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ECONOMIC SURVEY - 2022

MICRO SUMMARY



Contact: 999035664  7840048445

(E-mail: info@chromeias.com • Website: <http://chromeias.com>)

Impact of pandemic on economy:

- **Economic impact of “second wave”** was much smaller than that during the full lockdown phase in 2020-21, though health impact was more severe.
- Government of India’s **unique response comprised of safety-nets to cushion** the impact on vulnerable sections of society and the business sector, significant increase in capital expenditure to spur growth and supply side reforms for a sustained long-term expansion.
- **Government’s flexible and multi-layered response** is partly based on an “Agile” framework that uses feedback-loops, and the use of eighty High Frequency Indicators (HFIs) in an environment of extreme uncertainty.

Fiscal Developments:

- **The revenue receipts** from the Central Government (April to November, 2021) **have gone up by 67.2 percent (YoY)** as against an expected growth of 9.6 percent in the 2021-22 Budget Estimates (over 2020-21 Provisional Actuals).
- **Gross Tax Revenue registers a growth** of over 50 percent 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, **Capital expenditures (CapEx) has grown by 13.5 percent (YoY)** with focus on infrastructure-intensive sectors.
- **Sustained revenue collection and a targeted expenditure policy** has contained the fiscal deficit for April to November, 2021 at 46.2 percent of BE.

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

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 US\$ 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.
- **India’s external debt rose to US \$ 593.1 billion** at end-September 2021, from US \$ 556.8 billion a year earlier, reflecting additional SDR allocation by IMF, coupled with higher commercial borrowings.
- **Foreign Exchange Reserves** crossed US\$ 600 billion in the first half of 2021-22 and touched US \$ 633.6 billion as of December 31, 2021.
- 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 per cent** in 2021-22.
- RBI 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:

- **YoY Bank credit growth accelerated gradually** in 2021-22 from 5.3 per cent in April 2021 to 9.2 per cent as on 31st December 2021.
- **The Gross Non-Performing Advances ratio of Scheduled Commercial Banks (SCBs) declined** from 11.2 per cent at the end of 2017-18 to 6.9 per cent at the end of September, 2021.
- **Net Non-Performing Advances ratio declined** from 6 percent to 2.2 per cent during the same period.
- **Capital to risk-weighted asset ratio of SCBs continued to increase** from 13 per cent in 2013-14 to 16.54 per cent 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.



Factors to support growth in 2022-23

- Widespread vaccine coverage
- Gains from supply-side reforms
- Easing of regulations
- Robust export growth
- Ramped up capital spending

Prices and Inflation:

- The average headline CPI-Combined inflation moderated to 5.2 per cent in 2021-22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.
- The decline in retail inflation was led by easing of food inflation.
- Food inflation averaged at a low of 2.9 per cent in 2021-22 (April to December) as against 9.1 per cent 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.

Wholesale inflation:

Wholesale inflation based on Wholesale Price Index (WPI) rose to 12.5 per cent 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 percentage points in May 2020.

However, this year there was a reversal in divergence with retail inflation falling below wholesale inflation by 8.0 percentage 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 SDG India Index and Dashboard improved to 66 in 2020-21 from 60 in 2019-20 and 57 in 2018-19.

- **Number of Front Runners** (scoring 65-99) increased to 22 States and UTs in 2020-21 from 10 in 2019-20.
- **In North East India**, 64 districts were Front Runners and 39 districts were Performers in the NITI Aayog North-Eastern Region District SDG Index 2021-22.

Forest Area:

- 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**, accounting for **2% of the world's total forest area**.

Pollution reduction:

- 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 **consequent reduction in effluent discharge** has been from 349.13 millions of litres per day (MLD) in 2017 to 280.20 MLD in 2020.

- The need to start the one-word movement '**LIFE**' (**Lifestyle for Environment**) urging mindful and deliberate utilization instead of mindless and destructive consumption was underlined.

Agriculture and Food Management:

The **Agriculture sector experienced buoyant growth** in past two years, accounting for a sizeable 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 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 agriculture sector.
- **Government facilitates food processing** through various measures of infrastructure development, subsidized transportation and support for formalization of micro food enterprises.
- India runs one of the **largest food management programmes in the world**.
- Government has further **extended the coverage of food security network** through schemes like PM Gareeb Kalyan Yojana (PMGKY).

ECONOMIC SURVEY 2022

INDIA'S EXTERNAL TRADE RECOVERS STRONGLY IN 2021-22

India was the **4th-largest forex reserves holder** in the world*

Export of agriculture and allied products **grew by 23%**

Strong capital flows led to rapid accumulation of foreign exchange reserves

On track to attain merchandise **export target of \$400 billion** set for 2021-22

*As of November 2021

Industry and Infrastructure:

- **Index of Industrial Production (IIP)** grew at 17.4 percent (YoY) during April-November 2021 as compared to (-)15.3 percent 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 percent.
- **Net profit to sales ratio of large corporates** reached an all-time high of 10.6 percent in 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:

- **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 percent in 2021-22.
- During the first half of 2021-22, **service sector received over US\$ 16.7 billion FDI** – accounting for almost 54 percent of total FDI inflows into India.
- **IT-BPM services revenue reached US\$ 194 billion** in 2020-21, adding 1.38 lakh employees during the same period.
- **Major government reforms** include, removing telecom regulations in IT-BPO sector and opening up of space sector to private players.
- **India has become 3rd largest start-up ecosystem in the world after 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 overall tally of unicorns to 83, most of which are in services sector.

Social Infrastructure and Employment:

- **157.94 crore doses of COVID-19 vaccines** administered as on 16th January 2022; 91.39 crore first dose and 66.05 crore second dose.
- With revival of economy, **employment indicators bounced back to pre-pandemic levels** during 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**, formalization of jobs continued during second COVID wave; adverse impact of COVID on formalization of jobs much lower than during the first COVID wave.
- **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.

In conclusion:

The Survey is quite optimistic that overall macro-economic stability indicators suggest that the Indian Economy is well placed to take on the challenges of 2022-23 and one of the reasons that the Indian Economy is in good position is its unique response strategy.