

Chapter 11

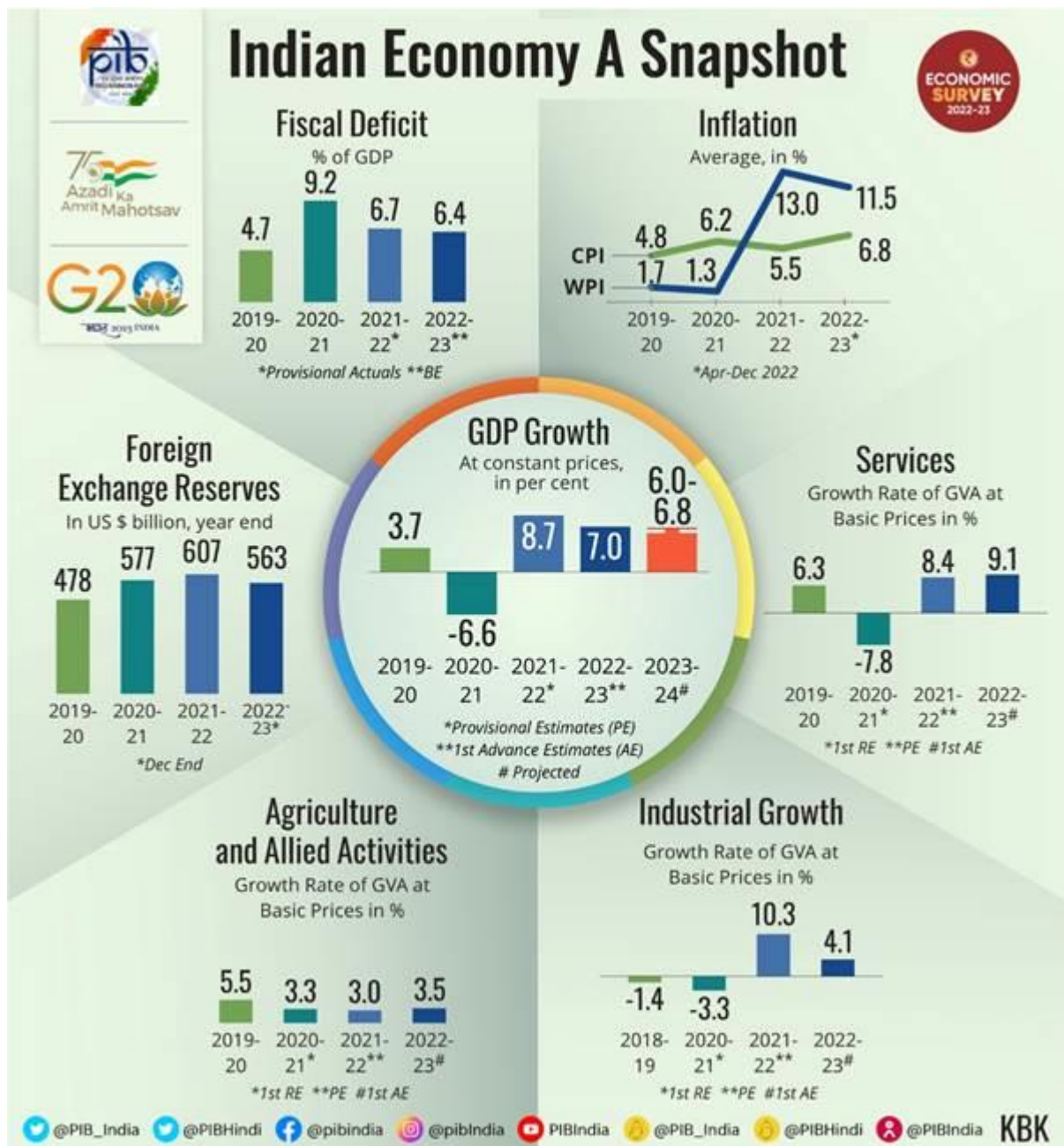
Crux of Economic Survey 2022-23 (31-01-2023)

Youtube Link of Economic Survey Lecture <https://youtu.be/BbpC5pGLszQ>

Economic Survey

Issued by	Economic Division of Department of Economic Affairs, Ministry of Finance
Prepared by	Team led by Chief Economic Adviser in the Ministry of finance.
Presented by	Economic Survey is presented to both houses of Parliament by Finance Minister in advance of the Union Budget.
About ES	It highlights the economic trends in the country and facilitates a better appreciation of the mobilization of resources and their allocation in the Budget. Economic Survey of 2022-23 is based on nine months of data at best or eight mostly.

