

The Economic Outlook for India - 2011

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GDP Statistics

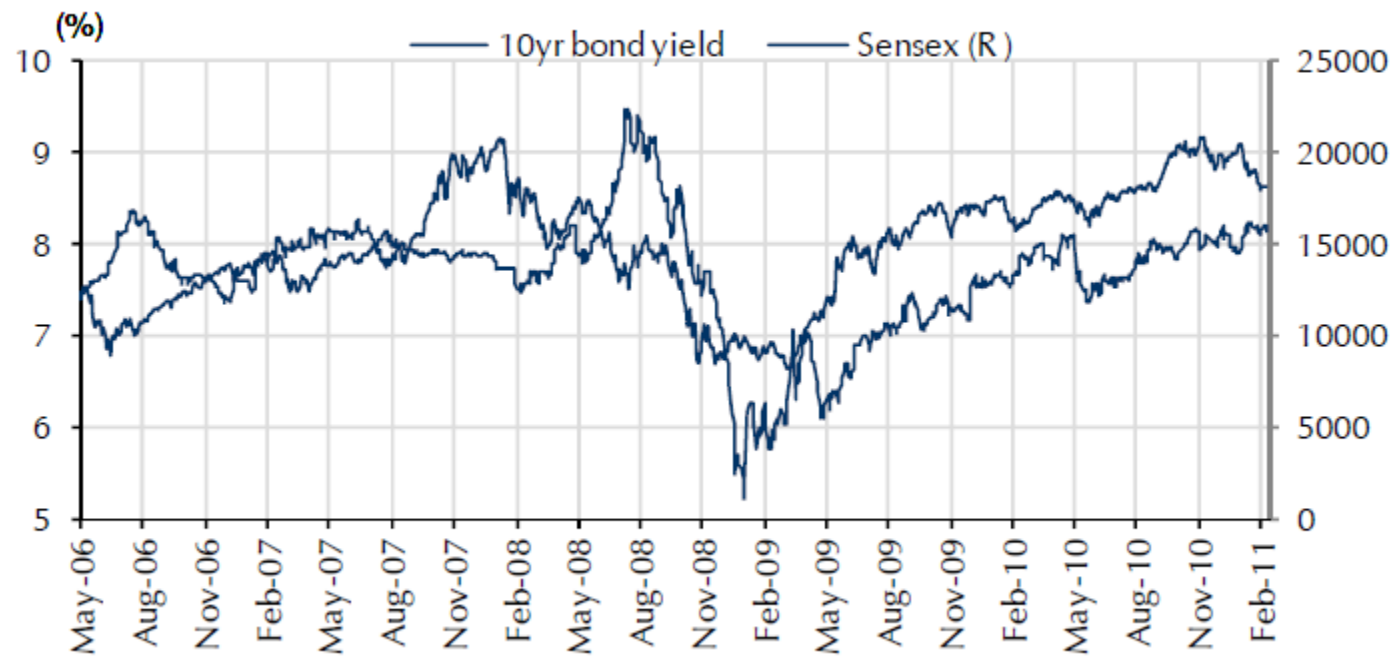
0.1 : SELECT INDICATORS										
	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7	8	9	10	11
ECONOMIC INDICATORS										
GDP at factor cost: at current prices in ₹ crore	9719	16512	42981	132520	515032	1925017	3952241	4581422	5282086 ^{PE}	6133230 ^{QE}
GDP at factor cost: at constant prices in ₹ crore	224786	329825	474131	641921	1083572	1864300	3566011	3898958	4162509 ^{PE}	4493743 ^{QE}
Per capita Net National Product at constant prices in ₹	5708	7121	8091	8594	11535	16172	28083	30354	31801 ^{PE}	33731 ^{QE}
Gross Domestic Capital Formation as percentage of GDP at current market prices	8.4	14.0	15.1	19.9	26.0	24.3	35.7	38.1	34.5	36.5
Gross domestic savings as percentage of GDP at current market prices	8.6	11.2	14.2	18.5	22.8	23.7	34.6	36.9	32.2	33.7
Index of agricultural production [Base: triennium ending 1981-82]	46.2	68.8	85.9	102.1	148.4	165.7	200.7	207.1	192.8	179.9
Index of industrial production ^a [Base: 1993-94 = 100]	7.9 ^b	15.6	28.1	43.1	91.6	162.6	255.0	277.1	286.1	316.2
Wholesale Price Index average ^c	6.8	7.9	14.3	36.8	73.7	155.7	111.2	116.5	125.9	130.4
Consumer Price Index for Industrial workers average ^d	17.0	21.0	38.0	81.0	193.0	444.0	125.0	133.0	145.0	163.0

