

# Economic Survey 2021-22

## [UPSC Notes]

### What is the Economic Survey?

The Economic Survey discusses all the major government initiatives, analyses and gives reasons for many issues happening around. The issues highlighted in the Economic Survey and with the reforms suggested are often implemented by the government in future initiatives. In both, UPSC Prelims and UPSC Mains, direct questions are asked from the Economic Survey. Volume 1 of the Economic Survey deals with conceptual and analytical issues, whereas volume 2 highlights the state of the economy and sectors of the economy in detail with a focus on immediate issues and statistics.

### Economic Survey 2022: Major Highlights

The Economic Survey 2021-22 was tabled by the Finance Minister after the President's address to both the Houses of Parliament. The key highlights of the Economic Survey are discussed below, in a chapter-wise format.

#### Chapter 1: State of the Economy

- The Indian economy is estimated to grow by 9.2% in real terms in 2021-22 (as per first advance estimates) subsequent to a contraction of 7.3% in 2020-21.
- The Gross Domestic Product (GDP) is projected to grow by 8-8.5% in real terms in 2022-23.
- Repeated waves of infection, supply chain disruptions and, inflation have created particularly challenging times for policy-making.
- There was a significant increase in capital expenditures on infrastructure.
- The agriculture and allied sectors were least impacted by the pandemic. It is expected to grow by 3.9% in 2021-22 after growing 3.6% in the previous year.
- The Industries sector (including mining and construction), is estimated to rise by 11.8% in 2021-22 after contracting by 7% in 2020-21.
- The services sector was hit the hardest by the pandemic, but it is estimated to grow by 8.1% in this financial year, following last year's 8.4% contraction.
- Balance of Payments (BoP) remained in surplus throughout the last two years, which allowed the Reserve Bank of India (RBI) to keep accumulating foreign exchange reserves.
- The banking system is well-capitalized and the overhang of Non-Performing Assets (NPA) seems to have structurally declined.
- Consumer Price Index inflation stood at 5.6% and Wholesale price inflation was also running in double digits.
- 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 macroeconomic indicator. India delivered 157 crore doses that covered 91 crore people, with at least one dose and 66 crore people with both doses.

## Chapter 2: Fiscal Developments

- The revenue receipts of the central government from April to November 2021 have gone up by 67.2% (YoY), as against the 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.
- From April -November 2021, Capex has grown by 13.5% (YoY) with a 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.

## Chapter 3: External Sector

- External trade recovered strongly in 2021-11 after the pandemic, 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 2022-25.
- 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 a deficit of 0.2% of GDP in the first half (H1) of 2021-22, largely led by a deficit in the trade account.
- India's external debt rose to US\$ 593.1 billion as of the end of September 2021, from US\$ 556.8 billion a year earlier, reflecting additional SDR allocation by IMF, coupled with higher commercial borrowings.
- As of the end of 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 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.
- The 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. The capital to risk-weighted asset ratio of SCBs continued to increase from 15% in 2015-14 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.
- ₹89,066 crores were raised via 75 Initial Public Offering (IPO) issues in April-November 2021. Among major emerging market economies, Indian markets outperformed peers in April-December 2021.
- There is a rise in insurance penetration and insurance density.
- 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. 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

- In 2021, inflation picked up globally as economic activity revived with the opening-up of economies.
- The average headline CPI-Combined inflation moderated to 5.2% in 2021-21 (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. Effective supply-side management kept prices of most essential commodities under control during the year.
- Reduction in central excise and subsequent cuts in Value Added Tax by most States helped ease petrol and diesel prices.
- Wholesale inflation based on the Wholesale Price Index (WPI) rose to 12.5% during 2020-21 (April to December).