Highlights of Economic Survey 2022-23



Chapter 1- State of the Economy 2022-23: Recovery Complete

- For India, 2022 was special. It marked the 75th year of India's Independence. India became the world's **fifth largest economy**, measured in current dollars. Come March, the nominal GDP of India will be around US\$ 3.5 trillion. In real terms, the economy is expected to grow at 7 per cent for the year ending March 2023. India is the **third-largest economy** in the world in purchasing power parity (PPP) terms.
- India's GDP growth is expected to remain **robust in FY24**. Survey projects a **baseline GDP growth of 6.5%** in real terms in FY24. The actual outcome for real GDP growth will probably lie in the range of 6.0% to 6.8%, depending on the trajectory of economic and political developments globally.
- Industry sector witnessed **modest growth** of 4.1 per cent in FY23 compared to the strong growth of 10.3 per cent in FY22. It explained that this is likely on account of input cost-push pressures, supply chain disruptions and the China lockdown impacting the availability of essential inputs and slowing the global economy.
- At least **three shocks have hit the global economy** since 2020. It all started with the **pandemic**-induced contraction of the global output, followed by the **Russian-Ukraine conflict** leading to a worldwide surge in inflation. Then, the central banks across economies led by the Federal Reserve responded with synchronised **policy rate hikes** to curb inflation. The rate hike by the US Fed drove capital into the US markets causing the US Dollar to appreciate against most currencies. This led to the widening of the Current Account Deficits (CAD) and increased inflationary pressures in net importing economies.
- The **rate hike and persistent inflation** also led to a lowering of the global growth forecasts for 2022 and 2023 by the IMF in its October 2022 update of the World Economic Outlook. Despite these, agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0 per cent in FY23.
- India's economic growth in FY23 has been **principally led by** private consumption and capital formation and they have helped generate employment as seen in the declining urban unemployment rate and in the faster net registration in Employee Provident Fund.
- **Global growth** has been projected to decline in 2023. The slowing demand will likely push down global commodity prices and improve India's CAD in FY24
- Indian Rupee performed well compared to other Emerging Market Economies in Apr-Dec2022.
- The **credit growth to the MSME** sector was over 30.6 per cent on average during Jan-Nov 2022, supported by the extended Emergency Credit Linked Guarantee Scheme (ECLGS) of the Union government.
- Retail inflation is back within RBI's target range in November 2022.

Chapter 2- India's Medium-term Growth Outlook: With Optimism and Hope

- With improved and healthier balance sheets of the banking, non-banking and corporate sectors, a **fresh credit cycle has already begun**, evident from the double-digit growth in bank credit over the past months. Additionally, the **economy has started benefiting** from the efficiency gains resulting from greater formalisation, higher financial inclusion, and economic opportunities created by digital technology-based economic reforms.
- Considering the evolving geo-political situation, the Survey notes that **India has an opportunity to benefit from the diversification of global supply chains**. Last few years have exposed multinational firms to unprecedented risks due to global trade tensions, pandemic-induced supply chain disruptions, and the conflict in Europe. Firms were exposed to the risk of concentrating their production in a single country. Therefore, given the global policy uncertainty, multinational firms are gradually exploring strategies to diversify their production bases and supply chains. With enabling policy frameworks, **India presents itself as a credible destination** for capital diversifying out of other countries.

Chapter 3- Fiscal Developments: Revenue Relish

- Union Government finances have shown a **resilient performance** during the year FY23, facilitated by the recovery in economic activity, buoyancy in revenues from direct taxes and GST, and realistic assumptions in the Budget.
- The Government's Capex-led growth strategy will enable India to keep the **growth-interest rate differential positive**, leading to a sustainable debt to GDP in the medium run.
- GST has stabilised as a vital revenue source for central and state governments.

