# Highlights

- **Economy to grow at 8.2% in 2011-12**

  - Agriculture grew at 6.6% in 2010-11. Projected to grow at 3.0% in 2011-12
  - Industry grew at 7.9% in 2010-11. Projected to grow at 7.1% in 2011-12
  - Services grew at 9.4% in 2009-10. Projected to grow at 10.0% in 2011-12

- **The projected growth rate of 8.2%, though lower than the previous year, must be treated as high and respectable, given the current world situation.**

- **Global economic and financial situation unlikely to improve**

- **To keep the economy growing at 9% it is important to increase fixed investment rate**

  - Investment rate projected at 36.4% in 2010-11 and 36.7% in 2011-12
  - Domestic savings rate as ratio of GDP projected at 33.8% in 2010-11 & 34.0% in 2011-12

- **The 2011 monsoon projected to be in the range of 90 to 96 per cent of Long Period Average. As a result farm sector output expected to grow at 3 %**

- **The revised series (2004/05) for Index of Industrial Production shows an output growth pattern that is fairly different from what the old series (1993/94) had indicated.**

  - The output growth was grossly underestimated by the old series in 2007-08 and overestimated in 2008-09 and 2009-10.
  - The impact of the global crisis on industrial output was much stronger than had been indicated by the old series
  - In 2010-11 the output growth was higher at 8.2% against 7.8% indicated by the old series

- **Current Account deficit is $44.3 billion (2.6% of GDP) in 2010-11 and projected at $54.0 billion (2.7% of GDP) in 2011-12**

  - Merchandise trade deficit *is $ 130.5 billion or 7.5*9% of the GDP in 2010-11 and projected at $154.0 billion or 7.7% of GDP in 2011-12
  - Invisibles trade *surplus* is *$ 86.2 billion* or *5*.0% of the GDP in 2010-11 and projected at $100.0 billion or 5.0% in 2011-12

- **Capital flows at $61.9 billion in 2010-11 and projected at $72.0 billion in 2011-12**

  - FDI inflows projected at $35 billion in 2011/12 against the level of $23.4 billion in 2010-11
  - FII inflows projected to be $14 billion which is less than half that of the last year i.e $30.3 billion

- **Accretion to reserves was $15.2 billion in 2010-11. Projected at $18.0 billion in 2011-12**

- **Inflation rate projected at 6.5 % in March 2012.**

  - The headline inflation rate would continue to be at 9 per cent in the month of July-October 2011. There will be some relief starting from November and will decline to 6.5% in March 2012.
  - Available food stocks to be liberally released
  - Important role for fiscal policy to contain demand pressure. Need to ensure that fiscal deficit does not exceed the budgeted level
  - RBI will have to continue to follow a tight monetary policy till inflation shows definite signs of decline

- **Achieving fiscal targets set in 2011/12 budget estimates to present a significant challenge**

  - For 2011/12, budget estimates of fiscal deficit for Centre - 4.7%; States- 2.1% and consolidated fiscal deficit including off budget liabilities - 6.8%
  - Government to redouble efforts to collect larger revenue, resolve cases to reduce tax arrears
  - Minimize avoidable expenditures and initiate measures to increase revenues
  - Resolve issues with states and introduce Goods and Services Tax
  - Reforms in power sector distribution system to limit the liabilities of state governments

- **<u>Some key issues of concern:</u>**

- **Convergence of growth rates of states**
  - An analysis of the recent data indicates that while most of the lower income states have shown stronger growth rates, several of the higher income states have also shown an increase
- **Current Account Deficit**
  - Given our growth needs, a moderate trade deficit and CAD are inevitable. To finance the CAD, foreign investment flows need to be promoted. However CAD to be contained below 2.5% of the GDP
- **Power Sector**
  - The India growth story inextricably linked to the power sector
  - Immediate policy interventions required for ensuring coal availability for the power plants, land acquisition and environmental clearances and revision of power tariff by states to reduce high AT&C losses
  - Increased focus on non conventional energy
- **Food Security**
  - Need to grant the poor a legal entitlement to food through an appropriate legislative enactment
  - Availability of grain to be kept in mind while deciding legal entitlements
  - Reforms in PDS important to strengthen distribution. Computerization, introduction of smart cards and using unique identification numbers for the beneficiaries are important interventions

