

Economic Review–October 2009

(FKCCI Business Research Cell)

Indian Economy

The Economic Outlook 2009 released by PM's Economic Advisory Council indicates that the India's GDP is expected to grow between 6.25 to 6.5% during 2009-10. This report further says that the anticipated decline in agriculture by 2% will be compensated to a large extent by a high Industrial growth of 8.2% (3.9% in 2008-09). Basic details are given below'

Table A: Growth – Past Performance and Projections for 2009/10

Annual Rates	2005/06	2006/07	2007/08	2008/09	2009/10
			QE	Rev	Projected
1. Agriculture & allied activities	5.8	4.0	4.9	1.6	-2.0
2. Industry)	10.2	11.0	8.1	3.9	8.2
3. Services	10.6	11.2	10.9	9.7	8.2
4 Gross Domestic Product (factor cost & constant prices)	9.5	9.7	9.0	6.7	6.5

Source: Economic Outlook 2009 EAC, PMO

As per the Reserve Bank's Second Quarter Review 2009-10," The global economy is showing tentative signs of recovery signalling, albeit hesitantly, the winding down of the global recession. For several advanced economies the pace of contraction in output has declined in the second quarter of 2009. The emerging outlook for recovery is still dependent on sustained policy stimulus that has spurred aggregate demand while also reducing overall uncertainty. The recovery is widely perceived to remain slow and gradual."

Industrial Production

India's Industrial output increased by a high of 10.40% in August 2009 as compared to just 1.7% in August 2008. All three heads of the Index, Mining, Manufacturing, and Electricity have registered higher growth this August as compared to last year's August. As can be seen from the Table below, even the cumulative growth during the period April-August is higher in 2009 than in 2008. The high growth of 10.20% in

Manufacturing is a very reassuring factor for the Indian Industry and the Indian Economy.

INDEX of Industrial Production (Base Year: 1993-94)

	Weight (%)	August 2008	August 2009	Apr-Aug 2008-09	Apr-Aug 2009-10
MINING	10.47	2.8	12.99	3.5	8.4
Manufacturing	79.36	1.7	10.20	5.1	5.5
Electricity	10.17	0.8	10.60	2.3	6.6
OVERALL	100	1.70	10.40	5.8	5.8

Source: Central Statistical Organisation

The six-core infrastructure industry Viz: Oil (Crude & Refined), Coal, Electricity, Cement and Finished Steel, also have observed 5.0% growth during April – September 2009 as against 3.4% growth in April – September 2008. In fact all the constituent sectors except the crude & refined petroleum have recorded fairly good positive rates of growth during the first half of this financial. (Table below for details).

PERFORMANCE OF SIX CORE INDUSTRIES –July 2009 (Base Year 1993-94)
Growth in %

Sector	Weight (%)	September 2008	September 2009	April-September 2008-09	April-September 2009-10
Crude Oil	4.17	-0.4	-0.5	-0.8	-1.2
Petroleum Refinery Products	2.00	2.8	3.4	4.5	-3.6
Coal	3.22	11.2	6.5	8.0	11.6
Electricity	10.17	4.4	7.5	2.6	6.8
Cement	1.99	8.1	6.5	5.5	12.3
Finished steel (carbon)	5.13	2.1	-0.4	3.3	3.0
Overall	26.68	2.1	7.1	3.3	4.8

Source: Department of Industrial Policy and Promotion (DIPP)

RBI's Second Quarter Review of Monetary Policy for 2009-10-28

The Reserve Bank of India, in its Second Quarter Review, has decided to further strengthen the Indian Economy's recovery path by not affecting any change in the existing and other rates.

EXPORTS

As per the report mentioned above, the total merchandise exports during 2009-10 are estimated at US \$ 188.9 billion. An increase of about 8% over 2008-09 exports..

The anticipated export, imports and trade balance are provided below:

Table B. Balance of Payments

US\$ billion	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
Merchandise Exports	85.2	105.2	128.9	166.2	175.2	188.9
Merchandise Imports	118.9	157.1	190.7	257.8	294.6	306
Merchandise Trade	-33.7	-51.9	-61.8	-91.6	-119.4	-117.1
Balance						

Source: Economic Outlook 2009 PMO

Inflation

DIPP, Ministry of Industry and Commerce, Gol, which release the Wholesale Price Index (WPI), has decided to release the WPI on monthly basis from November 14 from the current release on weakly basis. However, Price Index for Primary Articles and commodities in Fuel, Power, Light and Lubricant Group will continue to be released every weak because "A Weekly Price Index for primary articles and commodities in Fuel, Power, Light and Lubricant Group would facilitate weekly monitoring of the prices of agricultural commodities and petroleum products which are sensitive in nature " It also has been decided release the WPI at a new base 2004-05 in place of the current base of 1993-94. This change in base might bring some authenticity to the Price Index.

WPI (Wholesale Price Index)

Inflation, measured in terms of WPI (Wholesale Price Index), increased by 1.21 per cent for the week ended October 10 as compared to the same week last year. There is still respite in the increase of prices of essential food items like pulses, cereals fruit and vegetables. As against an overall inflation of 1.21%, inflation of primary articles, which include food items, is 8.62%. In fact, as can be seen from the Table below, the build up of Primary Articles' prices from the beginning of April 2009 is 9.84%

The PM's Economic Advisory Council in its Economic Outlook 2009 has also forecasted a high overall inflation and a still higher inflation in the case of food items.

The report says "13% annualized increase in overall WPI index and 33% for primary food index in first half of 2009/10. Sharper rise in CPI indices"

CPI (Consumer Price Index)

Inflation measured in terms of Consumer Price Index (CPI) for Industrial Workers for the month of August, 2009 on the other hand has gone up to 11.72 %. CPI for Agricultural and Rural Labourers in September 2009 was about 13%.

Foreign Exchange

During October, the Indian rupee has appreciated by about 3.5% against the US \$ to average at 46.60. This appreciation would affect the rupee earnings of exports.

Foreign Exchange Reserves as on 16 October 2009 are US \$ 284.836 billion and during this fiscal year the reserves have increased by US \$ 32.861 billion so far.

Non-Food Credit

As per the RBI, the non food credit as on 9 October 2009 is at Rs 2,847,595 crores, an increase of Rs 1,18,257 crores in the current financial year so far

Conclusion

To sum up, indicators of the Indian economy give an assuring feeling that the country is in the growth path again, and can meet the challenges posed by .shortage in rain fall and unanticipated havoc played by the floods in Karnataka and Andhra Pradesh..