

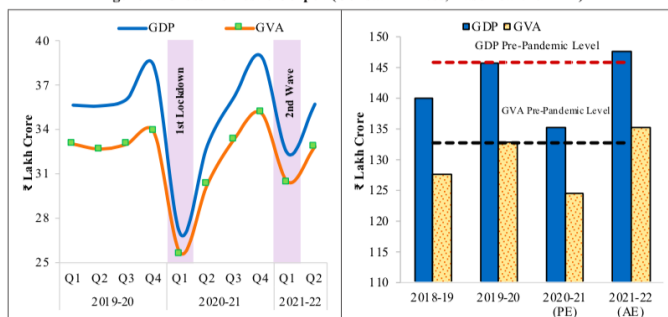


Economic
Survey
Summary 2021-22

CHAPTER 1: STATUS OF ECONOMY

Growth Rate: India's GDP is expected to grow by 9.2% this year and 8% to 8.5% in 2022-23 (recovered past the pre-pandemic levels)

Figure 1: Gross Domestic Output (Constant Prices, Base Year:2011-12)



Source: National Accounts Statistics (NSO), MoSPI

Sector	2019-20	2020-21	2021-22
Agriculture and allied sectors	4.3%	3.6%	3.9%
Industry (including mining & construction)	-1.2%	-7%	11.8%
Service Sector	7.2%	-8.4%	8.2%
Overall Economy (GVA at basic price)	4.1%	-6.2%	8.6%

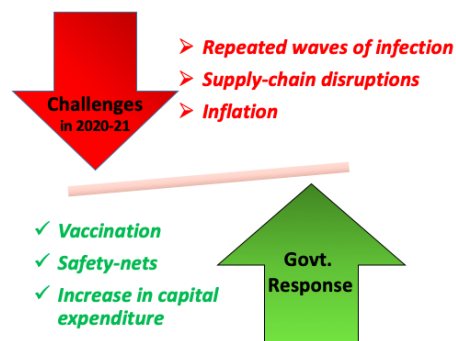
Macroeconomic Indicators

- Annual growth rate in **total Consumption** in 2021-22 will be 7% (it was -7.3% in 2020-21)
- Annual growth rate in **Gross Fixed Capital Formation** in 2021-22 will be 15% (it was -10.8% in 2020-21)
- Consumer Price Index (CPI) **inflation** moderated to 5.2 per cent in 2021-22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.

Agile approach

It is based on responds by assessing outcomes in short iterations and constantly adjusting incrementally.

- Feedback loop based policy-making** rather than rigid response of "Waterfall approach" that is traditionally based on deterministic prediction of data (analysis, detailed planning & implementation)
- Real time monitoring** through robust data: Ex: GST collections, satellite photographs, electricity production, cargo movements, internal/external trade (Union govt. used 80 high frequency indicators)
- Flexible Short-term policy responses** to an evolving situation rather than what a model may have predicted.
- Longer-term supply-side strategy** like resilient infrastructure, deregulation, process simplification, privatization, green technology, PLI scheme, deregulation of geospatial data etc.



The flexibility of Agile improves responsiveness and aids evolution, but it does not attempt to predict future outcomes

BARBELL STRATEGY – Agile policy response + Safety-net buffers (PDS subsidies, income transfers, insurance, emergency liquidity support for MSMEs etc.)

Government of India's Barbell Strategy differed from the waterfall strategy of introducing front-loaded stimulus packages, adopted by most other countries in 2020.

The growth prospects in the upcoming fiscal might be derailed/challenged by:

- Abnormal Monsoons
- Pandemic related economic disruption
- Lack of orderly withdrawal of global liquidity by major central banks
- Oil prices surges adversely impacting inflation

Was decline in Auto sector a demand problem or supply issue?

