



# ECONOMIC SURVEY

## 2022-23

Success Mantra Economic Survey

### ABSTRACT

The Union Finance Minister tabled the Economic Survey for the Financial Year 2022-23. The economy is expected to grow in the range of 6% to 6.8% in the coming financial year 2023-24.

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# #ECONOMIC SURVEY FOR THE FY 2022-23

The Union Finance Minister tabled the Economic Survey for the Financial Year 2022-23, after the President's address.

The Economic Survey 2022-23 highlighted that India's economic recovery from the pandemic is complete and the economy is expected to grow in the range of 6% to 6.8% in the coming financial year 2023-24.



## What is the Economic Survey?

- The Economic Survey of India is an annual document released by the Ministry of Finance. It is usually presented in **Parliament a day before the Union Budget**.
- It is prepared by the **Economics Division of the Department of Economic Affairs (DEA)** under the guidance of the **Chief Economic Advisor**.
- It reviews the developments in the Indian economy over the previous 12 months and presents the economic outlook for the current fiscal year. It also presents the **current state of the Indian economy**, including data on **gross domestic product (GDP), inflation, employment, and trade**.
- The **first Economic Survey in India was presented in the year 1950-51**.
- Up to 1964, it was presented along with the Union Budget. From 1964 onwards, it has been delinked from the Budget.

## How was the State of Indian Economy in 2022-23?

### Performance:

- India hosted the world's **second-largest vaccination drive**, involving over **2 billion doses**.
- The improvement in the financial health of public sector banks has enabled them to increase **credit supply**, leading to **rapid credit growth for the micro, small, and medium enterprises (MSME) sector**.

### Current Challenges:

- Indian economy still faces persistent challenges, including the **depreciating rupee and the possibility of further US Fed interest rate hikes**.
- The **current account deficit (CAD)** may also continue to widen as global commodity prices remain elevated.

### Outlook 2023-24:

- India's economic growth in FY23 is being led by **private consumption and capital**

formation, generating employment.

- The **recovery of MSMEs** is progressing, with the **Emergency Credit Linked Guarantee Scheme (ECLS)** easing their debt concerns.
- **Global growth is projected to decline in 2023, but India's growth is expected to be swift in FY24** with a vigorous credit disbursement and capital investment cycle.
- The expansion of public digital platforms and measures such as **PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive** schemes will support economic growth and boost manufacturing output.
- What is India's Medium-term Growth Outlook?
- The **current decade is similar to 1998-2002**, where transformative reforms had delayed growth returns due to temporary shocks, **but structural reforms later paid growth dividends**.
- **2014-2022 Period:** 2014-2022 is an important period in **India's economic history** with reforms aimed at improving the **ease of living and doing business**. The reforms were based on **creating public goods, trust-based governance, co-partnering with the private sector and increasing agricultural productivity**. **However, due to** balance sheet stress and global shocks, key macroeconomic variables were negatively impacted during this period.
- **2023-2030 Outlook:** The growth outlook is **better than pre-pandemic years** and the Indian economy is prepared to grow at its potential in the medium term.

### What were the Major Fiscal Developments Related to Revenue?

#### Context:

- During the **fiscal year 2023**, the Union Government's finances showed resilience, which was a result of various factors like the **increase in direct taxes and Goods and Services Tax (GST) revenues**.

#### Revenue Growth and Performance:

- From **April to November 2022**, the **Gross Tax Revenue** experienced a **YoY growth of 15.5%**, which was primarily driven by the strong growth of both direct taxes and GST.
- **GST has established itself as a vital source of revenue** for the central and state governments, as seen from the YoY growth of **24.8% from April to December 2022**.
- Over the years, the **Centre's Capex has steadily increased from 1.7% of GDP (FY09 to FY20) to 2.5% of GDP in FY22**.
- To prioritise spending on Capex, the Centre incentivized the state governments through **interest-free loans and increased borrowing limits**.
- The increased Capex, particularly in **infrastructure-intensive sectors** such as roads and highways, railways, housing, and urban affairs, has **substantial positive effects on medium-term growth**.

#### Towards Sustainable Debt-to-GDP ratio:

- The government's strategy of focusing on Capex-led growth will keep the **growth-interest rate differential positive**, resulting in a **sustainable debt-to-GDP ratio in the medium run**.

