

*Macroeconomic and Monetary Developments Third Quarter Review 2007-08**

I. The Real Economy

The Indian economy continued to exhibit robust growth during the second quarter (July-September) of 2007-08, *albeit* with some moderation. According to the Central Statistical Organisation (CSO), real GDP growth moderated to 8.9 per cent during the second quarter of 2007-08 from 10.2 per cent in the corresponding period of 2006-07. Real GDP growth during the first half of 2007-08 was estimated at 9.1 per cent as compared with 9.9 per cent in the corresponding period of 2006-07 (Table 1 and Chart 1). While agriculture and allied activities recorded higher growth during the first half of 2007-08 over the corresponding period of the previous year, the growth in industrial and services sectors was somewhat lower than in the previous year.

Agricultural Situation

Cumulative rainfall during the 2007 South-West monsoon season (June 1 to September 30) turned out to be 5 per cent above normal. The seasonal rainfall was well-distributed over time, barring the short spells of rainfall deficiency during the first week of June, third and fourth weeks of July and third week of August. At the end of the season (as on September 27, 2007), water stock in 81 major reservoirs was 79 per cent of the full reservoir level (FRL), lower than 87 per cent during the corresponding period of the previous year, but higher than the average of 67 per cent over the last 10 years. Cumulative rainfall during the North-East monsoon (October 1, 2007 to December 31, 2007) was, however, 32 per cent below normal as compared with 21 per cent below normal during the

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Table 1: Growth Rates of Real GDP (At 1999-2000 prices)

Sector	(Per cent)										
	2000-01 to 2006-07 (Average)	2005-06*	2006-07#	2006-07				2007-08		2006-07	2007-08
				Q1	Q2	Q3	Q4	Q1	Q2	April-September	September
	2	3	4	5	6	7	8	9	10	11	12
1. Agriculture and Allied Activities	2.5 (21.4)	6.0 (19.7)	2.7 (18.5)	2.8	2.9	1.6	3.8	3.8	3.6	2.8	3.7
2. Industry	7.0 (19.6)	8.0 (19.4)	11.0 (19.6)	10.6	11.3	10.8	11.2	10.6	8.3	11.0	9.5
2.1 Mining and Quarrying	4.6	3.6	5.1	3.7	3.9	5.5	7.1	3.2	7.7	3.8	5.4
2.2 Manufacturing	7.7	9.1	12.3	12.3	12.7	11.8	12.4	11.9	8.6	12.5	10.2
2.3 Electricity, Gas and Water Supply	4.8	5.3	7.4	5.8	8.1	9.1	6.9	8.3	7.3	6.9	7.8
3. Services	8.6 (59.0)	10.3 (60.9)	11.0 (61.8)	11.6	11.7	10.9	10.0	10.6	10.3	11.6	10.5
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	10.4	13.0	12.4	14.2	13.1	12.4	12.0	11.4	13.3	11.7
3.2 Financing, Insurance, Real Estate and Business Services	7.9	10.9	10.6	10.8	11.1	11.2	9.3	11.0	10.6	10.9	10.8
3.3 Community, Social and Personal Services	6.0	7.7	7.8	11.3	8.3	6.7	5.7	7.6	7.8	9.7	7.7
3.4 Construction	9.9	14.2	10.7	10.5	11.1	10	11.2	10.7	11.1	10.8	10.9
4. Real GDP at Factor Cost	6.9 (100.0)	9.0 (100.0)	9.4 (100.0)	9.6	10.2	8.7	9.1	9.3	8.9	9.9	9.1
<i>Memo:</i> (Amount in Rupees crore)											
a) Real GDP at factor cost		26,04,532	28,48,157								
b) GDP at current market prices		35,67,177	41,25,725								
*: Quick Estimates. #: Revised Estimates											
Note : Figures in parentheses denote shares in real GDP.											
Source : Central Statistical Organisation (CSO).											

corresponding period of the previous year. Of the 36 meteorological subdivisions, cumulative rainfall was

deficient/scanty/no rain in 27 subdivisions (same as last year) (Table 2). As on January 17, 2008, the total live