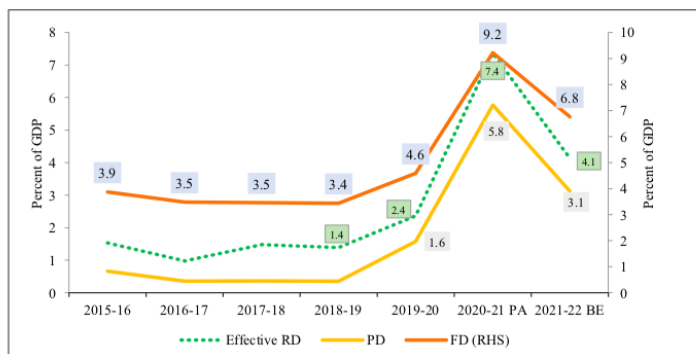
- ☛ Carmakers sold 219,421 passenger vehicles in the domestic market in December 2021, down 13 per cent (YoY).
- ☛ This is not a demand problem but a supply-side issue caused by shortage of semi-conductor chips.
- ☛ The supply chain disruptions in the semiconductor industry had spill over in Automobile industry as well.
- ☛ Microchips and semiconductors account for about 4.7 per cent of value added by the automotive industry⁶. With the delay in supply, the average lead time in the automobile industry for 2021 has been around 14 weeks globally. India has also experienced similar trends in the automobile sector.
- ☛ The manufacturing of semiconductors requires large amount of capital and has an average gestation period of 6-9 months. Moreover, it has a fairly long production cycle of about 18-20 weeks. Hence, any recovery from the supply chain disruptions will be a slow and costly affair.



CHAPTER 2: FISCAL DEVELOPMENTS

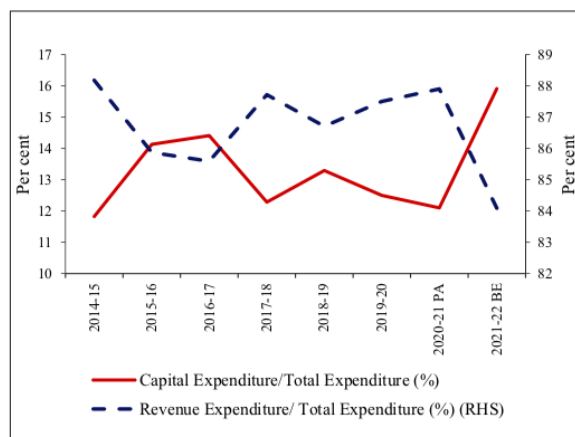
- ☛ India will comfortably meet its fiscal deficit FY22 (6.8%) target on the back of a strong rebound in revenues.
 - **Revenue receipts** were up over 67 per cent YoY in April-November 2021
- ☛ The buoyant tax collections of both direct and indirect taxes, along with the non-tax revenue boosted by **RBI's surplus transfer** to the Government, **disinvestment** proceeds have contributed to the increase in the revenue pool.
 - The privatisation of Air India has been particularly important, not only in terms of garnering disinvestment proceeds but also for boosting the privatisation drive.
- ☛ The expenditure policy of the central government during 2021-22 has a strong emphasis on **targeted capital expenditure**.
 - Capital expenditure was restrained during Q1 and Q2 of 2020-21 owing to movement restrictions in containment zones, and unavailability of contractors/workers to carry out capital works.
- ☛ The fiscal deficit budgeted in the current year was more **realistic** as it brought in several off-budget items to within the budget allocation such as the [food subsidy requirements of FCI](#).

Figure 13: Trends in Deficits



Source: Union Budget Documents & CGA
BE: Budget Estimate, PA: Provisional Actuals
FD: Fiscal Deficit; RD: Revenue Deficit; PD: Primary Deficit

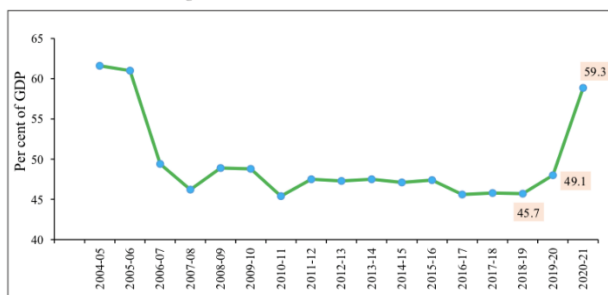
Figure 16: Share of Revenue and Capital Expenditure in Total Expenditure



Source: Union Budget Documents & O/o CGA
BE: Budget Estimate, PA: Provisional Actuals,

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

Figure 18: Trend in Centre's Debt-GDP ratio



States Finances

- Debt-GDP has increased marginally from 31.1% in 2020-21 to **31.2% in 2021-22**.
- The **Gross Fiscal Deficit of States** is estimated to cross the Fiscal Responsibility Legislation (FRL) threshold of 3% of GDP during 2020-21 (**4.6%**) and 2021-22 (**3.7%**).
- The **Revenue Deficit of the States** also increased from 0.1% of GDP in 2018-19 to 2% of GDP in 2020-21 (RE)
- This relaxation in borrowing limits was allowed on account of the additional expenditure needs and constrained revenues of the States due to COVID-19.
- The **net borrowing ceilings of the States** were enhanced to 5% of GSDP of the States for the year 2020-21 and 4% of GSDP of the States for 2021-22.
- Both Gross Fiscal Deficit and Revenue Deficit for the States are **budgeted to decline in 2021-22** from the high levels they reached in 2020-21.

