

Sectoral Contribution

1.8 The deceleration of growth in 2007-08 is generally spread across most of the sectors except electricity, community services and the composite category “trade, hotels, transport & communications”. The deceleration in the growth of the agriculture sector is attributed to the slackening in the growth of *rabi* crops. Manufacturing and construction, which grew at 12 per cent in 2006-07, decelerated by about 2.5 percentage points in 2007-08. The slower growth of consumer durables (as reflected in the IIP) was the most important factor in the slowdown of manufacturing. Cement and steel, the key inputs into construction, grew by 7.4 per cent and 6.5 per cent respectively, during April-November 2007-08, down from 10.8 per cent and 11.2 per cent in the previous year, dampening the growth in the construction sector. There was also a deceleration in the growth of revenue earning freight traffic by railways, passengers handled at airports, and bank credit in April-November 2007-08, which formed the basis for the full year assessment.

1.9 Growth in 2006-07 initially estimated at 9.2 per cent in February 2007 was revised upwards to 9.4 per cent in May 2007 and further to 9.6 per cent in the Quick Estimates released by the CSO on January 31, 2008. This suggests that upward adjustments in the 2007-08 projections are possible.

1.10 The observed growth of 7.8 per cent in the Tenth Five Year Plan (2002-07), the highest so far for any plan period, is only marginally short of the target of 8 per cent. The dismal growth rate of 3.8 per cent during the first year of the plan was made up by an upsurge in growth in the next four years to an average of 8.8 per cent. A notable feature of growth during the Tenth Five Year Plan

was the resurgence of manufacturing. There was a sharp acceleration in the growth of manufacturing from 3.3 per cent during the Ninth Five Year Plan to 8.6 per cent during the Tenth Five Year Plan. The average growth of manufacturing during the five years ending 2007-08 is expected to be about 9.1 per cent. The contribution of manufacturing to overall growth increased from about 9.6 per cent during the Ninth Five Year Plan to about 17.7 per cent during the Tenth Five Year Plan.

1.11 The growth in the services sector continued to be broad based. Among the subsectors of services, “transport and communication” has been the fastest growing with growth averaging 15.3 per cent per annum during the Tenth Five Year Plan period followed by “construction”. The impressive progress in the telecommunication sector and higher growth in rail, road and port traffic played an important role in the growth of this sector. Besides manufacturing the two other sectors whose contribution to growth has increased over the two plans are construction and communications. The contribution of the construction sector increased to 10.8 per cent during the Tenth Five Year Plan from 7.5 per cent during the Ninth Five Year Plan, while that of telecom increased to 11.4 per cent from 6 per cent over the two plans. The growth of “financial services” comprising banking, insurance and business services, after declining to 5.6 per cent in 2003-04 bounced back to 8.7 per cent in 2004-05, 11.4 per cent in 2005-06 and 13.9 per cent in 2006-07. Manufacturing, construction and communication were the leading sectors in the acceleration of growth during the Tenth Five Year Plan, judged by their increased contribution to growth.

Table 1.3 Rate of growth of GDP at factor cost at 1999-2000 prices (per cent)

	IX plan	2002-03	2003-04	2004-05	2005-06	2006-07	X plan	2007-08
Agriculture and Allied	2.5	-7.2	10.0	0.0	5.9	3.8	2.5	2.6
Mining	4.0	8.8	3.1	8.2	4.9	5.7	6.1	3.4
Manufacturing	3.3	6.8	6.6	8.7	9.0	12.0	8.6	9.4
Electricity	4.8	4.7	4.8	7.9	4.7	6.0	5.6	7.8
Construction	7.1	7.9	12.0	16.1	16.5	12.0	12.9	9.6
Trade and hotels	7.5	6.9	10.1	7.7	9.4	8.5	8.5	12.1
Transport & communication	8.9	14.1	15.3	15.6	14.6	16.6	15.3	
Financing, real est, hsnsg	8.0	8.0	5.6	8.7	11.4	13.9	9.5	11.7
Community Services	7.7	3.9	5.4	6.9	7.2	6.9	6.1	7.0
GDP	5.5	3.8	8.5	7.5	9.4	9.6	7.8	8.7

Note: Plan period is simple average.

1.12 Agricultural growth, dependent as it is on the monsoon, continued to fluctuate, though the five-year period ending 2007-08 had the second lowest coefficient of variation (CV) since the five years ending 1956-57. The CV for the Tenth Five Year Plan was, however, higher than the 60-year average. The overall growth during the Tenth Five Year Plan was 2.5 per cent, the same as in the Ninth Five Year Plan. Weather induced fluctuations considerably influenced the GDP growth for

agriculture. In 2002-03, the cumulative rainfall of North-East and South-West monsoon was -33 per cent and -19 per cent, respectively, of the long period averages (LPA). Similarly, in 2004-05, the cumulative rainfall was -13 per cent and -11 per cent from LPA for South-West and North-East monsoon, respectively. The secular decline in the share of agriculture sector in GDP continued, with a decline from 24 per cent in 2001-02 to 17.5 per cent in 2007-08.