

State of the Economy

The economy has moved decisively to a higher growth phase. Till a few years ago, there was still a debate among informed observers about whether the economy had moved above the 5 to 6 per cent average growth seen since the 1980s. There is now no doubt that the economy has moved to a higher growth plane, with growth in GDP at market prices exceeding 8 per cent in every year since 2003-04. The projected economic growth of 8.7 per cent for 2007-08 is fully in line with this trend. There was an acceleration in domestic investment and saving rates to drive growth and provide the resources for meeting the 9 per cent (average) growth target of the Eleventh Five-Year Plan. Macroeconomic fundamentals continue to inspire confidence and the investment climate is full of optimism. Buoyant growth of

government revenues made it possible to maintain fiscal consolidation as mandated under the Fiscal Responsibility and Budget Management Act (FRBMA). The decisive change in growth trend also means that the economy was, perhaps, not fully prepared for the different set of challenges that accompany fast growth. Inflation flared up in the last half of 2006-07 and was successfully contained during the current year, despite a global hardening of commodity prices and an upsurge in capital inflows. An appreciation of the rupee, a slowdown in the consumer goods segment of industry and infrastructure (both physical and social) constraints, remained of concern. Raising growth to double digit will therefore require additional reforms.

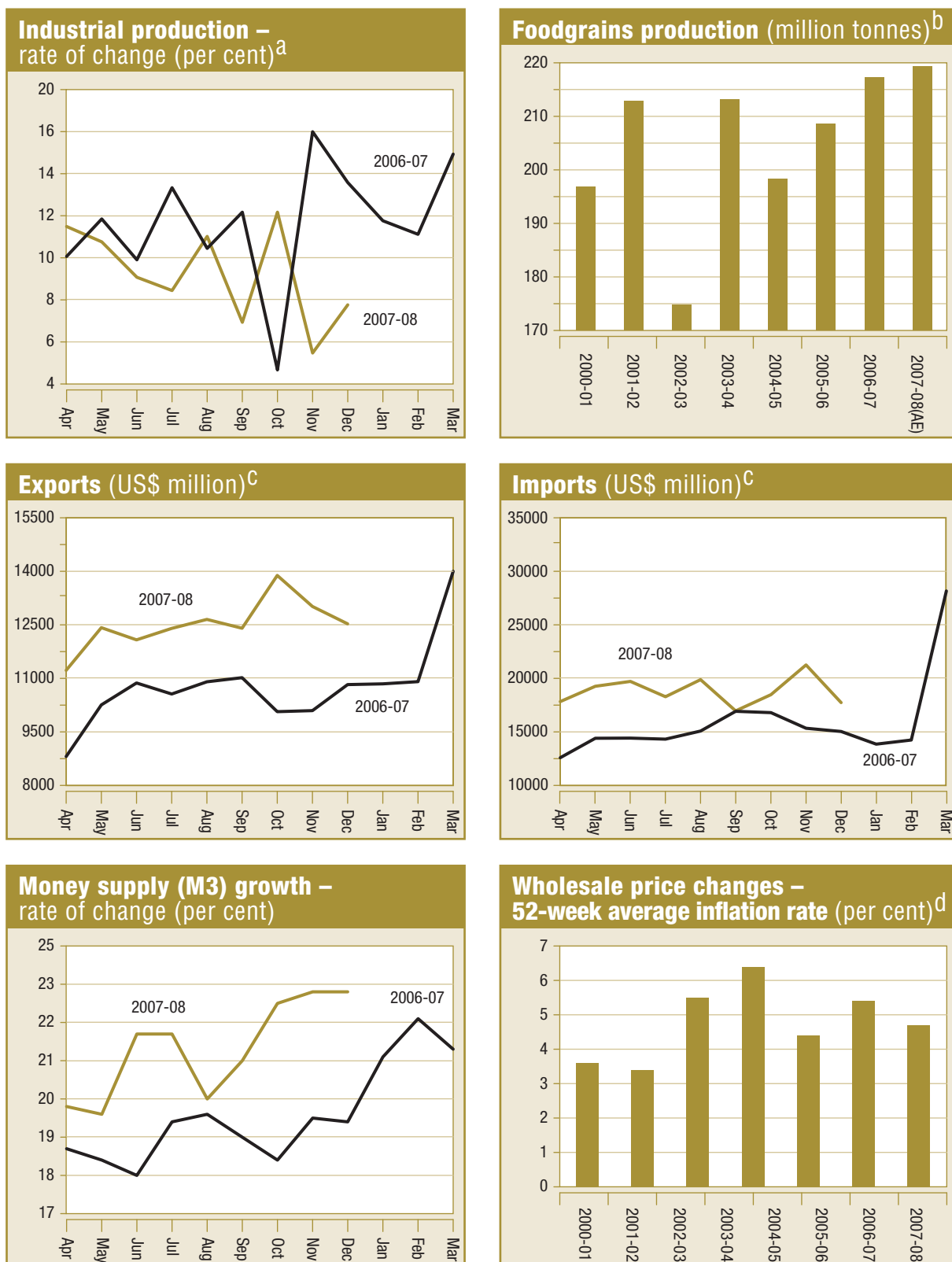
Figure 1.1 Selected economic indicators^aNovember 2007 (Provisional)^bFirst advance estimates (Kharif only)^cProvisional^dProvisional average April to December, 2007

