Economic Survey 2019

BY: Examsup2date.com
Finance Minister Nirmala Sitharaman tabled the survey in both the houses of Parliament. Economic Survey 2019 presents the outlook for the next 5 years.

- Emphasising growth
- Virtuous cycle of savings, exports, investment and growth and investment to be its “central driver”
- More jobs
- Increase in exports

Theme of the Economic Survey 2019 is about enabling a “shifting of gears” to sustained economic growth for objective of $5 trillion by 2024-25.

**Sector wise Highlights**

### Investment for growth

- **Sustained real GDP growth rate** of 8 per cent needed for a $5 trillion economy by 2024-25.
- **“Virtuous Cycle”** of savings, investment and exports catalyzed and supported by a favorable demographic phase required for sustainable growth.
- **Private investment**- key driver for demand, capacity, labor productivity, new technology, creative destruction and job creation.

### MSME growth

- Dwarfs (firms with less than 100 workers) despite being more than 10 years old, account for more than 50 per cent of all organised firms in manufacturing by number.
- Contribution of dwarfs to employment is only 14 per cent and to productivity is a mere 8 per cent.
- Large firms (more than 100 employees) account for 75 per cent employment and close to 90 per cent of productivity despite accounting for about 15 per cent by number.

### Social Infrastructure, Employment and Human Development

- Government expenditure (Centre and States) as a percentage of GDP on

  **Health**: increased to 1.5 per cent in 2018-19 from 1.2 per cent in 2014-15.
  **Education**: increased from 2.8 per cent to 3 per cent during this period.
  **Net employment** generation in the formal sector was higher at 8.15 lakh in March, 2019 as against 4.87 lakh in February, 2018 as per EPFO.
Around 1, 90, 000 km of rural roads constructed under Pradhan Mantri Gram Sadak Yojana (PMGSY) since 2014.

About 1.54 crore houses completed under Pradhan Mantri Awas Yojana (PMAY) as against a target of 1 crore pucca houses with basic amenities by 31 March, 2019.

### Services Sector

- Services sector (excluding construction) has a share of 54.3 per cent in India’s GVA and contributed more than half of GVA growth in 2018-19.
- IT-BPM industry grew by 8.4 per cent in 2017-18 to US$ 167 billion and is estimated to reach US$ 181 billion in 2018-19.
- The services sector’s growth has declined marginally to 7.5 per cent in 2018-19 from 8.1 per cent in 2017-18.
- Services share in employment is 34 per cent in 2017.
- 10.6 million foreign tourists received in 2018-19 compared to 10.4 million in 2017-18.
- Forex earnings from tourism stood at US$ 27.7 billion in 2018-19 compared to US$ 28.7 billion in 2017-18.

**NOTE :-**
- **Accelerated sub-sectors:** Financial services, real estate and professional services.
- **Decelerated sub-sectors:** Hotels, transport, communication and broadcasting services.

### Industry and Infrastructure

- Overall Index of Eight Core Industries registered a growth rate of 4.3 percent in 2018-19.
- India’s ranking improved by 23 to 77 position in 2018 among 190 countries assessed by the World Bank Doing Business (DB) Report, 2019.
- Road construction grew at 30 km per day in 2018-19
- Rail freight and passenger traffic grew by 5.33 per cent and 0.64 per cent respectively in 2018-19
- The total telephone connections in India touched 118.34 crore in 2018-19
- The installed capacity of electricity has increased to 3, 56,100 MW in 2019 from 3,44,002 MW in 2018.

### Agriculture and Food Management

- Gross Capital Formation (GCF) in agriculture as percentage of GVA marginally declined to 15.2 per cent in 2017-18 as compared to 15.6 per cent in 2016-17.
- The public sector GCF in agriculture as a percentage of GVA increased to 2.7 per cent in 2016-17.
- Women’s participation in agriculture increased to 13.9 per cent in 2015-16
- 89 per cent of groundwater extracted is used for irrigation
Organic and natural farming techniques including 'Zero Budget Natural Farming' (ZBNF) can improve both water use efficiency and soil fertility.

**External Sector**

- As per WTO, the *world trade growth* slowed down to 3 per cent in 2018 from 4.6 per cent in 2017.

**India’s External Debt** was US$ 521.1 billion at end-December 2018, 1.6 per cent lower than its level at end-March 2018.

