

Economic Survey 2021-22 warns India needs to be wary of imported inflation

Mini

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Economic Survey 2021-22 tabled by Union Finance Minister Nirmala Sitharaman in Parliament on Monday suggests that India must remain cautious of imported inflation owing to high global energy prices.

According to the survey, India's Consumer Price Index inflation stood at 5.6 percent YoY in December 2021, which is within the targeted tolerance band. Wholesale price inflation, however, has been running in double-digits.

"The inflation in 'fuel and power' group of WPI was above 20 percent reflecting higher international petroleum prices. Although the high WPI inflation is partly due to base effects that will even out, India does need to be wary of imported inflation, especially from elevated global energy prices," the survey flagged.

With economic activity picking up in 2021-22 and edging up of global crude oil prices, the low base of 2020-21 led to WPI inflation reaching a peak of 14.2 percent in November 2021 and 12.5 percent during April-December 2021 (as against 0.04 percent during April-December 2020-21). Therefore, the high WPI based inflation rate in 2021, is largely attributable to the low base of the preceding year, the survey pointed out.

Meanwhile, retail inflation that had remained high during 2020-21 due to supply chain disruptions and high food inflation, moderated in 2021-22 on account of effective supply-side management, resulting in a divergence between WPI and CPI-based inflation.

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According to the survey, unlike 2020-21 (April-December) when 'food and beverage' drove inflation, during the corresponding period in 2021-22, major drivers of retail inflation were miscellaneous and 'fuel and light' group.

The contribution of miscellaneous group has increased from 26.8 percent in 2020-21 to 35 percent in 2021-22 and that of 'fuel and light' increased from 2.3 percent to 14.9 percent, according to the survey.

The inflation in 'fuel and light' and 'transport and communication' was mostly driven by high international crude oil, petroleum product prices, and higher taxes, the survey said.

Retail food inflation, on the other hand, remained above 8 percent from November 2019 to November 2020, but declined thereafter, recording inflation of 2.9 percent in 2021- 22 (April-December).

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"The Consumer Price Index inflation remained range bound as food prices eased considerably due to the supply management response by the government. Food inflation remained benign during the year at 2.9 per cent (April-December) as against 9.1 percent in the corresponding period last year," the Economic Survey said.

While inflation in food items in India remained under control because of supply-side management, the survey pointed out that high global prices of manufacturing items have had an impact on domestic prices, especially basic metals. The rise in demand for vehicles, manufactured goods, and pickup in construction activities have led to the rise of global aluminium prices, it said.

However, the Economic Survey has said the economy is well placed to take on challenges in 2022-23. It has projected India's GDP growth for the financial year 2023 at 8-8.5 percent. The FY22 GDP growth is seen at 9.2 percent, it said.



The government will infuse Rs 44,720 crore into loss-making state-owned telecom firm BSNL in the next financial year, according to Budget documents. "The provision is made for capital infusion for 4G spectrum, technology up-gradation and restructuring in BSNL," the explanatory note in the document said.

Besides the capital infusion, the government will provide additional financial support of Rs 7,443.57 crore to the telecom firm for a voluntary retirement scheme and Rs 3,550 crore as grant-in-aid for payment of GST. The financial support for the voluntary retirement scheme (VRS) includes the implementation of the scheme at both BSNL and MTNL.

The support for goods and services tax (GST) will be provided to BSNL for the payment of GST on the allocation of 4G spectrum, according to the documents.

The additional financial support for the public sector firms is in addition to the Rs 69,000-crore relief package that the government provided them in October 2019.