Do You Know the measures taken by the Centre to support the States during 2021-22?

1. Enhanced limit of borrowing for the States

- Of the additional 2 per cent borrowing allowed to the States, the first instalment of 0.5 per cent borrowing was untied for all the states. The second part amounting to 1 per cent of GSDP was subject to implementation of following four specific State level reforms, where weightage of each reform is 0.25 per cent of GSDP:-

a) Implementation of One Nation One Ration Card System;

- b) Ease of doing business reform;
- c) Urban Local body/ utility reforms; and
- d) Power Sector reforms

2. Loan to States in lieu of GST Compensation shortfall

- ☛ An amount of 1,10,208 crore was borrowed through special window by the Government of India during 2020-21 on behalf of the States/UTs and was passed on to them on back to back basis to help meet the resource gap
- ☛ The borrowing arrangement was extended for the current financial year 2021-22 to the tune of 1.59 lakh crore.

3. Scheme for Special Assistance to States for Capital Expenditure

- ☛ Scheme for Special Assistance to States for Capital Expenditure', was approved wherein special assistance of ₹ 11,830 was provided to the State Governments in the form of 50-year interest free loan during 2020-21

CHAPTER 3: EXTERNAL SECTOR

- ☛ Owing to the recovery of global demand coupled with revival in domestic activity, India's merchandise exports and imports rebounded strongly and surpassed pre-COVID levels during the current financial year.
- ☛ USA followed by UAE and China remained the top export destinations in April-November, 2021, while China, UAE and USA were the largest import sources.
- ☛ India's **current account balance** turned into deficit of 0.2% of GDP in the first half (H1) of 2021-22, largely led by deficit in trade account.
- ☛ In H1: FY 22, **net capital flows** more than tripled to US\$ 65.6 billion on account of
 - continued inflow of foreign investment
 - revival in net external commercial borrowings (ECBs)
 - higher banking capital
 - additional special drawing rights (SDR) allocation.
- ☛ The robust capital flows were sufficient to finance the modest current account deficit, resulting in an overall balance of payments (BoP) surplus of US\$ 63.1 billion in H1 of 2021-22, leading to increase in forex reserves
- ☛ **Foreign exchange reserves** stood at US\$ 634 billion on 31/12/21, which is equivalent to 13.2 months of merchandise imports and is higher than the India's external debt.
 - India was the fourth largest forex reserves holder in the world after China, Japan, and Switzerland.

CHAPTER 4: MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

Monetary Policy & Liquidity management has been *geared towards mitigating the adverse impact of Pandemic on economy. Some of the measures undertaken by RBI include*

- ☛ Accommodative monetary policy (Repo rate was maintained at 4% in 2021-22)
- ☛ Asset classification standstill
- ☛ Temporary moratorium
- ☛ Liquidity has been wound down partly but remains in surplus mode (secondary market G-sec acquisition programme, special & Targeted Long-Term Repo operations)

Other Supporting measures by the government include

- [NARCL](#) (commonly referred as Bad Bank) was incorporated on 7th July 2021 and has received a certificate of registration from the RBI to commence its business of an Asset Reconstruction Company on 4th October 2021
- The process of insolvency which was suspended in view of pandemic, started again in end-March 2021.
- A pre-packaged insolvency resolution process was provided under IBC as an alternative insolvency resolution process for corporate Micro, Small and Medium Enterprises in April 2021

Concern: Reserve money and broad money supply growth in 2021-22 was lower indicating poor transmission of RBI measures. Also, Money multiplier decreased reflecting large deposits by banks with RBI under reverse repo window.