0.1 : SELECT INDICATORS

	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7	8	9	10	11
OUTPUT										
(a) Foodgrains [million tonnes]	50.8	82.0	108.4	129.6	176.4	196.8	217.3	230.8	234.4	218.2 ^e
(b) Finished Steel ^f [million tonnes]	1.0	2.4	4.6	6.8	13.5	32.3	52.5	56.1	57.2	59.7 ^g
(c) Cement [million tonnes]	2.7	8.0	14.3	18.6	48.8	99.2	154.7	167.6	181.4	200.7
(d) Coal and lignite ^h [million tonnes]	32.3	55.2	76.3	119.0	225.5	332.6	462.1	491.1	525.1	566.1
(e) Crude oil [million tonnes]	0.3	0.5	6.8	10.5	33.0	32.4	34.0	34.1	33.5	33.7
(f) Electricity generated [utilities only] [Billion KWH]	5	17	56	111	264	499	662	704	724	768
Plan outlay (₹ crore)	260 ⁱ	1117	2524	15023	58369	185737	309912	371718	477243 ^j	762465
FOREIGN TRADE										
(i) Exports										
₹ crore	606	642	1535	6711	32553	203571	571779	655864	840755	845534
US \$ million	1269	1346	2031	8486	18143	44560	126414	163132	185295	178751
(ii) Imports										
₹ crore	608	1122	1634	12549	43198	230873	840506	1012312	1374436	1363736
US \$ million	1273	2353	2162	15869	24075	50536	185735	251654	303696	288373
Foreign exchange reserves^k [excluding gold, SDRs and Reverse Tranche Position at IMF];										
₹ crore	911	186	438	4822	4388	184482	836597	1196023	1230066	1149650
US \$ million	1914	390	584	5850	2236	39554	191924	299230	241426	254685