### What was the Status of Monetary Management and Financial Intermediation?

#### Context:

- The **Reserve Bank of India (RBI)** started its **monetary tightening cycle in April 2022**, and since then, they have **raised the repo rate by 225 basis points**.
- This has led to a decrease in surplus liquidity and improved the balance sheets of financial institutions, making it easier for them to lend money.
- It is expected that the **growth in credit offtake will continue and be sustained by an increase in private capital expenditure**, which will start a virtuous cycle of investment.

#### Performance and Growth:

- The **Gross Non-Performing Assets (GNPA) ratio of SCBs (scheduled commercial banks)** has dropped

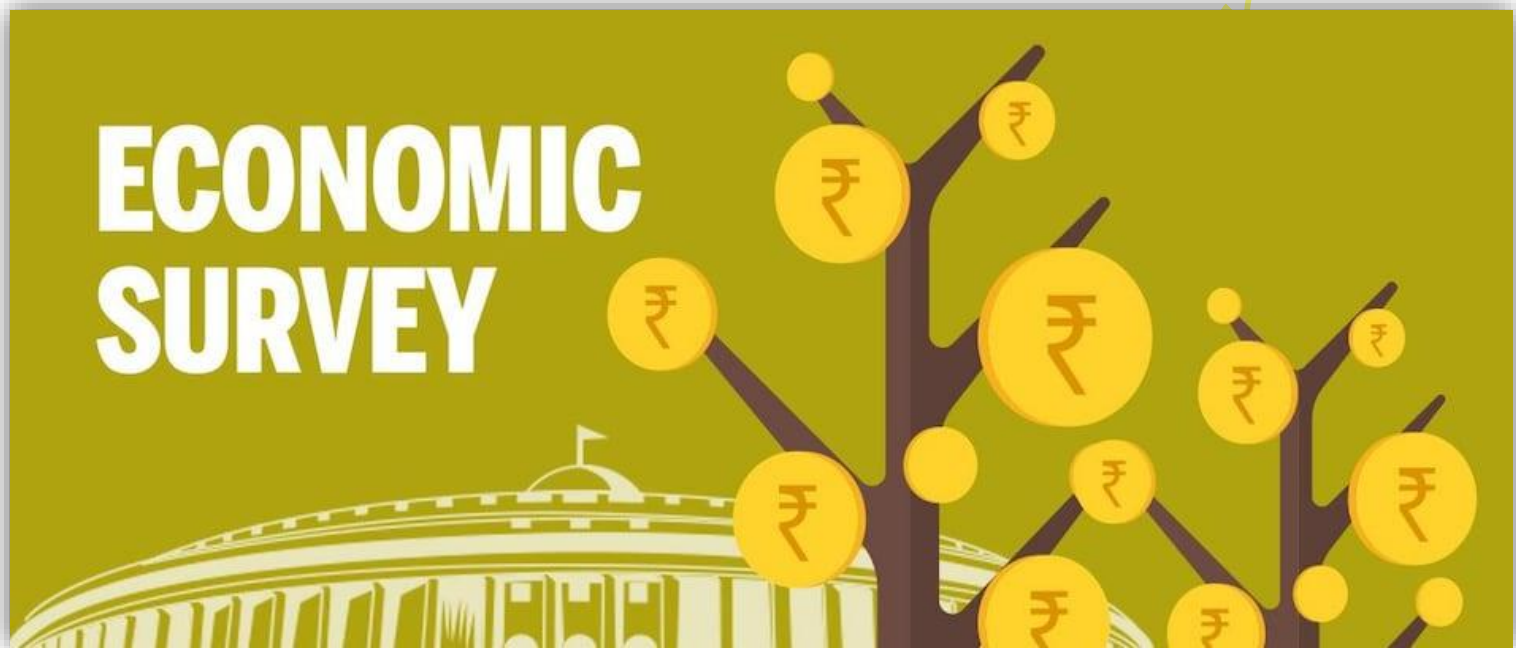
to a seven-year low of **5.0**, and the **Capital-to-Risk Weighted Assets Ratio (CRAR)** remains healthy at **16.0**.

- In FY22, the recovery rate through the **Insolvency and Bankruptcy (IBC)** channel was the **highest compared to other channels**, which shows a positive trend for the SCBs.

### How Prices and Inflation was Regulated in 2022-23?

#### Context:

- In 2022, India experienced three phases of consumer price inflation. During the first phase, from **January to April**, inflation peaked at **7.8%** due to the war between Russia and Ukraine and crop shortages caused by heat waves in some parts of the country.
- However, prompt actions by the government and the Reserve Bank of India helped bring inflation under control, with a **decline to 5.7% by December**.



