

## **UPDATE : Key Highlights of Economic Survey 2018-19**

### **State of the Economy in 2018-19: A Macro View**

- 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 at end December 2018 from 11.5 per cent at end March 2018.
- Investment growth recovering since 2017-18:
- 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 percent of GDP in 2017-18 to 3.4 percent in 2018-19.
- Prospects of pickup in growth in 2019-20 on the back of further increase in private investment and acceleration in consumption

### **Agriculture and Food Management**

- Agriculture sector in India typically goes through cyclical movement in terms of its growth.
- Gross Value Added (GVA) in agriculture improved from a negative 0.2 per cent in 2014-15 to 6.3 per cent in 2016-17 but decelerated to 2.9 per cent in 2018-19.
- 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 from 2.1 per cent in 2013-14.
- Women's participation in agriculture increased to 13.9 per cent in 2015-16 from 11.7 per cent in 2005-06 and their concentration is highest (28 per cent) among small and marginal farmers.
- A shift is seen in the number of operational land holdings and area operated by operational land holdings towards small and marginal farmers.
- 89% of groundwater extracted is used for irrigation. Hence, focus should shift from land productivity to 'irrigation water productivity'. Thrust should be on micro-irrigation to improve water use efficiency.
- Fertilizer response ratio has been declining over time. Organic and natural farming techniques including Zero Budget Natural Farming (ZBNF) can improve both water use efficiency and soil fertility.
- Adopting appropriate technologies through Custom Hiring Centers and implementation of ICT are critical to improve resource-use efficiency among small and marginal farmers.

### **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 77th position in 2018 among 190 countries assessed by the World Bank Doing Business (DB) Report, 2019.
- Road construction grew @ 30 km per day in 2018-19 compared to 12 km per day in 2014-15.
- Rail freight and passenger traffic grew by 5.33 per cent and 0.64 per cent respectively in 2018-19 as compared to 2017-18.

- 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.
- Public Private Partnerships are quintessential for addressing infrastructure gaps
- Building sustainable and resilient infrastructure has been given due importance with sector specific flagship programmes such as SAUBHAGYA scheme, PMAY etc
- Institutional mechanism is needed to deal with time-bound resolution of disputes in infrastructure sector.

### **Nourishing Dwarfs to become Giants: Reorienting policies for MSME Growth**

- Survey focuses on enabling MSMEs to grow for achieving greater profits, job creation and enhanced productivity.
- Dwarfs (firms with less than 100 workers) despite being more than 10 years old, account for more than 50% of all organized firms in manufacturing by number.
- Contribution of dwarfs to employment is only 14% and to productivity is a mere 8%.
- Large firms (more than 100 employees) account for 75% employment and close to 90% of productivity despite accounting for about 15% by number.
- Unshackling MSMEs and enabling them to grow by way of:
  - Asunset clause of less than 10 years, with necessary grand-fathering, for all size-based incentives.
  - Deregulating labor law restrictions to create significantly more jobs, as evident from Rajasthan.
  - Re-calibrating Priority Sector Lending (PSL) guidelines for direct credit flow to young firms in high employment elastic sectors.
- Survey also focuses on service sectors such as tourism, with high spillover effects on other sectors such as hotel & catering, transport, real estate, entertainment etc., for job creation.

### **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.
- The 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 growth declined marginally to 7.5 per cent in 2018-19 from 8.1 per cent in 2017-18.
- Accelerated sub-sectors: Financial services, real estate and professional services.
- Decelerated sub-sectors: Hotels, transport, communication and broadcasting services.
- Services share in employment is 34 per cent in 2017.
- Tourism: 10.6 million foreign tourists received in 2018-19 compared to 10.4 million in 2017-18 and Forex earnings from tourism stood at US\$ 27.7 billion in 2018-19 compared to US\$ 28.7 billion in 2017-18.

### **Social Infrastructure, Employment and Human Development**

- Government expenditure (Centre plus 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.
- Substantial progress in both quantitative and qualitative indicators of education is reflected in the improvements in Gross Enrolment Ratios, Gender Parity Indices and learning outcomes at primary school levels.
- Encouraging Skill Development by:
  - a) Introduction of the skill vouchers as a financing instrument to enable youth obtain training from any accredited training institutes.
  - b) Involving industry in setting up of training institutes in PPP mode; in curriculum development; provision of equipment; training of trainers etc.
  - c) Personnel of Railways and para-military could be roped in for imparting training in difficult terrains.
  - d) Create a database of Instructors, skill mapping of rural youth by involving local bodies to

assess the demand-supply gaps are some of the other initiatives proposed.

- 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.
- 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 31st 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, total Central Government expenditure fell by 0.3 percentage points in 2018-19 PA over 2017-18:
- 0.4 percentage point reduction in revenue expenditure and 0.1 percentage point increase in capital expenditure.
- 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.

### **External Sector**

- As per WTO, World trade growth slowed down to 3 per cent in 2018 from 4.6 per cent in 2017. Reasons:
  - a) Introduction of new and retaliatory tariff measures.
  - b) Heightened US-China trade tensions.
  - c) Weaker global economic growth.
  - d) Volatility in financial markets (WTO).
- In Indian rupee terms growth rate of exports increased owing to depreciation of the rupee while that of imports declined in 2018-19.
- 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 share of foreign direct investment has risen and that of net portfolio investment fallen in total liabilities, reflecting a transition to more stable sources of funding the current account deficit.
- 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.
- The exchange rate in 2018-19 has been more volatile than in the previous year, mainly due to volatility in crude prices, but not much due to net portfolio flows.

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