How the markets are reading the situation

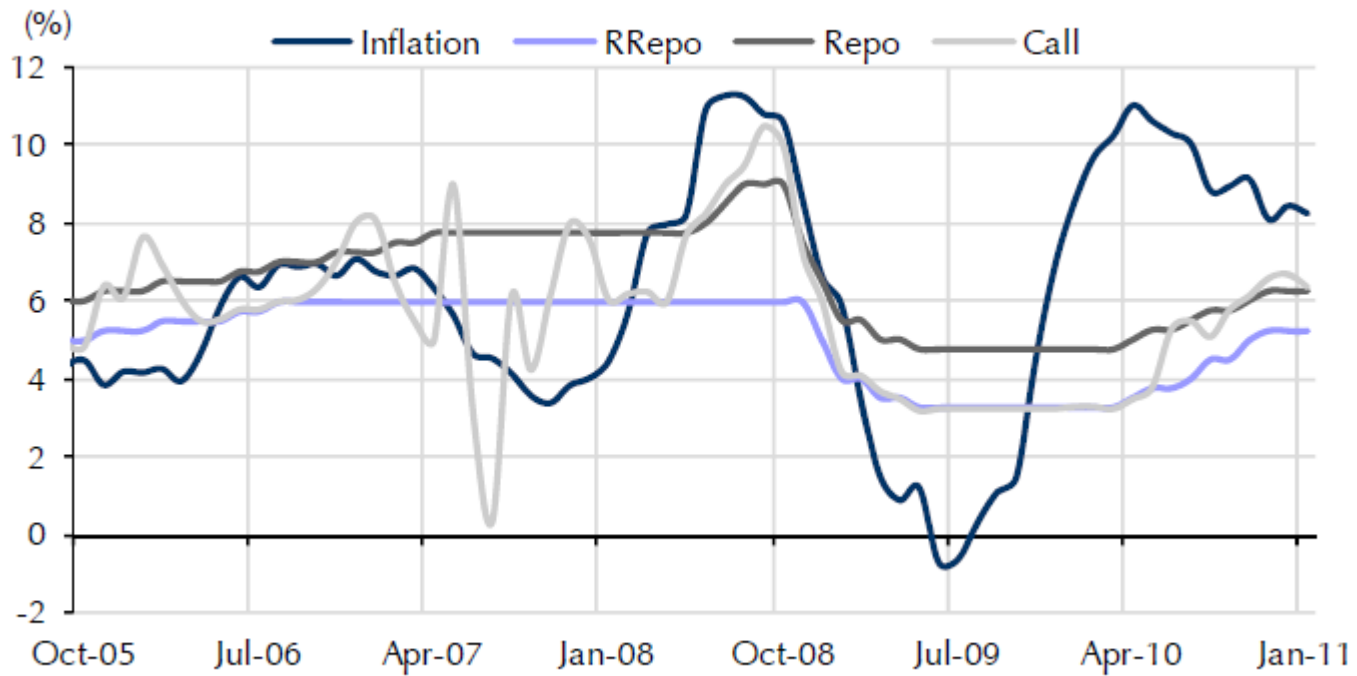
Fig 6 - Sensex and 10-yr bond yield



Source: RCML Research, Bloomberg

The Inflation scenario

Fig 4 - Inflation and policy rates in India



Source: RCML Research

Foreign Exchange Reserves

Table 6.4 : Summary of changes in foreign exchange reserves (US\$ billion)

Sl. No.	Year	Foreign exchange reserves at the end of financial year (end March)	Total Increase / decrease in reserves over previous period	Increase/decrease in reserves on a BoP basis	Increase/decrease in reserves due to valuation effect
1	2	3	4	5	6
1	2005-06	151.6	+ 10.1	+ 15.0 (148.5)	- 4.9 (- 48.5)
2	2006-07	199.1	+ 47.5	+ 36.5 (76.8)	+ 11.0 (23.2)
3	2007-08	309.7	+ 110.6	+ 92.2 (83.4)	+ 18.4 (16.6)
4	2008-09	252.0	- 57.7	-20.1 (34.8)	- 37.6 (65.2)
5	2009-10	279.1	+ 27.0	+ 13.4 (49.6)	+ 13.6 (50.4)
6	2010-11 (upto Sept. 2010)	292.9	+ 13.8	+ 7.0 (50.7)	+ 6.8 (49.3)

Source: RBI.

Note: Figures in parentheses indicate percentage share in total change.

Foreign Exchange Reserves : Cross country comparison

Table 6.6 : International Comparison of Foreign Exchange Reserves (US\$ billion) and Ratio of Reserves to Imports of Goods and Services								
Sl. No.	Country / Country Group	2005	2006	2007	2008	2009	2010 (Projection)	2011 (Projection)
1	2	3	4	5	6	7	8	9
I Country								
1	Russia	176.5 (107.4)	296.2 (141.7)	467.6 (165.5)	412.7 (112.3)	417.8 (164.8)	468.7 (152.8)	508.1 (143.8)
2	China	822.5 (115.5)	1069.5 (125.4)	1531.3 (148.0)	1950.3 (158.2)	2348.8 (211.0)	2693.4 (169.6)	3025.6 (157.8)
3	India	132.5 (72.8)	171.3 (75.5)	267.6 (95.1)	248.0 (71.5)	266.2 (81.6)	281.6 (76.2)	295.9 (69.7)
4	Brazil	53.3 (54.4)	85.2 (70.7)	179.5 (113.8)	192.9 (87.6)	237.4 (135.9)	274.9 (117.9)	292.7 (110.0)
5	Mexico	74.1 (30.5)	76.3 (27.4)	87.1 (28.5)	95.1 (28.5)	99.6 (38.7)	119.6 (35.9)	129.6 (36.5)
II Country Group								
1	Developing Asia (excluding China & India)	201.1 (38.6)	248.5 (42.5)	330.0 (49.1)	335.5 (41.8)	393.0 (60.2)	459.4 (58.2)	508.2 (58.4)

Source: World Economic Outlook Database, October 2010.

External Debt

Table 6.13 : India's key External Debt Indicators (per cent)

Year	External Debt (US\$ billion)	Total External Debt to GDP	Debt-Service Ratio	Foreign Exchange Reserves to total External debt	Concessional Debt to Total External Debt	Short-term External Debt* to Foreign Exchnage Reserves	Short-term Debt* to total Debt
1	2	3	4	5	6	7	8
1990-91	83.8	28.7	35.3	7.0	45.9	146.5	10.2
1995-96	93.7	26.9	26.2	23.1	44.7	23.2	5.4
2000-01	101.3	22.5	16.6	41.7	35.4	8.6	3.6
2005-06	139.1	16.8	10.1#	109.0	28.4	12.9	14.0
2006-07	172.4	17.5	4.7	115.6	23.0	14.1	16.3
2007-08	224.4	18.0	4.8	138.0	19.7	14.8	20.4
2008-09	224.5	20.5	4.4	112.1	18.7	17.2	19.3
2009-10PR	262.3	18.1	5.5	106.4	16.7	18.8	20.0
End-June 2010 PR	272.9	-	3.9	101.0	15.9	21.0	21.2
End-Sept.2010 QE	295.8	-	3.8	99.0	15.6	22.5	22.3

Source: Ministry of Finance and RBI.

