



Economic Survey 2022

For Prelims: Economic Data, Important Economic Terms, Economic Survey, Asian Development Bank, World Bank, IMF, Various Government Schemes.

For Mains: Growth & Development, Monetary Policy, Planning, Capital Market, Fiscal Policy, Banking Sector & NBFCs, Inclusive Growth, Economic Survey, Related Concerns, Suggestions.

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?

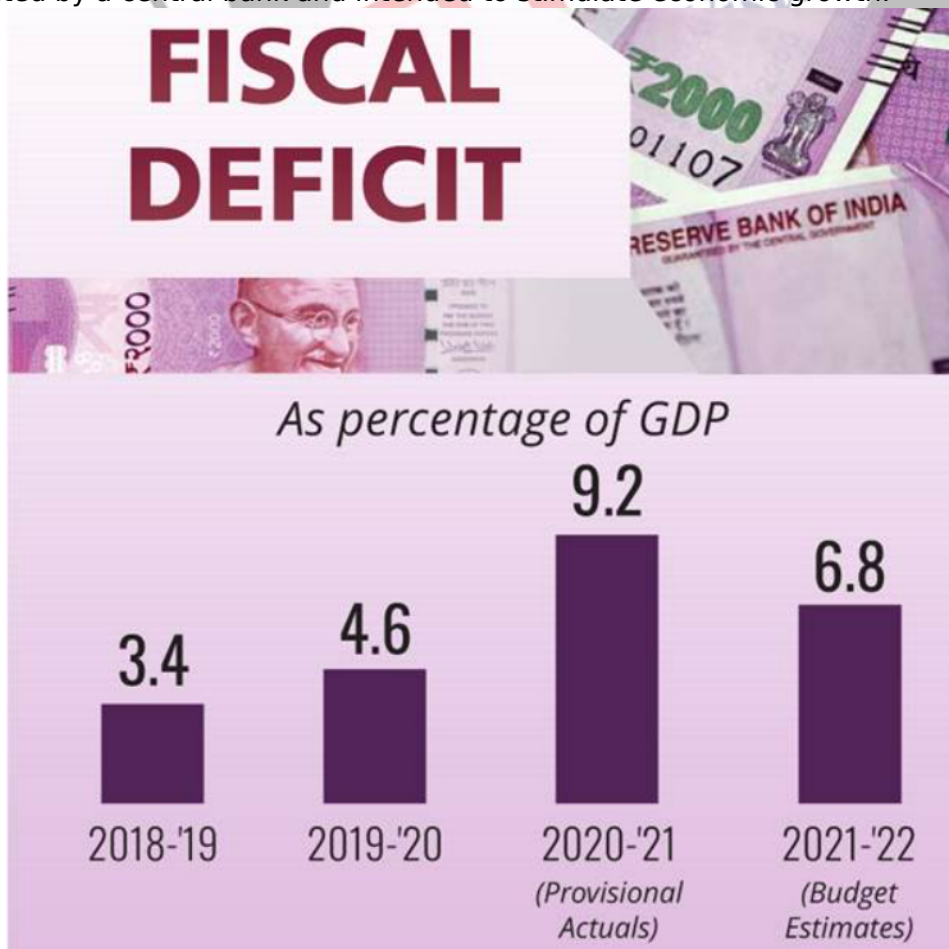
- The Economic Survey of India is an **annual document released by the Ministry of Finance**.
- It **contains the most authoritative and updated source of data on India's economy**.

- 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.

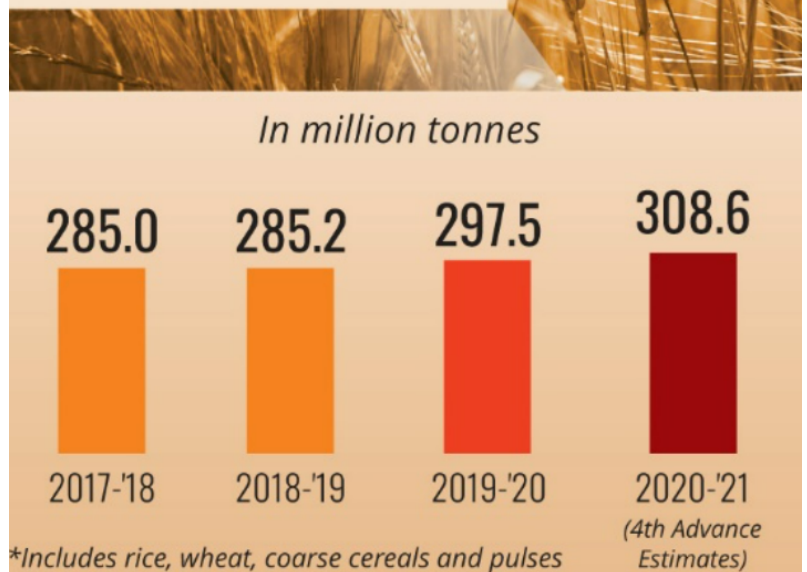
- Effective **supply-side management kept prices of most essential commodities under control** during the year. Proactive **measures were taken to contain the price rise in pulses and edible oils.**
- **Reduction in central excise** and subsequent cuts in **Value Added Tax** by most States helped ease 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 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**, was notified which is aimed at phasing out single use plastic by 2022.
- Draft regulation on **Extended Producer Responsibility** for plastic packaging was notified.
- The **Compliance status of Grossly Polluting Industries (GPIs)** located in the Ganga main stem and its tributaries improved from 39% in 2017 to 81% in 2020.
- The Prime Minister, as a part of the national statement delivered at the **26th Conference of Parties (COP 26)** 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:**

FOODGRAINS PRODUCTION



- 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.

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