Chart 1: Real GDP - Growth Rate

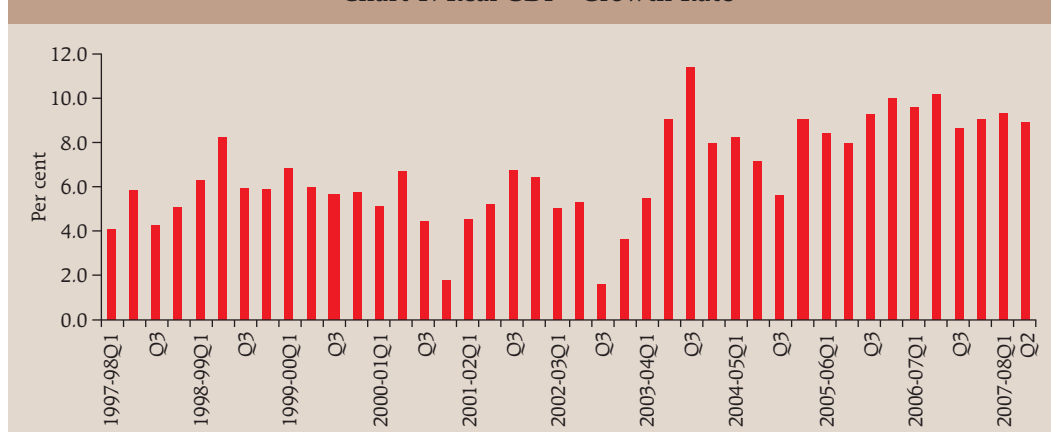


Table 2: Rainfall during South-West and North-East Monsoon

(Number of Meteorological Divisions)										
Year	South-West Monsoon					North-East Monsoon				
	Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain	Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain
1	2	3	4	5	6	7	8	9	10	11
1998	6	12	21	3	0	-	28	6	1	1
1999	-4	3	26	7	0	-	20	7	6	3
2000	-8	5	23	8	0	-	0	4	13	19
2001	-8	1	30	5	0	-	14	10	9	3
2002	-19	1	14	19	2	-33	3	7	12	14
2003	2	7	26	3	0	9	9	9	6	12
2004	-13	0	23	13	0	-11	8	10	17	1
2005	-1	9	23	4	0	10	11	6	5	14
2006	-1	6	20	10	0	-21	3	6	14	13
2007	5	13	17	6	0	-32	2	7	9	18

Excess: +20 per cent or more. Normal: +19 per cent to -19 per cent. Deficient: -20 per cent to -59 per cent.
Scanty: -60 per cent to -99 per cent. No Rain: -100 per cent.

Source: India Meteorological Department.

water storage was 55 per cent of the FRL (59 per cent last year).

The sowing of *kharif* crops improved during 2007-08 on account of satisfactory rainfall during the South-West monsoon and remunerative market prices. The reported sown area

as on October 26, 2007 was about 2.7 per cent higher than the previous year (Table 3). In contrast, area sown under *rabi* crops so far (up to January 18, 2008) has been about 3.7 per cent lower than a year ago. *Rabi* sowing was lower in case of rice, wheat, pulses and oilseeds,

Table 3: Progress of Area under Crops – 2007-08

(Million hectares)									
Crop	Normal Area	Area Coverage			Crop	Normal Area	Area Coverage		
		2006	2007	Variation			2006	2007	Variation
1	2	3	4	5	1	2	3	4	5
Kharif Crops					Rabi Crops (As reported on January 18, 2008)				
Rice	38.2	37.1	37.3	0.2	Rice	3.7	0.9	0.8	-0.1
Coarse Cereals	22.9	22.1	22.0	-0.1	Wheat	26.2	28.0	27.4	-0.6
of which:					Coarse Cereals	6.4	6.4	6.5	0.1
Bajra	9.4	9.3	8.7	-0.6	of which:				
Jowar	4.4	3.8	3.6	-0.2	Jowar	5.0	4.7	4.6	-0.1
Maize	6.2	6.8	7.5	0.6	Maize	0.7	0.8	0.9	0.1
Total Pulses	10.9	11.4	12.6	1.2	Total Pulses	11.4	13.7	12.9	-0.8
Total Kharif Oilseeds	15.4	16.8	17.7	0.9	Total Rabi Oilseeds	8.8	9.5	8.5	-1.0
of which:					of which:				
Groundnut	5.5	4.8	5.4	0.6	Groundnut	0.8	0.7	0.6	-0.1
Soyabean	6.6	8.1	8.8	0.6	Rapeseed/Mustard	5.9	6.6	5.9	-0.7
Sugarcane	4.2	4.8	5.1	0.3	Sunflower	1.2	1.1	0.9	-0.2
Cotton	8.3	9.0	9.3	0.4					
All Crops	100.8	102.1	104.9	2.7	All Crops	56.5	58.5	56.3	-2.2

Source: Ministry of Agriculture, Government of India.

but higher in case of coarse cereals than in the previous year.

The First Advance Estimates for 2007-08 have placed the total *kharif* foodgrains production at 112.2 million tonnes, which though lower than the target, was about 1.6 per cent higher than that of the previous year (110.5 million tonnes) (Table 4). The enhanced *kharif* foodgrains production is expected to be largely on account of the recovery in the production of pulses and maize. Amongst the non-foodgrains, while the production of sugarcane, jute and mesta, and cotton are expected to witness modest growth over the previous year, that of oilseeds is likely to show a significant increase.

