GIST OF ECONOMIC SURVEY

31.01.2023

Tried to extract, economic survey of 414 pages in 9 pages highlighting areas.

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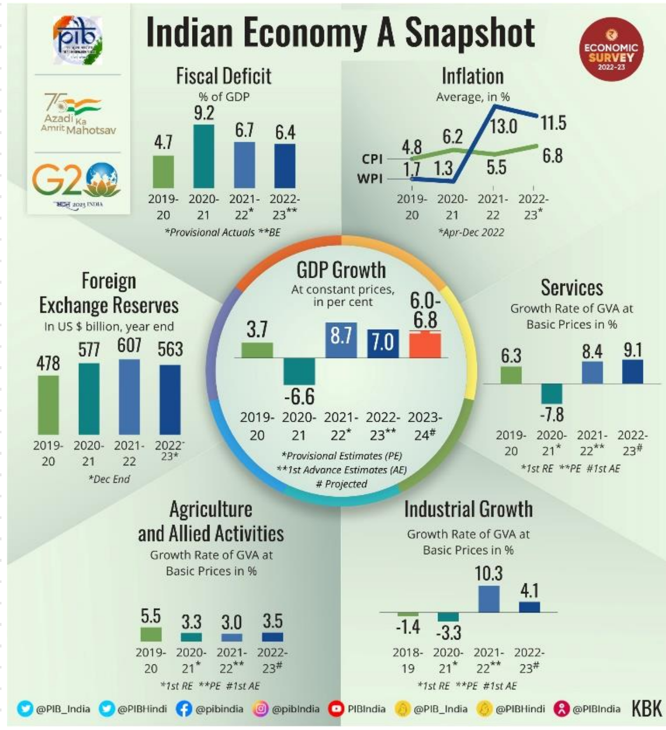
- The survey projects a baseline GDP growth of 6.5 per cent in real terms in FY24. The projection is broadly comparable to the estimates provided by multilateral agencies such as the World Bank, the IMF, and the ADB and by RBI, domestically. The actual outcome for real GDP growth will probably lie in the range of 6.0 per cent to 6.8 per cent, depending on the trajectory of economic and political developments globally.



- 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.

- A much-improved financial health of well-capitalized public sector banks has positioned them better to increase the credit supply. Consequently, 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.

- If inflation declines in FY24 and if real cost of credit does not rise, then credit growth is likely to be brisk in FY24.

- Global growth has been projected to decline in 2023 and is expected to remain generally subdued in the following years as well.

- Growth is expected to be brisk in FY24 as a vigorous credit disbursal, and capital investment cycle is expected to unfold in India with the strengthening of the balance sheets of the corporate and banking sectors.

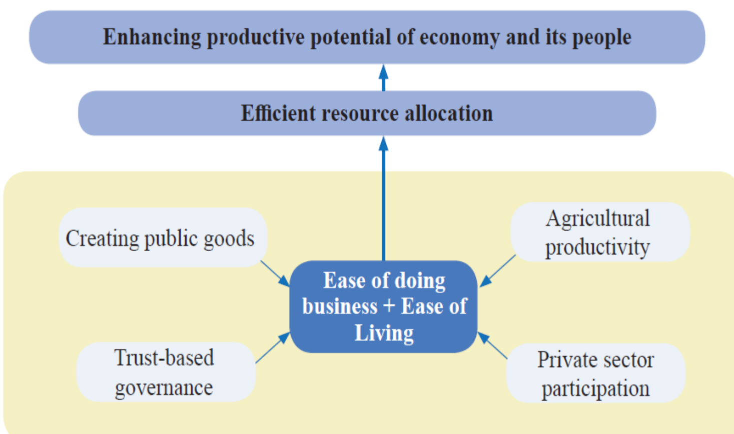
- Further support to economic growth will come from the expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive schemes to boost manufacturing output.

✓ The country’s retail inflation had crept above the RBI’s tolerance range in January 2022. It remained above the target range for ten months before returning to below the upper end of the target range of 6 per cent in November 2022.

✓ Global commodity prices may have eased but are still higher compared to pre-conflict levels. They have further widened the CAD, already enlarged by India's growth momentum. For FY23, India has sufficient forex reserves to finance the CAD and intervene in the forex market to manage volatility in the Indian rupee.

