Per capita income and consumption

1.2 Growth is of interest not for its own sake but for the improvement in public welfare that it brings about. Economic growth, and in particular the growth in per capita income, is a broad quantitative indicator of the progress made in improving public welfare. Per capita consumption is another quantitative indicator that is useful for judging welfare improvement. It is therefore appropriate to start by looking at the changes in real (i.e. at constant prices) per capita income and consumption

Table 1.2

Per capita income and consumption (in 1999-2000 prices)

	Income		Consumption	
	Rs.	Growth(%)	Rs.	Growth(%)
IX plan avg.	19245	3.4	12392	3.0
X plan avg.	24156	6.2	14677	4.3
2002-03	20996	2.2	13352	1.1
2003-04	22413	6.8	13918	4.2
2004-05	23890	6.6	14413	3.6
2005-06	25696	7.6	15422	7.0
2006-07	27784	8.1	16279	5.6
2007-08	29786	7.2	17145	5.3

Income is taken as GDP at market prices.
Consumption is PFCE.
Per capita is obtained by dividing these by population.

1.3 The pace of economic improvement has moved up considerably during the last five years (including 2007-08). The rate of growth of per capita income as measured by per capita GDP at market prices (constant 1999-2000 prices) grew by an annual average rate of 3.1 per cent during the 12-year period, 1980-81 to 1991-92. It accelerated marginally to 3.7 per cent per annum during the next 11 years, 1992-93 to 2002-03. Since then there has been a sharp acceleration in the growth of per capita income, almost doubling to an average of 7.2 per cent per annum (2003-04 to 2007-08). This means that average income would now double in a decade, well within one generation, instead of after a generation (two decades). The growth rate of per capita income in 2007-08 is projected to be 7.2 per cent, the same as the average of the five years to the current year.

1.4 Per capita private final consumption expenditure has increased in line with per capita income. The growth of per capita consumption accelerated from an average of 2.2 per cent per year during the 12 years from 1980-81 to 1991-92 to 2.6 per cent per year during the next 11 years following the reforms of the 1990s. The growth rate has almost doubled to 5.1 per cent per year during the subsequent five years from 2003-04 to 2007-08, with the current year's growth expected to be 5.3 per cent, marginally higher than the five-year average. The average growth of consumption is slower than the average growth of income, primarily because of rising saving rates, though rising tax collection rates can also widen the gap (during some periods). Year to year changes in consumption also suggest that the rise in consumption is a more gradual and steady process, as any sharp changes in income tend to get adjusted in the saving rate.

Figure 1.2 **Growth in per capita income**