

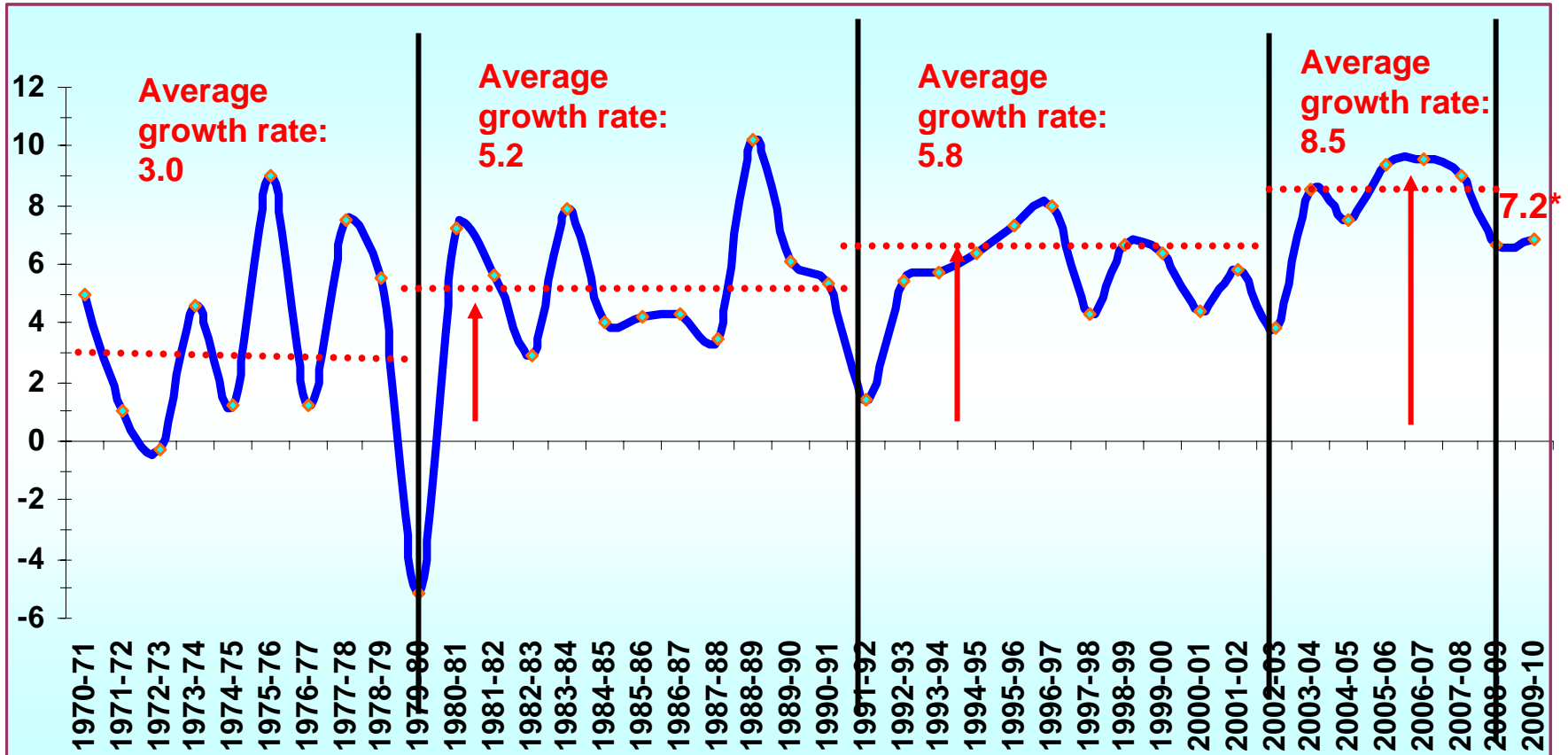
Where the Economy is Heading?

