Sansad TV Perspective: Economic Survey 2022-23

In the series Sansad TV Perspective, we bring you an analysis of the discussion featured on the insightful programme 'Perspective' on Sansad TV, on various important topics affecting India and also the world. This analysis will help you immensely for the IAS exam, especially the mains exam, where a well-rounded understanding of topics is a prerequisite for writing answers that fetch good marks.

In this article, we feature the discussion on the topic: **'Economic Survey 2022-23'.**

Context: The government came out with this year's economic survey before the budget.

Anchor: Teena Jha

Guests:

- Dr S.P Sharma, Chief Economist, Chamber of Commerce
- Mr. Anand Singh Bhal, Former Principal Economic Advisor
- Prof. Bhez Bahuraha, Professor

What is Economic Survey?

- The Economic Survey is a detailed report of the state of the national economy in the financial year that is coming to a close. **The report details the financial status of the country.**
- It is prepared by the Economic Division of the Department of Economic Affairs (DEA) under the guidance of the Chief Economic Adviser (CEA).
- The first Economic Survey was presented for 1950-51 and until 1964, it was presented along with the Budget.
- Once prepared, **the Survey is approved by the Finance Minister.**
- Between 2010-11 and 2020-21, the survey was presented in two volumes. The additional volume carried the intellectual imprint of the CEA and often dealt with some of the major issues and debates facing the economy.

Highlights of the Economic Survey:

- The survey points out that higher domestic demand and a pick-up in capital investment are expected to help the Indian economy grow 6.5 per cent in real terms in 2023-24, depending on the trajectory of economic and political developments globally.
  - In nominal terms, the GDP growth rate is expected to be around 11 per cent, suggesting average annual inflation during the next financial year to be 4.5 per cent.

- The economy is expected to grow at 7% in real terms for the year ending March 2023. India remains the fastest-growing major economy in the world recovering from pandemic-induced contraction, the Russian-Ukraine conflict and inflation.
- It highlighted that **credit growth to the micro, small, and medium enterprises (MSME) sector has been remarkably high, over 30.5 per cent**, on average during Jan-Nov 2022.
- Private consumption as a percent of **GDP stood at 58.5 percent in Q2 of FY23, the highest among the second quarters of all the years since FY15,** supported by a rebound in contact-intensive services such as trade, hotel and transport.
- Capital expenditure (CAPEX) of the central government, which increased by 63.4 per cent in the first eight months of FY 2022-23, was another growth driver of the Indian economy in the current year.
    - Capital expenditures (CapEx) are funds used by a company to acquire, upgrade, and maintain physical assets such as **property, plants, buildings, technology, or equipment.**
    - These investments lead to the creation of assets and reduction of liability and offer benefits in the long term.
- There has been a growth in exports in FY 2021-22 and the first half of FY 2022-23 induced a shift in the gears of the production processes. **This highlights India's commitment towards expanding manufacturing activities in the country.**
- Global oil prices would remain lower in the coming times. It will enable India to reduce its current account deficit on the account of oil prices.

Challenges highlighted in the report:

- The persisting challenge of the **depreciating rupee** due to further rate hikes by the US Federal Reserve.
- A higher current account deficit with commodity prices remaining elevated is another cause of concern.
    - Risks to the current account balance come from multiple sources –
        - Global commodity prices remaining above pre-conflict levels and
        - Higher import bill due to buoyant growth prospects amidst high commodity prices.
- A consistent rise in inflation due to international scenarios like the Russia-Ukraine war could further lead to a breach of the target fixed by the RBI.
    - **This may stretch the monetary tightening cycle of the RBI, and borrowing costs may remain higher for longer.**
- India's export would be negatively affected as the global slowdown continues to shrink the global market size along with ongoing monetary tightening exercises globally with "entrenched inflation" expected to prolong the tightening cycle.
- There is a likelihood of a recessionary tendency coming sometime in the future, it would negatively affect the start-ups and other budding enterprises that have just kicked on.