✓ RBI has projected headline inflation at 6.8 per cent in FY23, which is outside its target range. At the same time, it is not high enough to deter private consumption and also not so low as to weaken the inducement to invest.

Figure II.6: Underlying framework for Reforms for a new India



✓ A fundamental principle behind the government’s policy in the post- 2014 period has been the engagement with the private sector as a partner in the development process.

✓ The government’s disinvestment policy has been revived in the last eight years with stake sales and the successful listing of PSEs on the stock market. During FY15 to FY23 (as of 18 January 2023), an amount of about ₹4.07 lakh crore has been realised as proceeds from disinvestment through 154 transactions using various modes/instruments.

✓ Significant initiatives have been introduced under Aatmanirbhar Bharat and Make in India programmes to enhance India’s manufacturing capabilities and exports across the industries.

✓ Sector specific Production Linked incentives (PLI) have been introduced in the aftermath of the pandemic to incentivise domestic and foreign investments and to develop global Champions in the manufacturing industry. The PLI scheme will significantly boost production, exports and employment in the medium term; however, its impact will be visible only with time.

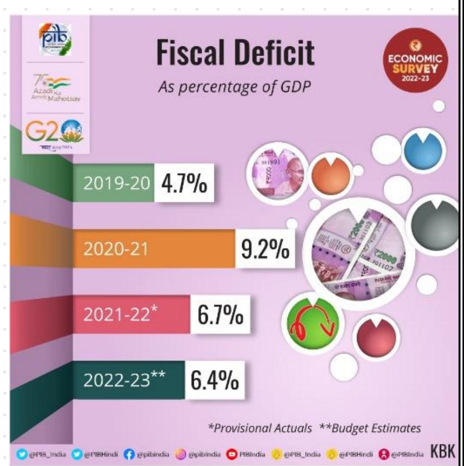
✓ The government is developing enabling infrastructure for making India a cost-effective production hub. The National Logistics Policy (2022)24 has been launched to create an overarching logistics ecosystem for lowering the cost of logistics and bringing it to par with other developed countries.

Reforms to address the structural challenges faced by MSMEs have been a vital part of the industrial policy in recent years. Support measures for MSMEs during the pandemic in the form of the Emergency Credit Line Guarantee Scheme (ECLGS) and revision in the definition of MSMEs under the ambit of Aatmanirbhar Bharat helped them face the crisis shock. The ECLGS, in particular, has in the last two years benefited 1.14 crore MSMEs, which have availed collateral-free loans amounting to ₹2.38 lakh crore. Further measures, such as the introduction of TReDS to address the delayed payments for MSMEs, the inclusion of Retail and Wholesale trades as MSMEs, and the extension of non-tax benefits for three years in case of an upward change in the status of MSMEs, have created a resilient support system for the MSME sector to grow.

The growth in direct taxes during the first eight months of the year was much higher than their corresponding longer-term averages. The 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 during April - December 2022.

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 incentivized 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. This Capex-led growth strategy will enable India to keep the growth-interest rate differential positive, leading to a sustainable government debt to GDP in the medium run.



The fiscal deficit of the Union Government, which reached 9.2 per cent of GDP during the pandemic year FY21, has moderated to 6.7 per cent of GDP in FY22 PA and is further budgeted to reach 6.4 per cent of GDP in FY23.

Apart from the tax and non-tax revenue of the Union Government, non-debt capital receipts, which comprise recovery of loans and advances, and disinvestment receipts, have evolved as an important component of the non-debt receipts for the Union Government.

During FY15 to FY23 (as of 18 January 2022), an amount of about ₹4.07 lakh crore has been realized as proceeds from disinvestment through 154 transactions using various modes/instruments. This includes ₹3.02 lakh crore realised from minority stake sale and ₹69,412 crore realised from strategic disinvestment transactions (in 10 CPSEs - HPCL, REC, DCIL, HSCC, NPCC, NEEPCO, THDC, Kamrajar Port, Air India and NINL).

In absolute terms, the Government of India had budgeted an unprecedented ₹7.5 lakh crore of Capital Expenditure for FY23, of which more than 59.6 per cent has been spent from April to November 2022.