Factoring

- Factoring is an important source of liquidity worldwide, especially for MSMEs.
- Factoring is a transaction where an entity sells its receivables (dues from a customer) to a third party (a 'factor' like a bank or NBFC) for immediate funds.
- All or part of invoice can be sold to a factor for getting money immediately at competitive interest rate.
- The factor then collects payments from the buyer of goods and earns a commission in the form of some interest.
- This is different from bill discounting. In bill discounting, a bank or NBFC gives a certain percentage of the total outstanding value of invoices to seller and in most cases the seller has to take on the responsibility for payment of invoices by the buyer to the factor.
- However, in case of factoring, the factor takes on the responsibility for the collection of invoices.
- The basic legal framework for factoring in India is the Factoring Regulation Act 2011

CHAPTER 4: MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

- With recovery *the global economy faced the fresh challenge of rising global inflation. Some of the reasons are:*
 - *stimulus spending*
 - *pent-up demand*
 - *Surge in energy, food, non-food commodities, and input prices*
 - *supply constraints*
 - *disruption of global supply chains*
 - *rising freight costs*
- *The average headline Consumer Price Index-Combined (CPI-C) inflation in India moderated to 5.2 per cent in 2021-22 (April-December) from 6.6 per cent in the corresponding period of 2020-21.*

- Wholesale Price Index (WPI) witnessed a sharp uptick, rising to 12.5% during 2021-22 (April-Dec). This was attributable to pick-up in economic activity, increase in crude oil and other imported inputs, and high freight costs.
- This divergence between CPI-C and WPI can be explained by factors such as
 - variations due to base effect
 - difference in scope and coverage of the two indices, their price collections items covered and difference in commodity weights.
 - Also, WPI is more sensitive to cost-push inflation led by imported inputs.

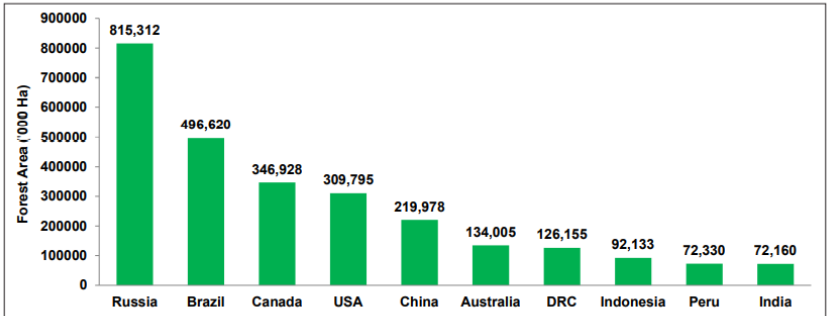
INTERESTING FACTS

Vaccination Drive	<ul style="list-style-type: none"> ✓ The number of days taken to achieve an additional 10 crore doses of vaccines reduced significantly from 86 days during the initial phase to 15 days now. ✓ The average daily vaccination rate has increased four-fold from 19.3 lakh in May 2021 to 75.4 lakh as of 16th January 2022. ✓ As on 16th January 2022, eligible population (18 year and above) vaccinated in India with first dose was 93 per cent and with second dose 69.8 per cent.
Capital Flows	<ul style="list-style-type: none"> ✓ Gross FDI inflows moderated at US\$ 54.1 billion during April-November, 2021, while net FDI recorded a lower inflow of US\$ 24.7 billion. ✓ As far as sector-wise FDI inflows are concerned, computer software and hardware attracted the highest FDI equity inflows of US\$ 7.1 billion in April-September, 2021. ✓ Singapore continues to be the top investing country in terms of FDI equity inflow while USA occupies the second position. ✓ India's external debt as at end-September 2021, estimated at US\$ 593.1 billion, grew by US\$ 22.3 billion (3.9 per cent) over the level as at end-June 2021.
Banking Health	<ul style="list-style-type: none"> ✓ Bank credit growth accelerated gradually in 2021-22 up from 5.3% in April 2021 to 9.2% in December 2021 ✓ Gross Non-Performing advances (NPA) ratio of Scheduled Commercial Banks (SCBs) continued to decline from 11.2% at end of 2017-18 to 6.9% at end-September 2021. ✓ Net NPA 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 end-September 2021.
Unified Payment Interface	<ul style="list-style-type: none"> ✓ In December 2021, 4.6 billion transactions worth `8.26 lakh crore were carried out by UPI. ✓ 50% of transactions through UPI were below `200. ✓ The transaction limit for UPI transactions which was increased by RBI from ₹1 lakh to ₹2 lakh in March 2020 was further increased to ₹5 lakh in December 2021. ✓ RBI and the Monetary Authority of Singapore announced a project to link UPI and PayNow, which is targeted for operationalization by July 2022. ✓ Bhutan recently became the first country to adopt UPI standards

	for its QR code. It is also the second country after Singapore to have BHIM-UPI acceptance at merchant locations.
Insurance	<ul style="list-style-type: none"> ✓ In India, insurance penetration was 2.71% in 2001 and has steadily increased to 4.2% in 2020 (US- 12%; Germany 6.8%; China – 4.5%; World – 7.4%) ✓ As of 2020, the penetration for life insurance in India is 3.2% (global is 3.3%) and non- life insurance penetration is 1% (global is 4.1%) ✓ The insurance density in India increased from \$11.5 in 2001 to \$78 in 2020. <p><i>While insurance penetration is measured as the percentage of insurance premiums to GDP, insurance density is calculated as the ratio of premiums to population (per capita premium).</i></p>

