Economic Survey 2022


Why in News?

Recently, the Economic Survey 2021-22 was tabled in Parliament by the Finance Minister soon after the President's address to both Houses of Parliament.

- The central theme of this year’s Economic Survey is the “Agile approach”.
- This year’s survey uses various examples to highlight the use of satellite and geospatial data to reflect the infrastructural growth in the country.

What is the Economic Survey?

- The Economic Survey of India is an annual document released by the Ministry of Finance.
- It contains the most authoritative and updated source of data on India’s economy.
It is a report that the government presents on the state of the economy in the past one year, the key challenges it anticipates, and their possible solutions.

- It is prepared by the Economics Division of the Department of Economic Affairs (DEA) under the guidance of the Chief Economic Advisor.
- It is usually presented a day before the Union Budget is presented in the Parliament.
- The first Economic Survey in India was presented in the year 1950-51. Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.

What are the Key Points of the Economic Survey 2021-22?

- **State of the Economy (GDP Growth):**
  - The Indian economy is estimated to grow by 9.2% in real terms in 2021-22 (as per first advance estimates) subsequent to a contraction of 7.3% in 2020-21.
  - The Gross Domestic Product (GDP) projected to grow by 8-8.5% in real terms in 2022-23.
    - Projection comparable with World Bank and Asian Development Bank’s latest forecasts of real GDP growth of 8.7% and 7.5% respectively for 2022-23.
    - According to the International Monetary Fund’s latest World Economic Outlook projections, India’s real GDP is projected to grow at 9% in 2021-22 and 2022-23 and at 7.1% in 2023-2024, which would make India the fastest growing major economy in the world for all 3 years.
  - Combination of high Foreign Exchange Reserves, sustained Foreign Direct Investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23.
  - Tapering is the theoretical reversal of quantitative easing (QE) policies, which are implemented by a central bank and intended to stimulate economic growth.

- **Fiscal Developments:**
  - Sustained revenue collection and a targeted expenditure policy has contained the Fiscal Deficit for April to November, 2021 at 46.2% of Budget Estimates.
The revenue receipts from the Central Government (April to November, 2021) have gone up by 67.2% YoY (Year on Year) as against an expected growth of 9.6% in the 2021-22 Budget Estimates.

Gross Tax Revenue registers a growth of over 50% during April to November, 2021 in YoY terms. This performance is strong compared to pre-pandemic levels of 2019-2020 also.

Tax Revenue forms part of the Receipt Budget, which in turn is a part of the Annual Financial Statement of the Union Budget.

During April-November 2021, Capex (Capital Expenditure) has grown by 13.5% (YoY) with focus on infrastructure-intensive sectors.

With the enhanced borrowings on account of Covid-19, the Central Government debt has gone up from 49.1% of GDP in 2019-20 to 59.3% of GDP in 2020-21, but is expected to follow a declining trajectory with the recovery of the economy.

Buoyant tax revenues and government policies have created “headroom for taking up additional fiscal policy interventions”.

Stressing the need to continue the focus on capital expenditure, it has indicated that the government is on course to achieve the fiscal deficit target of 6.8% of GDP for the current year (2021-22).

External Sectors:
- India’s merchandise exports and imports rebounded strongly and surpassed pre-Covid levels during the current financial year.
- There was significant pickup in net services with both receipts and payments crossing the pre-pandemic levels, despite weak tourism revenues.
- Net capital flows were higher at USD 65.6 billion in the first half of 2021-22, on account of continued inflow of foreign investment, revival in net external commercial borrowings, higher banking capital and additional Special Drawing Rights (SDR) allocation.

As of end-November 2021, India was the fourth largest forex reserves holder in the world after China, Japan and Switzerland.

Monetary Management and Financial Intermediation:
- The liquidity in the system remained in surplus.
  - Repo rate was maintained at 4% in 2021-22.
  - Reserve Bank of India undertook various measures such as G-Sec Acquisition Programme and Special Long-Term Repo Operations to provide further liquidity.