Food Management

Total procurement of rice and wheat during 2007-08 (up to January 9, 2008) aggregated 30.1 million tonnes, which was higher by 1.5 per cent than that procured during the corresponding period of the previous year mainly on account of a 20.6 per cent increase in wheat procurement at 11.1 million tonnes. Total offtake of rice and wheat during 2007-08 (up to October 31, 2007) at 21.4 million tonnes was marginally lower, by 0.5 per cent, than the 21.5 million tonnes offtake during the corresponding period of the previous year. As on November 1, 2007, total stocks of foodgrains with the Food Corporation of India (FCI) and other

Table 4: Agricultural Production

Crop	2003-04	2004-05	2005-06	2006-07*	2007-08	
					T	A@
					1	2
Rice	88.5	83.1	91.8	92.8	93.0	
<i>Kharif</i>	78.6	72.2	78.3	80.1	80.0	80.2
<i>Rabi</i>	9.9	10.9	13.5	12.7	13.0	
Wheat	72.2	68.6	69.4	74.9	75.5	
Coarse Cereals	37.6	33.5	34.1	34.3	37.5	
<i>Kharif</i>	32.2	26.4	26.7	25.7	28.7	26.6
<i>Rabi</i>	5.4	7.1	7.3	8.6	8.8	
Pulses	14.9	13.1	13.4	14.2	15.5	
<i>Kharif</i>	6.2	4.7	4.9	4.7	5.5	5.5
<i>Rabi</i>	8.7	8.4	8.5	9.5	10.0	
Total Foodgrains	213.2	198.4	208.6	216.1	221.5	
<i>Kharif</i>	117.0	103.3	109.9	110.5	114.2	112.2
<i>Rabi</i>	96.2	95.1	98.7	105.6	107.3	
Total Oilseeds	25.2	24.4	28.0	23.9	30.0	
<i>Kharif</i>	16.7	14.1	16.8	13.9	18.5	16.1
<i>Rabi</i>	8.5	10.2	11.2	9.9	11.5	
Sugarcane	233.9	237.1	281.2	345.3	310.0	345.6
Cotton #	13.7	16.4	18.5	22.7	22.0	22.9
Jute and Mesta ##	11.2	10.3	10.8	11.3	11.0	11.3

T : Target.

@ : First Advance Estimate for *Kharif* Production (September 19, 2007).

: Million bales of 170 kgs each.

Source : Ministry of Agriculture, Government of India.

A : Achievement.

* : Fourth Advance Estimates.

: Million bales of 180 kgs each.

Government agencies were at around 19.7 million tonnes, which were higher by 5.7 per cent than a year ago (18.7 million tonnes). Commodity-wise, the stock of rice (10.7 million tonnes) was lower by 14.9 per cent than that of the previous year (12.5 million tonnes), while the stock of wheat (9.0 million tonnes) was 50.6 per cent higher than that of the previous year (6.0 million tonnes) (Table 5).

Industrial Performance

Growth in the index of industrial production (IIP) moderated to 9.2 per cent during April-November 2007 from 10.9 per cent during April-November 2006 (Chart 2).

The manufacturing sector recorded a lower growth of 9.8 per cent during April-November 2007 as compared with 11.8 per cent during April-November

Table 5: Management of Food Stocks

(Million tonnes)													
Month	Opening Stock of Foodgrains			Procurement of Foodgrains			Foodgrains Off-take					Closing Stock	Norms
	Rice	Wheat	Total	Rice	Wheat	Total	PDS	OWS	OMS	Exports -Domestic	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004-05	13.1	6.9	20.7	24.0	16.8	40.8	29.7	10.6	0.2	1.0	41.5	18.0	
2005-06	13.3	4.1	18.0	26.9	14.8	41.7	31.4	9.8	1.1	0.0	42.2	16.6	
2006-07	13.7	2.0	16.6	26.7	9.2	35.9	31.6	5.1	0.0	0.0	36.8	17.8	
2006-07#	13.7	2.0	16.6	20.4	9.2	29.6	18.4	3.1	0.0	0.0	21.5		
2007-08#	13.2	4.6	17.8	18.9	11.1	30.1	19.3	2.1	0.0	0.0	21.4		
2006													
April	13.7	2.0	16.6	1.7	8.7	10.3	2.5	0.3	0.0	0.0	2.8	22.8	16.2
May	12.8	9.0	22.8	1.6	0.6	2.2	2.5	0.4	0.0	0.0	3.0	22.3	
June	12.0	9.3	22.3	1.5	0.0	1.5	2.5	0.6	0.0	0.0	3.1	20.5	
July	11.1	8.2	20.5	0.8	0.0	0.8	2.7	0.4	0.0	0.0	3.1	17.1	26.9
August	9.5	7.3	17.1	0.5	0.0	0.5	2.7	0.4	0.0	0.0	3.1	15.5	
September	7.8	6.7	15.5	0.2	0.0	0.2	2.3	0.5	0.0	0.0	2.8	12.6	
October	6.0	6.4	12.6	8.0	0.0	8.0	2.4	0.3	0.0	0.0	2.7	18.7	16.2
November	12.5	6.0	18.7	2.0	0.0	2.0	2.5	0.4	0.0	0.0	2.9	17.8	
December	12.1	5.6	17.8	2.6	0.0	2.6	2.6	0.3	0.0	0.0	3.0	17.5	
2007													
January	12.0	5.4	17.5	4.3	0.0	4.3	2.7	0.4	0.0	0.0	3.1	18.1	20.0
February	12.6	5.4	18.1	2.4	0.0	2.4	2.7	0.5	0.0	0.0	3.1	19.1	
March	14.0	5.1	19.1	1.2	0.0	1.2	2.7	0.5	0.0	0.0	3.2	17.8	
April	13.2	4.6	17.8	0.9	7.9	8.7	2.5	0.2	0.0	0.0	2.8	25.1	16.2
May	13.5	11.6	25.1	1.5	2.6	4.0	2.8	0.2	0.0	0.0	3.0	25.9	
June	12.6	13.3	25.9	1.3	0.7	2.0	2.7	0.4	0.0	0.0	3.1	23.9	
July	11.0	12.9	23.9	0.8	0.0	0.8	2.9	0.4	0.0	0.0	3.3	21.2	26.9
August	9.2	12.0	21.2	0.1	0.0	0.1	2.8	0.3	0.0	0.0	3.1	18.0	
September	6.9	11.0	18.0	0.0	0.1	0.1	2.7	0.3	0.0	0.0	3.0	15.6	
October	5.5	10.1	15.6	7.4	0.0	7.4	2.7	0.3	0.0	0.0	3.0	19.7	16.2
November	10.7	9.0	19.7	1.8	0.0	1.8	-	-	-	-	-	-	
December	-	-	-	3.5	0.0	3.5	-	-	-	-	-	-	
January *	-	-	-	1.6	0.0	1.6	-	-	-	-	-	-	

