelines rules and they are also participating in the economy in the same way and they are behaving in the same way.

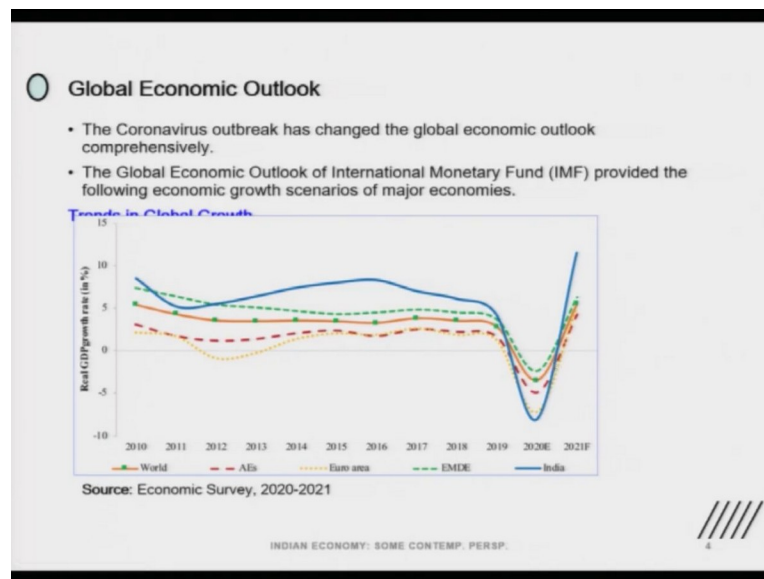
So, going ahead the futuristic scenario seems looks better and that is why in most of the countries there is a common term now being discussed is called V shaped growth, V shaped with growth means it is a quick fall at the same time it is a quick rise. So, whenever we have the quick fall and then we have the quick rise or takes the shape of v. So, we have the debate and discussion on how quickly we will be recovering if we have fallen very quickly.

So, the March month was the most difficult time and most of the countries across the globe, they had gone under lockdown, because at that time it was required and because of the panic and heightened uncertainty, it was also conducive to implement the law and people were also quite quiet not very familiar with such experiences. So, that is why across the world, government had gone for lockdown.

So, during March and to some extent, April in each and every country, the maximum fall period and after that, when the economy started opening up in a phase wise manner, then each and every country had shown some kind of upward movement and that shows that the pandemic was some kind of structural break in the movements of the macro indicators and it can only be understood when we have proper figures in place.

So, maybe after 1 or 2 quarters we will have the proper analysis that how quickly we have recovered if we had gone down or we had gone for a quick fall. The source of this table is global economic outlook, IMF October 2020.

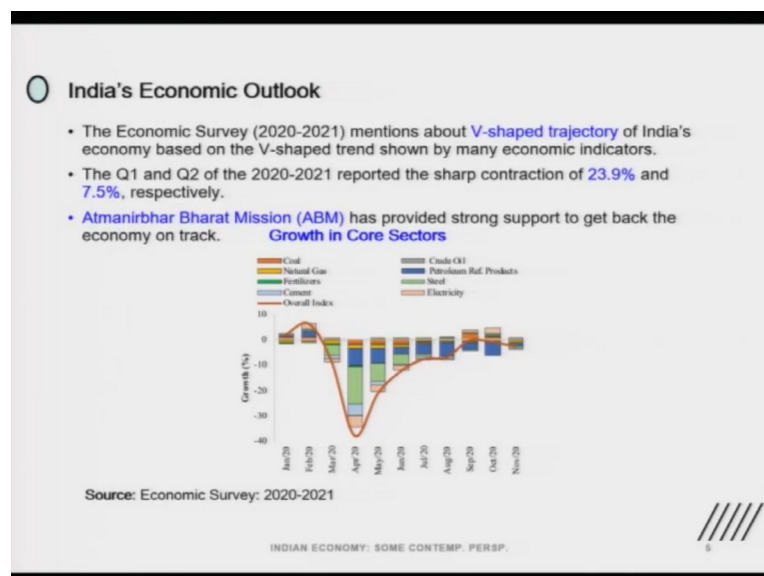
(Refer Slide Time: 11:53)



And here we have the trends in global growth. So, this is mentioned in economic survey 2020-2021 and we can see that how we have gone by this in terms of 2020, this shows that this is the India's fall and all the countries have also gone by the same given the, given the stage of development in the countries are and given the socio economic scenarios, the impact may not be that high, but it will it is clear that each and every country has experienced a slowdown or major a quick fall year and that is why it is a V shape.

