



Highlights of Economic Survey

2021-22

INTRODUCTION

Economic Survey is the **official report card of the country's economy** and is tabled in Parliament by the Union finance minister **a day before the presentation of the Union Budget**. It is prepared by the **Department of Economic Affairs, the Ministry of Finance** under the guidance of **Chief Economic Advisor**.

The theme of this Economic Survey relates to the **art and science of policy-making under conditions of extreme uncertainty**. It seeks to provide an alternative mode to policy making. From the traditional Water-fall Approach - an upfront analysis of the issue, detailed planning and finally meticulous implementation, to the **Agile Approach based on feed-back loops, real-time monitoring of actual outcomes, flexible responses, safety-net buffers**.

This Economic Survey **has shifted from the two-volume format** (where the first part focused on broader economic developments while the second part gave a basic analysis of different sectors) **of recent years to a single volume** plus a separate volume for statistical tables.

Along with the traditionally covered sectoral chapters, this year's survey introduces a new chapter that **demonstrates the use of satellite and geo-spatial images to gauge various economic phenomenon** - urbanization, infrastructure, environmental impact, farming practices and so on.



CHAPTER 1- STATE OF THE ECONOMY

Indian economy is **estimated to grow by 9.2% in real terms in 2021-22** (as per first advanced estimates) subsequent to a contraction of 7.3% in 2020-21.

GDP is projected to **grow by 8- 8.5%** in real terms in **2022-23**.

Challenges to Economy- Repeated waves of infection, supply-chain disruptions and, more recently, inflation have created particularly challenging times for policy-making.

Response to economic impact of second wave- Immediate response was a bouquet of safety-nets to cushion the impact on vulnerable sections of society and the business sector.

Significant increase in capital expenditure on infrastructure.

A flexible and multi-layered approach partly based on an "Agile" framework with use of 80 High Frequency Indicators (HFIs) representing industry, services, global trends, macro-stability indicators and several other activities. These include GST Collection, Power Consumption among others.



Macro-Economic Indicators:

Agriculture and allied Sector: The sector was **least impacted** by the pandemic. It is **expected to grow by 3.9%** in 2021-22 after growing 3.6% in the previous year.

Industries (Including mining and construction): The sector is estimated to **rise by 11.8% in 2021-22** after contracting by 7% in 2020- 21.

Services: The sector was **hit the hardest by the pandemic** but it is estimated **to grow by 8.2%** this financial year following last year's 8.4% contraction.

Gross Fixed Capital Formation: Exceeded pre-pandemic levels on the back of ramped up public expenditure on infrastructure.

Balance of Payments: BoP remained in surplus throughout the last two years.

- It allowed the Reserve Bank of India (RBI) to keep accumulating foreign exchange reserves.

Capital markets have done exceptionally well and consequently allowed record mobilization of risk capital for Indian companies.

Banking system is well capitalized and the overhang of Non-Performing Assets seem to have structurally declined.

Inflation reappeared as a global issue.

- Consumer Price Index** inflation stood at **5.6%**.
- Wholesale price inflation**, however, has been **running in double-digits**.

Vaccination: Vaccination is not merely a health response but is critical for opening up the economy, particularly contact-intensive services. Therefore, it **is being treated as a macro-economic indicator**.

- Over the course of a year, **India delivered 157 crore doses** that covered 91 crore people with at least one dose and 66 crore with both doses.

CHAPTER 2- FISCAL DEVELOPMENTS

With the bouncing back of the economy in the current financial year, the **revenue receipts of the central government during April to November 2021 have gone up by 67.2%** (YoY), as against expected growth of 9.6% in the 2021-22 Budget Estimates.

The **gross tax revenue** during this period has registered **a growth of over 50%** in YoY terms.

The **gross monthly GST collections** have crossed the Rs 1 lakh crore mark consistently since July 2021. (It has been increasing since 2017)



- During April–November 2021, **Capex has grown by 13.5% (YoY)** with focus on infrastructure-intensive sectors.
- The **expenditure policy of the central government during 2021-22 has a strong emphasis on capital expenditure.**
- 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.

