MON, APR 04, 2022 | UPDATED 18:59 PM IST

THE TIMES OF INDIA

Opinion | Times View | Readers' Blog | Times Evoke | City | India | World | Entertainment | Sports | Spirituality

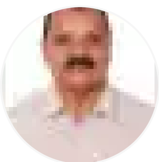
NEWS / BLOGS / BUSINESS / ECONOMY / Economy on better footing in financial year 2022-23

ECONOMY

Economy on better footing in financial year 2022-23

April 3, 2022, 12:25 PM IST / Dr. Kembai Srinivasa Rao in udaya@srinivas.com, Economy, India, TOI

FACEBOOK TWITTER LINKEDIN EMAIL



Dr. Kembai Srinivasa Rao

Dr Rao is currently teaching risk management in the institute of Insurance and Risk Management (IIRM). A career banker with Bank of Baroda, he held the position of General Man ... MORE

Notwithstanding the upside geopolitical risks and continuing fear of coronavirus still haunting some parts of the globe, the domestic economy is set to be on a better footing with some early signs of revival. The GST collections during 2021-22 worked out to Rs. 14.83 trillion breaching its collection record of Rs.1.1 trillion per month since July 2021. The significance is the record collections of Rs.1.40 trillion in March 2022 reflecting intensified economic activities. The total e-way bills generated during February was 69.1 million as against 68.8 million in January indicating an uptick. Even the quantum of collections of securities transactions tax (STT) had also increased from Rs.20000 crores to Rs.23000 crores highlighting the buoyancy in the financial markets.

Even the net direct tax collections recorded a 50 percent hike. The direct tax receipts reached a high of Rs.13.81 trillion during FY22 as against the net collections of Rs.9.23 trillion in FY21. The rising trends form a better basis for FY23. The pre-pandemic collections during FY19 were Rs.11.18 trillion and Rs.10.28 trillion in FY20.Even the advanced tax collections which was due on March 15 rose to Rs. 6.62 trillion posting a growth of 40.75 percent. The steady rise is a good sign of potential rise in income levels warranting advance tax payments.

The rebound of investment cycle and capex thrust in Union Budget 2022-23 has begun to work with new projects coming up. According to Centre for Monitoring Indian Economy (CMIE) data, the value of new projects in March 2022 amounted to Rs.5.1 trillion compared to Rs.2.45 trillion recorded in March 2021 but the latest number of new projects is still lower than the pre-pandemic period, but the entry of new projects has started to look up. These projects cover companies setting up new factories or government building new roads. Activation of GatiShakti mode of monitoring projects can create the synergy for further ramp up.

These activities were hit hard due to Covid and are now on the path of recovery. It also helps in improving employment potentiality with indirect impact on the plight of small vendors/suppliers.

1. Improving corporate sector:

It is noteworthy that many corporate sector entities have deleveraged their balance sheets in the last two years and strengthened them leading to improvement in their credit rating. CRISIL Ratings ratio (upgrades to downgrades) increased to 5.04 times in H2 of 2021-22 up from 2.96 in H1 of FY22. There were 569 upgrades and 113 downgrades in the second half of the fiscal. The upgrade rate increased to 15.4 percent in H2 from 12.5 percent in H1. The downgrade rate declined from 3.1 percent from 4.2 percent during the same period. The performance is buoyed on the back of a sustained improvement in the demand that lifted revenues of most sectors to their pre-pandemic levels. The agency's outlook on the credit quality remains positive with upgrades expected to outnumber the downgrades. ICRA also observed a similar trend with upgrades of ratings of 561 companies outnumbering the downgrades in 184 companies. Ind-Ra observed that there were 276 upgrades and 86 downgrades and Care-edge ratings recorded 468 upgrades and 177

1 The joy of e
2 The healthy
3 Did Will Sm

downgrades. So, most rating agencies affirm a similar trend indicating a positive pulse. The improved ratings of companies can spur capacity expansion and demand for credit that was sagging earlier.

The overall buoyancy is resonating in stock markets too with BSE sensex at 59277 on April 1 and is well set to reach the psychological level of 60000 mark while NSE at 17670 is emitting positive signals. Both indices gained more than 3 percent during the week despite the gyrations in global stock markets.

2. Economic Indicators:

Retail inflation at 6.07 percent in February 2022 marginally breached the upper edge of RBI target with headwinds causing concern due to input costs going up for trade and industry. Respite comes from crude prices retreating on US move to release reserves to tackle rising costs. As a result, the crude prices dropped 12 percent during the week ending March to reach around US $ 105 per barrel despite continuing armed conflict between Russia and Ukraine. Looking to the steady revival impulses of the economy, the international rating agencies have forecast 8 percent growth during 2022-23.

Reverberating positive sentiments, the 8 core infrastructure sectors rose to a four-month high at 5.8 percent in February, up from 1.3 percent in January 2021. It was boosted by a low base during the same month a year ago when the core sector contracted by 3.3 percent. MSME is the reinforcing sector to support core sectors. Its road map of growth with the extension of ECLGS and implementation of scheme of Raising and Accelerating MSME Performance (RAMP) should create sustainable basis.

Thrust on 'Make in India' has been renewed with the replacement of the Special Economic Zones (SEZ) Act with a new legislation to allow greater involvement of states in the industrial growth. The combined impact of these policy reforms could propel the growth of the economy to reach the targeted range of 7.6 – 8.1 percent despite the continuing downside risks in external sector.

According to IMF forecast, India will grow at 9% in FY22 scaled it down from 9.5 percent estimated in October 2021. It also projects 9% growth for India's economy in 2022-23, up from the earlier estimated of 8.5 percent and 7.1% in 2023-24. IMF observed that investment and consumption are building on better performance of the financial sector. At the same time, World Bank has retained India's economic growth forecast for the current fiscal at 8.3 per cent as the recovery is yet to become broad-based. Though ICRA slashed outlook of growth to 7.2 percent for FY23 down from 8 percent projected earlier due to elevated commodity prices and supply chain disruptions caused due to Ukraine war and lockdown in some parts of China to curb the resurgence of Covid19.

3. Policy normalisation

Due to historic rise of inflation in US due to prolonged Covid disruptions putting pressure of rising input costs, the Federal Reserve has already hiked interest rates by 25 basis points with firm possibility of further rise in near term along with tapering of liquidity. Adding on to the global spree of hardening interest rates, the Central Banks of New Zealand and Canada have raised rates by 25 bps each in February 2022 and March 2022, respectively. Most EME central banks also continued with their policy rate tightening, including Mexico which hiked its benchmark interest rate by 50 bps in February.

This policy shift is bound to reverberate in emerging economies with potential shift of foreign investments and challenging exchange rate stability. Keeping these evolving global trends with its implications on domestic economy, RBI may have to take a relook at its monetary policy stance to support growth in its next edition slated in early April.

Despite the ongoing global unrest, the domestic economy is able to maintain its tempo of growth due to appropriate fiscal and monetary policy backed with the implementation rigor to speed up the revival of the economy. If the war ends soon, India will emerge much stronger during FY23 going beyond the expected growth trajectory.

FACEBOOK TWITTER
LINKEDIN EMAIL

TOP COMMENT

Yerram Guest
1 day ago

Growth cannot be an overriding objective in the current scenario of oil prices reaching the roof and commodity markets on the rise, particularly in the uncertain outcomes of the Ru ... READ MORE

DISCLAIMER
Views expressed above are the author's own.

END OF ARTICLE