## Chapter 6: Sustainable Development and Climate Change

- India's overall score on the NITI Aoyog SDG India Index and Dashboard improved to 66 in 2020-21 from 60 in 2019-20.
- India has the tenth largest forest area in the world. In 2020, India ranked third globally in increasing its forest area from 2010 to 2020.
- In 2020, the forests covered 24% of India's total geographical, accounting for 2% of the world's total forest area.
- 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 have also been notified.
- The COP26 adopted outcomes on all pending issues of the "Paris Rule Book", which is the procedures for implementation of the Paris Agreement. The Glasgow Climate Pact emphasizes adaptation, mitigation, finance, technology transfer, capacity-building, loss and damage.
- 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, and suggest a draft taxonomy of sustainable activities and a framework of risk assessment by the financial sector.

## Chapter 7: Agriculture and 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 5.6% in 2020-21 and 5.9% in 2021-22.
- The Minimum Support Price (MSP) policy is being used to promote crop diversification through price signalling in crops. 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 has shown the fragmentation of landholdings has led to alternate sources such as livestock, fishery and wage labour becoming significantly important to agricultural households.
- Allied sectors including animal husbandry, dairying and fisheries are steadily emerging to be high-growth sectors and major drivers of overall growth in the agriculture sector. The Livestock sector has grown at a CAGR of 8.15% over the last five years ending 2019-20.
- India runs one of the largest food management programmes in the world.

## Chapter 8: Industry and Infrastructure

- 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 by 17.4% (YoY) during April-November 2021 as compared to (-) 15.3% in April-November 2020.
- The monthly Index of Eight Core Industries grew by 13.7% in April-November 2021-22 as compared to (-)11.1% in April-November 2020-21.
- Indian Railways Capital Expenditure has increased during 2009-14.
- The extent of road construction per day increased substantially in 2020-21 to 36.5 Km per day from 28 Km per day in 2019-20; a rise of 30.4 per cent.
- The net profit to sales ratio of large corporates reached an all-time high of 10.6% in the July-September quarter of 2021-22 despite the pandemic (RBI Study).

## Chapter 9: Services

- The Services sector 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. The services sector as a whole mostly recovered from nationalised lockdowns and grew by 10.8% in the first half of 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. The GVA of contact-intensive sectors like trade, transport, etc. still remains below the pre-pandemic level.
- Corporates raised more money from capital markets rather than banking capital with bank credit growth to the services sector decelerating to 3.6% YoY at the end of November 2021.
- During the first half of 2021-22, the service sector received over US\$ 16.7 billion in FDI-accounting for almost 54% of total FDI inflows into India.
- Services exports surpassed the 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).



- India has become the 3rd largest start-up ecosystem in the world after the US and China. 44 Indian start-ups achieved unicorn status in 2021.
- India's ranking in Global Innovation Index has climbed 55 ranks, from 81st in 2015-16 to 46th in 2021.

## Chapter 10: Social Infrastructure and Employment

- India launched Indian National COVID Vaccination Program. There was a Budgetary allocation of ₹35,000 crores for the procurement of vaccines under the COVID-19 Vaccination Program to ensure free vaccination.
- Expenditure on social services (health, education and others) increased from 6.2% in 2014-15 to 8.6% in 2021-22 (BE) by the Centre and States as a proportion of GDP.
- As per National Family Health Survey-5, the 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 institutions births have improved in 2019-21 over 2015-16.
- The Gross Enrolment 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.
- Increased funds allotment to Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) to provide a necessary buffer for the unorganized sector in rural areas during the pandemic.

## Chapter 11: Tracking Development Through Satellite Images and Cartography

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

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.

## Economic Survey Summary

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

The Economic Survey 2021-22 has shifted from the two-volume format 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 phenomena such as urbanization, infrastructure, environmental impact, farming practices and so on.

Below is a gist of the Economic survey 2022, relevant from the point of the UPSC Exam.