Trend in Centre's Debt-GDP Ratio

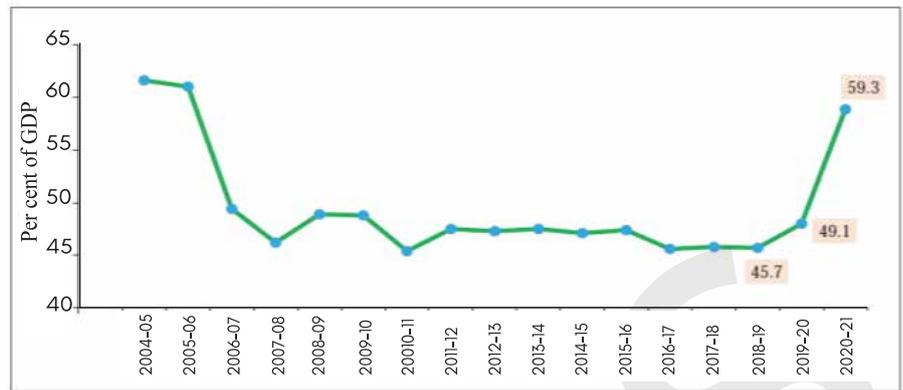


Figure 3: Trend in Fiscal deficit and primary deficit

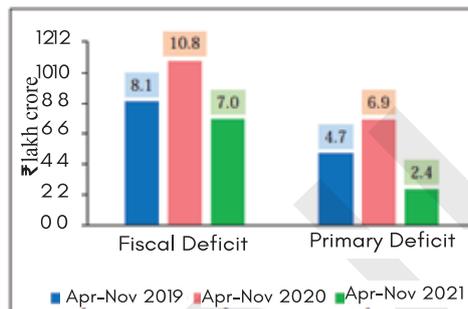
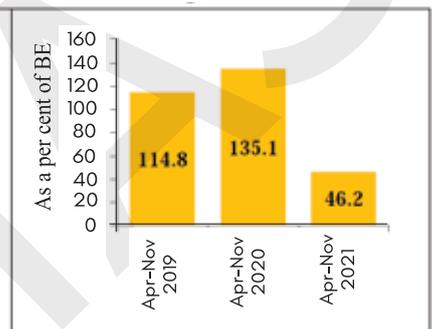


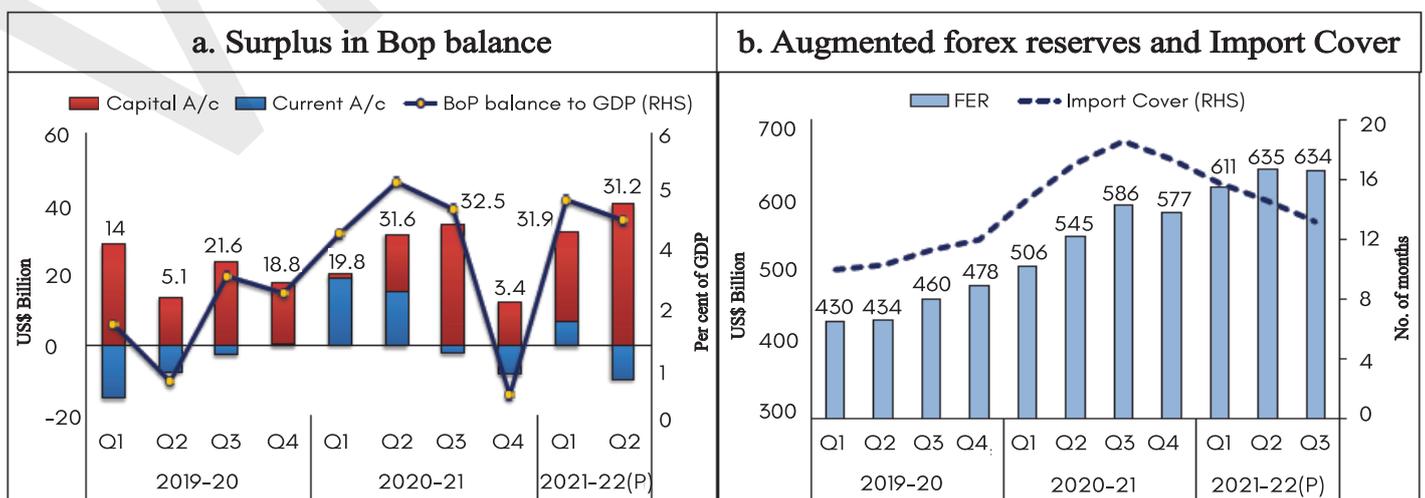
Figure 4: Fiscal deficit as a per cent of Budget estimate



