

31 January 2022

## Economic Survey 2022

### Key Highlights

- India's **GDP** is projected to grow at **8-8.5% in fiscal year 2022-23** and is expected to witness real GDP expansion of **9.2% in 2021-22**. Thus reporting a **GDP of 1.3% above pre-pandemic level**.
- While, **Agriculture and allied sectors** have been the least impacted by the pandemic, the **Services sector** has been the hardest hit by the pandemic.
- **Gross Fixed Capital Formation** exceeded pre-pandemic levels on the back of ramped up public expenditure on infrastructure.
- India's **balance of payments** remained in surplus throughout the last two years.
- Central government is "**well on track**" to meet its **fiscal deficit target for FY22**.

The Economic Survey authored by **Principal Economic Advisor, Sanjeev Sanyal** in the absence of **Chief Economic Advisor (CEA)** and was tabled in the parliament on Monday, 31 January 2022 by the Finance minister Nirmala Sitharaman. The Economic Survey is an annual document prepared by the Ministry of Finance under the guidance of the CEA and it provides a summary of annual economic development across the country during the current fiscal. The government on Friday, 28 January 2022, appointed **Dr. V Anantha Nageswaran** as the new CEA, he replaced **KV Subramanian** whose three-year term ended in December. Some of the **key highlights** of the survey are:

- India's **gross domestic product (GDP)** is projected to grow at **8-8.5% in fiscal year 2022-23**. This projection is based on the assumptions:
  - No further debilitating pandemic related economic disruption,
  - Monsoon will be normal,
  - Withdrawal of global liquidity by major central banks will be broadly orderly,
  - Oil prices will be in the range of US\$70-\$75/bbl, and
  - Global supply chain disruptions will steadily ease over the course of the year.
- Advance estimates suggest that the Indian economy is expected to witness **real GDP expansion of 9.2% in 2021-22** after contracting in 2020-21. **GDP 1.3% above pre-pandemic level**. This implies that overall economic activity has recovered past the pre-pandemic levels.
- **Agriculture and allied sectors** have been the least impacted by the pandemic and the sector is expected to grow by 3.9% in 2021-22 after growing 3.6% in the 2020-21.
- The **Services sector** has been the hardest hit by the pandemic, especially segments that are contact intensive. This sector is estimated to grow by 8.2% this financial year following last year's 8.4% contraction.
- Total **Consumption** is estimated to have grown by 7.0% in 2021-22 with significant contributions from government spending. **Gross Fixed Capital Formation** exceeded pre-pandemic levels on the back of ramped up public expenditure on infrastructure.
- **Exports** of both goods and services have been exceptionally strong so far in 2021-22, but **imports** also recovered strongly with recovery in domestic demand as well as higher international commodity prices.

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- India's **balance of payments** remained in surplus throughout the last two years. This allowed the **RBI to keep accumulating foreign exchange reserves** which stood at US\$ 634 billion on 31st December 2021. This is equivalent to 13.2 months of merchandise imports and is higher than the country's external debt.
- A strong rebound in government revenues in 2021-22 has meant that the Government will **comfortably meet its targets for the year while maintaining the support**, and ramping up capital expenditure. The **strong revival in revenues receipts which was up over 67% YoY in April-November 2021**, means that the Government has fiscal space to provide additional support if necessary.
- The **banking system is well capitalized and the overhang** of Non-Performing Assets seem to have structurally declined even allowing for some lagged impact of the pandemic.
- India's **capital markets**, like many global markets, have done exceptionally well and have allowed record mobilization of risk capital for Indian companies. The survey noted that **75 companies raised Rs. 89,066 crore from the primary market** through initial public offerings in April-November as against Rs. 14,733 crore in the same period in 2020.
- India has become the **third-largest startup ecosystem** in the world after the US and China. A record 44 Indian startups achieved unicorn status in 2021, taking the overall tally of startup unicorns in India to 83, with most in the services sector, the survey showed.
- It highlighted that **privatisation of Air India** has been particularly important for **boosting the privatisation drive and garnering disinvestment proceeds**.
- The Survey also stated that the central government is **"well on track" to meet its fiscal deficit target for FY22**, and it also stated the **agile fiscal policy approach** adopted by the Government, coupled with the buoyant revenue collection received so far this year, has created **headroom for taking up additional fiscal policy interventions** based on the need of the evolving situation.

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