

## Finance and Industry

### Macroeconomic Developments

#### Economic Growth in 2020-21

In 2020-21, COVID-19 and measures to tackle it such as the national lockdown affected the overall output of the economy. India's real Gross Domestic Product (GDP), i.e., at 2011-12 constant prices, is estimated to contract by 8% over the previous year.<sup>168,169,170</sup> In comparison, India's real GDP is estimated to have grown at the rate of 4% in 2019-20. In 2020-21, other than agriculture and electricity, all other major sectors are estimated to observe a contraction (Table 4).

**Table 4: Gross Value Added (GVA) across sectors at constant prices (growth in %, year-on-year)**

| Sector        | 2018-19     | 2019-20     | 2020-21      |
|---------------|-------------|-------------|--------------|
| Agriculture   | 2.6%        | 4.3%        | 3.0%         |
| Mining        | 0.3%        | -2.5%       | -9.2%        |
| Manufacturing | 5.3%        | -2.4%       | -8.4%        |
| Electricity   | 8.0%        | 2.1%        | 1.8%         |
| Construction  | 6.3%        | 1.0%        | -10.3%       |
| Services      | 7.2%        | 7.2%        | -8.1%        |
| <b>GVA</b>    | <b>5.9%</b> | <b>4.1%</b> | <b>-6.5%</b> |
| <b>GDP</b>    | <b>6.5%</b> | <b>4.0%</b> | <b>-8.0%</b> |

Note: Data for 2018-19, 2019-20, and 2020-21 are second revised estimate, first revised estimate, and second advance estimate, respectively. GVA is measured at base prices (2011-12). GDP is derived by adding taxes on products net of subsidies on products to GVA at basic prices.

Sources: Central Statistics Office, MOSPI; PRS.

- In 2020-21, nominal GDP (at prices including inflation) is estimated to be Rs 196 lakh crore, as against Rs 204 lakh crore in 2019-20, a decline of 3.8%.<sup>168</sup>
- The per capita income in 2020-21 is estimated to be Rs 85,929 (at constant prices), a decrease of 9.1% from 2019-20.<sup>168</sup>

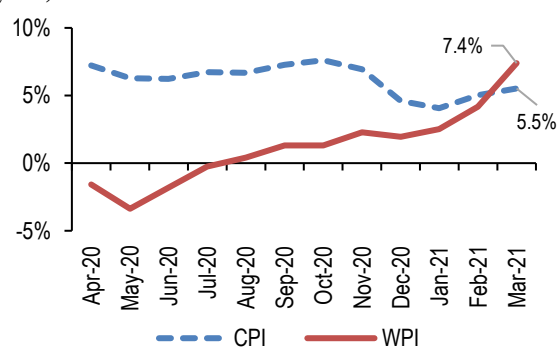
#### Inflation trends in 2020-21

Consumer Price Index (CPI) measures the change in prices of items at the retail level. The CPI inflation rate was 5.5% in March 2021, lower than 7.2% in April 2020 (year-on-year).<sup>171</sup> During the April-November period, CPI inflation had remained above 6%. The CPI basket includes items commonly consumed by households such as food articles, fuel, clothing, housing, and health services. Food and

beverages have a share of 46% in the CPI basket. Food inflation rate was 4.9% in March 2021, lower than 11.7% in April 2020.<sup>171</sup>

The Wholesale Price Index (WPI) measures the average change in the prices of commodities for bulk sale at the level of the early stage of transactions.<sup>172</sup> WPI inflation rate was 7.4% in March 2021, significantly higher than -1.6% in April 2020.<sup>173</sup>

**Figure 1: CPI and WPI in 2020-21 (in %, year-on-year)**

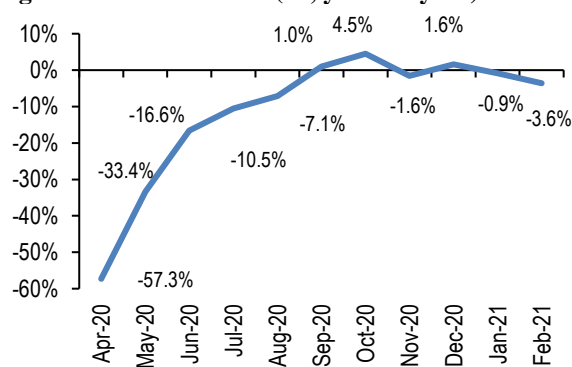


Sources: MOSPI; Ministry of Commerce and Industry; PRS.

#### Industrial Production in 2020-21

The Index of Industrial Production (IIP) looks at the volume of production in the sectors of manufacturing, mining, and electricity in the economy. The IIP assigns a weight of 78% to the manufacturing sector, 14% to the mining sector, and 8% to the electricity sector. Between April 2020 and August 2020, IIP continued to decline in comparison to the previous year.<sup>174</sup> Subsequently, growth in IIP has remained volatile. In January 2021 and February 2021, IIP again registered a decline (year-on-year).

**Figure 2: IIP in 2020-21 (% , year-on-year)**



Sources: MOSPI; PRS.