GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS

RAJYA SABHA
UNSTARRED QUESTION NO. 1813
ANSWERED ON 02 AUGUST 2022

GDP GROWTH

1813. Shri Raghav Chadha:

Will the Minister of FINANCE be pleased to state:

(a) the revised and actual projection of the Ministry on Gross Domestic Product (GDP) growth of the country in the financial year 2022-23;
(b) the reasons why over half a dozen top global rating agencies, as well as the World Bank, have cut India's GDP forecasts;
(c) the steps taken by the Ministry to tame inflation and slowdown to inhibit the constantly falling GDP; and
(d) the steps taken by the Ministry to push capital flow in the market

MINISTER OF STATE FOR FINANCE
(SHRI PANKAJ CHAUDHARY)

(a): In the Union Budget for 2022-23, the nominal GDP for 2022-2023 is projected at Rs. 258 lakh crores. The government has not revised its projection.

(b): Owing to the recent geopolitical conflict in Europe that is ongoing, there have been big increases in the prices of many commodities, most notably crude oil and then fertilisers. Hence, various international agencies, for FY 2022-23 and FY 2023-24, have revised downward the growth projections of several countries including India. The revised growth for India is still higher than that of major advanced and emerging market economies. High global inflation which is leading to higher interest rates in advanced countries and a stronger dollar, supply chain disruptions and geopolitical tensions pose downside risks to India's growth as they do to many countries around the world – both developed and developing. The Government is countering these unfavourable developments by increasing capital expenditure in the public sector, inducing its increase in the private sector and taking measures to improve the business climate in the country. The RBI in its recent Monetary Policy statement of 8th June 2022 retained India's real GDP growth projection for FY 2022-23 at 7.2 per cent. The International Monetary Fund projects India's growth in 2022-23 to be 7.4%.

(c): A series of measures have been announced by the Government and RBI to control rising inflation. RBI increased the repo rate by 40 basis points in May 2022 followed by a 50 basis points hike in June 2022, taking the policy rate from 4.0 per cent to 4.9 per cent. Further, in May 2022, RBI increased the cash reserve ratio (CRR) by 50 bps to 4.5 per cent to withdraw excess liquidity from the banking system.

Complementing RBI's efforts to reduce inflation, the Government of India has cut excise duty on diesel and petrol by Rs 6/litre and Rs. 8/litre respectively in May 2022 to bring down their retail prices. For protecting vulnerable groups against inflation, over 90 million beneficiaries of the Pradhan Mantri Ujjwala Yojana are to be given a subsidy of Rs 200 per LPG cylinder for up to 12 refills in a year. The price for a commercial LPG cylinder has also been reduced w.e.f. 1st June 2022. To shield farmers from a steep rise in fertiliser prices, the government announced a doubling of fertiliser subsidy to Rs.2.15 lakh crore from the budgeted level of 2022-23. To ease prices of Edible Oils, the Government has notified allocation of Tariff Rate Quota (TRQ) for import of 20 LMT of Crude Soyabean Oil and 20 LMT of Crude Sunflower Oil for the financial year 2022-23 and 2023-24 at zero import duty and zero Agriculture Infrastructure and development Cess (AIDC).

To give a boost to growth, the Government has taken a series of measures in the Union Budget 2022-23, which include an increase in Capex budget by 35.4 per cent over the previous year, expansion of the Production Linked Incentive (PLI) scheme to 14 sectors, the launch of PM Gatishakti scheme to reduce infrastructure gap and facilitate private investment, the extension of Emergency Credit Line Guarantee Scheme (ECLGS) to provide support to MSMEs, among others. As part of the Atmanirbhar Bharat Mission, Government has also implemented the National Infrastructure Pipeline of projects, to drive economic growth in the years ahead. The government has recapitalised banks, merged them and strengthened their balance sheets so that bank lending can grow faster, once current global uncertainties fade.

The measures taken in the past will also boost the growth of the economy. These include the introduction of Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), reduction in Corporate Tax Rate and Rationalization of Labour Laws, among others, which have also improved Ease of Doing Business.

(d): To attract foreign investment, the Government has put in place a liberal and transparent policy, wherein FDI in most of the sectors has been placed under the automatic route. Reforms recently undertaken across sectors such as Coal Mining, Contract Manufacturing, Digital Media, Single Brand Retail Trading, Civil Aviation, Defence, Insurance and Telecom, will further attract FDI.

Recent measures taken by RBI to increase capital flows include 1) Exemption of Incremental Foreign Currency Non-Resident (Bank) [FCNR(B)] and Non-Resident (External) Rupee (NRE) deposits from the maintenance of CRR and SLR up to November 4, 2022; 2) Exemption of fresh FCNR(B) and NRE deposits from the extant regulation on interest rates to allow banks to provide higher interest rates till October 31, 2022 than those offered to comparable domestic rupee term deposits; 3) Revision of regulatory regime relating to Foreign Portfolio Investment in debt flows to encourage foreign investment in Indian debt instruments; 4) Raising of External Commercial Borrowing limit (under automatic route) to $1.5 billion and the all-in-cost ceiling by 100 bps in select cases up to December 31, 2022; 5) Allowing Authorised Dealer Category-I (AD Cat-I) banks to utilise overseas foreign currency borrowing for lending in foreign currency to entities for a wider set of end-use purposes, subject to the negative list set out for external commercial borrowings.

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