CHAPTER 6: SUSTAINABLE DEVELOPMENT AND CLIMATE CHANGE

The NITI Aayog SDG India Index gave India a score of 66 in 2020-21, up from 60 in 2019-20 and 57 in 2018-19.

State of Environment	<ul style="list-style-type: none"> • India has the world's tenth largest forest area. • Forests covered 24% of India's total geographical area in 2020, accounting for 2% of the world's total forest area. • Much of India's increase in forest cover between 2011 and 21 is due to an increase in very dense forest cover, which increased by about 20% during that time. During the same time period, open forest cover increased by 7%. <p style="text-align: center;">Figure 6: Top Ten Countries by Forest Area in 2020</p>  <p style="text-align: center;">Source: India State of Forest Report 2021</p>
Government Measures	<ul style="list-style-type: none"> • The Plastic Waste Management Amendment Rules, 2021, were notified in August 2021, with the goal of phasing out single-use plastic by 2022. • PM announced new ambitious climate targets at the 26th Conference of Parties (COP 26) in Glasgow <ul style="list-style-type: none"> ○ Increase non-fossil energy capacity to 500 GW by 2030. ○ 50% of energy requirements from renewable energy by 2030. ○ Reduce carbon emissions by 1 billion tonnes by 2030. ○ Reduce economy’s carbon intensity by less than 45%.

- Achieve net zero carbon by 2070.
- Launching the one-word movement 'LIFE' (Lifestyle for Environment), which advocates for mindful and deliberate consumption rather than mindless and destructive consumption.

CHAPTER 7: AGRICULTURE AND FOOD MANAGEMENT

- ☛ The agriculture sector has seen strong growth in the last two years: **3.6% in 2020-21 and 3.9% in 2021-22.**
- ☛ Agriculture now accounts for 18.8% of the country's GVA in 2021-22
- ☛ Agriculture's allied sectors, such as animal husbandry, dairying, and fisheries, are steadily emerging as high-growth sectors and major drivers of overall growth.
- ☛ Over the five years ending in 2019-20, **the livestock sector grew at an annualised rate of 8.15%**. It has been a consistent source of income for agricultural households, accounting for about 15% of their monthly income on average.
- ☛ Between April and November 2021, **exports of agriculture and allied products** (including marine and plantation products) **increased by 23.2% to US\$ 31.0 billion.**
- ☛ The government has recently prioritised increasing pulse and oilseed production through area expansion productivity via HYVs, MSP support, and procurement.
- ☛ A dedicated scheme of the **Bharatiya Prakritik Krishi Paddhati (BPKP)** Programme **promotes natural farming in India.** The programme encourages on-farm biomass recycling, with a focus on biomass mulching, on-farm cow dung-urine formulations, regular soil aeration, and the avoidance of all synthetic chemical inputs.
- ☛ **Food processing** is made easier by the government through infrastructure development, subsidised transportation, and support for the formalisation of micro food businesses. Between April 2014 and September 2021, the sector received US\$ 4.99 billion in FDI equity inflows.
- ☛ Through schemes like the **PM Gareeb Kalyan Yojana**, the government has expanded the reach of food security networks even further (PMGKY).
- ☛ According to research, every rupee spent on agricultural research and development yields higher returns than money spent on subsidies or other input expenditures. As a result, government wants to increase funding to agricultural R&D

CHAPTER 8: INDUSTRY AND INFRASTRUCTURE

The **industrial sector grew by 22.9 percent** in the first half of 2021-22 compared to the same period in 2020-21, and is expected **to grow by 11.8% this fiscal year.**

- During April-November 2021, the **Index of Industrial Production (IIP) increased by 17.4% year on year, compared to (-) 15.3% in April-November 2020.**
- The Indian railways' capital expenditure increased to Rs. 155,181 crores in 2020-21, up from an average annual of **Rs. 45,980 crores in 2009-14**, and it is expected to rise to Rs. 215,058 crores in 2021-22, a five-fold increase over the 2014 level.