CHAPTER 3 – EXTERNAL SECTOR

- External trade recovered strongly in 2021-22** after the pandemic-induced slump of the previous year. However, the **downside risks of global liquidity tightening and continued volatility of global commodity prices**, high freight costs, coupled with the fresh resurgence of COVID-19 with new variants may pose a challenge for India during 2022-23.
- Merchandise Exports and Imports-** Despite weak tourism revenues, there was a **significant pickup in net services receipts** during April–December, 2021 on account of robust software and business earnings, with both receipts and payments crossing the pre-pandemic levels.
- Balance of Payments- India's current account balance turned into deficit of 0.2% of GDP** in the first half (H1) of 2021-22, largely led by a deficit in the trade account.

Figure 17: Overall Bop Balance and Forex Reserves



Source: RBI

■ **India's external debt rose to US\$ 593.1 billion** as of end-September 2021, from US\$ 556.8 billion a year earlier, reflecting additional SDR allocation by IMF, coupled with higher commercial borrowings.

● **Capital Flows**- 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, that led to an augmented foreign exchange reserves crossing the milestone of US\$ 600 billion.

■ As of end-November 2021, **India was the fourth-largest forex reserves holder** in the world after China, Japan and Switzerland.

CHAPTER 4- MONETARY MANAGEMENT AND FINANCIAL INTERMEDIATION

● **RBI has maintained ample surplus liquidity in the banking system to support growth.**

■ RBI engaged in **rebalancing liquidity from passive absorption under fixed rate reverse repo under its Liquidity Adjustment Facility (LAF) to market based reverse repo auctions** (like Variable Rate Reverse Repo (VRRR)).

■ RBI undertook various **measures such as G-Sec Acquisition Programme (GSAP) and Special Long-Term Repo Operations (LTRO) to provide further liquidity.**

■ **Repo rate was maintained at 4%** in 2021-22.

● **The economic shock of the pandemic has been weathered well by the commercial banking system.**

■ **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.

■ Among major emerging market economies, **Indian markets outperformed peers** in April-December 2021. (Sensex and Nifty scaled up to touch peak at 61,766 and 18,477 on October 18, 2021.)

● **Rise in insurance penetration and insurance density**

■ India is **at par with international average in terms of insurance** penetration for life insurance, while lag behind in terms of non-life Insurance.

In 2020, **density for Life insurance** in India was \$59 and **Non-Life insurance** was \$19, much **lower than global standards** (\$360 for the life segment and \$449 for the non-life segment).

● **Insolvency and bankruptcy code**

■ In view of the COVID-19 pandemic, the **Insolvency and Bankruptcy (Amendment) Ordinance, 2020** was promulgated which suspended initiation of the CIRP of a corporate debtor (CD) for any default arising on or after 25th March 2020.

■ Further, **the suspension of the Code was extended twice for 3 months** to provide relief to the firms undergoing stress due to the pandemic.



CHAPTER 5- PRICES AND INFLATION

Global Inflation

- In 2021, **inflation picked up globally as economic activity revived** with opening-up of economies.
- Pushed up inflation due to **COVID-19 related stimulus spending**, mainly in the form of discretionary handouts to households in major economies and **pent up demand fueling consumer spending**.