The Government's thrust on Capital expenditure, particularly in the infrastructure-intensive sectors like roads and highways, railways, and housing and urban affairs, has longer-term implications for growth.

Table 1: Union Government's Fiscal Parameters

	FY18	FY19	FY20	FY21	FY22 PA	FY23 BE
						In ₹ lakh crore
Revenue Receipts	14.35	15.53	16.84	16.34	21.68	22.04
Gross Tax Revenue	19.19	20.80	20.10	20.27	27.08	27.58
Net tax revenue	12.42	13.17	13.57	14.26	18.20	19.35
Non-tax revenue	1.93	2.36	3.27	2.08	3.48	2.70
Non-debt capital receipts	1.16	1.13	0.69	0.58	0.39	0.79
Non-debt receipts	15.51	16.66	17.53	16.92	22.08	22.84
Total Expenditure	21.42	23.15	26.86	35.10	37.94	39.45
Revenue Expenditure	18.79	20.07	23.51	30.84	32.01	31.95
Capital Expenditure	2.63	3.08	3.36	4.26	5.93	7.50
Fiscal Deficit	5.91	6.49	9.34	18.18	15.87	16.61
Revenue Deficit	4.44	4.54	6.67	14.50	10.33	9.90
Primary Deficit	0.62	0.67	3.22	11.38	7.81	7.21
Memo Item						
GDP at Market Price	170.90	188.87	200.75	198.01	236.65	258.00

Source: Union Budget documents, O/o CGA

While on the one hand, capital expenditure strengthens aggregate demand and crowds-in private spending in times of risk aversion; it also enhances the longer-term supply-side productive capacity. With early signs of a rebound in private sector investments in recent months, capital expenditure has played its role.

To push for enhancing Capex from all directions, the Centre announced several incentives to boost states' capital expenditure in the form of long-term interest-free loans and capex-linked additional borrowing provisions.

Table 5A: Counterfactual Experiment to show sustained growth results in lower deficit and debt ratios

	FY19	FY20	FY21	FY22	Row
Actual GDP (₹ lakh crore)	189.0	200.7	198.0	236.6	
Growth in actual GDP (%)		6.2	-1.4	19.5	
Assumed growth in GDP (%)		10.0	10.0	10.0	
Estimated GDP (₹ lakh crore)		207.9	228.7	251.6	
Scenario 1					
Actual Fiscal Deficit/Estimated GDP (%)		**4.5**	**8.0**	**6.3**	**(A)**
Actual Central Govt Debt/Estimated GDP (%)		**50.9**	**54.8**	**55.5**	**(B)**
Scenario 2					
Assumed revenue buoyancy		0.8	1.6	1.6	
Estimated revenue collection (₹ lakh crore)		18.1	21.0	24.3	
Estimated fiscal deficit (₹ lakh crore)		8.8	14.1	13.7	
Estimated fiscal deficit/ Estimated GDP		**4.2**	**6.2**	**5.4**	**(C)**
Scenario 3					
Assumed revenue buoyancy		0.8	0.9	1.6	
Estimated revenue collection (₹ lakh crore)		18.1	19.6	22.7	
Estimated fiscal deficit (₹ lakh crore)		8.8	15.5	15.2	
Estimated fiscal deficit/ Estimated GDP		**4.2**	**6.8**	**6.1**	**(D)**

The Monetary Policy Committee (MPC) maintained a status quo on the policy repo rate between May 2020 and February 2022 after implementing a 115 basis points (bps) reduction between March 2020 and May 2020. Retail inflation has crossed the upper limit of RBI's tolerance band since January 2022.

Sensing a serious risk to price stability, RBI initiated the monetary tightening cycle. In its April 2022 meeting, the committee introduced the Standing Deposit Facility (SDF), which allowed for the deposit of excess funds by banks with the RBI without the necessity of collateral in the form of government securities, thereby allowing effective liquidity management in a collateral-free manner.

Lending and deposit rates of banks increased during FY23 in consonance with the policy repo rate changes. During FY23 (up to December 2022), external benchmark-based lending rate and 1-year median marginal cost of funds-based lending rate (MCLR) increased by 225 bps and 115 bps, respectively.

