ECONOMIC SURVEY

2021-2022

....A precursor to today's budget...

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The waterfall approach gives way to a more agile approach; India's strength lies in adaptability and its economy is on track to cross the pre-pandemic levels.

GDP growth is pegged at 8-8.5% in 2022-23 (and that too on an expected base of 9.2% growth in 2021-22). But the devil lies in the detail...

- Caveats to projections include (among others) - a mellowed impact of COVID-19 going forward coupled with reduced liquidity withdrawal from foreign governments and limited increases in crude oil prices.
- However, India appears geared up with its usage of "safety nets" for the more vulnerable sections and emphasis on supply side reforms.

Fiscal developments reflect a positive trend but **grey skies still hover due to increased debt and inflation (5.6% in Dec 2021) concerns and the requirement to balance capital and consumption expenditures within the available fiscal space.**

- Gross tax revenue has increased 1.5x times YoY between April and November 2021 and capital expenditure has grown up 13.5% YoY courtesy the focus on infrastructure intensive sectors.
- Fiscal deficit for same period is at 46.2% of budgeted estimates – significantly down as compared to the same period in the last two years.)
- The Centre's debt increased to 59.3% of GDP in 2020-21
- Innovative and alternative initiatives such as asset monetization and DFIs are critical

The impact of an external sector on an economy accelerates fast but can decelerate even faster. Caution cannot be thrown to the wind.

- India's current account balance stood at a deficit of 0.2% (of GDP) in H1 21-22 and external debt at $593.1bn due to high commercial borrowings. This is however offset by capital inflows resulting in BoP surplus.
- India has and is showing resilience in the face of global uncertainties due to COVID variants resulting in supply side disruptions. However, merchandise trade balance is an area of concern especially with China accounting for the largest share in the deficit which has pushed the current account balance in the red in H1 FY22..
- Trade agreements and initiatives like the RoDTEP and PLI are critical in the way forward also.

Monetary management and financial intermediation require more organic growth in money multipliers and credit growth rates

- Accommodative stance in monetary policy coupled with regulatory dispensations and provisions for adequate liquidity have been in place for a while.
- Money multiplier, adjusted for reverse repo, at 4.6 is however a concern indicating weak credit creation. The Capital to Risk Weighted Ratio at 16.54 has also improved, but largely due to capital infusion and fund raises.

Sustainable development and climate change – each transition stage requires a more steep performance curve and India's journey in SDGs from here will require exponential performances.

- India has improved its overall score to 66 in the NITI Aayog SDG Index and Dashboard 2020-21 but the current slightly fragmented state requires a concerted and institutional approach.

Industry and infrastructure - MSMEs are the backbone of India's industry and startups are the cervical spine that help India stay technologically ahead.

- With more than 14,000 start ups as of 2021-22 and the existing and ever evolving MSME base, industry is in good hands but it is important to provide continuous support.

Social infrastructure and employment – India is a democracy of the people, by the people and for the people and as has been said "continuous improvement is better than delayed perfection"

- The vaccination drives supported by a Rs 15,000 crore allocation by the government coupled with initiatives like the Jal Jeevan Mission have ensured support for the population.
- Social infrastructure needs to be adaptive to changing situations.