So, the V shaped recovery that we are talking about it is about the V shape that it has fallen and then again we started recovering very quickly as the lockdowns were relaxed and the economies were moving.

(Refer Slide Time: 12:47)



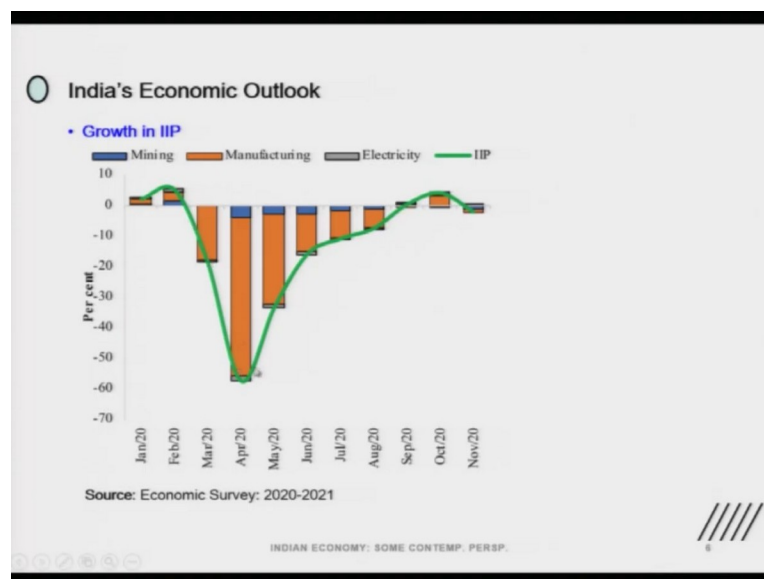
And economic survey highlights basically the V shaped trajectory of India's economy based on the V shaped trend shown by many economic indicators, it talks about how we have a different set of laws dealing with different activities, I have supported the V shaped trend basically the E-bills then we had the, we had the industrial growth and then we also had the agriculture supporting, so those indicators have a the quarter 1 and quarter 2 of the 2020 reported the sharp contraction of minus 23.9 and minus 7.5 percent respectively.

So, 2021 quarter 1 and quarter 2o was one of the hotly discussed topic. Government also took a stimulus package and it is called Aatm Nirbhar Bharat mission under that it has provided support to a large number of activities including the social sector, where it has given the Social Security's in terms of providing food and even transferring some benefits, some amount to the needies and that is why it is called that these measures have helped the India to take the V shaped recovery.

And if you take into account the core sectors, the 8t core sectors that we have and this is the IP index of core sectors. So, you will find that, in this we had the steel going down very quickly, then we have the electricity, so almost all sectors during March and especially April it had gone down quite significantly then it started recovering and by August we had almost somewhat and especially on the positive side we had the fertilizer going up, then we had the coal and then we had the fertilizer plus then we had the electricity, the utilities have recovered and then by October we had the mix of coal, then we had the mix of fertilizers steel and then we also had the electricity sector.

So, most of the all sectors have come up and then after that, again we had the small contraction because at that time we started, we started putting a check because after September there was a peak of the Coronavirus cases and that is why the government had to do took some cautious measures on the movement of people and that also had impacted.