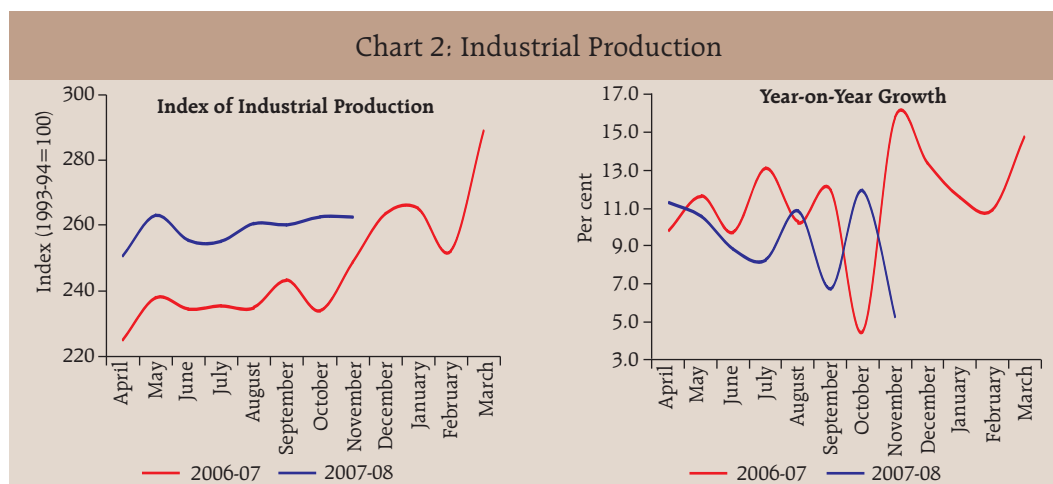
PDS: Public Distribution System. OWS: Other Welfare Schemes. OMS: Open Market Sales. - : Not Available.

: Procurement up to January 9, and offtake up to October 31.

*: Procurement up to January 9, 2008.

Note : Closing stock figures may differ from those arrived at by adding the opening stocks and procurement and deducting offtake, as stocks include coarse grains also.

Source : Ministry of Consumer Affairs, Food and Public Distribution, Government of India.



2006. Mining sector recorded a growth of 4.9 per cent as compared with 4.2 per cent, while the electricity sector moderated to 7.0 per cent as compared with 7.3 per cent during April-November 2006 (Table 6).

The moderation in manufacturing sector growth was due to decelerated/negative growth of eleven out of the seventeen manufacturing industry groups accounting for 49.3 per cent

weight in the IIP (Table 7). These, among others, included 'machinery and equipment', 'basic metal and alloy industries', 'rubber, plastic, petroleum and coal products', 'cotton textiles', 'non-metallic mineral products', and 'transport equipment and parts'. 'Metal products and parts' group recorded a decline due to the performance of tin metal containers, welded link chains and razor blades. The 'leather and

Table 6: Index of Industrial Production: Sectoral and Use-Based Classification of Industries

(Per cent)