The asset quality of SCBs has been improving steadily over the years across all major sectors. The GNPA ratio has decreased from 8.2 per cent in March 2020 to a seven year low of 5.0 per cent in September 2022, while Net Non-Performing Assets (NNPA) have dropped to a ten-year low of 1.3 per cent of total assets.

Moreover, with shrinking GNPAs, the Provisioning Coverage Ratio (PCR) has been increasing steadily since March 2021 and reached 71.6 per cent in September 2022. The CRAR of SCBs has been rising sequentially in the post-asset quality review period.

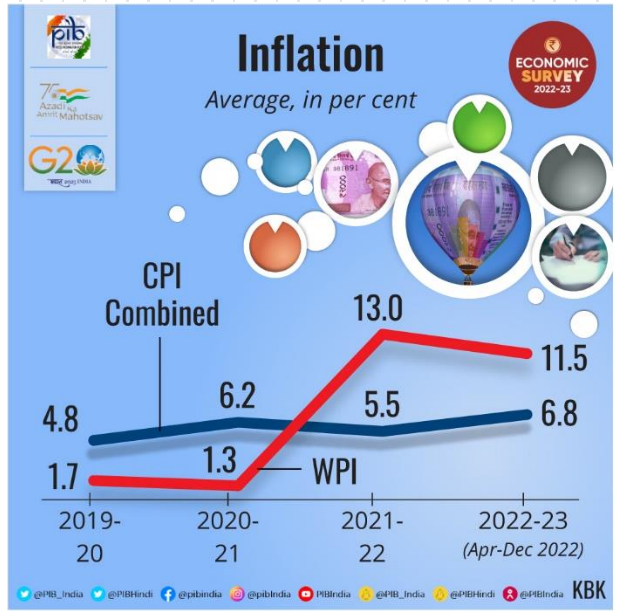
The growing importance of the NBFC sector in the Indian financial system is reflected in the consistent rise of NBFCs' credit as a proportion to GDP as well as in relation to credit extended by SCBs.

The Insolvency and Bankruptcy Code (IBC) has facilitated the exit of distressed firms, thereby allocating scarce economic resources towards more productive use. Since the inception of the IBC in December 2016, 5,893 Corporate Insolvency Resolution Processes (CIRPs) had commenced by end-September 2022, of which 67 per cent have been closed. Of these, around 21 per cent were closed on appeal or review or settled, 19 per cent were withdrawn, 46 per cent ended in orders for liquidation, and 14 per cent culminated in the approval of resolution plans.

The Code also provides for a Corporate Debtor (CD) to voluntarily liquidate itself subject to the fulfilment of certain conditions as prescribed under the Code. 1,351 corporate persons initiated voluntary liquidation under the Code as of end-September 2022.

The recent collapse of the crypto exchange FTX and the ensuing sell-off in the crypto markets have placed a spotlight on the vulnerabilities in the crypto ecosystem. Crypto assets are has no intrinsic cash flows attached to them. US regulators have disqualified Bitcoin, Ether and various other crypto assets as securities. The geographically pervasive nature of the crypto ecosystem necessitates a common approach to the regulation of these volatile instruments.

Over the last few years, various initiatives taken by the government have opened up new avenues and opportunities for capital market players. Setting up and operationalizing India's maiden International Financial Services Centre (IFSC) in GIFT City is the most important one.
The aim is to facilitate India to emerge as a significant economic power by accelerating the development of a strong base of International Financial Services in the country.



In FY23, retail inflation was mainly driven by higher food inflation, while core inflation stayed at a moderate level. Food inflation ranged between 4.2 per cent to 8.6 per cent between April and December 2022, while the core inflation rate stayed at around 6 per cent except in April 2022.

The Government's spending on social services3 has shown a rising trend since FY16 with a focus on many aspects of the social well-being of citizens of the country. The share of expenditure on social services in the total expenditure of the Government has been around 25 per cent from FY18 to FY20. It increased to 26.6 per cent in FY23 (BE).

