

# Economic survey 2022-23

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*The Finance Minister, Nirmala Sitharaman tabled the Economic Survey 2022-23 on January 31, 2023*

## What is Economic Survey?

- The Economic Survey of India is an annual document of the Ministry of Finance, Government of India. The Department of Economic Affairs, Ministry of Finance presents the Survey in the Parliament every year, just before the Union Budget.
- It is prepared under the guidance of the Chief Economic Adviser of India. This document is presented to both Houses of Parliament during the Budget Session.

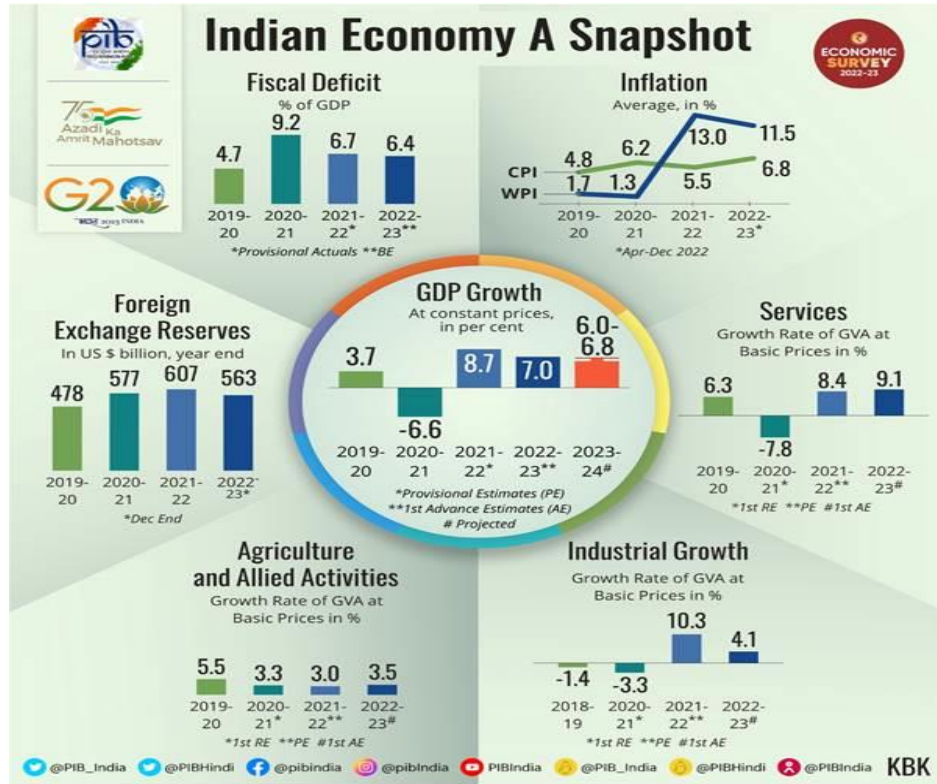
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*The first Economic Survey of India was presented in 1950-51 as part of the Union Budget. After 1964 it was separated from the Budget and presented each year during the Budget Session before the presentation of the budget*

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- The Economic Survey brings out the economic trends in the country and facilitates a better appreciation of the mobilisation of resources and their allocation in the Union Budget.
- The Survey analyses the trends in agricultural and industrial production, infrastructure, employment, money supply, prices, imports, exports, foreign exchange reserves and other relevant economic factors that have a bearing on the Budget.
- It reviews the developments in the Indian economy over the past financial year, summarizes the performance on major development programs, and highlights the policy initiatives of the government and the prospects of the economy in the short to medium term.
- It also presents the current state of the Indian economy, including data on gross domestic product (GDP), inflation, employment, and trade.
- The document is non-binding. Nevertheless, is constructed and presented each year due to its significance

# Economic Survey 2023 Highlights



- The Economic Survey of India suggests that the economy has recovered from the Covid disruption and is poised for sustained robust growth in the rest of the decade.
- The Survey attributes the recovery to wide-ranging structural and governance reforms that have strengthened the economy's fundamentals and increased its efficiency.

