



Gist of Economic Survey 2021-22

India's Response to Pandemic

- **Barbell Strategy, Safety Nets & the Agile Framework:** India's response to the pandemic has been unique and it consists of "Barbell Strategy, Safety Nets & the Agile Framework."
 - **Agile is the central theme** of the Economic Survey for Fiscal Year 2021-22.

State of Economy

- Following a contraction of 7.3% in 2020-21, the **Indian economy is expected to grow by 9.2% in real terms in 2021-22** (according to initial advanced projections).
- **GDP is expected to grow in real terms by 8-8.5% in 2022-23.**
- In 2022-23, a **combination of large foreign exchange reserves, continued foreign direct investment, and expanding export revenues** will provide an effective cushion **against a potential global liquidity withdrawal.**
- The "**second wave's**" economic effect was significantly less than the full lockdown in 2020-21, but the health consequences were far more severe.
- The **Indian government's unique reaction** included safety-nets to soften the impact on vulnerable sectors of society and the business sector, a major increase in capital investment to promote growth, and supply-side reforms to ensure long-term expansion.

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.
- **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.**
- 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.**
- 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

- After China, Japan, and Switzerland, **India was the world's fourth largest FX (Foreign Exchange) reserve holding** as of the end of November 2021.
- Despite dismal tourism income, there was a **large increase in net services**, with both receipts and payments surpassing pre-pandemic levels.
- During the current fiscal year, **India's merchandise exports and imports rebounded rapidly**, surpassing pre-Covid levels.
- **Net capital flows increased** to US\$ 65.6 billion in the first half of 2021-22, owing to ongoing foreign investment inflows, a resurgence in net external commercial borrowings, increased

banking capital, and additional Special Drawing Rights (SDR) allocation.

- **India's external debt increased** to US\$ 593.1 billion at the end of September 2021, up from US\$ 556.8 billion in 2020-21, as a result of the IMF's increased Special Drawing Right (SDR) allocation and greater commercial borrowings.

Monetary Management and Financial Intermediation

- **Indian markets outperformed counterparts** among key developing market economies from April to December 2021. The system's liquidity **remained in surplus**.
- In 2021-22, the **repo rate was maintained at 4%**.
- To provide additional liquidity, the **RBI implemented several initiatives** such as the G-Sec Acquisition Program and Special Long-Term Repo Operations.
- Scheduled Commercial Banks (SCBs) had a **Gross Non-Performing Advances ratio of 6.9% at the end of September 2021, down from 11.2%** at the end of 2017-18.

Prices and Inflation

- The **average headline CPI-Combined inflation reduced to 5.2%** in 2021-22 (April- December) from 6.6% in 2020-21.
- **Food inflation eased**, resulting in a decrease in retail inflation.
 - Throughout the year, effective supply-side management kept the prices of most important commodities under control.
 - To keep the price of pulses and edible oils from rising too high, proactive measures were implemented.
- The reduction in national excise and subsequent reductions in Value Added Tax by most states **helped to bring down the price of gasoline and diesel**.
- **Wholesale inflation, as measured by the Wholesale Price Index (WPI), increased to 12.5% in 2021-22.** (April to December). This has been attributed to: Previous year's low base, increase in economic activity, sharp rise in the price of crude oil and other imported commodities on the worldwide market, and high freight costs.
- **Difference between CPI-C and WPI Inflation:** The difference rose to 9.6% points in May 2020. However, this year's disparity reversed, with retail inflation sliding 8.0% points behind wholesale inflation in December 2021.
 - This difference can be explained by factors such as: Variations related to the base effect, differences in the scope and coverage of the two indices, price collections, items covered, commodity weights, and the WPI being more sensitive to cost-push inflation driven by imported inputs.
 - As the base impact in WPI gradually fades, the disparity between CPI-C and WPI is likely to shrink.

Sustainable Development and Climate Change

- **India's total score on the NITI Aayog SDG India Index and Dashboard improved to 66** in 2020-21 up from 60 in 2019-20 and 57 in 2018-19.
- India **possesses the tenth largest forest area in the world**. From 2010 to 2020, India placed third in the world in terms of increasing forest acreage.
 - Accounting for 2% of the world's total forest area, the forests covered 24% of India's total geographical area, in 2020.
- The **Plastic Waste Management Amendment Rules, 2021**, were notified in August 2021, with the goal of eliminating single-use plastic by 2022.
- **Notification on Extended Producer Responsibility** for plastic packaging was drafted.
- The **compliance rate of Grossly Polluting Industries (GPIs) in the Ganga main stem and its tributaries increased** from 39% in 2017 to 81% in 2020.
- As part of the **national declaration presented at the 26th Conference of Parties (COP 26) in Glasgow in November 2021**, the Prime Minister declared aggressive targets to be met by 2030 to allow for further emissions reductions.
 - The need of **launching the one-word movement 'LIFE' (Lifestyle for Environment)**, which promotes thoughtful and purposeful consumption over mindless and destructive

consumption, was emphasized.