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March 2, 2010

GDP GROWTH IN INDIA



➤ Growth in 2010-11 is expected to be 8.5%

➤ Growth in 2011-12 is expected to be 9%

GDP GROWTH: DECLINING VOLATILITY



Period	Average GDP Growth (%)	Standard Deviation	Coefficient of Variation*
1950-51 to 1979-80	3.5	3.6	1.03
1980-81 to 1991-92	5.2	2.4	0.44
1992-93 to 2002-03	5.9	1.2	0.20
2003-04 to 2008-09	8.5	1.2	0.14

* *Coefficient of Variation = Standard Deviation / Average Growth Rate*

- **Does it mean steady demand growth?**
- **A steady build up in investor confidence and consumer confidence?**

What is remarkable is that India has grown against all odds:

- **Asian financial crisis**
- **International sanctions**
- **Border conflict**
- **Major earthquakes**
- **One of the worst droughts in 4 decades**
- **Terrorist assaults**
- **Recent Subprime Crisis**

SECTORAL SHARE IN GDP



%

Year	Agriculture & Allied	Industry	Services
1950-51	57.4	14.7	27.9
1960-61	52.8	18.3	28.9
1970-71	46.2	21.6	32.1
1980-81	39.7	23.7	36.6
1990-91	32.2	27.2	40.6
2000-01	23.9	25.8	50.3
2005-06	19.7	26.2	54.1
2006-07	18.5	26.7	54.8
2007-08	16.4	26.7	54.7
2008-09 (QE)	15.6	27.9	56.3
2009-10 (AE)	14.6	28.2	57.2

GDP GROWTH AND INVESTMENT



Required Investment Rate = GDP growth * Incremental capital output ratio (ICOR)

Year	GDP growth (%)	Investment Rate (% of GDP)	ICOR	Savings Rate
2006-07	9.6	36.4	3.8	34.8
2007-08	9.0	38.7	4.3	37.7
2008-09	6.7	34.9	5.2	32.5
2009-10*	7.2	36.2	5.0	34.0

Higher growth was supported by higher investment buttressed by higher domestic savings rate.

*** 2009-10 projections**

SAVINGS RATE – SOME ISSUES

(as % of GDP at current market prices)

Component	2005-06	2006-07	2007-08	2008-09*
Gross Domestic Savings	34.3	34.8	37.7	32.5
Public Sector	2.6	3.2	4.5	1.5
Household Sector	24.2	23.8	24.3	23.7
Private Corporate Sector	7.5	7.8	8.8	8.8

Domestic savings in 2008-09 came down owing to :

- Lower Public sector savings
- Lower Retained Earnings in private sector
- Negative wealth effect in household sector

INVESTMENT RATE



(as % of GDP at current market prices)

Component	2005-06	2006-07	2007-08	2008-09*
Investment Rate (Gross Capital Formation)	34.8	36.4	38.7	34.9
Public Sector	7.6	8.0	9.3	9.8
Private Corporate Sector	13.7	14.8	16.8	13.3
Household Sector	12.4	12.4	12.0	12.7
Valuables	1.2	1.2	1.1	1.3

Household sector is the only net lender

DISAGGREGATED SAVINGS - PUBLIC SECTOR



Rs.Cr.

	2004-05	2005-06	2006-07	2007-08 (PE)	2008-09 (QE)
I. Public Sector	76023	89845	152463	249660	79997
A. Public Authorities	-58628	-57364	-19216	56272	-113153
Govt. Administration	-74319	-75847	-43942	27232	-141634
Departmental Enterprises	15691	18483	24726	29040	28481
B. Non-Departmental Enterprises	134651	147209	171679	193388	193150

Analysis of Disaggregated savings of the public sector shows that bulk of the contribution has been coming from the Non- Departmental enterprises (many of these are oil companies). Given that these companies are facing tough times, savings from this segment is bound to fall.

Domestic Prices of Petrol, Diesel, Kerosene, and LPG derived from Different Levels of Prices of the Indian Basket of Crude Oil



International Prices					Indicative Retail Selling Price (at Delhi)			
Crude Oil (Indian Basket)	Petrol	Diesel	Kerosene	LPG	Petrol	Diesel	Kerosene	LPG
	(\$/bbl.)			(\$/MT)	(Rs./Litre)			(Rs./Cyl.)
60	66	70	72	538	43.75	32.23	23.82	455.42
70	77	81	83	595	47.71	36.08	27.29	495.41
100	110	115	117	765	59.56	47.61	37.70	615.42
120	132	138	140	879	67.46	55.29	44.65	695.43
Current Retail Prices					44.72	32.92	9.23	281.20

CURRENT BUDGET



रुपया आता है Rupee Comes From (बजट Budget 2010-11)

उधार और अन्य देयताएं

Borrowings & Other liabilities
29 पै. प. (34 पै. प.)

