

30 January 2021

## Economic Survey 2021

### Key Highlights

- **GDP Growth** FY20-21 will be -7.7% and that of **FY21-22 will be 11.0%**
- **V-shaped recovery** is due to resurgence in high frequency indicators
- **Current Account surplus** after 17 years in FY20-21
- **Agriculture and allied sectors will be the sole bright spot** amid the slide in performance of other sectors
- Prescribed an early withdrawal of the **regulatory forbearance**
- Highlighted the need for **healthcare sector regulator** and **increase in public expenditure** on healthcare

The Economic Survey **authored by Chief Economic Advisor, KV Subramanian**, was tabled in the parliament on 29 January 2021. Some of the **key highlights** of the survey are:

- Indian Economy is expected to grow at **11.0%** in real terms i.e. adjusted for inflation, during **FY2021-22**. However, it has to be kept in mind that this growth will be on a low base of **contraction in gross domestic product of 7.7% in FY2020-21**.
- India's **V-shaped recovery is due to resurgence in high frequency indicators** such as power demand, rail freight, e-way bills, GST collection, and steel consumption.
- India is likely to post a **current account surplus after a gap of 17 years, at 2% of GDP** during FY2020-21, on back of resilient software services export.
- **Agriculture and allied sectors will be the sole bright spot** amid the slide in performance of other sectors.
- Prescribed an **early withdrawal of the regulatory forbearance** that was adopted in the wake of the pandemic to ward off the threat of financial sector failures impacting the real economy. Further it articulated the need for Asset Quality Review (AQR) exercise must be conducted immediately after the forbearance is withdrawn.
- It suggests **creating agencies to assess the quality of the healthcare providers – both doctors and hospitals; and patients**.
- Further in the **healthcare sector** the economic survey asked for **increasing the public spending on the same from 1.0% of GDP now to 2.5-3.0%**.
- As per the survey, the **current spike in consumer price-based retail inflation of food prices is mainly a supply-side phenomenon** and suggested a revision in the weightage of food items to gauge the true picture of inflation in the country.
- **Gross tax revenue** earned during April to November 2020 **fell by 12.6% to Rs. 10.26 lakh core** on the back of severe beating to the economy. The full year number are expected to fall well short of the budgeted Rs. 24.2 lakh core.
- **Disinvestment target took a major beating during the fiscal** with the government been able to meet only 7.2% of the targeted Rs. 2.1 lakh crore.
- The survey expects **things to improve in the second half of the fiscal** but with investment as well as private consumption contracting during the course of the whole year, **(government has come as the spender of the last resort)** the **ability of the economy to create jobs continue to be limited**.

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