Highlights

- **Economy expected to grow at 8.6 per cent in 2010-11 and 9.0 % in 2011-12**
  - Agriculture expected to grow at 5.4% in 2010-11 and 3.0% in 2011-12
  - Industry expected to grow at 8.1% in 2010-11 and 9.2% in 2011-12
  - Services expected to grow at 9.6% in 2010-11 and 10.3% in 2011-12
- **Slow recovery in global economic and financial situation**
- **Rising domestic savings and investment chief engines of growth**
  - Investment rate expected to be 37.0% in 2010-11 and 37.5% in 2011-12
  - Domestic savings rate expected to be over 34% in 2010-11 and 34.7% in 2011-12.
- **Current Account deficit estimated at 3.0% of GDP in 2010-11 and 2.8% of GDP in 2011-12**
  - Merchandise trade *deficit projected to be $ 132.0 billion or* 7.7% of the GDP in 2010-11 and $151.5 billion or 7.7% of GDP in 2011-12.
  - Invisibles trade *surplus* projected to be *$ 81.3 billion* or *4.8*% of the GDP in 2010-11 and $95.7 billion or 4.8% in 2011-12.
- **Capital Flows can be readily absorbed by financing needs of the high growth of the Indian Economy.**
  - Against the level of $47.8 billion in 2009-10, the capital inflows projected to be $ 64.6 billion for 2010-11 and $76.0 billion for 2011-12.
  - Against accretion to reserves of $13.4 billion in 2009-10, projected to be $12.1 billion in 2010-11 and $20.2 billion in 2011-12.
- **Inflation rate projected at 7.0 % by March 2011**
  - The declining trend in food prices particularly that of the vegetables will result in lower food inflation
  - Manufactured goods inflation has remained low. Considerable care from the policy side has however to be taken to ensure that the manufactured goods inflation remains below 5 per cent in 2011/12

- **Monetary Policy to complete the process of exit and operate with bias toward tightening.**
    - Liquidity conditions are taut enough for monetary policy signals to be appropriately transmitted to the financial sector.
    - Monetary and fiscal policies have to be appropriately tight to protect the economy from inflation.
    - Monetary policy has an important role to play even in situations where inflation is triggered by supply constraints
- **Current year fiscal adjustment may not be a problem, the challenge is of adhering to the Finance Commission's targets with credible expenditure management.**
    - Total Central revenues registering an increase of 62.9 per cent in (April –Dec) 2010-11 over the corresponding period last year.
    - Capital Expenditure registered a sharp increase of 64.6 per cent (April –Dec) in 2010-11
    - Fiscal deficit outcome for 2010-11 could be marginally better than the budget estimates
    - The consolidated fiscal deficit is likely to be 7.5 to 8 per cent of GDP for 2010-11.
    - There is considerable urgency in the implementation of goods and services tax (GST)
    - Budgeted level of Fiscal Deficit and Revenue Deficit still beyond comfort zone.
- **To sustain a growth rate of 9.0 per cent, steps required are:**
    - Containing inflation by focusing both on monetary and fiscal policies and supply side management
    - The pace of infrastructure creation has to be stepped up with renewed focus on the power sector
    - Continue efforts to contain Current Account Deficit (CAD) at 2-2.5 per cent of GDP and in parallel encourage flow of external investments into the country
    - Greater attention to agriculture including on seed development, management of water and soil fertility and improving delivery system

GDP Growth – Actual & Projected

Unit: per cent

		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
						QE	*AE*	*f*
	Year-on-year Growth Rates							
1	Agriculture & allied activities	5.1	4.2	5.8	-0.1	0.4	5.4	3.0
2	Mining & Quarrying	1.3	7.5	3.7	1.3	6.9	6.2	7.5
3	Manufacturing	10.1	14.3	10.3	4.2	8.8	8.8	9.0
4	Electricity, Gas & Water Supply	7.1	9.3	8.3	4.9	6.4	5.1	7.0
5	Construction	12.8	10.3	10.7	5.4	7.0	8.0	10.5
6	Trade, Hotels, Transport, Storage & Communication	12.2	11.6	11.0	7.5	9.7	11.0	11.0
7	Finance, insurance, real estate & business services	12.7	14.0	11.9	12.5	9.2	10.6	10.5
8	Community & personal services	7.0	2.9	6.9	12.7	11.8	5.7	8.8
9	**Gross Domestic Product at factor cost**	**9.5**	**9.6**	**9.3**	**6.8**	**8.0**	**8.6**	**9.0**
10	Industry (2 + 3 + 4 + 5)	9.7	12.2	9.7	4.4	8.0	8.1	9.2
11	Services (6 + 7 + 8)	11.0	10.1	10.3	10.1	10.1	9.6	10.3
12	Non-Farm Sector (9 - 1)	10.5	10.8	10.1	8.2	9.4	9.1	9.9
14	**GDP (factor cost) per capita**	**7.8**	**8.0**	**7.8**	**5.3**	**6.5**	**7.1**	**7.5**
	Some Magnitudes							
15	GDP at factor cost - 2004/05 prices in Rs lakh crore (or Trillion)	32.5	35.7	39.0	41.6	44.9	48.8	53.2
16	GDP market & current prices in Rs lakh crore (or Trillion)	36.9	42.9	49.9	55.8	65.5	78.6	89.9
17	GDP market & current prices in US$ Billion	834	949	1,241	1,223	1,385	1,724	1,999
18	Population in Million	1,106	1,122	1,138	1,154	1,170	1,186	1,203
19	GDP market prices per capita current prices	33,386	38,268	43,817	48,376	55,985	66,412	74,780
20	GDP market prices per capita in current US$	754	846	1,090	1,060	1,184	1,453	1,662