Chapter 4- Monetary Management and Financial Intermediation: A Good Year

- The year 2022 marked the return of **high inflation**, especially in advanced economies, after nearly four decades. Inflation did not spare emerging economies either. These developments led to an unprecedented, synchronous, and sharp cycle of **monetary tightening across countries**. Major central banks have implemented sharp increases in policy rates. While the Federal Reserve has raised policy rates by 425 basis points (bps), the European Central Bank (ECB) and the Bank of England (BoE) have implemented 300 bps and 250 bps rate increases, respectively. The RBI initiated its monetary tightening cycle in April 2022 and has since implemented a policy repo rate hike of 225 bps.
- The balance sheet clean-up exercise over the last few years has enhanced the **lending ability of financial institutions** – seen in double-digit growth of non-food credit offtake by Scheduled Commercial Banks (SCBs) since April 2022.
- Credit disbursed by Non-Banking Financial Companies (NBFCs) has also been on the rise.
- **Gross Non-Performing Assets ratio (GNPA) of SCBs has decreased** from 8.2 per cent in March 2020 to a seven-year low of 5.0 per cent in September 2022.
- The **Capital-to-Risk Weighted Assets Ratio (CRAR) remains healthy** at 16.0. and well above the regulatory requirement of 11.5.
- In May 2022, Central Government diluted its stake in the Life Insurance Corporation (LIC) of India and listed it on the stock exchanges, thereby making LIC's IPO the **largest IPO ever in India** and the sixth biggest IPO globally of 2022.

Prelims 2023

Consider the following statements:

Statement-I: In the post-pandemic recent past, many Central Banks worldwide had carried out interest rate hikes.

Statement-II: Central Banks generally assume that they have the ability to counteract the rising consumer prices via monetary policy means.

Which one of the following is correct in respect of the above statements?

- (a) Both Statement-I and Statement-II are correct and Statement-II is the correct explanation for Statement-I
 (b) Both Statement-I and Statement-II are correct and Statement-II is not the correct explanation for Statement-I
 (c) Statement-I is correct but Statement-II is incorrect
 (d) Statement-I is correct incorrect but Statement-II is correct

Chapter 5- Prices and Inflation: Successful Tight-Rope Walking

- While India's **retail inflation rate peaked at 7.8%** in April 2022, above the RBI's upper tolerance limit of 6%, the overshoot of inflation above the upper end of the target range in India was however one of the lowest in the world.
- The rising phase was **largely due to** the fallout of the Russia-Ukraine war and a shortfall in crop harvests due to excessive heat in some parts of the country.
- Survey observes that retail inflation was **mainly driven by higher food inflation**. International prices of edible oils surged in FY22 owing to a shortfall in global production and an increase in export tax levies by various countries. India meets 60 per cent of its edible oils demand through imports, making it vulnerable to international movements in

prices. For instance, **sunflower oil**, which makes up 15 per cent of our total edible oil imports, is procured mainly from Ukraine and Russia.

- Consumer price inflation (**Retail inflation**) declines to 5.7% in december 2022.
- **Wholesale Price Inflation (WPI)** declines to 5.0% in december 2022 from its peak of 16.6% in May 2022. Rise in WPI has been attributed in part to the rise in food inflation and in part to the imported inflation.
- **Policy measures for price stability**-RBI's Monetary Policy Committee increased the policy repo rate by 225 basis points from 4.0% to 6.25% between May and December 2022. Central Government has undertaken **fiscal measures** like reduction in excise duty on petrol and diesel, prohibition of the export of wheat products, imposition of export duty on rice, reduction in import duties and cess on pulses, rationalization of tariffs and imposition of stock limits on edible oils and oil seeds, maintenance of buffer stock for onion and pulses and rationalization of import duties on raw materials used in the manufactured products.