Table 1.1 Key indicators

Items	2003-04	2004-05	2005-06	2006-07	2007-08	2004-05	2005-06	2006-07	2007-08
	Absolute values					percentage change over previous period			
Gross domestic product at factor cost (Rs. '000 crore)									
At current prices	2538	2878	3276	3790 ^o	4283 ^A	13.4	13.8	15.7 ^o	13.0 ^A
At 1999-2000 prices	2223	2388	2613	2864 ^o	3114 ^A	7.5	9.4	9.6 ^o	8.7 ^A
GDP at market prices (Rs. thousand crore) (at current prices)									
	2755	3149	3580	4146 ^o	4694 ^A	14.3	13.7	15.8 ^o	13.2 ^A
Gross national product at factor cost (Rs. '000 crore)									
At current prices	2520	2855	3250	3760 ^o	4263 ^A	13.3	13.8	15.7 ^o	13.4 ^A
At 1999-2000 prices	2205	2367	2593	2845 ^o	3102 ^A	7.3	9.6	9.7 ^o	9.0 ^A
Foodgrains production (million tonnes)	213.2	198.4	208.6	217.3	219.3 ^a	-7.0	5.2	4.2	0.9 ^a
Index of industrial production ^c	189	204.8	221.5	247.1	261.4 ^b	8.4	8.2	11.6	9.0 ^b
Electricity generated (in billion kwh)	558.5	587.2	617.5	662.4	525.9 ^b	5.1	5.2	7.3	6.6 ^b
Wholesale price index ^d	180.3	189.5	197.2	210.4	217.4 ^e	5.1	4.1	5.9	4.1 ^e
Consumer price index for industrial workers ^f	504	525	551	588	620 ^g	4.2	4.9	6.7	5.5 ^g
Money supply (M ₃) ^h (Rs. thousand crore)	2005.7	2251.4	2729.5	3310.3	3750.3 ⁱ	12.3	17.0	21.3 ^j	22.4 ⁱ
Imports at current prices (in Rs. crore)	3,59,108	5,01,065	6,60,409	8,40,506	6,82,088 ^k	39.5	31.8	27.3	11.5 ^p
(in US \$ million)	78,150	111,516	149,167	1,85,747	1,68,803 ^k	42.7	33.8	24.5	25.9 ^p
Exports at current prices (in Rs. crore)	2,93,367	3,75,340	4,56,418	5,71,779	4,48,377 ^k	27.9	21.6	25.3	7.7 ^p
(in US \$ million)	63,843	83,535	103,092	1,26,360	1,10,965 ^k	30.8	23.4	22.6	21.6 ^p
Foreign currency assets ^l (in Rs. crore)	4,66,215	5,93,121	6,47,327	8,36,597	11,12,080 ^m	27.2	9.1	29.2	41.7 ^m
(in US \$ million)	1,07,448	1,35,571	1,45,108	1,91,924	2,81,183 ^m	26.2	7.0	29.4	57.9 ^m
Exchange rate (Re./US \$) ⁿ	45.95	44.93	44.27	45.25	40.41 ^o	2.3	1.5	-2.2	12.0 ^o

Note: Gross domestic product and Gross national product figures are at new series base 1999-2000.

^o Quick estimates; ^A Advance estimates;

^a 2nd advance estimates 2007-08.

^b April-December, 2007

^c Index of industrial production; (base 1993-94=100).

^d Index (with base 1993-94 = 100) at the end of fiscal year.

^e As on February 2, 2008.

^f Index (with base 1982 =100) at the end of fiscal year.

^g As on December, 2007.

^h Outstanding at the end of financial year.

ⁱ As on January 4,2008, year-on-year growth.

^j Computed over comparable data i.e. April 1, 2005 due to 27 fortnights during 2006-07

^k April-December, 2007 (provisional).

^l Outstanding at the end of financial year.

^m At the end of February 8, 2008.

ⁿ Percent change indicates the rate of appreciation (+)/depreciation (-) of the Rupee vis-à-vis the US Dollar.

^o Average exchange rate for April-December, 2007

^p April-December, 2007 on provisional over revised basis.