

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA
STARRED QUESTION NO. 18
TO BE ANSWERED ON 19.07.2021

INDIAN ECONOMY

*18. SHRI GIRISH BHALCHANDRA BAPAT:
SHRI RAHUL RAMESH SHEWALE:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Indian economy has contracted 7.3 per cent during financial year 2021 for the first time in more than 40 years, if so, the details thereof and the reasons therefor;
- (b) whether the value of greenfield Foreign Direct Investment (FDI) into India contracted 19 per cent in 2020 and the second wave of the pandemic lead to a larger dip in 2021 and if so, the details thereof;
- (c) whether the outbreak has severely hit main investment destinations and if so, the details thereof;
- (d) whether the developed economies expect to record healthy growth benefiting from their rapid vaccination drives; and
- (e) if so, whether India is expected to be a laggard because of second wave and the tardy pace of vaccination and if so, the response of the Union Government thereon?

ANSWER

THE FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (e): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 18

BY SHRI GIRISH BHALCHANDRA BAPAT AND SHRI RAHUL RAMESH SHEWALE

DUE FOR ANSWER ON JULY 19, 2021

(a) As per the latest estimates released by National Statistical Office (NSO), Ministry of Statistics and Program Implementation (MoSPI), India's real Gross Domestic Product (GDP) is estimated to contract by 7.3 per cent during Financial Year (FY) 2020-21. This reflects the unparalleled effect of the 'once in a century' COVID-19 pandemic and the containment measures that were taken to control the pandemic, as elucidated in Chapter 1 of the Economic Survey 2020-21.

The contraction was consistent with India's enforcement of stringent lockdowns as reflected in the Government Response Stringency Index measured by Oxford University. The stringent lockdown at the very onset of the pandemic enabled flattening of the pandemic curve and, thereby, provided the necessary time to ramp up the health and testing infrastructure during the first wave when the uncertainty regarding the pandemic was very high. The fundamentals of the economy remained strong as gradual scaling back of lockdowns, along with the astute support of Atmanirbhar Bharat Mission placed the economy firmly on the path of recovery from the second half of FY 2020-21.

The economy registered a YoY growth of 1.1 per cent in H2: FY 2020-21 as compared to (-) 15.9 per cent in H1: FY 2020-21 – implying a growth of 25.5 per cent in H2 over H1. As highlighted in the Monthly Economic Reviews of this Department, the V-shaped recovery after the significant decline in Q1: FY 2020-21 reflects the resilience and robustness of the Indian economy.

(b) and (c): As per data trends available from World Investment Report 2021 released by UNCTAD, global Foreign Direct Investment (FDI) flows dropped by 35 per cent to US\$ 1 trillion in 2020 from US\$ 1.5 trillion in 2019. The decline was skewed towards developed economies, where FDI fell by 58 per cent while FDI in developing economies decreased by 8 per cent. In contrast, FDI inflows into India rose by 25.4 per cent to reach US\$ 64 billion in 2020 from US\$ 51 billion in 2019. India, thereby, improved its position to fifth largest recipient in the world in 2020 from eighth position in 2019.

The value of new greenfield investment announcements registered a steeper decline in developing economies at 44 per cent when compared to developed ones at 16 per cent. As per the Report, though the announced greenfield projects in India contracted by 19 per cent in 2020, this decline is significantly lower than the 44 per cent decline in the developing economies. As has been witnessed in overall FDI inflows, India's strong fundamentals and market size will continue to attract market-seeking greenfield investments.

(d) According to World Bank's Global Economic Prospects June 2021, global growth for 2021 has been revised upward to 5.6 per cent, largely due to the sharp rebound in major economies driven by continued vaccination and substantial fiscal support. India is expected to grow at a significantly faster rate compared to this global average growth.

(e) Government of India is committed to accelerating the pace and expanding the scope of COVID-19 vaccination throughout the country. The average daily vaccination rate has doubled to 41.3 lakh doses in June compared to 19.3 lakh in May subsequent to implementation of the revised national COVID Vaccination Policy since 21st June 2021. India has now crossed the 38 crore mark in its cumulative COVID vaccination coverage with 23 per cent of the population covered under the first dose and 5.6 per cent of the population fully vaccinated.
