



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

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