- The Indian economy is expected to grow at its potential similar to the growth experience after 2003, but the growth outlook is unlikely to be much above 6%.
- The growth rate in India has become increasingly capital-intensive, leading to a lower labor force participation rate and widespread joblessness, which acts as a drag on economic growth.
- India's population is growing with a large youth bulge, high levels of poverty, and malnourished children, which requires faster growth to satisfy the growing population

## **State of the Economy 2022-23**

### **GDP Growth**

- India is to witness GDP growth of 6.0 per cent to 6.8 per cent in 2023-24, depending on the trajectory of economic and political developments globally.

### ***Reasons behind***

- Rebound of private consumption given a boost to production activity
- Higher Capital Expenditure (Capex)

- Near-universal vaccination coverage enabling people to spend on contact-based services, such as restaurants, hotels, shopping malls, and cinemas
- The return of migrant workers to cities to work in construction sites leading to a significant decline in housing market inventory
- The strengthening of the balance sheets of the Corporates, a well-capitalised public sector banks ready to increase the credit supply and the credit growth to the Micro, Small, and Medium Enterprises (MSME) sector to name the major ones.

**Economic survey 2022-23 projects a baseline GDP growth of 6.5 per cent in real terms in the Financial Year 2023-2024.**



## Rate of India's GDP growth in the current year

- Indian Economy is expected to grow at 7 per cent (in real terms) for the year ending March 2023.
- This follows an 8.7 per cent growth in the previous financial year. So, the Indian growth rate is decreasing. However, a similar or much worse trend is there across the globe.
- Despite the three shocks of COVID-19, Russian-Ukraine conflict and the Central Banks across economies led by Federal Reserve responding with synchronised policy rate hikes to curb inflation, leading to appreciation of US Dollar and the widening of the Current Account Deficits (CAD) in net importing economies, agencies worldwide continue to project India as the fastest-growing major economy at 6.5-7.0 per cent in FY23.

### The upside to India's growth outlook arises from

- Limited health and economic fallout for the rest of the world from the current surge in Covid-19 infections in China and, therefore, continued normalisation of supply chains

- Inflationary impulses from the reopening of China's economy turning out to be neither significant nor persistent
- Recessionary tendencies in major Advanced Economies (AEs) triggering a cessation of monetary tightening and a return of capital flows to India amidst a stable domestic inflation rate below 6 per cent; and leading to an improvement in animal spirits and providing further impetus to private sector investment.

### **Micro, Small, and Medium Enterprises (MSME) sector**

- The credit growth to the Micro, Small, and Medium Enterprises (MSME) sector has been remarkably high, 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.
- It adds that the recovery of MSMEs is proceeding apace, as is evident in the amounts of Goods and Services Tax (GST) they pay, while the Emergency Credit Linked Guarantee Scheme (ECGLS) is easing their debt servicing concerns.

## Capital Expenditure (Capex)

- The Capital Expenditure (Capex) of the central government, which increased by 63.4 per cent in the first eight months of FY23, was another growth driver of the Indian economy in the current year, crowding in the private Capex since the January-March quarter of 2022.
- On current trend, it appears that the full year's capital expenditure budget will be met.
- A sustained increase in private Capex is also imminent with the strengthening of the balance sheets of the Corporates and the consequent increase in credit financing it has been able to generate.

## Vaccinations

- Vaccinations have facilitated the return of migrant workers to cities to work in construction sites as the rebound in consumption spilled over into the housing market.
- This is evident in the housing market witnessing a significant decline in inventory overhang to 33 months in Q3 of FY23 from 42 months last year.



## **Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**

- The Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) has been directly providing jobs in rural areas and indirectly creating opportunities for rural households to diversify their sources of income generation.
- Schemes like PM-Kisan and PM Garib Kalyan Yojana have helped in ensuring food security in the country, and their impact was also endorsed by the United Nations Development Programme (UNDP).