गैर-ऋण पूंजी प्राप्तियां
Non-debt Capital receipts
3 पै. प. (1 पै. प.)

कर-भिन्न राजस्व
Non-tax Revenue
11 पै. प. (12 पै. प.)

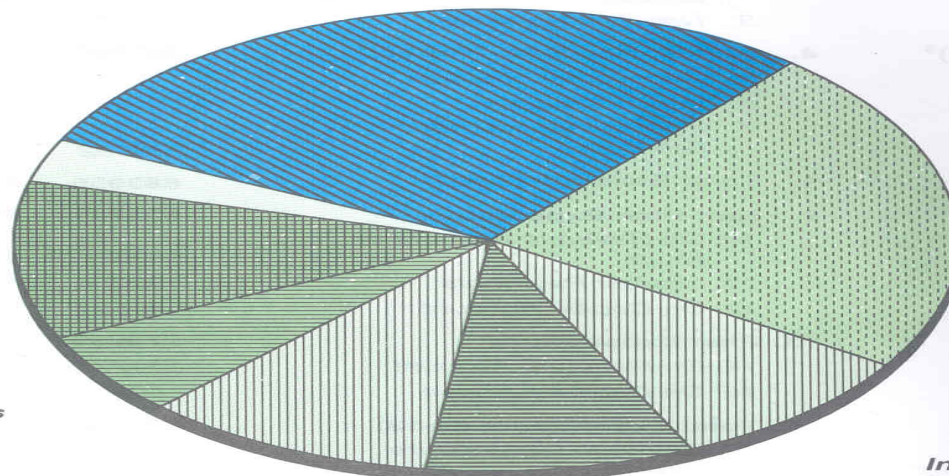
सेवा कर और अन्य कर
Service tax & Other taxes
6 पै. प. (5 पै. प.)

केन्द्रीय उत्पाद-शुल्क
Union Excise Duties
10 पै. प. (9 पै. प.)

सीमा-शुल्क
Customs
9 पै. प. (8 पै. प.)

निगम-कर
Corporation-tax
23 पै. प.
(22 पै. प.)

आय कर
Income-tax
9 पै. प. (9 पै. प.)



71
(66)

प्राप्तियां
Receipts

29
(34)