The economic shock of the pandemic has been weathered well by the commercial banking system:
- Bank credit growth accelerated gradually in 2021-22 from 5.3% in April 2021 to 9.2% as on 31st December 2021.
- The Gross Non-Performing Advances ratio of Scheduled Commercial Banks (SCBs) declined from 11.2% at the end of 2017-18 to 6.9% at the end of September, 2021.
- Net Non-Performing Advances ratio declined from 6% to 2.2% during the same period.
- Capital to risk-weighted asset ratio of SCBs continued to increase from 13% in 2013-14 to 16.54% at the end of September 2021.
- The Return on Assets and Return on Equity for Public Sector Banks continued to be positive for the period ending September 2021.

Exceptional year for the capital markets:
- Rs. 89,066 crore was raised via 75 Initial Public Offering (IPO) issues in April-November 2021, which is much higher than in any year in the last decade.

Prices and Inflation:
- The average headline Consumer Price Index (CPI) -Combined inflation moderated to 5.2% in 2021-22 (April-December) from 6.6% in the corresponding period of 2020-21.
- The decline in retail inflation (CPI) was led by easing food inflation. Food inflation averaged at a low of 2.9% in 2021-22 (April to December) as against 9.1% in the
corresponding period last year.

- Effective **supply-side management** kept prices of most essential commodities under control during the year. Proactive measures were taken to contain the price rise in pulses and edible oils.
- **Reduction in central excise** and subsequent cuts in **Value Added Tax** by most States helped ease petrol and diesel prices.
- **Wholesale inflation based on Wholesale Price Index (WPI)** rose to 12.5% during 2021-22 (April to December). This has been attributed to:
  - Low base in the previous year,
  - Pick-up in economic activity,
  - Sharp increase in international prices of crude oil and other imported inputs, and
  - High freight costs.
- **Divergence between CPI-C and WPI Inflation**: The divergence peaked to 9.6% points in May 2020. However in 2021 there was a **reversal in divergence with retail inflation falling below wholesale inflation by 8.0% points** in December 2021. This divergence can be explained by factors such as:
  - Variations due to base effect,
  - Difference in scope and coverage of the two indices,
  - Price collections,
  - Items covered,
  - Difference in commodity weights, and
  - WPI being more sensitive to cost-push inflation led by imported inputs.
- With the gradual waning of base effect in WPI, the divergence in CPI-C and WPI is also expected to narrow down.

### Sustainable Development and Climate Change:

- India’s overall score on the [NITI Aayog Sustainable Development Goals (SDG) India Index and Dashboard](https://sdi.ndp.gov.in/index.php) improved to 66 in 2020-21 from 60 in 2019-20 and 57 in 2018-19.
- **India has the tenth largest forest area in the world.** In 2020, India ranked third globally in increasing its forest area during 2010 to 2020.
  - In 2020, the forests covered 24% of India’s total geographical area, accounting for 2% of the world’s total forest area.
- In August 2021, the [Plastic Waste Management Amendment Rules, 2021](https://pib.gov.in/PressReleasePage.aspx?PRID=1650710) was notified which is aimed at phasing out single use plastic by 2022.
- The Prime Minister, as a part of the national statement delivered at the [26th Conference of Parties (COP 26)](https://pib.gov.in/PressReleasePage.aspx?PRID=1650710) in Glasgow in November 2021, announced ambitious targets to be achieved by 2030 to enable further reduction in emissions.
  - The need to start the one-word movement ‘LIFE’ (Lifestyle for Environment) urging mindful and deliberate utilisation instead of mindless and destructive consumption was underlined.

### Agriculture and Food Management:
The Agriculture sector experienced buoyant growth in the past two years, accounting for a sizable 18.8% (2021-22) in Gross Value Added (GVA) of the country registering a growth of 3.6% in 2020-21 and 3.9% in 2021-22. Minimum Support Price (MSP) policy is being used to promote crop diversification. Net receipts from crop production have increased by 22.6% in the latest Situation Assessment Survey (SAS) compared to the SAS Report of 2014. Allied sectors including animal husbandry, dairying and fisheries are steadily emerging to be high growth sectors and major drivers of overall growth in the agriculture sector.

- The Livestock sector has grown at a CAGR of 8.15% over the last five years ending 2019-20.

- Government facilitates food processing through various measures of infrastructure development, subsidised transportation and support for formalisation of micro food enterprises.

- India runs one of the largest food management programmes in the world.