Chapter 6- Social Infrastructure and Employment: Big Tent

- Social Sector witnessed significant **increase in government spending**.
- Survey highlights the findings of the 2022 report of the UNDP on Multidimensional Poverty Index which says that **41.5 crore people exit poverty in India** between 2005-06 and 2019-20.
- Aspirational Districts Programme has emerged as a template for good governance, especially in remote and difficult areas.
- eShram portal developed for creating a National database of unorganised workers, which is verified with Aadhaar. As on 31 December 2022, a total of over **28.5 crore unorganised workers have been registered** on eShram portal.
- JAM (Jan-Dhan, Aadhaar, and Mobile) trinity, combined with the power of DBT, has brought the marginalised sections of society into the formal financial system, revolutionising the path of transparent and accountable governance by empowering the people.
- Aadhaar played a vital role in developing the Co-WIN platform and in the transparent administration of over 2 billion vaccine doses.
- **Labour markets have recovered** beyond pre-Covid levels, in both urban and rural areas, with unemployment rates falling from 5.8 per cent in 2018-19 to 4.2 per cent in 2020-21.
- The SHG Bank Linkage Project (SHG-BLP), launched in 1992, has blossomed into the **world's largest microfinance project**. A SHG is a socially and economically homogenous group of up to 20 persons, formed voluntarily for the collective purpose of savings and credit, with no insistence on collateral for loans and end usage of credit.
- The year FY22 saw **improvement in Gross Enrolment Ratios (GER)** in schools and improvement in gender parity.
- Infant Mortality Rate (IMR), Under Five mortality rate (U5MR) and neonatal Mortality Rate (NMR) have shown a steady decline.
- More than **220 crore COVID vaccine doses** administered as on 06 January, 2023.
- Nearly **22 crore beneficiaries** have been verified under the **Ayushman Bharat Scheme** as on 04 January, 2023. Over 1.54 lakh Health and Wellness Centres have been operationalized across the country under Ayushman Bharat.
- Ayushman Bharat Pradhan Mantri – Jan Arogya Yojana (AB PM-JAY) is the **world's largest health insurance scheme** that aims to minimise the Out of Pocket Expenditure (OOPE) of the target beneficiaries arising due to

expenditure on healthcare. The scheme provides **health cover of Rs. 5 lakh per family per year** for secondary and tertiary care hospitalisation to over 10.7 crore poor and vulnerable families (approximately 50 crore beneficiaries) that form the bottom 40 per cent of the Indian population identified based on the deprivation and occupational criteria of the SocioEconomic Caste Census 2011 (SECC 2011) and other State schemes.

- National Health Policy, 2017 recommended an increase in the **Government's health expenditure** from the existing 1.2 per cent to 2.5 per cent of GDP by 2025. Also, the Fifteenth Finance Commission, in its report, had recommended that public health expenditure of Union and States together should be increased in a progressive manner to reach 2.5 per cent of GDP by 2025. In keeping with this objective, Central and State Governments' budgeted expenditure on the health sector reached 2.1% of GDP in FY23 (BE) and 2.2% in FY22 (RE), against 1.6% in FY21.
- eSanjeevani – National Telemedicine Service of India has evolved into the **world's largest** outpatient services system.

Chapter 7- Climate Change and Environment: Preparing to Face the Future

- India declared the Net Zero Pledge to achieve **net zero emissions** goal by 2070.
- India **achieved its target of 40 per cent installed electric capacity** from non-fossil fuels ahead of 2030.
- The likely installed capacity from non-fossil fuels to be more than 500 GW by 2030 resulting in decline of average emission rate by around 29% by 2029-30, compared to 2014-15.
- India to reduce emissions intensity of its GDP by 45% by 2030 from 2005 levels.
- About 50% cumulative electric power installed capacity to come from non-fossil fuel-based energy resources by 2030.
- A mass movement **LIFE– Life style for Environment** launched.
- **Govt. approved National Green Hydrogen Mission** on 4th January, 2023 to enable India to be energy independent by 2047. Green hydrogen production capacity of at least 5 MMT (Million Metric Tonne) per annum to be developed by 2030.
- India becoming a favored destination for renewables; investments in 7 years stand at USD 78.1 billion.
- SEBI has issued new sustainability reporting requirements under the **Business Responsibility and Sustainability Report (BRSR)**. The Survey mentions that BRSR was made **mandatory** for the top 1000 listed entities (by market capitalisation) from 2022-23.
- 62.8 lakh individual household toilets and 6.2 lakh community and public toilets constructed (August 2022) under the National Mission on Sustainable Habitat.

Chapter 8- Agriculture & Food Management: From Food Security to Nutritional Security

- The performance of the **agriculture and allied sector** has been buoyant over the past several years, much of which is on account of the measures taken by the government to augment crop and livestock productivity, ensure certainty of returns to the farmers through price support, promote crop diversification, improve market infrastructure through the impetus provided for the setting up of farmer-producer organisations and promotion of investment in infrastructure facilities through the Agriculture Infrastructure Fund.
- Foodgrains production in India saw **sustained increase** and stood at 315.7 million tonnes in 2021-22.
- Survey describes, **Horticulture as a “high growth area”** and “a source of buoyant growth and improved resilience for farmer.

