



drishti

## Asian Development Outlook 2021: ADB

---

 [drishtias.com/printpdf/asian-development-outlook-2021-adb](https://drishtias.com/printpdf/asian-development-outlook-2021-adb)

### Why in News

---

According to the report **Asian Development Outlook (ADO) 2021**, the **second wave of Covid-19** can put India's economic recovery at "risk".

**ADO** is a series of annual economic reports on the Developing Member Countries (DMCs) of the Asian Development Bank (ADB).

### Key Points

---

- **GDP Projections:**
  - **For India:**
    - **Gross Domestic Product (GDP) will rebound strongly by 11% in Fiscal Year (FY) 2021-22** due to continued economic recovery boosted by increased public investment, vaccine rollout, and a surge in domestic demand.
    - India's **economic growth to moderate to 7% in FY 2022-23**.
    - The economy is expected to have contracted by 8% in FY 2020-21 in line with the government's second advance estimate.
  - **For Developing Asia:**
    - The **economic growth is set to rebound to 7.3% in 2021-22**. This follows a **0.2% contraction last year**.
    - **Developing Asia** comprises **46 members of ADB list** on the basis of geographic group.
      - These include **new industrialized economies, countries in Central Asia, East Asia, South Asia, Southeast Asia and the Pacific**.
      - **India is also part of Developing Asia**.

- **Challenges:**
  - **Pandemic** remains the **biggest risk** for the region (Developing Asia) as potential delays in vaccine rollouts or significant new outbreaks could undermine growth.
  - Increasing **geopolitical tensions, production bottlenecks, financial turmoil** from tightening financial conditions, and long-term scarring like **learning losses due to school closures** are among other risk factors.
- **Costs of Pandemic-induced School Closures:**
  - Countries are **using distance learning**, but this is **only partially effective** as **many students lack access to computers and the internet**.
  - These disruptions **will affect the skills** students acquire and, eventually, **their productivity and earnings as future workers**.
  - **Learning losses** range from **8% of a year of learning in the Pacific**, where schools have mostly stayed open, to **55% in South Asia**, where school closures have been longest.
  - The **present value of students' future earning reductions** is estimated at USD 1.25 trillion for developing Asia, equivalent to 5.4% of the region's GDP in 2020.
- **Analysis for India:**
  - Increased **government expenditure on health care, water, and sanitation** will **strengthen the country's resilience against future pandemics**.
  - **Private investment** is expected to pick up on improving sentiment and risk appetite, as well as **accommodative credit conditions** (i.e. making money less expensive to borrow and encouraging more spending).
  - **Domestic demand** is expected to remain the **main driver of growth**.  
A faster **vaccine rollout** will **boost urban demand** for services, while the **rural demand will be boosted by robust agriculture growth** and continued government support to farmers by expanding irrigation, improving value chains, and increasing farm loan limits.
  - The government's push to the **manufacturing sector** through the **production-linked incentive scheme** will expand domestic production and help integrate domestic manufacturing with global supply chains.

## Gross Domestic Product

- **GDP** is a **measure of economic activity** in a country. It is the **total value of a country's annual output of goods and services**. It gives the economic output from the consumers' side.
- $GDP = \text{Private consumption} + \text{Gross investment} + \text{Government investment} + \text{Government spending} + (\text{exports} - \text{imports})$

## Asian Development Bank

- **ADB** is a **regional development bank established in 1966**.
- It has **68 members. India is a founding member**.  
49 are from within Asia and the Pacific and 19 outside.

- It **aims** to promote social and economic development in Asia and the Pacific.
- As of 31st December 2019, **ADB's five largest shareholders** are **Japan** and the **United States** (each with 15.6% of total shares), the People's Republic of **China** (6.4%), **India** (6.3%), and **Australia** (5.8%).
- It is **headquartered in Manila, Philippines**.

**Source: DTE**