## **National Family Health Survey**

- The results of the National Family Health Survey (NFHS) also show improvement in rural welfare indicators from FY16 to FY20, covering aspects like gender, fertility rate, household amenities, and women empowerment.

**ECONOMIC SURVEY 2022-23**

**STATE OF THE ECONOMY 2022-23: BROAD-BASED RECOVERY ACROSS SECTORS**

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*GDP forecast for FY24 to be in the range of 6.0-6.8%*

- India's GDP growth is expected to remain robust in FY24
- Private consumption across H1 highest since FY15
- Boost to production activity leading to enhanced capacity utilisation

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**ECONOMIC SURVEY 2022-23**

**STATE OF THE ECONOMY 2022-23: BROAD-BASED RECOVERY ACROSS SECTORS**

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- Retail inflation back within RBI's target range in Nov 2022
- Pickup in private capex
- Indian Rupee performs well compared to other EME's in Apr-Dec 2022
- Direct Tax collections for the period April-Nov 2022 remains buoyant

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## Inflation:

- The RBI projects headline inflation at 6.8% in FY23, outside its comfort zone of 2% to 6%, but the Survey is optimistic about the inflation levels and trajectory.



## Steps taken by government to control inflation included:

- Phase wise reduction in export duty of petrol and diesel
- Import duty on major inputs were brought to zero
- Prohibition on the export of wheat products under HS Code 1101 and
- Imposition of export duty on rice

The Survey expects inflation in 2023-24 to be lower than 2022-23 on the back of less economic uncertainties.

However, certain global events, such as supply chain disruptions due to re-emergence of COVID-19 in China, may present risks to India's domestic inflation.

### **Current account balance:**

- India recorded a current account deficit of USD 36.4 billion (4.4% of GDP) in the second quarter of 2022-23 as compared to a deficit of USD 9.7 billion (1.3% of GDP) in the second quarter of 2021-22.
- Between April-September 2022, India's recorded a current account deficit of 3.3% of GDP due to an increase in merchandise trade deficit.
- The Survey observed that the current account deficit needs to be closely monitored.
- Sharp rise in oil prices and foreign portfolio investment outflows due to rise in interest rates abroad put pressure on India's Balance of Payments in 2022. India's export may be impacted by uncertainties around global growth.
- However, cushioned by a surplus in export of services and remittances, the current account deficit would be within manageable limits.

## Medium-term Growth Outlook

### 2014-2022 Period

- Indian economy underwent wide-ranging structural and governance reforms that strengthened the economy's fundamentals by enhancing its overall efficiency during 2014-2022.
- With an underlying emphasis on improving the ease of living and doing business, the reforms after 2014 were based on the broad principles of creating public goods, adopting trust-based governance, co-partnering with the private sector for development, and improving agricultural productivity.
- The period of 2014-2022 also witnessed balance sheet stress caused by the credit boom in the previous years and one-off global shocks, that adversely impacted the key macroeconomic variables such as credit growth, capital formation, and hence economic growth 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.

- The Indian economy is well placed to grow faster in the coming decade once the global shocks of the pandemic and the spike in commodity prices in 2022 fade away.
- 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.
- Indian economy has also started benefiting from the efficiency gains resulting from greater formalisation, higher financial inclusion, and economic opportunities created by digital technology-based economic reforms.

## **Major Fiscal Developments Related to Revenue**

- The 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.

## **Updates**

- The Gross Tax Revenue registered a YoY growth of 15.5 per cent from April to November 2022, driven

by robust growth in the direct taxes and Goods and Services Tax (GST).

- Growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages.
- GST has stabilised as a vital revenue source for central and state governments, with the gross GST collections increasing at 24.8 per cent on YoY basis from April to December 2022.
- Union Government's emphasis on capital expenditure (Capex) has continued despite higher revenue expenditure requirements during the year. The Centre's Capex has steadily increased from a long-term average of 1.7 per cent of GDP (FY09 to FY20) to 2.5 per cent of GDP in FY22 PA.
- The Centre has also incentivised the State Governments through interest-free loans and enhanced borrowing ceilings to prioritise their spending on Capex.
- With an emphasis on infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, the increase in Capex has large-scale positive implications for medium-term growth.