- Survey describes that the **food management programme** in India comprises procurement of food grains from farmers at remunerative prices, distribution of food grains to consumers, particularly the vulnerable sections of society, at affordable prices and maintenance of food buffer stock for food security and price stability.
- **Organic Farming being promoted** through Farmer Producer Organisations (FPO) under the Paramparagat Krishi Vikas Yojana (PKVY).
- Organic and natural farming provides chemical fertiliser and pesticide-free food grains and other crops, improves soil health and reduces environmental pollution. India has 44.3 lakh **organic farmers**, the **highest in the world**. Sikkim became the first State in the world to become fully organic, and other States, including Tripura and Uttarakhand, have set similar targets.
- United Nations General Assembly, in its 75th session during March 2021, declared **2023 the International Year of Millets**. India produces more than 50.9 million tonnes (as per fourth advance estimate) of millet which accounts for 80 per cent of Asia's and 20 per cent of global production. Given the nutritional value of the millets, the Government notified Millets as Nutri-cereals in April 2018. Under the National Food Security Mission (NFSM), millets have been introduced to provide nutritional support.
- India's agricultural exports achieved the **highest ever export** in FY22 reaching US\$ 37.8 billion

Chapter 9- Industry: Steady Recovery

- In FY23, the Indian industry faced some extraordinary challenges as the Russian-Ukraine conflict broke out. That led to a sharp rise in the prices of many commodities.
- In December 2022, India became the **3rd largest automobile market**, surpassing Japan and Germany in terms of sales.
- India has become the **second-largest** mobile phone manufacturer globally, with the production of handsets going up from 6 crore units in FY15 to 29 crore units in FY21.
- India is **ranked 3rd worldwide in the production of pharma products** by volume and 14th by value. The sector is the **largest provider of generic medicines** globally, occupying a 20 per cent share in global supply by volume, and is also the leading vaccine manufacturer globally with a market share of 60 per cent.

Chapter 10- Services: Source of Strength

- India has been a major player in services trade, being among the top ten services exporting countries in 2021, having increased its share in world commercial services exports from 3 per cent in 2015 to 4 per cent in 2021.

Chapter 11- External Sector: Watchful and Hopeful

- India achieved an **all-time high** annual merchandise export of US\$ 422 billion in FY'22, exceeding the target of US\$ 400 billion.
- India **diversified its markets** and increased its exports to Brazil, South Africa and Saudi Arabia.
- To increase its market size and ensure better penetration, **in 2022, CEPA with UAE and ECTA with Australia come into force.**

- World Investment Report 2022 of UNCTAD places India as the **seventh largest recipient of FDI** in the top 20 host countries in 2021.
- In FY22, India received the **highest-ever FDI inflows** of US\$ 84.8 billion.
- India is the **largest recipient of remittances** in the world receiving US\$ 100 bn in 2022 (estimated by World Bank). Remittances are the second largest major source of external financing after service export. India has the largest emigrant population.
- Policy tightening by the US Federal Reserve and the strengthening of the US dollar led to **Foreign Portfolio Investment (FPI) outflows**. As a result, the surplus of the capital account was lower than the Current Account Deficit (CAD) leading to a depletion of forex reserves.
- As of December 2022, **Forex Reserves** stood at US\$ 563 bn covering **9.3 months of imports**.
- As of end-November 2022, India is the **sixth largest foreign exchange reserves** holder in the world.
- The current stock of **external debt is well shielded** by the comfortable level of foreign exchange reserves.
- India has relatively **low levels of total debt** as a percentage of Gross National Income and short-term debt as a percentage of total debt.

Chapter 12- Physical and Digital Infrastructure: Lifting Potential Growth

- **National Infrastructure Pipeline (NIP)** was launched with projected infrastructure investment of around ₹111 lakh crore during FY20-25 to provide high quality infrastructure across the country.
- **National Monetisation Pipeline (NMP)** was announced on 23 August 2021 on the principle of 'asset creation through monetisation'. The estimated aggregate monetisation potential under NMP is ₹6 lakh crore through core assets of the Central Government, over a four-year period, from FY20-25.
- **Digital journey started with Aadhaar** as a medium for service delivery at the doorstep, UPI strengthened the digital payment infrastructure. Other initiatives like CoWIN, e-RUPI, TReDS, Account Aggregators, ONDC, Open Credit Enablement Network (OCEN) etc. are at different stages of implementation.
- **Open Credit Enablement Network** aims towards democratising lending operations while allowing end-to-end digital loan applications.
- Under **Account Aggregator**, the consent-based financial data sharing framework is currently live across over 110 crore bank accounts.

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