Sectors	Analysis
<b>Global liquidity tapering</b>	<ul style="list-style-type: none"> <li>A combination of high foreign exchange reserves sustained foreign direct investment, and rising export earnings will provide an adequate buffer against possible global liquidity tapering in 2022-23.</li> </ul>
<b>Industrial Sector</b>	<ul style="list-style-type: none"> <li>The growth of the industrial sector has been estimated at 11.2 per cent in FY22.</li> </ul>
<b>Capital Spending</b>	<ul style="list-style-type: none"> <li>According to the Economic Survey, there can be a sharp increase in capital spending by the government as a demand and supply-enhancing measure.</li> </ul>
<b>Monetary Management</b>	<ul style="list-style-type: none"> <li>Repo rate was maintained at 4 per cent in 2021-22.</li> <li>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.</li> <li>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.</li> </ul>
<b>Startups</b>	<ul style="list-style-type: none"> <li>Startups in India have grown remarkably over the last six years. India has now become the third-largest startup ecosystem in the world after the US and China.</li> </ul>
<b>Growth Estimates</b>	<ul style="list-style-type: none"> <li>The Indian economy is estimated to grow by 9.2 per cent in real terms in 2021-22.</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>Agriculture and allied sectors remained the silver lining during the Covid-19 pandemic and are expected to grow by 3.9 per cent in 2021-22 after growing 3.6 per cent in the previous year.</li> </ul>
<b>Imports-Exports</b>	<ul style="list-style-type: none"> <li>Exports are estimated to grow by 16.5 percent in 2021-22.</li> <li>Imports are expected to grow by 29.4 per cent in 2021-22.</li> </ul>
<b>Consumption</b>	<ul style="list-style-type: none"> <li>Total consumption is estimated to have grown by 7.0 per cent in 2021-22 with significant contributions in the form of government spending.</li> </ul>

<b>Agile Policy framework</b>	<ul style="list-style-type: none"> <li>The 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.</li> </ul>
<b>Sustainable Development</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>The top five sectors which capture around 83 percent of the aggregate pipeline value include: Roads (27 percent) followed by Railways (25 percent), Power (15 percent), oil &amp; gas pipelines (8 percent) and Telecom (6 percent).</li> </ul>
<b>Climate Finance</b>	<ul style="list-style-type: none"> <li>As per the Economic Survey 2022, climate finance will remain critical to successful climate action for India to achieve its Net Zero Carbon Emission target by 2070.</li> </ul>
<b>Strong revenue</b>	<ul style="list-style-type: none"> <li>The survey pointed out that revenues have witnessed a strong revival in FY22.</li> <li>This means that the government has fiscal room to provide support if necessary.</li> </ul>
<b>Prices and Inflation</b>	<ul style="list-style-type: none"> <li>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.</li> <li>The decline in retail inflation was led by the easing of food inflation.</li> <li>Food inflation averaged at a low of 2.9 percent in 2021-22 (April to December) as against 9.1 per cent in the corresponding period last year.</li> </ul>
<b>GDP Estimates</b>	<ul style="list-style-type: none"> <li>GDP is projected to grow by 8-8.5 percent in real terms in 2022-23.</li> <li>It also noted that the GDP growth rate contracted by 7.3 per cent in 2020-21.</li> </ul>
<b>Forest Area</b>	<ul style="list-style-type: none"> <li>India has the tenth largest forest area in the world.</li> <li>In 2020, India ranked third globally in increasing its forest area from 2010 to 2020.</li> <li>In 2020, the forests covered 24% of India's total geographical area, accounting for 2% of the world's total forest area.</li> </ul>
<b>Service Sector</b>	<ul style="list-style-type: none"> <li>The Covid-19 pandemic has hit the services sector the hardest. This sector is projected to grow by 8.2 per cent this financial year following the previous fiscal's 8.4 per cent contraction.</li> </ul>
<b>Air India Privatization</b>	<ul style="list-style-type: none"> <li>The Economic Survey has highlighted that the privatization of Air India was a significant step in terms of boosting the privatization drive and gathering disinvestment proceeds.</li> </ul>