



## Economic Survey: A Realistic Stock-taking of the Economy

**Brickwork Ratings, Bengaluru, 31 January 2022:** The Economic Survey presented in the Parliament today is essentially a stock taking document on the performance of the economy in the current year, various initiatives on the reforms initiated in various sectors to ease supply side conditions and measures taken to aid the recovery process, and structural reforms introduced for growth acceleration in the medium term. The Survey makes a realistic assessment of economic growth and macroeconomic stability based on reasonable assumptions without resorting to any rhetoric.

The Survey has taken GDP growth for the current fiscal year as given in the first advance estimate released by the Ministry of Statistics and Programme Implementation a few days ago. The economy is estimated to grow at 9.2% in the current fiscal with agriculture, industry and services growing respectively at 3.8%, 11.8% and 8.2%. With this, the economy is expected to exceed the pre-pandemic level of GDP by about 1.2%. Growth for 2022-23 is estimated at 8-8.5% which looks realistic under the assumption of no further debilitating impact of the pandemic, normal monsoon and, oil prices in the range of USD 70-75 per barrel, even when the substantial withdrawal of liquidity in advanced economies is considered. The Survey is wary of inflation but does not see major impact on macroeconomic stability. As regards the engines of growth are concerned, while government consumption and gross fixed capital formation have grown over the pre-pandemic levels, and exports have been the major driver, there are concerns about private consumption. The Survey also talks about declining NPAs and improving commercial lending by the banking sector to ward off any threat to financial stability.

The Survey states that robust growth in tax and non-tax revenues despite the second wave of the pandemic in the current year has led to expansion in the fiscal space to increase capital expenditures while containing the fiscal and primary deficits at budgeted levels. To what extent the fiscal gains in the current year will provide a base for increasing capital expenditures and to what extent, the government will attempt fiscal consolidation next year will have to be unravelled only when we see the budget numbers that will be presented by the Finance Minister in the Parliament tomorrow. For the present, as mentioned above the Economic Survey makes a realistic stock-taking of the economy.



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