India's climate vision is integrally linked to its vision of development that foregrounds the goals of poverty eradication and guaranteeing basic well-being to all its citizens. Action on addressing climate action was initiated even before the Paris Agreement came into being. In 2008, India launched the National Action Plan on Climate Change (NAPCC), establishing eight National Missions, covering several initiatives and a slew of measures in the area of solar, water, energy efficiency, forests, sustainable habitat, sustainable agriculture, sustaining Himalayan ecosystem, capacity building and research and development (R&D).

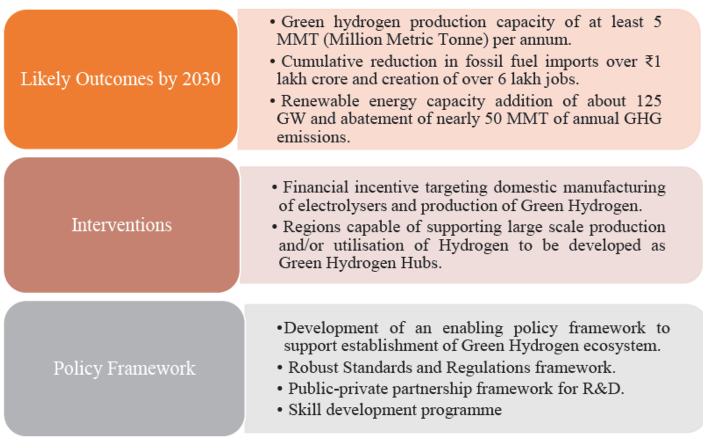
India submitted its first NDC to UNFCCC in October 2015. This was updated in August 2022. The 2015 NDC comprised eight goals, three of which were quantitative targets to be achieved up to 2030. The three targets included cumulative electric power installed capacity from non-fossil sources to reach 40 per cent, reduction in the emissions intensity of GDP by 33 to 35 per cent

compared to 2005 levels, and creation of additional carbon sink of 2.5 to 3 billion tonnes of CO2 equivalent through additional forest and tree cover.
Article 4 of the Paris Agreement provides that each Party shall communicate or update its NDC every five years. Therefore, in accordance with the aforesaid provision of the Paris Agreement, India submitted the updates to its first NDC of 2015.

One of the three quantifiable targets of India's NDC is to achieve an additional carbon sink of 2.5 billion to 3.0 billion tonnes through additional forest and tree cover by 2030.

With a vision to make India an energy-independent nation, and to de-carbonise critical sectors, the Government approved the National Green Hydrogen Mission on January 4, 2023 with an initial outlay of ₹19,744 crore. The Mission will facilitate demand creation, production, utilisation and export of Green Hydrogen and mobilisation of over ₹8 lakh crore of investment by 2030.

Figure VII.9: Salient Features of the National Green Hydrogen Mission

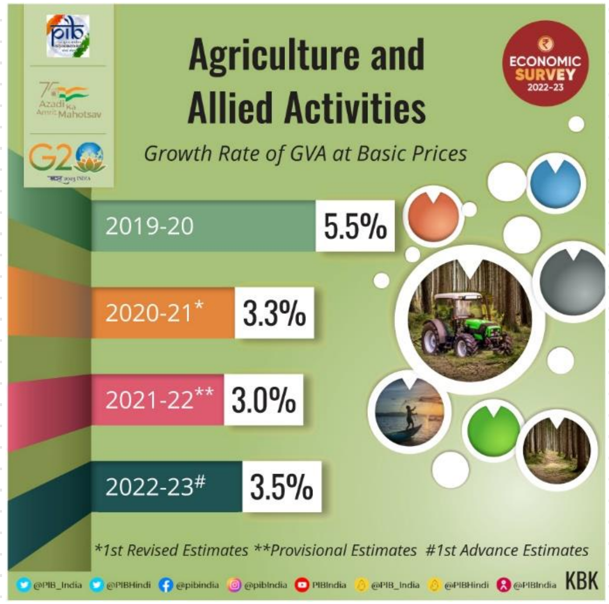


Green Bonds

Green bonds are financial instruments that generate proceeds for investment in environmentally sustainable and climate-suitable projects. With the growing focus on the environmental sustainability of projects, green bonds have become widely accepted as an instrument to raise funds to support climate and environmental projects and command a relatively lower cost of capital vis-à-vis regular bonds

As per SEBI's data on green debt securities, during the period of 2017 to September 2022, 15 Indian corporates have issued green bonds of value ₹4,539 crore. Most of these are related to renewable energy generation, while one is slated to be used for the tertiary treatment of wastewater.