Industry Group	Weight in IIP	Growth Rate			Weighted Contribution#		
		April-March		April-November	April-March		April-November
		2006-07	2006-07	2007-08 P	2006-07	2006-07	2007-08 P
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	5.3	4.2	4.9	3.4	2.8	3.6
Manufacturing	79.4	12.5	11.8	9.8	91.1	91.2	89.9
Electricity	10.2	7.3	7.3	7.0	5.5	6.0	6.6
Use-Based							
Basic Goods	35.6	10.3	9.4	8.4	27.2	26.8	27.6
Capital Goods	9.3	18.2	17.4	20.8	17.6	17.1	25.4
Intermediate Goods	26.5	12.0	11.1	10.1	27.0	27.2	29.3
Consumer Goods (a+b)	28.7	10.1	9.9	5.2	28.5	29.2	18.0
a) Consumer Durables	5.4	9.2	12.4	-1.7	6.7	9.7	-1.6
b) Consumer Non-durables	23.3	10.4	8.9	7.8	21.8	19.4	19.7
General	100.0	11.5	10.9	9.2	100.0	100.0	100.0

P : Provisional. # : Figures may not add up to 100 due to rounding off.

Source: Central Statistical Organisation.

Table 7: Growth of Manufacturing Groups

(Per cent)							
Industry Group	Weight in IIP	Growth Rate			Weighted Contribution#		
		April-March	April-November		April-March	April-November	
		2006-07	2006-07	2007-08P	2006-07	2006-07	2007-08P
1	2	3	4	5	6	7	8
1. Food products	9.1	8.7	2.5	6.8	5.7	1.5	4.4
2. Machinery and equipment other than transport equipment	9.6	14.2	15.0	12.2	18.2	20.0	20.3
3. Chemicals and chemical products except products of petroleum and coal	14.0	9.4	9.2	9.4	15.0	16.0	19.3
4. Basic metal and alloy Industries	7.5	22.9	20.5	15.6	16.6	15.8	15.7
5. Wood and wood products, furniture and fixtures	2.7	29.1	2.4	72.6	2.4	0.2	7.4
6. Rubber, plastic, petroleum and coal products	5.7	12.9	12.0	10.8	6.4	6.4	6.9
7. Non-metallic mineral products	4.4	12.9	13.6	8.4	6.6	7.4	5.6
8. Beverages, tobacco and related products	2.4	11.1	13.1	9.5	4.5	5.7	5.1
9. Cotton textiles	5.5	14.8	13.1	5.5	4.8	4.7	2.4
10. Transport equipment and parts	4.0	15.0	16.3	2.7	8.2	9.5	2.0
11. Textile products (including wearing apparel)	2.5	11.5	12.2	4.9	3.2	3.7	1.8
12. Leather and leather and fur products	1.1	0.4	-3.4	12.2	0.0	-0.3	1.1
13. Metal products and parts (except machinery and equipment)	2.8	11.4	7.0	-4.4	2.3	1.5	-1.1
14. Jute and other vegetable fibre textiles (except cotton)	0.6	-15.8	2.3	13.3	-0.4	0.1	0.4
15. Wool, silk and man-made fibre textiles	2.3	8.1	7.6	4.5	1.9	2.0	1.4
16. Paper and paper products and printing, publishing and allied activities	2.7	8.4	8.9	1.6	2.3	2.5	0.5
17. Other manufacturing industries	2.6	7.7	10.8	19.1	2.4	3.4	7.2
Manufacturing - Total	79.4	12.5	11.8	9.8	100.0	100.0	100.0

P : Provisional. # : Figures may not add up to 100 due to rounding off.

Source: Central Statistical Organisation.

leather and fur products' group, however, made a turnaround to register positive growth during the period.

In terms of use-based classification, the capital and intermediate goods sectors recorded double digit growth during April-November 2007 (see Table 6). The sustained high growth in the capital goods sector was driven by increased capital expenditure undertaken by manufacturing firms to augment their production capacities. Growth in the intermediate goods sector was driven by increased production of particle board, plywood commercial, PVC pipes and tubes and metalise bopp films. Growth of the consumer goods sector decelerated to 5.2 per cent during

April-November 2007 from 9.9 per cent during April-November 2006 – largely reflecting the sharp decline in the consumer durables segment. The negative growth in the consumer durables was on account of decline in production of telephone instruments, T.V. receiver, motorcycles, etc. The growth of the basic goods sector moderated to 8.4 per cent during April-November 2007 from 9.4 per cent during April-November 2006 due to decelerated growth in the cement sector and some aluminium and steel products.

Infrastructure

During April-November 2007, the infrastructure sector recorded a lower

growth of 6.0 per cent than a year ago (8.9 per cent) reflecting slow down in all the sectors (Chart 3). High base, decline in refinery output in some public sector refineries and lower capacity utilisation led to the moderation in growth of petroleum refinery products. A sharp deceleration in crude oil production was attributable to decline in production in some of the Oil and Natural Gas Corporation (ONGC) and Oil India Limited wells. Lower growth in the coal sector was mainly on account of decline in production in some of the subsidiaries of Coal India Limited. Capacity constraints faced by major steel producers combined with high base slowed down the growth of the steel sector. High base coupled with capacity constraints have led to moderation in cement sector.