Note: QE refers to the Quick Estimates for National Income released on 31 Jan 2011.
Est: Estimated for the year based on data released for Q1 and Q2 and other available data
f stands for forecasts made by the Council.

Balance of Payments

Unit: US$ billion

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11			2011/12
							H1	H2	Total	
Merchandise Exports	85.2	105.2	128.9	166.2	189.0	175.0	110.5	119.8	230.3	271.9
Merchandise Imports	118.9	157.1	190.7	257.6	308.5	295.5	177.5	184.9	362.3	423.4
Merchandise Trade Balance	-33.7	-51.9	-61.8	-91.5	-118.7	-120.5	-66.9	-65.1	-132.0	-151.5
	-4.7%	*-6.2%*	*-6.5%*	*-7.4%*	*-9.7%*	*-8.5%*	*-8.8%*	*-6.9%*	*-7.7%*	*-7.7%*
Net Invisibles	31.2	42.0	52.2	75.7	89.9	80.0	39.1	42.2	81.3	95.7
	4.3%	*5.0%*	*5.5%*	*6.2%*	*7.4%*	*5.8%*	*5.1%*	*4.5%*	*4.8%*	*4.8%*
o/w Software & BPO	14.7	23.8	27.7	37.2	47.0	41.0	22.2	26.0	48.2	56.6
Private Remittances	20.5	24.5	29.8	41.7	44.6	53.5	26.1	27.0	53.1	61.1
Investment Income	-4.1	-4.1	-6.8	-4.4	-6.6	-5.5	-6.1	-7.8	-13.9	-18.0
Current Account Balance	-2.5	-9.9	-9.6	-15.7	-27.9	-38.4	-27.9	-22.9	-50.8	-55.8
	-0.3%	*-1.2%*	*-1.0%*	*-1.3%*	*-2.3%*	*-2.8%*	*-3.7%*	*-2.4%*	*-3.0%*	*-2.8%*
Foreign Investment	13.0	15.5	14.8	45.0	3.5	51.8	29.1	19.0	48.1	45.0
o/w FDI (net)	3.7	3.0	7.7	15.4	19.8	19.5	5.3	4.0	9.3	20.0
Inbound FDI	6.0	8.9	22.7	34.2	37.7	35.6	12.6	15.0	27.6	40.0
Outbound FDI	2.3	5.9	15.0	18.8	17.9	16.0	7.2	11.0	18.2	20.0
Portfolio capital	9.3	12.5	7.1	29.6	-14.0	32.3	23.8	15.0	38.8	25.0
Loans	10.9	7.9	24.5	41.9	8.3	6.5	17.4	10.4	27.8	30.0
Banking capital	3.9	1.4	1.9	11.8	-3.2	0.4	0.8	1.1	1.9	6.0
Other capital	0.7	1.2	4.2	9.5	-4.0	-12.1	-9.0	-2.5	-11.5	-5.0
Capital Account Balance	28.0	25.5	45.2	108.0	6.8	47.8	36.7	27.9	64.6	76.0
	3.9%	*3.0%*	*4.8%*	*8.8%*	*0.6%*	*3.6%*	*4.8%*	*3.0%*	*3.8%*	*3.8%*
Errors & Omissions	0.6	-0.5	1.0	1.2	1.1	-1.6	-1.8			
Accretion to Reserves	26.2	15.1	36.6	92.2	-20.1	13.4	7.0	5.0	12.1	20.2
	3.6%	*1.8%*	*3.9%*	*7.5%*	*-1.6%*	*1.0%*	*0.9%*	*0.5%*	*0.7%*	*1.0%*

Note: Figures in parentheses are percentage of GDP