(Refer Slide Time: 15:23)

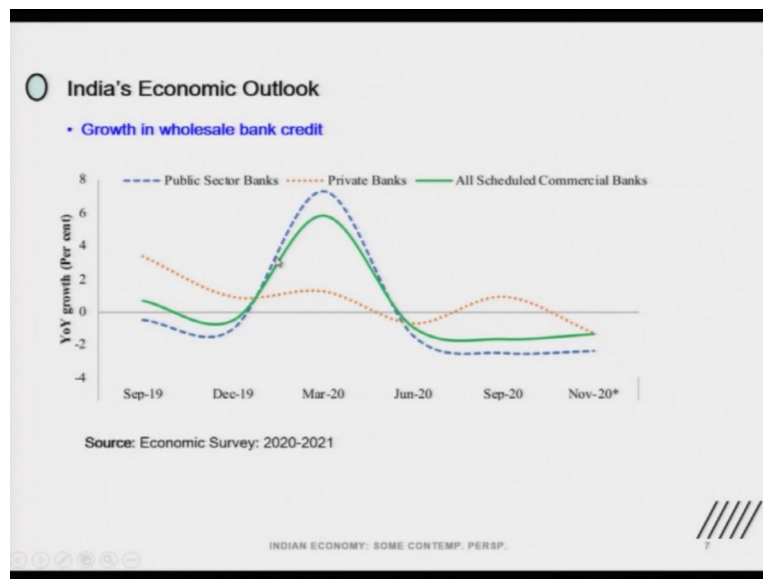


So, here in terms of mining, manufacturing electricity, so these are the three indices that we have 70 percent weight goes to the manufacturing, we have already discussed when we were discussing the industrial sector.

So, growth in IIP, you can see the manufacturing sector has gone down quite significantly, the mining is less, then we have the electricity, but after that the manufacturing sector contraction has come down and now it has shown positive but after October it started going down, but we had seen that the jump that we had taken in terms of July August that helped, but September the measures whatever we had, that was that started reflecting the impact in the later periods.

But overall the V shaped trend that we have V shaped trajectory, it looks here. So, in the April when we had locked down, so this way the period and then when we started relaxing the lockdowns, we saw that the activity started coming back. So, this is also one aspect.

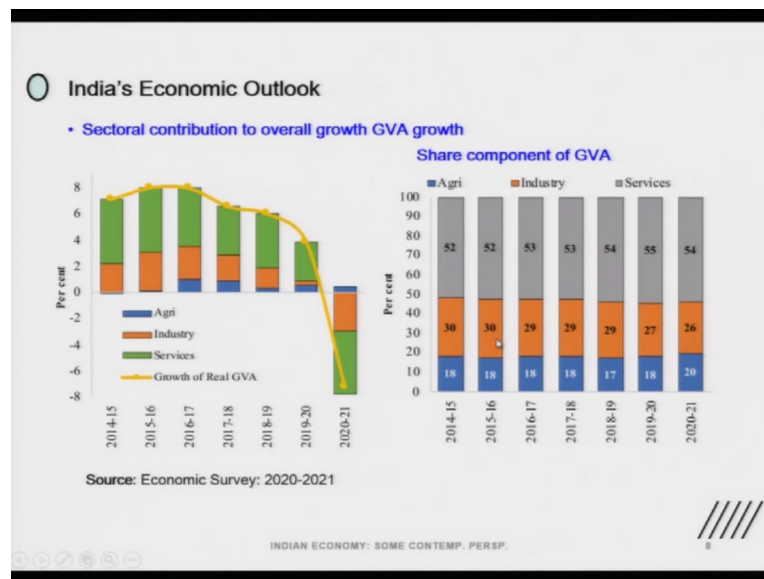
(Refer Slide Time: 16:23)



In terms of the wholesale bank credit that we had, during March it has shown that the all schedule commercial banks had gone for a measure, they were given incentives and the government also took measures for relaxation under the schemes and at that time the public sector banks and all schedule commercial banks had shown the positive trend, but after that, it started declining, because after that we had June and July, August there in private sector again had the consistent performance, but after that the public sector banks and the commercial sector have gone down.

So, this also is that during this period, we had a lot of activities in terms of going for in terms of bank credit given to the firms and all other because at that time, there were measures taken to make sure that especially the MSME industries were given incentives, so that there will not be any kind of upheavals in the labour market industry, but it was also not very successful measure.