- 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.

## **Status of Monetary Management and Financial Intermediation**

- 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.

### **Updates**

- The growth in credit offtake is expected to sustain, and combined with a pick-up in private capex, will usher in a virtuous investment cycle.
- Non-food credit offtake by scheduled Commercial Banks (SCBs) has been growing in double digits since April 2022.
- Credit disbursed by Non-Banking Financial Companies (NBFCs) has also been on the rise.



- The Gross Non-Performing Assets (GNPA) ratio of SCBs has fallen to a seven-year low of 5.0.
- The Capital-to-Risk Weighted Assets Ratio (CRAR) remains healthy at 16.0.
- The recovery rate for the SCBs through Insolvency and Bankruptcy (IBC) was highest in FY22 compared to other channels.

### **External Sector:**

- Merchandise exports were US\$ 332.8 billion for April-December 2022.
- 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, Comprehensive Economic Partnership Agreement (CEPA) with UAE.
- India is the largest recipient of remittances in the world receiving US\$ 100 bn in 2022. Remittances are the second largest major source of external financing after service export
- 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.
- The Economic Cooperation and Trade Agreement (ECTA) with Australia came into force.
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- Remittances are the second largest major source of external financing after service export.

## **Agriculture & Food Management:**

- India's agriculture sector has witnessed a robust average annual growth rate of 4.6% over the last six years.
- This enabled agriculture to contribute significantly towards the country's overall growth, development and food security.

## **Updates**

- In recent years, India has emerged as the net exporter of agricultural products, with exports in 2021-22 touching a record USD 50.2 billion.
- Private investment in agriculture has increased to 9.3% in 2020-21.

- Free foodgrains to about 81.4 crore beneficiaries is being provided under the National Food Security Act for one year from January 1, 2023.
- Foodgrains production in India saw sustained increase and stood at 315.7 million tonnes in 2021-22.
- As per the First Advance Estimates for 2022-23 (Kharif only), total foodgrains production in the country is estimated at 149.9 million tonnes which is higher than the average Kharif foodgrain production of the previous five years (2016-17 to 2020-21).
- Also, the GoI has recently decided to provide free foodgrains to beneficiaries under the NFSA 2013 for one year from 1 January 2023.
- The National Agriculture Market (e-NAM) Scheme has established an online, competitive, transparent bidding system to ensure farmers get remunerative prices for their produce (covering 1.74 crore farmers and 2.39 lakh traders).
- India stands at the forefront to promote millets after the UNGA, in its 75th session in 2021, declared 2023 the International Year of Millets (IYM).

## Industry

The Economic Survey 2022-23 showed a rise of 3.7% of overall Gross Value Added (GVA) by the Industrial Sector (for the first half of FY 22-23) which is higher than the average growth of 2.8% achieved in the first half of the last decade.

### Performance

- Robust growth in Private Final Consumption Expenditure, export stimulus during the first half of the year, increase in investment demand triggered by enhanced public capex and strengthened bank and corporate balance sheets have provided a demand stimulus to industrial growth.
- The supply response of the industry to the demand stimulus has been robust.
- PMI manufacturing has remained in the expansion zone for 18 months since July 2021, and Index of Industrial Production (IIP) grows at a healthy pace.
- Credit to Micro, Small and Medium Enterprises (MSMEs) has grown by an average of around 30% since January 2022 and credit to large industry has

been showing double-digit growth since October 2022.