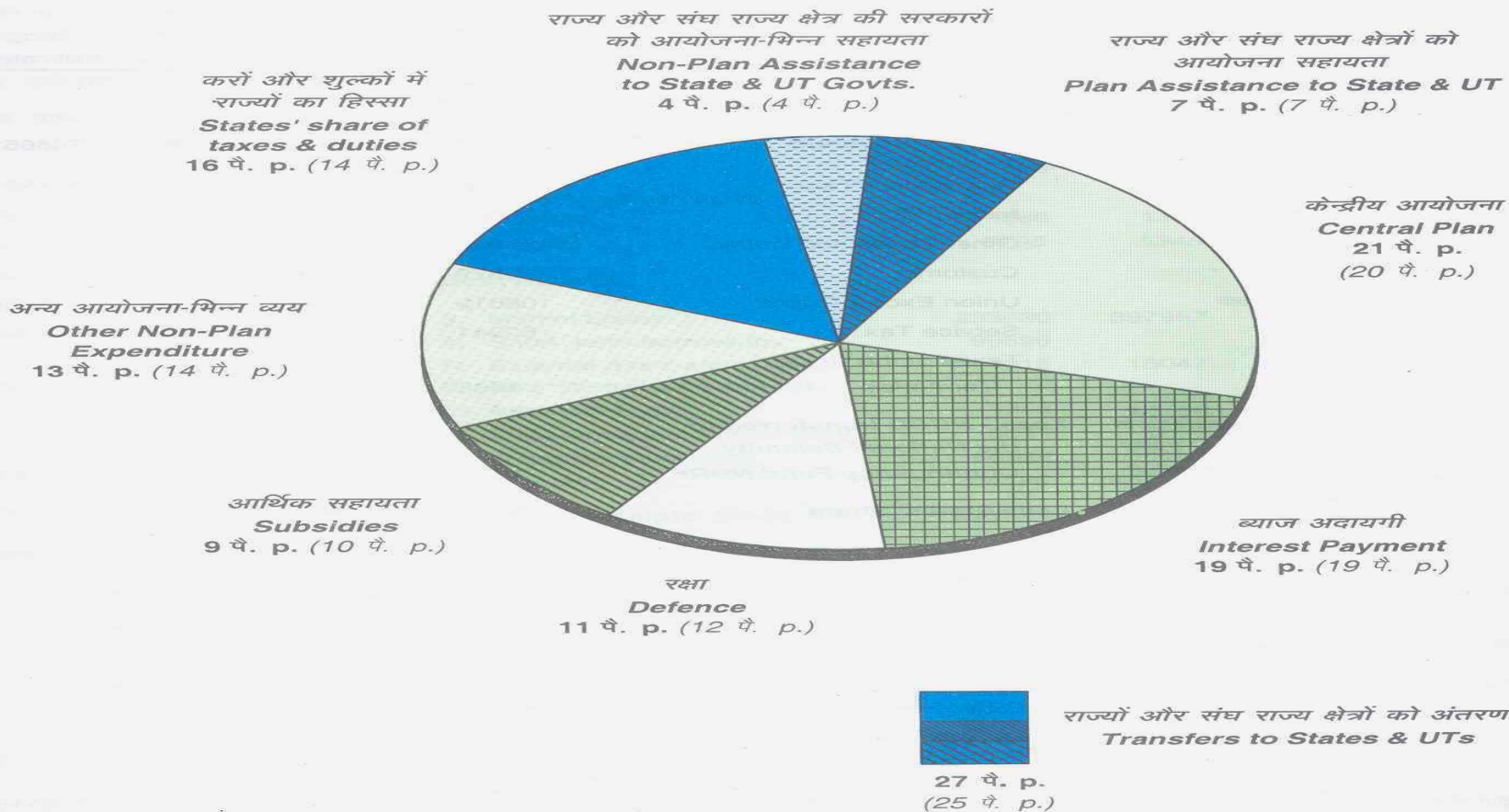
उधार
Borrowings

टिप्पणीयां:- 1. कुल प्राप्तियों में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृष्ठ 1 पर सारणी में घटा दिया गया है।
2. कोष्ठक में दिए गए आंकड़े ब.अ. 2009-10 की तदनुसारी स्थिति दर्शाते हैं।

Notes:- 1. Total receipts are inclusive of States' share of taxes and duties which have been netted in the table on page 1.
2. Figures in parenthesis refer to corresponding position in BE 2009-10.

CURRENT BUDGET

रुपया जाता है Rupee Goes To (बजट Budget 2010-11)



टिप्पणियाँ:- 1. इसमें वह योजना परिव्यय शामिल नहीं है जिन्हें सरकारी उद्यमों के आंतरिक और बजट बाह्य संसाधनों से पूरा किया जाता है।
 2. कुल व्यय में करों और शुल्कों में राज्यों का हिस्सा शामिल है, जिन्हें पृष्ठ 1 पर सारणी में प्राप्तियों में से घटा दिया गया है।
 3. कोष्ठक में दिए गए आंकड़े ब.अ. 2009-10 की तदनुसारी स्थिति दर्शाते हैं।

Notes:- 1. This does not include Plan outlays met from internal and extra budgetary resources of public enterprises.
 2. Total expenditure is inclusive of the States' share of taxes and duties which have been netted against receipts in the table on page 1.
 3. Figures in parenthesis refer to corresponding position in BE 2009-10.