(Refer Slide Time: 17:29)



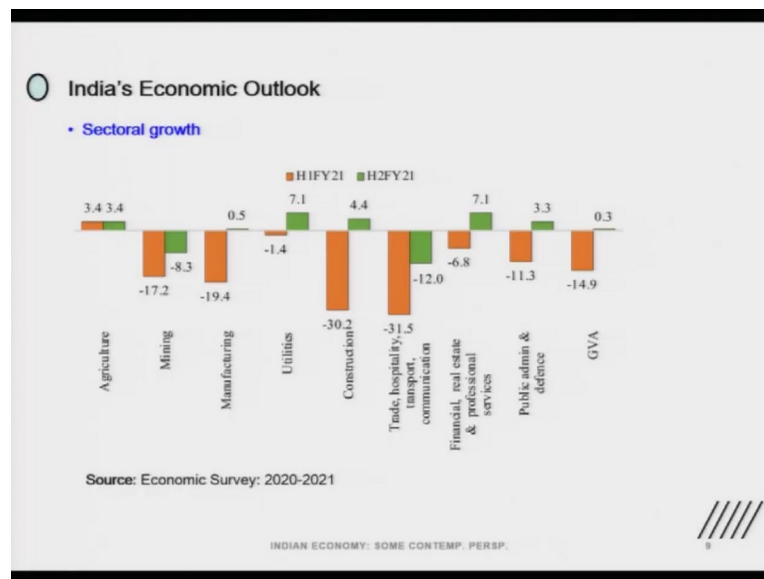
If you think in terms of sectoral contributions, then it is important to note here that in terms of sectoral contributions, there are some aspects which are really worth discussing here. So, here it talks about the sectoral contribution in terms of overall growth. So, gross value added that we have. So, agriculture became one of the most important sector to be considered and especially in 2020 you can see that agriculture is still the positive.

So, silver lining sector that we had during pandemic it was agriculture, but industry and services have gone down, especially the services sector had gone down quite considerably in 2020-21. So, the farming sector, even during the lockdown and post lockdown period, the farming sector was the sector which recovered the most and other all these sectors at negative

In terms of share, if you see. So, agriculture had 18 2014 now, in 2020-21, we have the 20 percent share. In case of agriculture, in case of industry it has come down, so 30 percent was in 2014-15. Now, it is 26 and then we have the services, it has also gone up 54. So, one good thing that has happened that agriculture has increased the share.

So, now the share is 20 whereas the industry has come down and that may be whatever measures that we have taken under the Aatm Nirbhar scheme that will further boost these industries to take it forward and they may have the better scenarios. But as of now, during pandemic, agriculture seems to be the only most relieving sector that has given the positive outcome.

(Refer Slide Time: 19:26)



In terms of sectoral growth, if you see. So, sectoral growth, it appears to be the same 3.4, 3.4 from both sides, then we have the mining it has come down very significantly. Then we are the construction, the maximum impacted sector. Then we are the trade hospitality, transport communication finance sector it has not shown much, so this is H1, H1 means first 6 month and H2 means the, from Jan to you can say June and June beyond.

So, this is what we have the H1 and H2. So, under H1 you can also kind of include in case of India first April. So, accordingly you can calculate 6 months from there and beyond that. So, for six months you can see most of these sectors are in negatives, except agriculture. But after in the next 6 month, means two quarters that we had, we started seeing the utilities showing the maximum growth 7.1 and utilities are those electricity and the health care which is also basically the suppliers that were involved.