- Electronics exports rise nearly threefold, from US \$4.4 billion in FY19 to US \$11.6 Billion in FY22.
- 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.
- Foreign Direct Investment (FDI) flows into the Pharma Industry has risen four times, from US \$180 million in FY19 to US \$699 million in FY22.
- The Production Linked Incentive (PLI) schemes introduced across 14 categories, with an estimated capex of ₹4 lakh crore over the next five years, to plug India into global supply chains.
- Investment of ₹47,500 crores has been seen under the PLI schemes in the FY22, which is 106% of the designated target for the year. Production/sales worth ₹3.85 lakh crore and employment generation of 3.0 lakh have been recorded due to PLI schemes.
- Over 39,000 compliances have been reduced and more than 3500 provisions decriminalized as of January 2023.

## Services:

The services sector is expected to grow at 9.1% in FY23, as against 8.4% (YoY) in FY22.

### Performance:

- Robust expansion in PMI (Purchasing Managers' Index) services has been observed since July 2022.
- India was among the top ten services exporting countries in 2021, with a share of 4% in world commercial services exports.
- India's services sector has been resilient even throughout the Covid-19 pandemic and amid geopolitical uncertainties due to higher demand for digital support, cloud services, and infrastructure modernization.
- In the real-estate sector, there was sustained growth, leading to pre-pandemic housing sales levels, with a 50% rise between 2021 and 2022.
- In the tourism sector, hotel occupancy rate improved from 30-32% in April 2021 to 68-70% in November 2022 showing signs of revival with increasing foreign tourist arrivals in FY23.

- Digital platforms are transforming India's financial services; India's e-commerce market is projected to grow at 18% annually through 2025.

## **Physical and Digital Infrastructure**

### **Government's Vision for Infrastructure Development**

#### **1) Public Private Partnerships**

- In-Principal Approval granted to 56 projects with Total Project Cost of ₹57,870.1 crore under the VGF Scheme, from 2014-15 to 2022-23.
- IIPDF Scheme with ₹150 crore outlay from FY 23-25 was notified by the government on 03 November, 2022.

#### **2) National Infrastructure Pipeline**

- 89,151 projects costing ₹141.4 lakh crore under different stages of implementation
- 1009 projects worth ₹5.5 lakh crore completed
- NIP and Project Monitoring Group (PMG) portal linkage to fast-track approvals/ clearances for projects

### **3 National Monetisation Pipeline**

- ₹ 9.0 lakh crore is the estimated cumulative investment potential.
- ₹ 0.9 lakh crore monetisation target achieved against expected ₹0.8 lakh crore in FY22.
- FY23 target is envisaged to be ₹1.6 lakh crore (27 per cent of overall NMP Target)

### **4) GatiShakti**

- PM GatiShakti National Master Plan creates comprehensive database for integrated planning and synchronised implementation across Ministries/ Departments.
- Aims to improve multimodal connectivity and logistics efficiency while addressing the critical gaps for the seamless movement of people and goods.

### **5) Electricity Sector and Renewables**

- As on 30 September 2022, the government has sanctioned the entire target capacity of 40 GW for the development of 59 Solar Parks in 16 states.



- 17.2 lakh GWh electricity generated during the year FY22 compared to 15.9 lakh GWh during FY21.
- The total installed power capacity (industries having demand of 1 Mega Watt (MW) and above) increased from 460.7 GW on 31 March 2021 to 482.2 GW on 31 March 2022.

### **Physical Infrastructure:**

- Making Indian Logistics Globally Competitive
- National Logistics Policy envisions to develop a technologically enabled, integrated, cost-efficient, resilient, sustainable and trusted logistics ecosystem in the country for accelerated and inclusive growth.
- Rapid increase in National Highways (NHs) /Roads Construction with 10457 km NHs/roads constructed in FY22 compared to 6061 km in FY16.
- Budget expenditure increased from ₹1.4 lakh crore in FY20 to ₹2.4 lakh crore in FY23 giving renewed push to Capital expenditure.
- 2359 Kisan rails transported approximately 7.91 lakh tonnes of perishables, as of October 2022.

