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Current trends in Economic Scenario of India: A Sectoral Analysis

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Abstract: After independence, government of India has been taking steps to speedy economic development in all the fields like construction of major dams, projects, industrial establishments, agricultural development with greater emphasis of utilization of man power and machinery through adoption of five year planning system. With the view of self-sufficient economic growth, the Indian economy classified into public and private sectors with a goal of mixed economic system. Passing the time, due to the failure of public sector, private participation has taken major role in fulfill the induced investment. India has initiated economic reforms in 1991 due to the economy could not achieve a satisfactory growth in the 1960s and 1970s. Global risks may have temporarily reduced in terms of part resolution of the US „fiscal cliff" issues and financial fragility issues in the euro area. However, going forward the euro area risks remains significant, as key economies in the region are contracting. In this milieu, it is imperative that reform measures continue to be executed efficiently and domestic inflation recedes further, to support sustainable recovery in India.
Key words: economic reforms, economic growth, manufacturing goods

Introduction

India has 329 million hectares of geographical area equaling to 2.41percent to the total land of the world with different types of soil and possessed continental features. So India is called subcontinent features' country. It has great history of culture, traditions, civilization which was popularly called Sindhu civilization. It has different types of castes, creed, and religious, social, economic differences among the areas; however, India succeeded unity in diversity. All these are significantly highlighted as a special features' country against the rest of the world. The Indian Economy, in the middle of 18th century has different characteristics. Basically it has village atmosphere at large with 90 percent of rural population. The people were unskilled but experts in cloth designing and they exported Silver, Gold, Bras and micro industrial manufacturing goods. Nevertheless, India suffered during British rule due to lack of encouragement in establish industries and drained valuable raw materials from the country. The British policy led to collapse Indian handicrafts. Consequently, all these are caused to characterize the Indian economy as a poor. By the by, the subcontinent of India has divided into Pakistan and India. Pakistan possessed 30 percent of fertile land. It was the big adverse effect to the Indian economy.

After independence, government of India has been taking steps to speedy economic development in all the fields like construction of major dams, projects, industrial establishments, agricultural development with greater emphasis of utilization of man power and machinery through adoption of five year planning system. With the view of self-sufficient economic growth, the Indian economy classified into public and private sectors with a goal of mixed economic system. Passing the time, due to the failure of public sector, private participation has taken major role in fulfill the induced investment. India has initiated economic reforms in 1991 due to the economy could not achieve a satisfactory growth in the 1960s and 1970s. The economic reforms consist of stabilization programme aim at restoring internal and external confidence. At present India is the fastest growing country in the world, but it has many hindrances in its bosom like unemployment, low HDI, gender disparity, low per capita income, low standard of living, malnutrition, low health facilities, illiteracy etc. *Hence, India has to adopt a cautious approach to stable economic development*

Recent trends of the economy

After a promising start to the decade in 2010-11 with achievement like GDP growth of 8.4 per cent, bringing down fiscal deficit to 4.7 per cent from 6.4 of GDP in 2009-10, as well as containing current account deficit to 2.6 per cent from 2.8 per cent in 2009-10. GDP growth decelerated sharply to a nine year low of 6.5 per cent during 2011-12. The slowdown was reflected in all sectors of the economy but the industrial sector suffered the sharpest deceleration which decelerated to 2.9 per cent during 2011-12 from 8.2 per cent in 2010-11. The centre's finances for 2011-12 experienced considerable slippages as key deficit indicators turned out to be much higher than budgeted due to shortfall in tax revenues and overshooting of expenditure. The gross fiscal deficit (GFD)-GDP ratio moved up to 5.8 per cent in 2011-12 compared to the budgeted ratio of 4.6 per cent. The substantial increase in subsidies during 2011-12 on account of high crude oil prices further impacted the deficit of the Government.

The year 2011-12, especially the second half, was characterised by a burgeoning current account deficit (CAD), subdued equity inflows, depletion of foreign exchange reserves, rising external debt and deteriorating international investment position. Inflation remained elevated at over 9 per cent in the first eight months of 2011-12, before softening moderately in December and remained sticky in the range of 6.9-7.7 per cent.

Facts in some economic features

GDP Growth Profile:

According to the first advance estimates of national income for the year 2012-13 of the Central Statistics Office (CSO), the Indian economy is expected to grow at its slowest pace in a decade at a mere 5 per cent in 2012-13, on the back of dismal performance by the farm, manufacturing and services sectors, The estimate is lower than the 6.2 per cent growth clocked in 2011-12 and is the lowest since 2002-03, when the economy grew by 4 per cent only

Agriculture and allied activities

According to the CSO‟s advance estimates, the growth in agriculture and allied activities are likely to lower to 1.8 per cent in 2012-13, compared to 3.6 per cent in 2011-12 and manufacturing growth is also expected to drop to 1.9 per cent in this fiscal, from 2.7 per cent achieved during the last year. Services sector, including finance, insurance, real estate and business services are likely to grow by 8.6 per cent during this fiscal, against 11.7 per cent in the last fiscal. Meanwhile, mining and quarrying is likely to be slightly better at 0.4 per cent, compared to a negative growth of 0.6 per cent a year ago. Growth in construction is also likely to be 5.9 per cent in 2012-13, against 5.6 per cent last year.