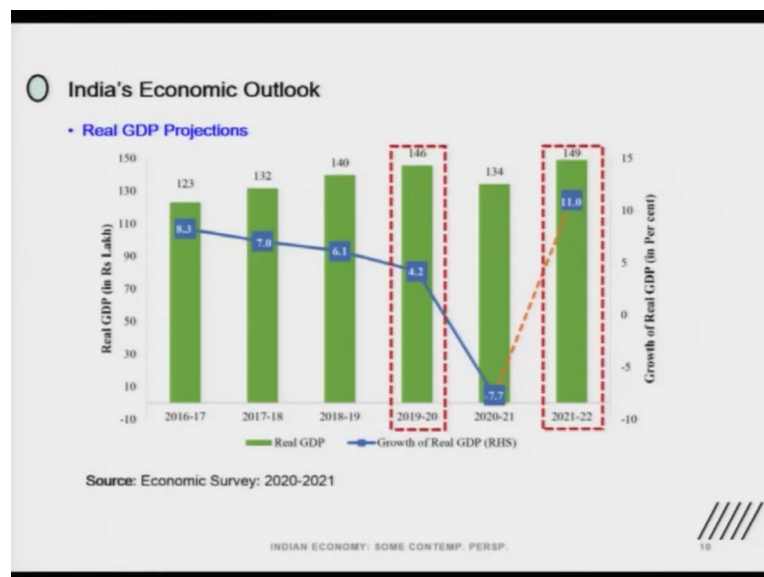
And also we started seeing growth in 7.1, in terms of professional services that also include the health services and others, public administration defence also saw the growth of 3.9. So, this is how it looks like because we were dealing with pandemic and we wanted some kind of production activities, so utilities also took over for. For instance, whatever we had the services provided during the lockdown, we had railways and all other services provided.

And then the health and others are included in the professional services and this is how it looks like it has gone up. Since a pandemic was more to deal with the travel and we had a lockdown. So, travel and tourism industry had the bad times again. Then the construction because of the migrant workers they were not given that much and they were also subject to the force moment and they were forced to move from one place to another place. So, that is

why the impact is visible here also, so the construction sector was mostly devastated by this pandemic.

The manufacturing, especially the largest scale units where in deep trouble, they even MSMEs because of the movement of the migrants worker. So, basically the contractual worker based industries, where the contractual workers are more in number they are more impacted. So, this seems to be in the case of manufacturing it is highest, then we have the construction, where you have the migrant working or basically the contractual worker size is more and then we have the trade of hospitality and other sectors where it is higher. So, this is how the sectoral growth looks like.

(Refer Slide Time: 22:26)

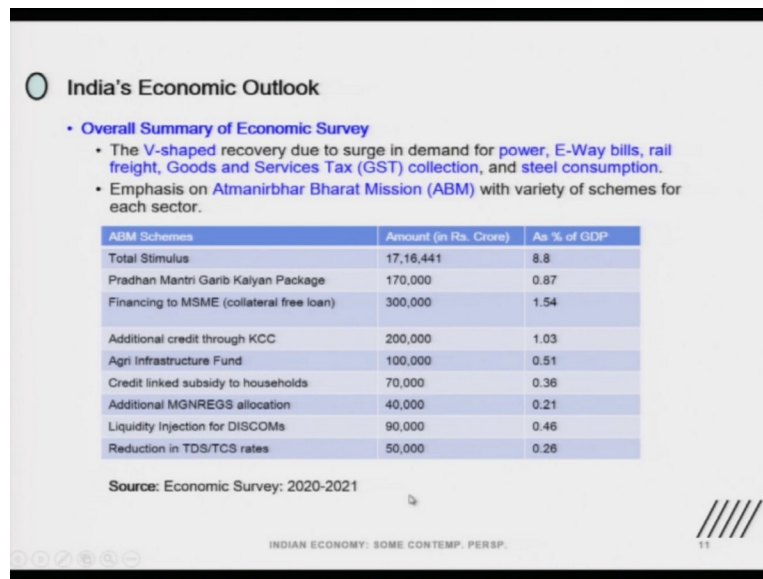


Economic survey also mentions about the growth scenario. So, it mentions that in 2021-22 we will have the growth of 11 percent keeping in mind that whatever measures that we have taken or whatever rules that we have defined in terms of dealing with the pandemic and whatever expenditure that we have made, this will give us the idea and when we have the vaccination program running and there will be a lot of positive sentiments moving around, then automatically this will help in reviving the economy.