Indian Inflation

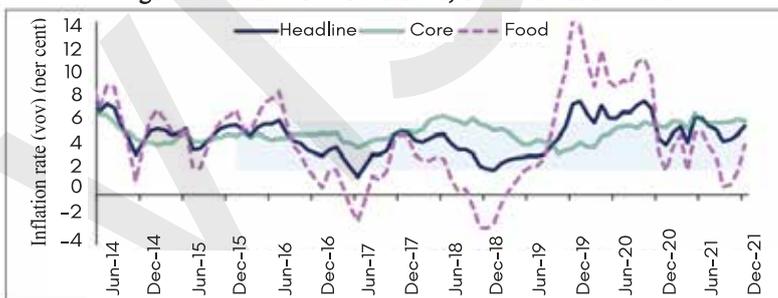
- The average **headline CPI-Combined inflation moderated to 5.2% in 2021-22** (April-December) from 6.6% in the corresponding period of 2020-21.
 - The decline in **retail inflation was led by the easing of food inflation**. Food inflation averaged at a low of 2.9% in 2021-22 (April to December) as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

Figure 3: Trend in CPI-C Headline, Core and Food Inflation



Source: NSO, MoSPI

- 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 the base effect in WPI, the divergence in CPI-C and WPI is also expected to narrow down.

Long term perspective for management of supply-side factors

- Given the importance of supply-side factors in having a predominance in the determination of inflation in India, following long-term policies are likely to help-
 - Changing Production Patterns.
 - Calibrated Import Policy.
 - Focus on transportation and storage infrastructure for perishable commodities.

CHAPTER 6 – 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.

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.

Several steps are being taken to control and minimize air pollution

- India has leap frogged from **BS-IV to BS-VI** norms for fuel and vehicles since April, 2020.
- Stringent emission norms for coal based thermal power plants** have been introduced.
- Six waste management rules** covering solid waste, plastic waste, e-waste, bio-medical waste, construction and demolition waste and hazardous waste have been notified.

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- Air quality monitoring network of manual as well as continuous monitoring stations, under programmes such as **National Air Monitoring Programme**, have been expanded.

Major decisions at the COP26 Climate Summit, Glasgow

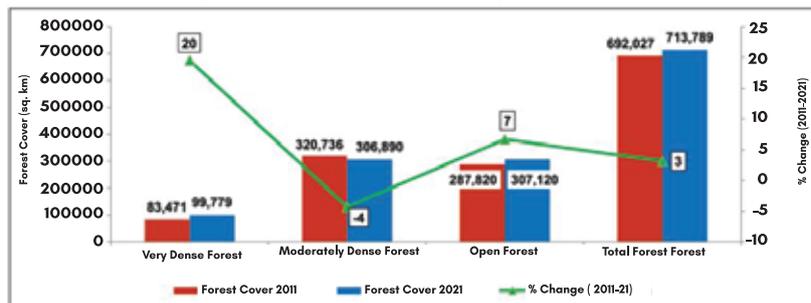
- The COP26 **adopted outcomes on all pending issues of the "Paris Rule Book"**, which is the procedures for implementation of the Paris Agreement, including market mechanisms, transparency, and common timeframes for NDCs.
- The "Glasgow Climate Pact" **emphasizes adaptation, mitigation, finance, technology transfer, capacity-building, loss and damage.**

Finance for sustainable development

- In **May 2021, the RBI set up a new unit-'Sustainable Finance Group' (SFG)** within its Department of Regulation to effectively counter risks, and for leading the regulatory initiatives in the areas of sustainable finance and climate risk.
- In January 2021, a **Task Force on Sustainable Finance had been set up** by the Department of Economic Affairs to establish the pillars for a sustainable finance roadmap, suggest draft taxonomy of sustainable activities and a framework of risk assessment by the financial sector.
- The **liberalised External Commercial Borrowings (ECB) norms of RBI** have enabled the Indian renewable energy companies and other firms to tap the ECB route for raising finance through green bonds and sustainable bonds, reflecting the growing attractiveness of this route for raising finance.
- In May 2021, **SEBI issued new sustainability reporting requirements as per the Business Responsibility and Sustainability Report (BRSR)** which shall replace the existing **Business Responsibility Reporting (BRR)** to bring in greater transparency through disclosure of **ESG-related information** and by enabling market participants to identify and assess sustainability-related risks and opportunities.