Agriculture and Food Management

- Agriculture has witnessed **strong growth in the last two years**, accounting for 18.8% of the country's Gross Value Added (GVA) in 2021-22, with growth of 3.6% in 2020-21 and 3.9% in 2021-22.
- Crop diversity is **aided by the Minimum Support Price (MSP) policy**.
- In the most recent Situation Assessment Survey (SAS), **net earnings from crop output grew by 22.6%** as compared to the 2014 SAS Report.
- **Agriculture's allied areas, including as animal husbandry, dairying, and fisheries, are rapidly developing** as high-growth sectors and important drivers of total growth in the agricultural sector.
- Over the five years ending in 2019-20, the **livestock sector grew at a CAGR of 8.15%**. It has been a consistent source of revenue for farming households, contributing for around 15% of their monthly income on average.
- **Food processing is made easier** by the government through infrastructure development, subsidised transportation, and support for the formalisation of micro food businesses.
- India has **one of the world's largest food management programmes**.
- Through **programmes such as the PM Gareeb Kalyan Yojana (PMGKY)**, the government has expanded the coverage of the food security network.

Industry and Infrastructure

- During April-November 2021, the **Index of Industrial Production (IIP) increased** by 17.4% YoY, compared to a contraction of 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%.
- Despite the pandemic, the **net profit to sales ratio of large corporations reached an all-time high of 10.6%** in the July-September quarter of 2021-22 (according to RBI Study).
- The introduction of the Production Linked Incentive (PLI) plan, massive infrastructure boosts - both physical and digital, as well as steps to minimise transaction costs and increase ease of doing business— **all will help to speed up the recovery of the economy**.

Services

- In the July-September quarter of 2021-22, the GVA of services surpassed the pre-pandemic level; nevertheless, the **GVA of contact intensive sectors such as commerce, transportation, and others remained below the pre-pandemic level**.
- In 2021-22, the whole service sector GVA is **predicted to expand by 8.2%**.
- **Rail freight crossed its pre-pandemic level** between April-December 2021, while air freight and port traffic virtually reached pre-pandemic levels, and domestic air and rail passenger traffic is gradually increasing — indicating that the second wave's impact was far more subdued than the first wave's.
- The service sector **accounted for about 54% of total FDI inflows into India** in the first half of 2021-22.
- The **removal of telecom rules in the IT-BPO industry and the opening up of the space sector to private companies** are two major government changes.
- After the United States and China, India has become the **world's third largest start-up ecosystem**. From 733 in 2016-17, the number of new recognized start-ups climbed to over 14000 in 2021-22.
- In 2021, **44 Indian start-ups earned unicorn status**, bringing the total number of unicorns to 83, the majority of which will be in the services sector.

Social Infrastructure and Employment

- With the recovery of the economy, **employment statistics in the last quarter of 2020-21 returned to pre-pandemic levels.**
- According to data from the quarterly Periodic Labour Force Survey (PFLS) up to March 2021, employment in the pandemic-affected urban sector has nearly restored to pre-pandemic levels.
- According to Employees Provident Fund Organisation (EPFO) data, **job formalisation continued throughout the second Covid wave**, with the negative impact of Covid on work formalisation being substantially smaller than during the first Covidwave.
- The **proportion of GDP spent on social services (health, education, and others) by the Centre and States climbed** from 6.2% in 2014-15 to 8.6% in 2021-22 (BE).
- According to the **National Family Health Survey 5**:
 - The **total fertility rate (TFR)** decreased from 2.2 in 2015-16 to 2 in 2019-21.
 - **Infant Mortality Rate (IMR)**, under-five mortality rate, and institutional births all improved in 2019-21 over 2015-16.
- 83 districts have been designated as '**Har Ghar Jal**' districts under the Jal Jeevan Mission (JJM).
- **Funding for the Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS)** has been increased to create a cushion for unorganised labour in rural regions throughout the epidemic.
- 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.

Sector Reforms

- Instead of relying on demand management, India **has been concentrating on reforms on the supply-side**, such as:
 - Deregulation of numerous sectors
 - Simplification of processes
 - Removal of legacy issues like 'retrospective tax'
 - Privatisation
- These are **a few of the major reforms in different sectors**:
 - Over a four-year period from 2021-22 to 2024-25, the **Central Government's key assets have a total monetisation potential of Rs. 6 lakh crore.**
 - In the telecom industry, **100% FDI via the automated route** is permissible.
 - **Setting up of Production Linked Incentive (PLI) schemes** for 13 sectors including Automobile, Telecom and pharmaceuticals drugs.
 - **Increasing private sector engagement** in conventional satellite communication and remote sensing industries by liberalizing them.
 - The **automatic route increased FDI in the defence sector by 74%**, while the **government route increased it by 100%**.
 - **Deposit insurance has been enhanced per depositor per bank** from Rs. 1 lakh to Rs. 5 lakh.
 - **Revised definition of MSMEs.**