



Summary of India Economic Survey 2010-11

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Robust growth and steady fiscal consolidation have been the hallmark of the Indian economy in the year 2010-11 so far. The growth rate has been 8.6 percent in 2010-11 and is expected to be around 9 percent in the next fiscal year.

The growth has been broad based with a rebound in the Agriculture sector which is expected to grow around 5.4 per cent. Manufacturing and Services sector have registered impressive gains.

Savings and investment are looking up while exports are rising. However food inflation, higher commodity prices and volatility in global commodity markets have been a cause of concern underscoring the need of fiscal consolidation and stronger reserves. These are some of the high points of the Economic Survey 2010-11, presented by the Finance Minister Shri Pranab Mukherjee in Lok Sabha today.

Recognizing the fact that inflation continues to be high even though it has come down markedly from where it was at the start of the fiscal year, the Survey underlined the need to monitor emerging trends in inflation on a sequential monthly basis. In order to check food inflation, it has suggested, the Government should improve the delivery mechanisms by strengthening the institutions and addressing corruption. The survey has pointed out that the inflation is expected to be 1.5 percent higher than what would be if the country was not on the growth curve.

The Survey has observed that a rise in savings and investments and pick up in private consumption has resulted in 9.7 per cent growth of GDP at market prices (constant) in 2010-11. Savings rate has gone up to 33.7 percent while the investment rate is up to 36.5 percent of GDP in 2009-10.

The Survey points out that the agriculture sector growth in the first four years of the 11th Plan (2007-12) is estimated at 2.87 per cent. The foodgrain production went up to 232.1 billion tonnes from 218.1 billion tonnes in 2009-10. With a relatively good monsoon the agriculture-sector is expected to grow at 5.4 per cent during 2010-11. The rising food inflation and the critical role of agriculture underline the need for a larger investment in agriculture enroute to the second green revolution.

The Survey reports that the industrial output growth rate was 8.6 per cent while the manufacturing sector registered a growth rate of 9.1 per cent in 2010-11. During April-November 2010 telecom, crude oil production, civil aviation sectors performed well while the power generation, cement and fertilizer production, railway freight traffic and cargo handling at major ports have grown at comparatively lower rates. Six core industries registered a growth of 5.3 per cent (provisional) in April-December, 2010 as against 4.7 per cent during the same period in 2009-10.

Economic Survey 2010-11 has highlighted the increasing role of infrastructure services which have been deepening rapidly with rising investments. However unmet gaps still remains large and accelerated investments will be needed in the next Plan period for addressing delays, cost overruns and regulatory and pricing impediments. The telecommunications sector has done exceedingly well as the tele density has increased from 20.74 per cent in 2004 to 143.95 per cent in 2010 in urban areas. While in the rural areas it has gone up from 1.57 per cent in 2004 to 30.18 per cent in 2010.

Lauding the role of services sector as the potential growth engine, the Survey has called for the policies to promote further opportunities in new areas in global demand such as accounting, legal, tourism, education, financial and other services beyond the IT and business process sectors.

The Survey points out that the exports in April-December 2010 went up by 29.5 per cent while the imports during the same period registered a growth rate of 19 per cent. The trade gap narrowed down to US \$ 82.01 bn in the same period. Balance of payment situation has improved due to surge in capital flows and rise in foreign exchange reserves which have been accompanied by rupee appreciation. During current fiscal foreign exchange reserves increased by US \$ 18.2bn from US \$ 279.4 bn in end April 2010 to US \$ 297.3 bn in end December 2010.

The inclusive growth agenda of the Government is reflected in the 59 per cent rise in Net Bank Credit . The expenditure on Social sector programs has been stepped up by 5 percent point of GDP over the past five years.

The Survey points out that Gross Fiscal Deficit is 4.8% of GDP in 2010-11 as against 6.3 percent of GDP in the previous year. The Revenue deficit in the current financial year has been 3.5 percent of GDP as against 5.1 percent in the previous year.

The Economic Survey 2010-11 has expressed satisfaction at the progress of fiscal consolidation and the role of monetary policy on tackling inflation, ensuring availability of funds and expansion of credit growth. It has called for efficient taxation of goods and services by a new GST, raising revenues, installing stronger safeguards and measures to accelerate financial inclusion.

The Economic Survey 2010-11 has lauded the Government's efforts in addressing social and financial inclusion. The specific schemes for Scheduled Castes, Tribes, OBCs and the regions such as North-East, expansion of Mahatma Gandhi NREGA, Sarva Shiksha Abhiyan , National Rural Health Mission, in terms of coverage as well as the spending and monitoring have found specific mention in the report. The survey has advised that a better convergence of the schemes to address the issues of unemployment and poverty alleviation could avoid duplication and leakages.

A call for reforms in the university and higher education and correcting the demand supply mismatch in the job market has been made in the report. It says the gap in resources for higher education may be met on the basis of public private partnership without diluting the regulatory oversight of the Government.

The Survey has also made specific mention of Government's active engagement on issues related to climate change with expanded financing of programs and better policies.

The Economic Survey has suggested that in the long run the potential engines of growth for the country could be from skill development and innovative activity and

therefore, efforts should be made to promote them.

Regarding the outlook for the Indian economy, the Survey says that despite the risks of global events, such as volatility in commodity prices like crude oil exacerbated by political turmoil in the Middle-East, the Indian economy seems poised to scale greater heights in terms of macro economic indicators. It sums up by stating that the real GDP growth is expected to reach the 9 per cent mark in 2011-12 and the next two decades may well see the economy growing faster than it has done any time in the past.