CURRENT BUDGET



बजट का सार Budget at a Glance

(करोड़ रुपये) (In crore of Rupees)

		2008-2009 वास्तविक Actuals@	2009-2010 बजट अनुमान Budget Estimates	2009-2010 संशोधित अनुमान Revised Estimates	2010-2011 बजट अनुमान Budget Estimates
1. राजस्व प्राप्तियां	1. Revenue Receipts	540259	614497	577294	682212
2. कर राजस्व (केन्द्र को नियल)	2. Tax Revenue (net to centre)	443319	474218	465103	534094
3. कर-भिन्न राजस्व	3. Non-Tax Revenue	96940	140279	112191	148118
4. पूंजी प्राप्तियां (5+6+7) [§]	4. Capital Receipts (5+6+7) [§]	343697	406341	444253	426537
5. ऋणों की वसूली	5. Recoveries of Loans	6139	4225	4254	5129
6. अन्य प्राप्तियां	6. Other Receipts	566	1120	25958	40000
7. उधार और अन्य देयताएं *	7. Borrowings and other liabilities *	336992	400996	414041	381408
8. कुल प्राप्तियां (1+4) [§]	8. Total Receipts (1+4) [§]	883956	1020838	1021547	1108749
9. आयोजना-भिन्न व्यय	9. Non-Plan Expenditure	608721	695689	706371	735657
10. राजस्व खाते पर जिसमें से	10. On Revenue Account of which,	559024	618834	641944	643599
11. ब्याज भुगतान	11. Interest Payments	192204	225511	219500	248664
12. पूंजी खाते पर	12. On Capital Account	49697	76855	64427	92058
13. आयोजना व्यय	13. Plan Expenditure	275235	325149	315176	373092
14. राजस्व खाते पर	14. On Revenue Account	234774	278398	264411	315125
15. पूंजी खाते पर	15. On Capital Account	40461	46751	50765	57967
16. कुल व्यय (9+13)	16. Total Expenditure (9+13)	883956	1020838	1021547	1108749
17. राजस्व व्यय (10+14)	17. Revenue Expenditure (10+14)	793798	897232	906355	958724
18. पूंजी व्यय (12+15)	18. Capital Expenditure (12+15)	90158	123606	115192	150025
19. राजस्व घाटा (17-1)	19. Revenue Deficit (17-1)	253539 (4.5)	282735 (4.8)	329061 (5.3)	276512 (4.0)
20. राजकोषीय घाटा {16-(1+5+6)}	20. Fiscal Deficit {16-(1+5+6)}	336992 (6.0)	400996 (6.8)	414041 (6.7)	381408 (5.5)
21. प्राथमिक घाटा (20-11)	21. Primary Deficit (20-11)	144788 (2.6)	175485 (3.0)	194541 (3.2)	132744 (1.9)

@ वर्ष 2008-09 के वास्तविक आंकड़े अनंतिम हैं। Actuals for 2008-09 are provisional.

§ इसमें बाजार स्थिरीकरण योजना के संबंध में प्राप्तियां शामिल नहीं हैं।

§ Does not include receipts in respect of Market Stabilization Scheme.

* इसमें नकदी शेष का कम आहरण शामिल है। Includes draw-down of Cash Balance.

टिप्पणी: ब.अ. 2010-2011 के सचउ के लिए सीएसओ द्वारा 2009-2010 के लिए जारी संशोधित अनुमानों (6164178 करोड़ रुपये) की तुलना में 12.5% विकास दर सहित 6934700 करोड़ रुपये का अनुमान किया गया है।

Note: GDP for BE 2010-2011 has been projected at Rs.6934700 crore assuming 12.5% growth over the advance estimates of 2009-2010 (Rs.6164178 crore) released by CSO.

CURRENT BUDGET



- Focus on Fiscal Consolidation
- Focus on leveraging domestic demand
(Consumption and Investment)
- Inflation continues to be a red herring

CORPORATE TAXATION



Countries	Corporate Tax Rate	Surcharge
US	35	Nil
UK	28	Nil
Australia	30	Nil
Malaysia	25	Nil
Singapore	18	Nil
Hong Kong	16.5	Nil
China	25	Nil
Japan	30	Nil
Russia	20	Nil
India	33.21	7.5

- Macro Economic fundamentals are still strong.
- Indian economy spurred by domestic demand continues to be a robust investment destination
- Some of the other indicators of the economy like productivity, competitiveness have shown considerable improvement.
- Lower tariff barriers have led to higher firm level efficiency
2.3% TFP growth per annum post reform.

2010-11 ECONOMIC RISKS



- Agriculture to remain an area of concern
- Inflation rate is likely to harden in the next two quarters
- Interest rates are expected to firm up
- Petroleum price is unlikely to come down
- Global recovery uncertain, at best fragile

THANK YOU