- More than one crore air passengers availed the benefit of the UDAN scheme since its inception in 2016.
- Near doubling of capacity of major ports in 8 years.
- Inland Vessels Act 2021 replaced 100-year-old Act to ensure hassle free movement of Vessels promoting Inland Water Transport.

**Digital Infrastructure:** India's Digital Public Infrastructure (DPI) can add around 60-100 basis points (BPS) to India's potential GDP growth rate.

## Performance

- Unified Payment Interface (UPI)-based transactions grew in value (121 per cent) and volume (115 per cent) terms, between 2019-22, paving the way for its international adoption.
- More than 98 per cent of the total telephone subscribers are connected wirelessly.
- The overall tele-density in India stood at 84.8 per cent in March 2022.
- Economic Survey states that a landmark achievement in telecommunications in India was the launch of 5G services.

- The Indian Telegraph Right of Way (Amendment) Rules, 2022, will facilitate faster and easier deployment of telegraph infrastructure to enable speedy 5G rollout.
- Prasar Bharati, India's autonomous public service broadcaster, broadcasts in 23 languages, 179 dialects from 479 stations and reaches 92% of India's total area and 99.1% of the total population.

## **Digital Public Goods**

- Achieved low-cost accessibility since the launch of Aadhaar in 2009
- Under the government schemes, MyScheme, TrEDS, GEM, e-NAM, UMANG has transformed market place and has enabled citizens to access services across sectors
- Under Account Aggregator, the consent-based data sharing framework is currently live across over 110 crore bank accounts.
- Open Credit Enablement Network aims towards democratising lending operations while allowing end-to-end digital loan applications
- National AI portal has published 1520 articles, 262 videos, and 120 government initiatives and is being

viewed as viewed as a tool for overcoming the language barrier e.g. ‘Bhashini’.

- Legislations are being introduced for enhanced user privacy and creating an ecosystem for standard, open, and interoperable protocols underlining robust data governance.

## **Climate Change and Environment:**

- India declared the Net Zero Pledge to achieve net zero emissions goal by 2070.
- 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 achieved its target of 40 per cent installed electric capacity from non-fossil fuels ahead of 2030.
- A mass movement LIFE (Lifestyle for Environment) was launched.
- Sovereign Green Bond Framework (SGrBs) was issued in November 2022.

- National Green Hydrogen Mission launched to enable India to be energy independent by 2047.
- 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.

## **Social Infrastructure and Employment**

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

## 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.

**Social Infrastructure And Employment: Big Tent**

**ECONOMIC SURVEY 2022-23**

- › Enhanced Govt expenditure for better quality of life
- › Over 14,500 PM SHRI schools to be built between FY23 to FY27
- › Rise in number of IITs, IIMs, IIITs
- › Urban employment nearing pre-pandemic level

› EPFO based net payroll on the rise: 105.4 lakh in FY23 (till Nov)

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**Aspirational Districts Programme-** The Aspirational Districts Programme has emerged as a template for good governance, especially in remote and difficult areas.

## **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.

## **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.

## **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 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.

## **Unemployment:**

- Employment levels have risen in the current financial year, with job creation appearing to move into a higher orbit. The urban unemployment rate for people aged 15 years and above declined from 9.8% to 7.2%.

## **Major observations**

- The economy has seen a K-shaped recovery



- The Economic Survey 2022-23 pointed out that the 'Make in India' and manufacturing gross value added (GVA) grew only at 4% (real) even before the pandemic hit
- There is huge disguised unemployment in agriculture.
- Reforms since 2014 have not resulted in higher growth so far because of one shock after another
- Growth in private consumption has come at the cost of decreasing household financial savings

## Globally

- Rich-world central banks are likely to keep raising interest rates. While inflation has come down, it is still nowhere near their targeted 2%
- Central banks have been gradually withdrawing the money they had printed and pumped into the financial system. This will keep long-term interest rates high and discourage consumption, hurting their imports and our exports
- Ongoing Ukraine war could affect the global economy in multiple ways.