#### Bottlenecks:

- The **gap between the wholesale price index and the consumer price index** remained wide, with core inflation still showing resistance to change.

#### Regulatory Measures:

- The government adopted a multi-pronged approach to control the increase in prices, which included: **reducing the export duty of petrol and diesel, bringing the import duty on major inputs to zero, imposing export ban on wheat products** and export duty on rice, and reducing the basic duty on crude and refined palm oil.
- The government's timely policy intervention in the **housing sector, along with low home loan interest rates**, boosted demand in the affordable housing segment and **attracted more buyers in FY23**.

#### RBI's Forecast:

- The RBI forecasts **higher domestic prices for cereals, spices, and milk in the near future**, mainly due to supply shortages and rising feed costs.
- The **changing climate around the world** is also increasing the risks of higher food prices.

### What is the Status of Social Infrastructure and Employment in India during 2022-23?

#### Context:



- The government **increased its spending on the social sector**. The **twin pillars of education and health are being strengthened to form human capital**.
- Overall, the government's social sector spending increased from **Rs. 9.1 lakh crore in FY16 to Rs. 21.3 lakh crore in FY23**.

### **Social Infrastructure:**

#### **Education:**

- The **National Education Policy 2020** is expected to enrich the nation's growth and development prospects.
- The government's efforts have led to **improvements in enrollment ratios and gender parity in schools**.

#### **Healthcare:**

- In FY23, the government's **budgeted spending on the health sector was 2.1% of GDP**, up from **1.6% in FY21**.
- As of **January 4, 2023**, nearly **22 crore people** have benefited from the **Ayushman Bharat Scheme**, and over 1.54 lakh health and wellness centres have been established across the country.

#### **Poverty Alleviation:**

- The progress in attaining the **Sustainable Development Goal** of halving poverty by 2030 is demonstrated by the fact that more than **41 crore people have exited poverty between 2005-06 and 2019-21** according to the **UN Multidimensional Poverty Index**.

#### **Aadhaar and Co-Win:**

- **Aadhar played a critical role in developing the Co-WIN platform** and administering over 2 billion vaccine doses.

#### **Aspirational Districts Programme:**

- The **Aspirational Districts Programme** is seen as a model of good governance, especially in remote areas.

#### **Employment:**

- **Labour Force Participation:** Labour markets have recovered from the effects of Covid-19, with **unemployment rates falling from 5.8% in 2018-19 to 4.2% in 2020-21**.
- The **Rural Female Labor Force Participation Rate** has risen from 19.7% in 2018-19 to 27.7% in 2020-21, which is a positive development.
- **eShram Portal:** The **eShram portal** was created to create a national **database of unorganised workers**, and as of December 31, 2022, over 28.5 crore workers were registered.
- **Jam Trinity and DBT:** The **JAM trinity, combined with Direct Benefit Transfer (DBT)**, has brought marginalised people into the **formal financial system, empowering them**.

### **How was India's Economic Performance in Climate Change and Environment?**

- **Context:** The **Economic Survey 2022-23** presented a chapter on '**Climate Change and Environment**' listing out **India's nationally determined contributions (NDCs)** that include the **transition to renewable energy resources, commitment to achieve "Net Zero" emissions by 2070** and steps taken to **become energy independent**.

#### **Performance and Goals:**

- India has also **committed to reduce emissions intensity of its GDP by 45% by 2030** from 2005 levels.
- Another target has been set to achieve about **50% cumulative electric power installed capacity from non-fossil fuel-based** energy resources by 2030.
- India has **already achieved its target of 40%** installed electric capacity from non-fossil fuels ahead of 2030 and the likely installed capacity from non-fossil fuels will be more than 500 GW by 2030.
- This would lead to a **decline of average emission rate by around 29% by 2029-30** (compared to 2014-15).
- A mass **movement LiFE- Lifestyle for Environment** was launched at the **Glasgow climate summit** at UNFCCC COP26.
- In Nov 2022, **India's first Sovereign Green Bonds (SGrBs) Framework** was issued. **RBI auctioned two tranches of ₹4,000 crore SGrBs.**
- The survey also highlighted **India's plans to be energy independent by 2047**, by relying on green hydrogen through the **National Green Hydrogen Mission.**
- The survey shows that **India is becoming a favoured destination for renewables** with investments standing at USD 78.1 billion in the past 7 years.
- **Solar power capacity installed**, a key metric under the National Solar Mission, stood at 61.6 GW as of October 2022.

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