Table 1: GDP history of India after Independence

Year	India's GDP at Current Prices (in crores INR)	India's GDP at Constant 2004–2005 Prices (in crores INR)	Real Growth Rate
1950–51	₹10,036	₹279,618	
1960–61	₹17,049	₹410,279	7.08%
1970–71	₹44,382	₹589,787	5.01%
1979–80	₹114,500	₹745,083	−5.20%
1980–81	₹136,838	₹798,506	7.17%
1990–91	₹531,814	₹1,347,889	5.29%
2000–01	₹2,000,743	₹2,348,481	4.15%
2010–11	₹7,248,860	₹4,918,533	8.91%
2011–12	₹8,391,691	₹5,247,530	6.69%
2012–13	₹9,388,876	₹5,482,111	4.47%
2013–14	₹10,472,807	₹5,741,791	4.74%

Advance Estimates of GDP at Factor Cost by Economic Activity (at constant 2004-05 prices) ***(Rs. in crore)***

Industry	2010-11 (2nd RE)	2011-12 (1st RE)	2012-13 (AE)	Percentage change over previous year 2011-12	2012-13
1. agriculture, forestry & fishing	713,477	739,495	752,746	3.6	1.8
2. mining & quarrying	108,938	108,249	108,713	-0.6	0.4
3. manufacturing	801,476	823,023	838,541	2.7	1.9
4. electricity, gas & water supply	92,773	98,814	103,642	6.5	4.9
5. construction	390,692	412,412	436,637	5.6	5.9
6. trade, hotels, transport and communication	1,345,660	1,440,312	1,514,593	7.0	5.2
7. financing, insurance, real estate & business services	849,632	948,808	1,030,633	11.7	8.6
8. community, social & personal services	634,358	672,469	717,971	6.0	6.8
9. GDP at factor cost	**4,937,006**	**5,243,582**	**5,503,476**	**6.2**	**5.0**

1st RE: First Revised Estimate; 2nd RE: Second Revised Estimate; AE: Advance Estimate

Per Capita Income:
The per capita income at current price during 2012-13 is estimated to be Rs. 68,747 as compared to Rs. 61,564 during 2011-12. India’s per capita income, a gauge for measuring living standard, is estimated to have gone up by 11.7 per cent to Rs. 5729 per month in 2012-13.

Agricultural sector:
In the advance estimate of GDP for 2012-13, the CSO had pegged farm growth at a three-year low of 1.8 per cent against last year's 3.6 per cent. Production of foodgrain is expected to decline by 2.8 per cent as compared to the growth of 5.2 per cent in the previous year.

According to the 2nd Advance Estimates of Production of foodgrains for 2012-13, estimated foodgrain production in the 2012-13 crop marketing year (beginning June) is 250.14 million tonnes (mt), a little over nine mt less than last year owing to erratic monsoon in many parts of the country.

The output of all crops, barring pulses and mustard, is expected to be less than last year. Production of wheat in the ongoing rabi sowing season is expected to be 92.3 mt from 94.88 mt in last year. Production of rice, mainly grown during the kharif sowing season, is estimated to be 101.8 mt from 105.31 mt in last year Coarse cereals' production in 2012-13 at 38.5 mt, as against 42 mt last year. Production of protein-rich food crops such as pulses is estimated to be better this year, especially that of gram. Production of all pulses this year is estimated to be 17.6 mt, about 0.5 mt more than last year. Oilseed production is expected at 29.5 mt, marginally less than last year's 29.8 mt.
Among cash crops, production of cotton this year is expected to 33.8 million bales (a bale is 170 kg), about 1.40 mb less than last year. Sugarcane is expected to be 334.5 mt from 361.03 mt in last year. Jute is pegged at 11.13 million bales (a bale is 180 kg) in 2012-13, down from 11.4 million bales last year.

Industrial sector:
Industrial growth has remained subdued since July 2011 due to weak global demand, weak supply linkages, high import costs, and sluggish investment activities. During 2012-13 (April to November), industrial growth slowed to 1.0 per cent. The Industrial sector was mainly affected by the contraction in the output of capital goods and the mining sector. Excluding capital goods, the growth rate of overall IIP during April to November 2012 was 3.0 per cent. The slowdown in consumption demand has affected the growth of motor vehicles, food products and apparel industries.