External Debt : A cross country comparison

Table 6.14 : International Comparison of Top Twenty Developing Debtor Countries, 2008						
Sl No.	Countries	Total External debt stock (US \$ million)	Total debt to Gross National Income (per cent)	Short-term to total external debt (per cent)	Foreign Exchange Reserves to Total Debt (per cent)	Concessional to total external debt (per cent)
1	2	3	4	5	6	7
1	Russian Federation	402,453	25.8	13.6	106.1	0.5
2	China	378,245	8.7	49.5	514.5*	10.8
3	Turkey	277,277	35.3	18.3	26.6	2.7
4	Brazil	255,614	16.2	14.3	75.8	1.4
5	India	230,611	19.0	19.6	111.6	20.5
6	Poland	218,022	42.1	29.8	28.5	0.2
7	Mexico	203,984	19.1	12.0	46.7	0.5
8	Indonesia	150,851	30.4	17.6	34.2	27.9
9	Argentina	128,285	39.9	29.2	36.2	1.6
10	Kazakhstan	107,595	95.0	9.9	18.5	1.1
11	Romania	104,943	54.7	29.7	37.9	1.5
12	Ukraine	92,479	51.7	22.1	34.1	1.6
13	Malaysia	66,182	35.1	34.5	139.3	6.5
14	Philippines	64,856	35.0	10.8	57.8	23.1
15	Thailand	64,798	32.0	37.4	171.3	11.1
16	Chile	64,277	41.3	23.2	35.9	0.3
17	Venezuela	50,229	16.0	33.8	85.7	1.0
18	Pakistan	49,337	28.7	2.8	18.3	60.6
19	Colombia	46,887	20.2	12.1	50.5	2.1
20	Latvia	42,108	127.3	33.5	12.5	0.3

Source: World Bank's Global Development Finance, 2010.

Addressing key concerns

- ▶ Inflation
- ▶ Agriculture
- ▶ Deficits

Dealing with inflation : Structural issues

- ▶ Inflation, particularly food inflation, is becoming more structural in nature due to
 - » rising income levels,
 - » changing consumption patterns,
 - » low productivity of farms,
 - » sharp changes in weather patterns,
 - » dependency on monsoons and
 - » infrastructure related constraints in warehousing and logistics.

Dealing with inflation : Action points

- ▶ Inflation cannot be cured by monetary policy alone.
- ▶ Steps must be taken to
 - » increase farm productivity,
 - » build irrigation facilities ,
 - » build requisite infrastructure for effective storage and transportation
 - » streamline the supply chain.

Revamping agriculture (1)

- ▶ India is currently at a critical juncture where strong government focus on agriculture is needed.
- ▶ In the current year, agriculture output has grown at less than 1%.
- ▶ Although agriculture contributes just 18% of the total GDP, it engages 60% of the country's labour force.
- ▶ India has around 146mn hectares (ha) of land under agriculture, which yields 188mn tonnes of food grain.
- ▶ China has 100mn ha of land, which yields 412mn tonnes of food grain.

Revamping agriculture (2)

- ▶ India produces around 600mn tonnes of food products (fruits + vegetables), of which 25–30% is wasted due to lack of adequate logistical support.
- ▶ Farm production and yield can be increased through
 - » modern irrigation systems,
 - » access to better-quality seeds,
 - » access to right fertilisers and
 - » increasing priority sector lending norms.
- ▶ Logistical support can be addressed by allowing more private sector participation.

Dealing with deficits (1)

- ▶ The expected disinvestment proceeds of Rs. 40,000 crores in FY12 and proceeds from the revised fee structure for additional 2G spectrum can provide some relief on the fiscal deficit front.
- ▶ But it is not correct to rely on these one time sale of national assets to manage our deficits
- ▶ There is no clear intent to manage expenses to bring the structural deficit under control.

Dealing with deficits (2)

- ▶ The fiscal deficit for the current fiscal is likely to remain contained at 5% of GDP.
- ▶ Currently, the deficit is being controlled simply because of the unexpectedly large proceeds from 3G spectrum auctions, strong growth in gross tax revenues and robust growth in nominal GDP, courtesy high inflation.
- ▶ What the markets are worried about is whether we would be able to meet the 4.8% target set for fiscal deficit for 2011-12.