- Government has further extended the coverage of the food security network through schemes like PM Gareeb Kalyan Yojana (PMGKY).

**Industry and Infrastructure:**

- The Index of Industrial Production (IIP) grew at 17.4% during April-November 2021 as compared to (-)15.3% in April-November 2020.

- Capital expenditure for the Indian railways has increased to Rs. 155,181 crores in 2020-21 from an average annual of Rs. 45,980 crores during 2009-14 and it has been budgeted to further increase to Rs. 215,058 crores in 2021-22 – a five times increase in comparison to the 2014 level.

- Extent of road construction per day increased substantially in 2020-21 to 36.5 Kms per day from 28 Kms per day in 2019-20 – a rise of 30.4%.

- Net profit to sales ratio of large corporations reached an all-time high of 10.6% in July-September quarter of 2021-22 despite the pandemic (RBI Study).

- Introduction of Production Linked Incentive (PLI) scheme, major boost provided to infrastructure-both physical as well as digital, along with measures to reduce transaction costs and improve ease of doing business, would support the pace of recovery.

**Services:**

**Gross Value Added:**

- GVA of services crossed pre-pandemic level in July-September quarter of 2021-22; however, GVA of contact intensive sectors like trade, transport, etc. still remain below pre-pandemic level.

- Overall service Sector GVA is expected to grow by 8.2% in 2021-22.
Foreign Direct Invest:
- During the first half of 2021-22, the service sector received over USD 16.7 billion Foreign Direct Invest – accounting for almost 54% of total FDI inflows into India.

Reforms:
- Major government reforms include, removing telecom regulations in IT-BPO sector and opening up of the space sector to private players.

Exports:
- Services exports surpassed pre-pandemic level in January-March quarter of 2020-21 and grew by 21.6% in the first half of 2021-22 - strengthened by global demand for software and IT services exports.

Start-Ups:
- India has become the 3rd largest start-up ecosystem in the world after the US and China. Number of new recognized start-ups increased to over 14000 in 2021-22 from 733 in 2016-17.
- 44 Indian start-ups have achieved unicorn status in 2021 taking the overall tally of unicorns to 83, most of which are in the services sector.

Social Infrastructure and Employment:
- Employment:
  - With revival of the economy, employment indicators bounced back to pre-pandemic levels during the last quarter of 2020-21.
  - As per the quarterly Periodic Labour Force Survey (PFLS) data up to March 2021, employment in urban sector affected by pandemic has recovered almost to the pre-pandemic level.
  - According to Employees Provident Fund Organisation (EPFO) data, formalisation of jobs continued during the second Covid wave; adverse impact of Covid on formalisation of jobs much lower than during the first Covid wave.

- Social Infrastructure:
  - Expenditure on social services (health, education and others) by Centre and States as a proportion of GDP increased from 6.2% in 2014-15 to 8.6% in 2021-22 (BE)
  - As per the National Family Health Survey-5:
    - Total Fertility Rate (TFR) came down to 2 in 2019-21 from 2.2 in 2015-16.
    - Infant Mortality Rate (IMR), under-five mortality rate and institutional births have improved in 2019-21 over year 2015-16.
  - Under Jal Jeevan Mission (JJM), 83 districts have become ‘Har Ghar Jal’ districts.
  - Increased allotment of funds to Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) to provide buffer for unorganised labour in rural areas during the pandemic.
  - In addition to the National Health Mission, Union Budget 2021-22, announced Ayushman Bharat Health Infrastructure Mission, a new Centrally Sponsored Scheme to develop capacities of primary, secondary and tertiary Health Care Systems, strengthen existing national institutions, and create new institutions to cater to detection and cure of new and emerging diseases.
  - India is among the few countries producing Covid vaccines. The country started with two made in India Covid vaccines. In line with India’s vision of Atmanirbhar Bharat, India’s first domestic Covid -19 vaccine, Whole Virion Inactivated Coronavirus Vaccine (COVAXIN), was developed and manufactured by Bharat Biotech International Limited in collaboration with National Institute of Virology of Indian Council of Medical Research (ICMR).
  - The progress of vaccination should be seen not just as a health response indicator, but also as a buffer against economic disruptions caused by repeated pandemic waves.

Source: PIB