# Table 1: GDP Growth - Actual & Projected

**At constant 2004/05 prices**

| | | Year-on-year rates of growth in per cent | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **ANNUAL RATES** | **2005-06** | **2006-07** | **2007-08** | **2008-09** | **2009-10** | **2010-11** | **2011-12** |
| | | | | | | *QE* | *Rev* | *Proj.* |
| 1 | Agriculture & allied activities | 5.1 | 4.2 | 5.8 | -0.1 | 0.4 | 6.6 | 3.0 |
| 2 | Mining & Quarrying | 1.3 | 7.5 | 3.7 | 1.3 | 6.9 | 5.8 | 6.0 |
| 3 | Manufacturing | 10.1 | 14.3 | 10.3 | 4.2 | 8.8 | 8.3 | 7.0 |
| 4 | Electricity, Gas & Water Supply | 7.1 | 9.3 | 8.3 | 4.9 | 6.4 | 5.7 | 7.0 |
| 5 | Construction | 12.8 | 10.3 | 10.7 | 5.4 | 7.0 | 8.1 | 7.5 |
| 6 | Trade, Hotels, Transport, Storage & Communication | 12.2 | 11.6 | 11.0 | 7.5 | 9.7 | 10.3 | 10.8 |
| 7 | Finance, insurance, real estate & business services | 12.7 | 14.0 | 11.9 | 12.5 | 9.2 | 9.9 | 9.8 |
| 8 | Community & personal services | 7.0 | 2.9 | 6.9 | 12.7 | 11.8 | 7.0 | 8.5 |
| 9 | **Gross Domestic Product (factor cost)** | **9.5** | **9.6** | **9.3** | **6.8** | **8.0** | **8.5** | **8.2** |
| 10 | Industry (2 + 3 + 4 + 5) | 9.7 | 12.2 | 9.7 | 4.4 | 8.0 | 7.9 | 7.1 |
| 11 | Services (6 + 7 + 8) | 11.0 | 10.1 | 10.3 | 10.1 | 10.1 | 9.4 | 10.0 |
| 12 | Non-agriculture (9 - 1) | 10.5 | 10.8 | 10.1 | 8.2 | 9.4 | 8.9 | 9.0 |
| 14 | **GDP (factor cost) per capita** | **7.8** | **7.8** | **7.6** | **5.0** | **6.2** | **6.8** | **6.4** |
| | **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 | 52.8 |
| 16 | GDP market & current prices in Rs lakh crore (or Trillion) | 36.9 | 42.9 | 49.9 | 55.8 | 65.5 | 78.8 | 89.8 |
| 17 | GDP market & current prices in US$ Billion | 834 | 949 | 1,241 | 1,223 | 1,385 | 1,732 | 1,994 |
| 18 | Population in Million | 1,108 | 1,126 | 1,145 | 1,164 | 1,183 | 1,202 | 1,222 |
| 19 | GDP market prices per capita current prices | 33,317 | 38,117 | 43,554 | 47,975 | 55,384 | 65,517 | 73,460 |
| 20 | GDP market prices per capita in current US$ | 753 | 842 | 1,084 | 1,051 | 1,171 | 1,441 | 1,632 |

## Table 6: Balance of Payments

Unit: US$ billion

| | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|---|---|---|
| Merchandise Exports | 85.2 | 105.2 | 128.9 | 166.2 | 189.0 | 182.2 | 250.5 | 330.2 |
| Merchandise Imports | 118.9 | 157.1 | 190.7 | 257.6 | 307.7 | 300.6 | 380.9 | 484.2 |
| Merchandise Trade Balance | –33.7 | –51.9 | –61.8 | –91.5 | –118.7 | –118.4 | –130.5 | –154.0 |
| | *–4.7%* | *–6.2%* | *–6.5%* | *–7.4%* | *–9.7%* | *–8.5%* | *–7.5%* | *–7.7%* |
| Net Invisibles | 31.2 | 42.0 | 52.2 | 75.7 | 89.9 | 80.0 | 86.2 | 100.0 |
| | *4.3%* | *5.0%* | *5.5%* | *6.1%* | *7.4%* | *5.8%* | *5.0%* | *5.0%* |
| o/w Software & BPO | 14.7 | 23.8 | 27.7 | 37.2 | 44.5 | 41.0 | 53.0 | 66.5 |
| Private Remittances | 20.5 | 24.5 | 29.8 | 41.7 | 44.6 | 53.5 | 53.4 | 55.5 |
| Investment Income | –4.1 | –4.1 | –6.8 | –4.4 | –4.0 | –5.5 | –13.9 | –16.0 |
| Current Account Balance | –2.5 | –9.9 | –9.6 | –15.7 | –28.7 | –38.4 | –44.3 | –54.0 |
| | *–0.3%* | *–1.2%* | *–1.0%* | *–1.3%* | *–2.3%* | *–2.8%* | *–2.6%* | *–2.7%* |
| Foreign Investment | 13.0 | 15.5 | 14.8 | 45.0 | 3.5 | 51.2 | 37.4 | 32.0 |
| o/w FDI (net) | 3.7 | 3.0 | 7.7 | 15.4 | 17.5 | 18.8 | 7.1 | 18.0 |
| Inbound FDI | 6.0 | 8.9 | 22.7 | 34.2 | 35.0 | 33.1 | 23.4 | 35.0 |
| Outbound FDI | 2.3 | 5.9 | 15.0 | 18.8 | 17.5 | 14.4 | 16.2 | 17.0 |
| Portfolio capital | 9.3 | 12.5 | 7.1 | 29.6 | –14.0 | 32.4 | 30.3 | 14.0 |
| Loans | 10.9 | 7.9 | 24.5 | 41.9 | 4.1 | 13.3 | 29.4 | 35.2 |
| Banking capital | 3.9 | 1.4 | 1.9 | 11.8 | –3.2 | 1.5 | 5.9 | 6.3 |
| Other capital | 0.7 | 1.2 | 4.2 | 9.5 | 4.5 | –13.0 | –10.4 | –1.5 |
| Capital Account Balance | 28.0 | 25.5 | 45.2 | 108.0 | 8.7 | 53.4 | 61.9 | 72.0 |
| | 3.9% | *3.1%* | 4.8% | 8.7% | 0.7% | 3.9% | 3.6% | 3.6% |
| Errors & Omissions | 0.6 | –0.5 | 1.0 | 1.2 | 1.1 | –1.6 | –2.4 | |
| Accretion to Reserves | 26.2 | 15.1 | 36.6 | 92.2 | –18.9 | 13.4 | 15.2 | 18.0 |
| | *3.6%* | *1.8%* | *3.9%* | *7.4%* | *–1.5%* | *1.0%* | 0.9% | 0.9% |

*Note*: Percentages are with respect to GDP