Dealing with deficits (3)

- ▶ The government must undertake genuine reforms to curtail its bureaucracy spend and subsidy regime.
- ▶ It is interesting to note that, of the projected government expenditure in fiscal 2011 of about 11 lakh crore rupees, 40 percent went to pay government salaries, 22 percent to interest on debt and about 10 percent to subsidies.
- ▶ This left a mere 30 % of which 16 % is for defence and 14 % for infrastructure.
- ▶ Expenditure as a share of GDP has risen by 4 percent since the global financial crisis while the tax take remains low at roughly 10 percent of GDP.

Government borrowing

- ▶ The public debt which is almost at 75 percent of GDP, with almost a third of the revenues required to service its cost, severely limits the government's fiscal flexibility.
- ▶ Government borrowing needs which could be about 435 lakh crore rupees combined with upward pressure on interest rates have made it difficult to push credit growth.
- ▶ Consistently negative real interest rates have made deposits accumulation slower.
- ▶ In the longer term, this could adversely impact our credit ratings making access to cheaper global capital difficult.

Supply side bottlenecks

- ▶ India is a supply-constrained economy in contrast to China, which is demand- constrained.
- ▶ In India, economic activity is constrained and inflationary pressures are exacerbated by the lack of adequate physical (and soft) infrastructure.
- ▶ In China, there is enough infrastructure to support strong and non-inflationary growth for a long period of time without hitting bottlenecks.
- ▶ Moreover, efforts to boost agriculture sector productivity and improve India's human capital are still lagging.

The Social Sector

- ▶ According to Human Development Report (HDR) 2010, the Human Development Index (HDI) for India was 0.519 in 2010 with an overall global ranking of 119 (out of the 169 countries).
- ▶ Countries such as China, Sri Lanka, Thailand, Philippines, Egypt, Indonesia, and South Africa have better overall HDI ranking than us.
- ▶ Despite overall allocation increasing by 17 per cent over last year, the 2011 budget seems to lack the punch for accelerating inclusive development initiatives.

Social Indicators

0.1 : SELECT INDICATORS										
	1950-51	1960-61	1970-71	1980-81	1990-91	2000-01	2006-07	2007-08	2008-09	2009-10
1	2	3	4	5	6	7	8	9	10	11
SOCIAL INDICATORS										
Population (million) ¹	359	434	541	679	839	1019	1122	1138	1154	1170
Birth Rate (per 1000) ^m	39.9	41.7	36.9	33.9	29.5	25.4	23.8	23.5	22.8	22.5
Death Rate (per 1000) ^m	27.4	22.8	14.9	12.5	9.8	8.4	7.6	7.4	7.4	7.3
Life Expectancy at Birth ⁿ	32.1	41.3	45.6	50.4	58.7	62.5	63.5	na	na	na
(in Years)										
(a) Male	32.5	41.9	46.4	50.9	58.6	61.6	62.6	na	na	na
(b) Female	31.7	40.6	44.7	50	59	63.3	64.2	na	na	na
Education: Literacy Rate ^o	18.3	28.3	34.4	43.6	52.2	64.8	na	na	na	na
(%)										
(a) Male	27.2	40.4	46	56.4	64.1	75.3	na	na	na	na
(b) Female	8.9	15.4	22	29.8	39.3	53.7	na	na	na	na
Health & Family Welfare										
Registered Medical Practitioner (RMP) (Allopathy) (Thousand) on 31st Dec	61.8	83.7	151.1	268.7	393.6	577.1	na	na	na	na
RMP per 10,000 population	1.7	1.9	2.8	3.9	4.7	5.6	na	na	na	na
Beds (All Types) ^p per 10,000	3.2	5.7	6.4	8.3	9.5	na	na	na	na	na

The Social Sector : Health

- ▶ Even with 20 per cent increased allocation, total plan allocation of Rs 26,760 crore is way below 1 per cent of GDP.
- ▶ Out-of-pocket (OOP) private expenditure on health care by an average Indian is one of the highest in the world.
- ▶ Around 71 per cent of the health care expenditure is borne through own resources as compared to average 15 per cent spend by individuals in developed world.

The Social Sector : Education

- ▶ In the Union Budget 2011-12, total allocation for education sector has been increased by 24 per cent to Rs 52,057 crore.
- ▶ The elementary education in India has made strides in recent years.
- ▶ However, the challenge of reducing dropouts, increasing retention and maintaining quality of education persists.
- ▶ The dropout rate continues to be high (primary level Boys 28.7 per cent, Girls 21.8 per cent), and elementary level (Boys 48.7 per cent, Girls 49 per cent).

Thank You