India's initiatives at the international stage

Figure 9: Forest Cover of India (2011 and 2021)



Source: India State of Forest Report 2021 and 2011

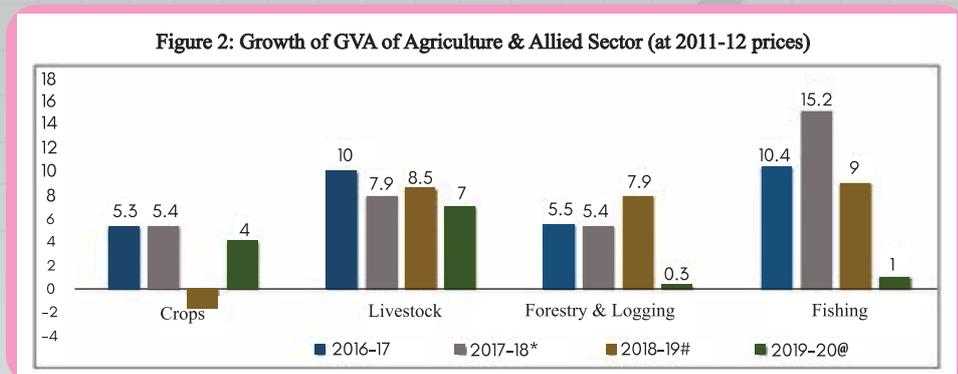
Note: Very dense forest: All lands with tree canopy density of 70 per cent and above); Moderately dense forest: All lands with tree canopy density between 40-70 per cent; and Open forest: All lands with tree canopy density between 10-40 per cent

- Lifestyle for Environment (LIFE).
- International Solar Alliance (ISA).
- Coalition for Disaster Resilient Infrastructure (CDRI).
- Leadership Group for Industry Transition (LeadIT Group).

CHAPTER 7- AGRICULTURE & FOOD MANAGEMENT

The Agriculture sector experienced buoyant growth in the 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 through price signalling in crops such as oilseeds. The share of net irrigated area accounts for about 49% of the total net sown area in the country and out of the net



irrigated area, about 40% is irrigated through canal systems and 60% through groundwater.

Situation Assessment Survey (SAS) report, 2021, shown the fragmentation of landholdings has led to alternate sources such as livestock, fishery and wage labour becoming significantly important for an agricultural household.

Allied Sectors:

- 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.
- The Livestock sector has grown at a CAGR of 8.15% over the last five years ending 2019-20. It has been a stable source of income across groups of agricultural households accounting for about 15% of their average monthly income.

Government has facilitated 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.

CHAPTER 8- INDUSTRY AND INFRASTRUCTURE

Global Industrial activity continued to be affected by the disruptions caused by the COVID-19 pandemic.

Major Growth trends

- Industrial sector growth improved in 2021-22, with 22.9% growth in the first half of 2021-22 and expected to grow by 11.8% for this FY.
- Index of Industrial Production (IIP) grew at 17.4% (YoY) during April-November 2021 as compared to (-) 15.3% in April-November 2020.
- The monthly Index of Eight Core Industries grew at 13.7% in April-November 2021-22 as compared to (-)11.1% in April-November 2020-21.

Supporting Growth factors: Gradual unlocking of the economy, record vaccinations, improvement in consumer demand, continued policy support such as AtmaNirbhar Bharat Abhiyan, easier credit access, boost to infrastructure development etc. E.g.



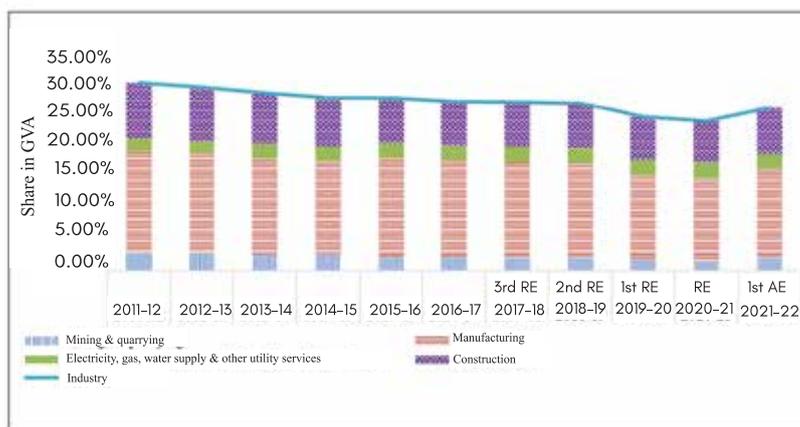
- **Indian Railways Capital expenditure has increased** during 2009-14.
- **Extent of road construction per day increased** substantially in 2020-21 to **36.5 Kms per day** from **28 Kms per day** in 2019-20 – a rise of 30.4 percent.