Services Sector

During the first half of 2007-08, the services sector continued to record double digit growth of 10.5 per cent, though lower than that of 11.6 per cent growth during the corresponding period

of the previous year. The services sector continued to be the main driver of growth of the economy, contributing 72.1 per cent to real GDP growth. Services sector activity was led by the sub-sector 'trade, hotel, transport and communication' which contributed nearly 47.5 per cent to growth in services sector during the first half of 2007-08 (Table 8). The 'construction' sub-sector grew by 11.1 per cent during the second quarter of 2007-08, thereby recording double digit growth for eighteen consecutive quarters.

Leading indicators of service sector activity for April-October 2007 show that growth rates in revenue earning freight traffic of the railways, commercial vehicles production, new cell phone connections, passengers handled by civil aviation at domestic terminals, cement and steel moderated *albeit* over a high base (Table 9).

Aggregate Demand

Growth of the Indian economy continued to be driven by domestic demand, particularly gross fixed capital formation (GFCF). While private final

Chart 3: Growth in Infrastructure Industries

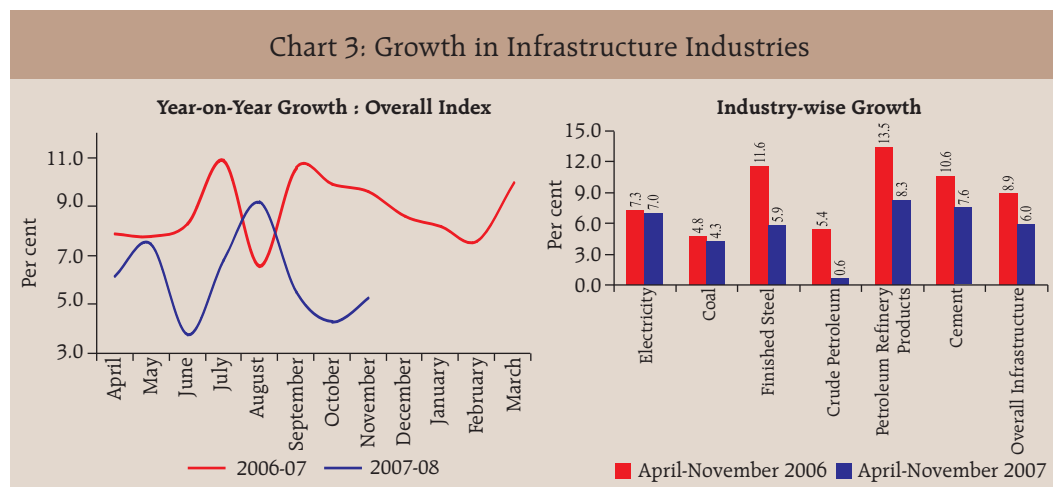


Table 8 : Growth in Services Sectors

(Contribution to real GDP growth; percentage points)					
Year/Quarter	Construction	Trade, Hotels, Transport and Communication	Financing, Insurance, Real Estate and Business Services	Community, Social and Personal Services	Total Services
1	2	3	4	5	6
2000-01	0.4	1.6	0.5	0.7	3.2
2001-02	0.2	2.0	0.9	0.6	3.8
2002-03	0.5	2.1	1.1	0.6	4.2
2003-04	0.7	2.9	0.8	0.8	5.2
2004-05	0.9	2.7	1.2	1.1	5.9
2005-06	0.9	2.7	1.5	1.1	6.2
2006-07	0.7	3.4	1.5	1.1	6.7
2006-07: Q1	0.7	3.2	1.5	1.6	7.0
2006-07: Q2	0.8	3.7	1.6	1.3	7.4
2006-07: Q3	0.7	3.3	1.4	0.9	6.3
2006-07: Q4	0.8	3.4	1.3	0.8	6.2
2007-08: Q1	0.7	3.1	1.6	1.1	6.5
2007-08: Q2	0.8	3.1	1.6	1.2	6.6

consumption demand contributed 36.3 per cent to the incremental growth in real GDP during July-September 2007 (34.9 per cent during July-September 2006), the contribution of real GFCF was 49.4 per cent (34.6 per cent a year ago). The growth rate of private final consumption expenditure (PFCE) was estimated at 5.6 per cent in the second quarter of 2007-08 as compared with 6.3 per cent in the corresponding quarter of 2006-07. The

growth rate of real GFCF accelerated to 15.2 per cent from 13.3 per cent in the corresponding period of 2006-07 (Table 10). The expenditure composition of real GDP indicates a decline in the share of real PFCE to 55.2 per cent in the second quarter of 2007-08 from 56.9 per cent in the corresponding period of 2006-07. On the other hand, share of real GFCF, as per cent to GDP, increased to 30.3 per cent from 28.6 per cent.