- The total liabilities-to-GDP ratio, inclusive of both debt and non-debt components, has declined from 43 per cent in 2015 to about 38 per cent at end of 2018.

- The Indian Rupee traded in the range of 65-68 per US$ in 2017-18 but depreciated to a range of 70-74 in 2018-19.

**Composition of India’s exports and import basket in 2018-19(P):**

- Exports (including re-exports): Rs 23,07,663 Cr.
- Imports: Rs 35,94,373 Cr.

**Sustainable Development and Climate Change**

- India’s SDG Index Score ranges between 42 and 69 for states and between 57 and 68 for UTs:

  - Kerala and Himachal Pradesh are the front runners with a score of 69 amongst states.
  - Chandigarh and Puducherry are the front runners with a score of 68 and 65 respectively among the UTs.

- Namami Gange Mission launched as a key policy priority towards achieving the SDG 6, with a budget outlay of Rs 20,000 crore for the period 2015-2020.

**Prices and Inflation**

- The headline inflation based on CPI-C continued on its declining trend for fifth straight financial year, it remained below 4.0 per cent in the last two years.

- The food inflation based on Consumer Food Price Index (CFPI) also continued its declining trend for fifth financial year and has remained below 2.0 per cent for the last two consecutive years.

**Money Management and Financial Intermediation**
Till March 31, 2019, the CIRP yielded a resolution of 94 cases involving claims worth Rs 1,73,359 crore.

- Benchmark policy rate first hiked by 50 bps and later reduced by 75 bps last year.
- Capital mobilized through public equity issuance declined by 81 per cent in 2018-19.
- **Credit growth rate y-o-y** of the NBFCs declined from 30 per cent in March 2018 to 9 per cent in March 2019.

### Fiscal Developments

- **FY 2018-19** ended with fiscal deficit at 3.4 per cent of GDP and debt to GDP ratio of 44.5 per cent (Provisional).
- As per cent of GDP, the total Central Government expenditure fell by 0.3 percentage points in 2018-19 PA over 2017-18.
- The revised fiscal glide path envisages achieving fiscal deficit of 3 per cent of GDP by FY 2020-21 and Central Government debt to 40 per cent of GDP by 2024-25.

### State of the Economy in 2018-19

- India still the **fastest growing major economy** in 2018-19.
- **Growth of GDP** moderated to 6.8 per cent in 2018-19 from 7.2 per cent in 2017-18.
- **Inflation** contained at 3.4 per cent in 2018-19.
- **Non-Performing Assets** as percentage of Gross Advances reduced to 10.1 per cent.
- Growth in fixed investment picked up from 8.3 per cent in 2016-17 to 9.3 per cent next year and further to 10.0 per cent in 2018-19.
- Current account deficit manageable at 2.1 percent of GDP.
- Fiscal deficit of Central Government declined from 3.5 per cent of GDP in 2017-18 to 3.4 per cent in 2018-19.

### Redesigning a Minimum Wage system

- The **present minimum wage system** in India has 1,915 minimum wages for various scheduled job categories across states.
- **National Floor Minimum Wage** should be notified by the Central Government, varying across five geographical regions.
- **National level dashboard** under the Ministry of Labour & Employment for regular notifications on minimum wages.
Inclusive growth through renewables

- 2.5 times increase in per capita energy consumption needed for India to increase its real per capita GDP by $5000 at 2010 prices.
- 4 times increase in per capita energy consumption needed for India to achieve 0.8 Human Development Index score.
- India now stands at 4th in wind power, 5th in solar power and 5th in renewable power installed capacity.
- Rs 50,000 crore saved and 108.28 million tonnes of CO2 emissions reduced by energy efficiency programmes in India.
- Share of renewable (excluding hydro above 25 MW) in total electricity generation increased from 6 per cent in 2014-15 to 10 per cent in 2018-19.
- Thermal power plays a dominant role at 60 per cent share.
- Market share of electric cars only 0.06 per cent in India, while it is 2 per cent in China and 39 per cent in Norway.

An Analysis of the Swachh Bharat Mission

- 93.1 per cent of the households have access to toilets.
- 96.5 per cent of those with access to toilets are using them in rural India.

India’s Demography at 2040

- Most of India to enjoy demographic dividend while some states will transition to ageing societies by 2030s.
- National Total Fertility Rate expected to be below replacement rate by 2021.
- Working age population to grow by roughly 9.7 million per year during 2021-31 and 4.2 million per year during 2031-41.