So, it is expected that the real GDP growth will be around 11 percent in double digit, so that is a quite ambitious scheme, because here it looks like that in case of Aatm Nirbhar Bharat scheme, the benefits that the investors have received and we are still to, we are yet to see the numbers and we have to see that how quickly the manufacturing sector recovers and how quickly we have the numbers coming from the manufacturing sector, which are in large number.

Services sector, since it is dependent upon the outlook of the outside countries, which means that we have to, we are more dependent on the US for the services sector growth and especially in case of hospitality and tourism, we are more dependent upon the moment from outside. So, there is a whole lot of benefit given to revive these, these sectors from the moment of or from the contributions of domestic economy. But it looks like it will take some more time to think about. So, this is one aspect to deal with and this is how it mentions about.

(Refer Slide Time: 24:17)



India's Economic Outlook

- Overall Summary of Economic Survey
 - The V-shaped recovery due to surge in demand for power, E-Way bills, rail freight, Goods and Services Tax (GST) collection, and steel consumption.
 - Emphasis on Atmanirbhar Bharat Mission (ABM) with variety of schemes for each sector.

ABM Schemes	Amount (in Rs. Crore)	As % of GDP
Total Stimulus	17,16,441	8.8
Pradhan Mantri Garib Kalyan Package	170,000	0.87
Financing to MSME (collateral free loan)	300,000	1.54
Additional credit through KCC	200,000	1.03
Agri Infrastructure Fund	100,000	0.51
Credit linked subsidy to households	70,000	0.36
Additional MGNREGS allocation	40,000	0.21
Liquidity Injection for DISCOMs	90,000	0.46
Reduction in TDS/TCS rates	50,000	0.26

Source: Economic Survey: 2020-2021

INDIAN ECONOMY: SOME CONTEMP. PERSP.

So, the overall I have given you the just summary of this. So, here I mentioned that the V shaped, the trajectory of V shape it is being told because of the power E way bills, then rail flights, good services tax collection and still consumption. But if you take into account I have just given the summary of the schemes that government implemented and what was the allocation.

So, the total is a stimulus that government has announced it was about 17 lakh crore and this was 8.8 percent of GDP and then we had the financing to MSME. It was about the 300,000 crore and then we had the additional credit through KCC. The Kissan credit card it was also about 200,000 cores. Then we had the agri-infrastructure fund, it was also 100,000 crore, so the measures we once which I thought it is good for you to at least have a, have a look at it, I mentioned.

(Refer Slide Time: 25:15)

India's Economic Outlook

- **Overall Summary of Economic Survey**
 - The major sectors which have shown the path of recovery are **agriculture** that has remained the silver lining while **contact-based services, manufacturing, construction** were hit hardest, and have been recovering steadily.
 - **Agriculture** has remained the most buoyant sector with the growth of **3.4%** with the GVA share of **17.8%** for the FY: 2019-2020.
 - During 2019-2020, the major destinations of **agricultural exports** were **USA, Saudi Arabia, Iran, and Bangladesh**.
 - The major items were **marine products, basmati rice, buffalo meat, spices, non-basmati rice, cotton raw, oil meals, sugar, castor oil and tea**
 - **Manufacturing sector** has also recorded a **V-Shaped recovery** as most of the core sectors in IIP index has shown the similar trends.
 - The cumulative growth of core industries during April-November 2020 was **(-) 11.4% as compared to 0.3%** during April-November 2019.

Source: Economic Survey: 2020-2021

INDIAN ECONOMY: SOME CONTEMP. PERSP. 12

Then the overall, all this is the summary that I have to highlight and it looks like the going ahead this scenario will be much better and most of the, whatever the economic survey it mentions about, it will have some kind of positive impact or the or it materialize in future. So, the overall what we have discussed so far is that we have tried to understand the scenarios, whatever we had in 2020-21 about the economy and I have referred the economic survey chapter 1 from the volume 2, so I would request all of you to go through. Thank you. Thank you so much.