● **Net profit to sales ratio of large corporates reached an all-time high** of 10.6% in July-September quarter of 2021-22 despite the pandemic (RBI Study).

● **Future Growth Factors:** Introduction of Production Linked Incentive (PLI) scheme for 14 champion sectors, Infrastructure development (both physical as well as digital), along with measures to reduce transaction costs and improve ease of doing business. This includes:

- **National Infrastructure Pipeline,**
- **National Monetization Plan,**
- **Structural and Procedural reforms** in the telecom sector etc.

Figure 1: Share of Industry and its components in Gross value added



Source: Survey calculations based on MoSPI data. Data at current prices.

CHAPTER 9 – SERVICES

● Contributing over 50% to India's GDP, the services sector as a whole mostly recovered from national and localised lockdowns and grew by **10.8%** in the **first half of 2021-22**.

- It was **worst affected by the pandemic** and its share in India's Gross Value Added (GVA) declined from **55%** in 2019-20 to **53%** in 2021-22.

● **GVA of services** crossed pre-pandemic level in Q2 of 2021-22 and overall Services sector GVA is expected to grow by **8.2%** in 2021-22.

- However, some sub-sectors continue to be impacted and **GVA of contact intensive sectors like trade, transport, etc. still remain below pre-pandemic level.**
- The spread of Omicron keeps a near-term uncertainty, especially in segments that require human contact.

● **High frequency indicators** such as services purchasing managers' index, air freight and rail freight bottomed out in 2020 with muted impact of second Covid-19 wave.

● **Corporates raised more money from capital markets** rather than banking capital with bank credit growth to services sector decelerating to 3.6% YoY at the end of November 2021 as compared to 8.2 per cent a year ago.

● During the **first half of 2021-22**, the service sector received over **US\$ 16.7 billion FDI** – accounting for almost **54%** of **total FDI inflows** into India.

● **Major Achievements of Indian Services Sector:**

- Services **exports surpassed pre-pandemic level** in Q4 of 2020-21 and grew by 21.6% in the **first half of 2021-22**.
- India's share in **world commercial services exports** increased to **4.1%** in 2020 (**3.4%** in 2019).
- **IT-BPM services** revenue reached **US\$ 194 billion** in 2020-21, adding **1.38 lakh employees** during the same period.
- India has become the **3rd largest start-up ecosystem** in the world after the US and China with the number of



- new recognized start-ups increasing to **over 14000** in **2021-22** from **733** in **2016-17**.
- Also, **44 Indian start-ups achieved unicorn status** in **2021** (Overall Unicorns in India are at **83** with most of them in the services sector).
- The number of patents filed in India has gone up from **39,400** in **2010-11** to **58,502** in **2020-21**. The patents granted during the same period have gone up from **7,509** to **28,391**.
- India's ranking in **Global Innovation Index** has climbed 35 ranks, from **81st** in **2015-16** to **46th** in **2021**.

Major Government reforms for Services Sector:

- Removal of telecom regulations in the IT-BPO sector,
- Opening up the space sector to private players and publication of Drone Rules, 2021.
- Multi-pronged strategy Ports, Shipping and Waterways Services.
- Reforms in patent application procedure to overcome procedural delays and complexities.

CHAPTER 10 – SOCIAL INFRASTRUCTURE AND EMPLOYMENT

Social Infrastructure

- Due to the onslaught of pandemic, **providing a safety-net to the vulnerable segments** of society and coherent **response to health consequences** of pandemic remained **key focus**.

