

### VIII. The Outlook For 1961-62

54. For the coming year, the prospects for agricultural production are distinctly better. The rice crop for 1960-61 is expected to be 31 million tons—an improvement of about 2 million tons over the last year's output. The estimated output of cotton for 1960-61 is over 5 million bales as compared with the low level of 3.8 million bales last year. A sizeable increase in sugarcane output is also forecast. The outlook in respect of jute and oilseeds is, however, not equally encouraging. The agricultural season so far has been good and the expectations are that the level of foodgrains production in the current year will be around 76 million tons. Government have in hand about 2.8 million tons of foodgrains—including about 1 million tons of rice—and further imports on a substantial scale are expected. This relative ease in the food situation should help in keeping the prices in this vital sector reasonably stable.

55. With continued increase in the industrial production as the projects under construction, both public and private, come into production, the situation in respect of supplies in the coming year should show an improvement. On present indications, one can expect increases in the output of important materials such as iron and steel, cement and coal, textiles, paper and sugar, electricity and chemicals. With larger supplies of iron and steel, there would be a further increase in the production of engineering goods including industrial machinery though, of course, much would depend on the supplies of imported raw materials and components. Altogether, it is hoped that a high rate of growth of industrial output, comparable to the current year's, will be maintained in the coming year.

56. On the other hand, the pressure of demands, both for consumption and for investment will be larger. With the current trends in population growth, a two per cent increase in output is required to keep per capita

consumption constant. Some increase in per capita consumption as a result of the increases in incomes consequent on the growth of investment is also inevitable. The level of public investment envisaged for the coming year is 6 to 7 per cent higher than in the current year and some rise in private investment also seems likely. Besides, as stressed earlier, every effort needs to be made for increased exports, which would mean an additional claim on national output.

57. It is evident on a consideration of these factors, against the background especially of the stresses and strains brought out in the preceding sections of the review, that the objective of fiscal and monetary policies in the coming year must be to secure a better balance between the competing claims of consumption and of investment on the resources available. The step-up in fixed investment envisaged for the coming year is moderate, but it is essential that the creation of fresh purchasing power either through fiscal operations or through the banking system is kept down to the minimum, and undue increases in consumption or any speculative additions to stocks are held firmly in check.

58. Reference has been made earlier to the need for increased exports. This need, to put it briefly, is paramount; promotion of exports has to be viewed as a central plank in public policy. This requires basically an increase in production, an appropriate emphasis in investment allocations and a strengthening of the institutional machinery for export promotion. It also involves restraint in consumption, which, in turn, may have to be brought about through suitable price increases for the domestic consumer. Fiscal policy, aimed at securing this restraint generally and at curbing domestic consumption particularly at those points where it impinges directly on exports has an important role to play in this context.

59. The continuing difficulties of the foreign exchange situation in the coming year—and for several years to come—will require constant vigilance in regard to imports. The strict foreign exchange budgeting which has been in force for several years past will have to continue; this is an essential aspect of planned development in the country which is short of foreign exchange. The rigour of import control over the last few years has been such that no substantial savings can be effected through a further tightening in this direction. The accent of policy will, nevertheless, have to be on maximum economy in this respect and the exploration of all possibilities of substituting domestic products for imports. Over a period, as has already been stressed, the need is to increase export earnings to a more adequate level.