Table 9: Indicators of Service Sector Activity

(Growth rates in per cent)				
Sub-sector	2005-06	2006-07	April-November	
			2006	2007
1	2	3	4	5
Tourist arrivals	12.4	13.6	12.2	11.9
Commercial vehicles production #	10.6	33.0	29.5 *	5.3 *
Railway revenue earning freight traffic	10.7	9.2	10.1	8.0
New cell phone connections	89.4	85.4	121.0	44.6
Cargo handled at major ports	10.4	9.5	8.0	13.1
Civil aviation				
a) Export cargo handled	7.3	3.6	4.6	0.2
b) Import cargo handled	15.8	19.4	19.8	22.3
c) Passengers handled at international terminals	12.8	12.1	11.7	13.4
d) Passengers handled at domestic terminals	27.1	34.0	37.4	25.9
Cement * *	10.7	9.1	10.6	7.6
Steel * *	10.8	8.0	11.6	5.9
Aggregate deposits	18.1	23.7	13.2 @	14.6 @
Non-food credit	31.8	28.4	17.5 @	11.8 @

* : April-October.

@: Up to January 4, 2008.

: Leading indicator for transportation. * * : Leading indicators for construction.

Source: Ministry of Tourism, Ministry of Commerce and Industry, Ministry of Statistics and Programme Implementation, Reserve Bank of India and Centre for Monitoring Indian Economy.

Table 10: Disposition of National Income (At 1999-2000 prices)

Item	(Growth rates in per cent)									
	2005-06	2006-07	2006-07				2007-08		2006-07	2007-08
	QE	RE	Q1	Q2	Q3	Q4	Q1	Q2	April-September	
1	2	3	4	5	6	7	8	9	10	11
1. Total Final Consumption Expenditure	7.2	6.6	11.8	3.7	5.1	6.1	6.5	6.5	7.8	6.5
a) Private Final Consumption Expenditure (PFCE)	6.7	6.2	6.5	6.3	6.0	6.0	5.6	5.6	6.4	5.6
b) Government Final Consumption Expenditure	9.8	9.0	47.6	-9.7	0.4	6.6	10.5	12.0	15.8	11.1
2. Gross Fixed Capital Formation (GFCF)	15.3	14.6	15.8	13.3	15.5	14.1	15.9	15.2	14.5	15.5
3. Change in Stocks	69.0	10.2	10.2	10.6	9.7	10.3	8.4	8.6	10.4	8.5
4. Valuables	0.4	38.0	38.4	47.1	29.8	37.8	10.5	19.6	42.5	15.0
5. Exports	5.9	8.6	10.3	18.9	-1.9	8.7	5.5	4.4	14.4	5.0
6. Imports	10.3	11.4	11.7	18.7	4.8	11.3	16.1	-0.5	15.1	7.9
<i>Memo:</i>										
Real GDP at market prices	9.2	9.4	8.1	10.7	9.0	9.6	9.2	8.8	9.4	9.0

QE: Quick Estimates. RE: Revised Estimates.
Source: Central Statistical Organisation.

Corporate Performance

The performance of non-government non-financial companies slowed

somewhat in the two quarters of 2007-08 (Table 11). Sales during the second quarter of 2007-08 grew by 16.0 per cent

Table 11: Corporate Financial Performance

Item	(Growth rates in per cent)									
	2005-06	2006-07	2006-07	2007-08	2006-07				2007-08	
			April-September		Q1	Q2	Q3	Q4	Q1	Q2
1	2	3	4	5	6	7	8	9	10	11
Sales	163	262	274	174	256	292	303	225	192	160
Total Expenditure	167	235	256	169	246	266	269	195	193	155
Depreciation	81	154	161	151	149	164	168	181	181	158
Gross Profits	246	415	398	281	339	459	518	392	286	221
Interest Payments	-20	174	208	101	199	180	119	323	44	184
Profits After Tax	328	452	416	311	347	494	595	396	339	227
	Select Ratios (Per cent)									
Gross Profits to Sales	122	156	156	169	156	159	158	153	167	166
Profits After Tax to Sales	82	107	106	117	106	110	110	106	116	115
Interest to Sales	22	21	22	20	22	20	20	20	20	21
Interest to Gross Profits	181	133	141	119	139	128	125	130	117	126
Interest Coverage(Times)	55	75	71	84	72	78	80	77	85	79
<i>Memo:</i>	(Amount in Rs. crore)									
No. of Companies	2,730	2,388	2,053	2,082	2,228	2,263	2,258	2,356	2,342	2,228
Sales	7,35,216	10,41,894	4,24,565	5,36,358	2,34,610	2,51,125	2,60,064	2,94,223	2,80,814	2,97,110
Expenditure	6,43,826	8,72,168	3,53,505	4,45,086	1,95,556	2,09,437	2,16,053	2,48,740	2,34,596	2,47,425
Depreciation Provision	28,961	37,095	15,710	19,347	8,449	8,892	9,172	10,338	10,173	10,576
Gross Profits	90,179	1,62,017	66,265	90,472	36,567	40,041	41,169	45,108	46,925	49,228
Interest Payments	16,302	21,500	9,358	10,760	5,083	5,121	5,162	5,862	5,504	6,194
Profits After Tax	60,236	1,11,107	44,927	62,846	24,845	27,710	28,698	31,251	32,699	34,266