- The amount of road construction per day increased by 30.4% in 2020-21, from 28 km per day in 2019-20 to 36.5 km per day in 2020-21.
- The introduction of the **Production Linked Incentive (PLI) scheme**, as well as major infrastructure—both physical and digital—boosts, as well as measures to reduce transaction costs and improve ease of doing business—would all help to speed up the recovery.
- The **National Infrastructure Pipeline (NIP)** was launched in FY 2020-2025 with an estimated infrastructure investment of around ₹ 111 lakh crore to provide world-class infrastructure across the country and improve the quality of life for all citizens.
- The recovery of the industrial sector, as well as positive business expectations fueled by extensive reforms and increased consumer demand, suggest that industrial performance will continue to improve.

PARAKH Portal

- To recognise the importance of testing and certification in improving the competitiveness of Indian goods and services, in June 2021, this portal was launched.
- It will map all accredited, certified, and recognised laboratories across the country on a Geographic Information System (GIS).
- The Ministry of Electronics and Information Technology (MEITY), the Bhaskaracharya National Institute of Space Applications and Geo Informatics, Gujarat (BISAG), and the concerned line ministries/ departments of the Government of India collaborated to create this unified laboratory network.

CHAPTER 9: SERVICES

- In the July-September quarter of 2021-22, the **GVA of services surpassed the pre-pandemic level**; however, the GVA of contact intensive sectors such as trade, transportation, and others remained below the pre-pandemic level.
- In **2021-22**, the **overall service sector GVA is expected to grow by 8.2%**.
- The service sector received **over US\$ 16.7 billion in FDI in the first half of 2021-22, accounting for nearly 54% of total FDI inflows into India**.
- Revenue from IT-BPM services reached US\$ 194 billion in 2020-21, **with 1.38 lakh new employees hired during that time**.
- The removal of telecom regulations in the IT-BPO sector and the opening up of the space sector to private players are two major government reforms.
- After the United States and China, India has become the world's third largest start-up ecosystem.
 - In 2021-22, the number of new recognised start-ups increased to over 14000 from 733 in 2016-17, bringing the total number of unicorns to 83.
 - 44 Indian start-ups **achieved unicorn status in 2021**, bringing the total number of unicorns to 83.
 - The IT/knowledge-based sector accounts for the majority of India's startups. This knowledge-based economy relies heavily on intellectual property, particularly patents (Patents in India are low due to low R&D, procedural complexities & process delays)

CHAPTER 10: SOCIAL INFRASTRUCTURE AND EMPLOYMENT

- The proportion of GDP spent on social services (health, education, and others) by the Centre and States increased from 6.2 percent in 2014-15 to **8.6% in 2021-22. (BE)**
- According to the **5th National Family Health Survey**: The **total fertility rate (TFR) decreased from 2.2 in 2015-16 to 2 in 2019-21**; the infant mortality rate (IMR), under-five mortality rate, and institutional births all improved from 2015-16 to 2019-21.
- 83 districts have been designated as 'Har Ghar Jal' districts under Jal Jeevan Mission (JJM).
- So far **MGNREGS** allocation for FY 2021-22 has been increased to **Rs 98000 crore** to provide a buffer for unorganised labour in rural areas during the pandemic.
 - So far (Jan 2022) in FY 2021-22, over 8.70 crore people and 6.10 crore households have been employed.
- Employment in the pandemic-affected urban sector has nearly recovered to pre-pandemic levels. The unemployment rate in the urban sector increased to 20.8 %in the first quarter of 2020-21 and gradually decreased during reaching **9.3% in Q4 of 2020-21.**
- According to data from the Employees Provident Fund Organisation (EPFO), **job formalisation** continued during the second COVID wave, with a net addition of 13.95 lakh EPF subscribers in November 2021. However, the negative impact of COVID on job formalisation was much lower than it was during the first COVID wave.

Jal Jeevan Mission

- By 2024, JJM hoped to provide adequate safe drinking water to all rural Indian households via individual household tap connections.
- The Mission's goal is to provide every rural household with a reliable supply of potable-piped water at a service level of **55 litres per capita per day (lpcd)** on a long-term basis, as well as to ensure that tap water connections are functional.

Map 3: State wise progress in providing FHTC to households across the country