Initiatives to handle pandemic:

- Launch of **Indian National COVID Vaccination Program**.
- **Budgetary allocation of Rs. 35,000 crore for procurement of vaccines** under COVID-19 Vaccination Program to ensure free vaccination.
- Use of technology including **ArogyaSetu** mobile app and digital **Co-WIN 2.0** platform, initiatives to reduce vaccine hesitancy and vaccination like 'Har GharDastak'.

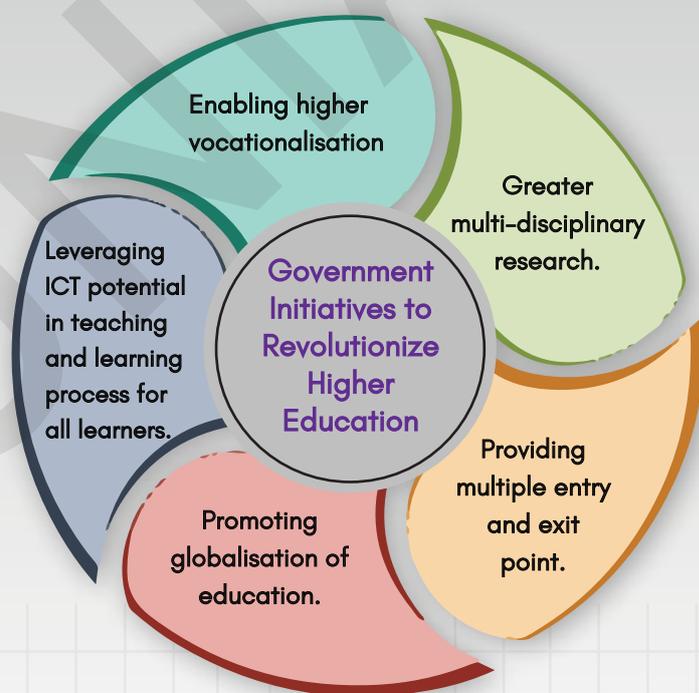
- **Expenditure on social services (health, education and others):** Increased from **6.2%** in **2014-15** to **8.6%** in **2021-22 (BE)** by Centre and States as a proportion of GDP.

Major Outcomes on Health and Education:

- As per 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 **2015-16**.
- Improvement in school infrastructure with increased school enrolment and decline in school dropout. The **Gross Enrollment Ratio (GER)** in higher education also reached **27.1%** in **2019-20**.
- Under **Jal Jeevan Mission (JJM)**, **83 districts** have become '**Har Ghar Jal**' districts.

Employment

- With economic revival, **employment indicators also bounced back to pre-pandemic levels** during the last quarter of 2020-21 (as per the quarterly Periodic Labour Force Survey).
- **Continued formalization of jobs** (as per Employees Provident Fund Organisation (EPFO) data).
- Increased funds allotment to **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)** to provide necessary buffer for the unorganized sector in rural areas during pandemic.





Improvement in formal vocational / technical training among youth (age 15-29 years) and working population (age 15-59 years) in 2019-20 over 2018-19.

CHAPTER 11- TRACKING DEVELOPMENT THROUGH SATELLITE IMAGES & CARTOGRAPHY



Introduced as part of the use of **new forms of data and information for tracking economic activity** and development. It uses- **geo-spatial data and cartographic techniques-** to track, compare and represent longer-term developments.

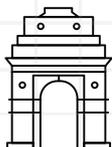
Benefits of Geo-spatial Data: Help in visualisation of data with better understanding of trends, relationships and patterns.

Major Observations under it:

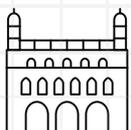
Indicator	Now	Trend
National Highway Network Length	1,40,152 km (August, 2021)	Almost doubled from 2011 to 2021.
Number of Operationalised Airports in India	130 (December, 2021)	More than doubled from 2016 to 2021.
Commercial Bank Branches	1,22,976 (March, 2021)	Grew 1.65 times from 2011 to 2021.
Net Sown Area in India	156.8 million ha (2020-21)	Grew 1.25 times from 2006 to 2021.

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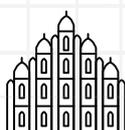
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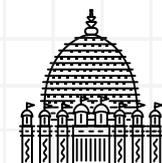
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