The subdued growth of the core industries has remained a drag on industrial production. Policy uncertainties in areas such as iron ore and coal mining have adversely affected the output of the steel and power industries. The recent initiatives taken by the government for the allocation of new coal blocks and commencement of production from Coal India Limited (CIL)’s new coalfields are expected to boost coal output going forward. However, in the interim, constraints in infrastructure sector remain.

Table Growth of Industrial sector (in %)

Sector	2007-08	2008-09	2009-10	2010-11	2011-12
Coal	6.3	8.0	8.1	-0.2	1.2
Crude Oil	0.4	-1.8	0.5	11.9	1.0
Natural Gas	2.1	1.3	44.6	10.0	-8.9
Refinery Products	6.5	3.0	-0.4	3.0	3.1
Fertilizers	-7.9	-3.9	12.7	0.0	0.4
Steel	6.8	1.9	6.0	13.2	7.0
Cement	8.1	7.2	10.5	4.5	6.7
Electricity	6.3	2.7	6.2	5.6	8.1
Overall Index	5.2	2.8	6.6	6.6	4.4

Source: PIB, Ministry of Commerce and Industry, Index of Eight Core Industries, dated 31.1.2013

Growth in eight core infrastructure industries decelerated to 3.3 per cent during April – December 2012 compared to 4.8 per cent during the corresponding period of the previous year. While the production of coal, cement and petroleum refinery products accelerated during the period, it was offset by the deceleration in the production of electricity and steel.

External Sector:

India's balance of payments which have deteriorated sharply in 2011-12, showed some improvement in the first half of 2012-13, the merchandise trade deficit in the first half of 2012-13 has remained at the same level compared to the first half of 2011-12 as fall in exports due to sluggish global demands almost equally matched by import ontraction mainly reflecting slowdown in domestic economic activity.

Exports (including re-exports):

India's export performance continued to show the adverse impact of low growth and uncertainty in the advanced as well as major emerging markets and developing economies[11]. Cumulative value of exports for the period April-December 2012 -13 was US $ 214099.77 million (Rs 1166438.69) as against US $ 226551.09 million (Rs 1066668.31 crore) registering a negative growth of 5.50 per cent in Dollar terms and growth of 9.35 per cent in Rupee terms over the same period last year.

Imports

Import growth has surged since September 2012, mainly due to a pick-up in the quantum of petroleum oil lubricant (POL). With the uptrend in the international price of gold in recent months, gold imports stayed at an elevated level in recent months. On the other hand, non-oil non-gold imports registered a decline, reflecting a slowdown in domestic economic activity.

Cumulative value of imports for the period April- December, 2012-13 was US $ 361271.88 million (Rs. 1967521.83 crore) as against US $ 363867.81 million (Rs. 1714432.42 crore) registering a negative growth of 0.71 per cent in Dollar terms and growth of 14.76 per cent in Rupee terms over the same period last year.

Trade Balance

With imports growth turning positive from September 2012 and export growth remaining subdues, concerns regarding a deteriorating trade deficit have been reinforced. The trade deficit for April - December, 2012-13 was estimated at US $ 147.2 billion which was 7.2% higher than the deficit of US $ 137.3 billion during April - December, 2011-12.

Policy attempts so far has been to deftly balance the genuine interest of the gold business, as also the need of the savers to hedge against inflation, against the overwhelming need to dampen gold imports with a view to preserving current account and macro-financial stability.

Foreign Investment Inflow

Foreign Direct Investment (FDI): FDI have declined during 2012-13 for the period April to December of the current fiscal, the inflows have been $16,946 million which were $29, 277 million during April to December 2011.

Foreign Institutional Investors (FII): During 2012-13 (upto January 23, 2013), FIIs made net investments of Rs. 1,190 billion in the capital market compared with that of Rs. 520 billion during the corresponding period in the previous year.

Conclusion

A slow recovery is likely to shape up in 2013-14 with progressive implementation of some of the reforms announced since mid-September 2012. These include, *inter alia,* liberalisation of FDI in multi-brand retail, amendment of the Banking Regulation Act and the setting up of the Cabinet Committee on Investments chaired by the Prime Minister to expedite decisions on approvals/clearances for implementation of mega projects. The setting up of debt funds to provide long-term resources for infrastructure projects would help in reducing financing constraints currently facing the sector. Financing is also expected to improve with the government accepting the major recommendations of the Expert Committee on General Anti-Avoidance Rules (GAAR) that will bring about greater clarity on taxation aspects. Global risks may have temporarily reduced in terms of part resolution of the US „fiscal cliff" issues and financial fragility issues in the euro area. However, going forward the euro area risks remain significant, as key economies in the region are contracting. In this milieu, it is imperative that reform measures continue to be executed efficiently and domestic inflation recedes further, to support sustainable recovery in India.

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