



Economic Survey 2022: Concerns & Suggestions

For Prelims: Economic Survey and its data.

For Mains: Economic Survey, Concerns Highlighted, 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.

What are the Key Challenges highlighted by Economic Survey 2022?

▪ Increased Inflation:

- The Survey notes that **supply chain disruptions and slow economic growth have contributed to an increase in inflation**. The withdrawal of stimulus in developed economies in the upcoming fiscal (2022-23) is likely to affect capital flows into the country.
- The **surge in energy, food, non-food commodities, and input prices, supply constraints, disruption of global supply chains, and rising freight costs** across the globe stoked global inflation during the year (2021-22).
- Stimulus spending in developed economies and pent up demand during the pandemic could lead to **“imported inflation”** (Inflation due to increases in the prices of import) in India.

▪ Volatility in Capital:

- The economic survey noted that **major economies had begun the process of withdrawing liquidity that was extended during the pandemic** in the form of stimulus checks and relaxed monetary policy to stimulate an economic recovery. Higher inflation has led to a winding down of pandemic related stimulus.
- The likely withdrawal of liquidity by major central banks over the next year may also make **global capital flows more volatile,**” the survey said, noting that this may adversely affect capital flows, putting pressure on India's exchange rate and slow economic growth.
- **India's large and rising imports are also likely to put pressure on India's exchange rate** if capital flows to India decrease as a result of a withdrawal of stimulus in developed countries.

▪ Employment:

- A **lack of jobs also continues to be among the primary concerns** for the Indian economy with unemployment levels and labour force participation rates remaining worse than pre-pandemic levels.
- According to data from the **PLFS**, while the **unemployment rate and labour force participation rate have improved somewhat** from the start of the pandemic, **they have still not recovered to pre-pandemic levels**.

What are the Major Suggestions?

- The Survey **calls for emphasis on developing a supply-side strategy** to deal with the long-

term unpredictability of the post-Covid world, emanating mainly from factors such as changes in consumer behaviour, technological developments, geopolitics, climate change, and their potentially unpredictable interactions.

- It calls for a **“diversified mix of sources of energy of which fossil fuels are an important part”**, but simultaneously calls for focus on building storage for intermittent electricity generation from solar PV and wind farms to ensure on-demand energy supply.
 - **It asks the government to focus on the pace of the shift from conventional fossil fuel-based sources**, and encourage R&D to ensure an effortless switch to renewable sources of energy.
- It also has **called for a standardised framework for Cross-Border insolvency** as the [**Insolvency & Bankruptcy Code \(IBC\)**](#) at present does not have a standard instrument to restructure the firms involving cross border jurisdictions leading to several issues.
- It **proposes use of the Agile approach to policy making with 80 high-frequency indicators** in an environment of “extreme uncertainty”.
 - The approach, used in project management and technology development, **assesses outcomes in short iterations while constantly making incremental adjustments.** The suggestion is based on the availability of a “wealth of real-time data” to take feedback-based decisions.

[Source: PIB](#)

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