The sustainable finance framework has also evolved from the initial steps covering the top listed 100 companies required to conform to sustainability standards. The requirement has now not only been extended to 1000 top listed companies on a mandatory basis but also the sustainability standards have become much stronger and measurable that correspond to the best practices while taking into account the specific context of India.



To remove the financial burden of the poor, the Government has taken a decision to give free foodgrains to about 81.4 crore beneficiaries under the NFSA for one year from January 1, 2023.

Infrastructure, being a melange of numerous sectors, its multiplier effects in the economy cannot be realised if it operates in silos. Thus, in 2019, Government of India adopted a forward-looking programmatic approach towards infrastructure. The National Infrastructure Pipeline was born with a projected investment of around ₹111 lakh crore for FY20-25 for developing a comprehensive view of infrastructure development in the country, monitoring its progress at the highest levels in the government for timely completion, and enabling a pipeline view for investors for them to plan infrastructure investments.

The NIP includes infrastructure projects of more than ₹100 crore covering greenfield and brownfield investments. The NIP currently has 8,964 projects with a total investment of more than ₹108 lakh crore under different stages of implementation

The funding for infrastructure comes from a variety of sources, from government to private sector to multilateral. However, given the quantum of funding involved, a creative financing option such as asset monetisation was also envisaged through the 5 lakh crore National Monetisation Pipeline. Apart from generating critical financial resources, private participation in running risk-free brownfield assets will also help in ushering in operational efficiencies and better management of public assets.

The programmatic approach to infrastructure is complemented by structural and financial reforms such as infrastructure financing options of InvITs and REITs, creation of Dedicated Financing Institution (NaBFID), recapitalisation of other sectoral DFIs, push to PPP ecosystem through Model Concession Agreements by line ministries and enabling social infrastructure development through the revamped Viability Gap Funding scheme.

In order to increase the private sector participation in creation of new infrastructure and development of existing ones, the government took initiatives like Public-Private Partnership (PPP), National Infrastructure Pipeline (NIP) and National Monetisation Pipeline (NMP). In addition to this, as part of the structural reforms with the objective to enhance efficiencies and cost competitiveness, Gati Shakti and National Logistics Policy (NLP) were also launched.
The result of the efforts is visible in Ministries'/ Departments' Capex spending till December 2022, which has been ₹5 lakh crore (around 67 per cent has been achieved against the Budgeted Capex of 7.5 lakh crore) as against ₹3.9 lakh crore for the same period in FY22 (i.e., till December 2021). The actual expenditure in FY23 is also 28 per cent higher than the expenditure in FY22 for the corresponding period.

In India, private participation in infrastructure programmes supports several PPP models, including management contracts like Build-Operate-Transfer (BOT), Design-Build-Finance-Operate-Transfer (DBFOT), Rehabilitate-Operate-Transfer (ROT), Hybrid Annuity Model (HAM), and Toll-Operate-Transfer (TOT) model. Under the BOT model, there are two variants – BOT (Toll) and BOT (Annuity) depending on who bears the traffic risk. In the case of BOT (Toll), the traffic risk is borne by the PPP concessionaire, while in the case of BOT (Annuity), it is borne by the public authority.

Against the monetisation target of ₹0.9 lakh crore in FY22, ₹0.97 lakh crore have been achieved during the period under roads, power, coal and mines. The cumulative investment potential over the years of transactions completed is estimated at ₹9.0 lakh crore (value captured in the form of accruals, receipts, and/or private investment). NMP's 2nd year, i.e., FY23, target envisaged is ₹1.6 lakh crore (27 per cent of overall NMP Target) under Core-Asset Monetisation.

Besides, the reforms being undertaken in energy and power sector will help fast-track India's progress in the next 25 years. With a population of nearly 140 crore, India has a massive demand for energy from all sectors including primary, secondary and tertiary.

The government, along with the private sector, has progressively worked towards increasing the share of renewables. This will ensure a gradual but calibrated energy transition, meeting the country's sustainability targets and giving primacy to its national developmental requirements.

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