Notes: 1. Data for 2005-06 are based on audited balance sheet, while those for 2006-07 and 2007-08 are based on abridged financial results of the select non-Government non-financial public limited companies.
2. Growth rates are per cent changes in the level for the period under reference over the corresponding period of the previous year for common set of companies.
3. The quarterly data may not add up to annual data due to differences in the number and composition of companies covered in each period.

Table 12: Business Expectations Surveys

Agency	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
1	2	3	4	5
NCAER	October 2007-March 2008	Business Confidence Index	-4.3	5.8
FICCI	October 2007-March 2008	Business Confidence Index	-15.1	-10.5
RBI	January-March 2008	Business Expectation Index	-6.2	-4.7
Dun & Bradstreet	January-March 2008	Business Optimism Index	-13.2	-12.6

as compared with 29.2 per cent in second quarter of 2006-07. The growth in net profits moderated sharply to 22.7 per cent from 49.4 per cent a year ago. The growth in gross profits at 22.1 per cent during the second quarter of 2007-08 was the lowest in the last six quarters.

Business Expectation Survey

Despite continued strength in domestic fundamentals, business confidence indices compiled by various agencies indicate some softening of sentiment against the backdrop of elevated international crude oil prices and global uncertainties (Table 12).

According to the latest business confidence survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) in December 2007, the overall business confidence index during October 2007-March 2008 declined both over the previous quarter and over a year ago, reflecting mainly concerns over rupee appreciation, hardening of interest rates, rising cost of raw materials, particularly oil, and global uncertainties. Fifty-three per cent of the respondents who participated in the survey indicated the current overall economic conditions to be 'moderately to

substantially better' than in the preceding six months as against 70 per cent reported in the last survey.

According to the survey by the National Council of Applied Economic Research (NCAER) conducted in October 2007, the overall business confidence index (BCI) for the next six months declined on a year-on-year basis, but improved over the previous round of the survey. A component-wise analysis shows that while expectation about present capacity utilisation (being close to or above optimal level) registered a marginal decline, the other three major components, *viz.*, overall economic conditions, investment climate, financial position of the firms recorded an improvement over the previous round. Amongst the various industry sectors, the maximum gain in business confidence was noticed in the capital goods and services sectors, while the minimum gain was expected in the consumer non-durable sector.

According to the Reserve Bank's latest Industrial Outlook Survey, the business expectations indices based on assessment for October-December 2007 and on expectations for January-March 2008 declined by 2.5 per cent and 4.7 per cent,

Table 13: Reserve Bank's Survey - Net Response on 'A Quarter Ahead'
Expectations About the Industrial Performance

(Per cent)							
Parameter	Response	Oct- Dec. 2006	Jan- March 2007	Apr- June 2007	July- Sept 2007	Oct- Dec. 2007	Jan- Mar 2008
1	2	3	4	5	6	7	8
1. Overall business situation	Better	51.8 (41.2)	53.7 (40.7)	51.7 (43.3)	49.5 (41.2)	50.2 (42.1)	47.7 (42.9)
2. Financial situation	Better	41.9 (50.6)	44.5 (49.9)	43.8 (49.8)	41.3 (49.8)	40.1 (51.3)	40.3 (50.3)
3. Working capital finance requirement	Increase	35.4 (58.3)	36.2 (59.2)	35.3 (59.2)	34.5 (59.2)	32.2 (62.6)	34.7 (60.3)
4. Availability of finance	Improve	33.4 (57.8)	36.2 (56.6)	35.2 (57.2)	32.1 (58.6)	33.8 (58.8)	31.1 (59.5)
5. Production	Increase	49.7 (39.6)	50.7 (40.1)	47.8 (41.6)	46.6 (41.1)	49.0 (40.9)	43.9 (42.3)
6. Order books	Increase	46.3 (42.6)	47.3 (43.1)	45.7 (45.4)	43.6 (46.1)	44.1 (46.0)	37.1 (48.6)
7. Pending orders, if applicable	Below normal	-2.1 (81.7)	-2.7 (82.9)	-2.2 (82.8)	2.2 (82.6)	-3.5 (82.4)	0.4 (80.2)
8. Cost of raw material	Decrease	-49.2 (46.4)	-41.7 (51.0)	-42.1 (52.0)	46.0 (49.7)	-42.4 (51.0)	-44.1 (49.2)
9. Inventory of raw material	Below average	-6.1 (83.5)	-7.1 (83.8)	-7.3 (85.0)	5.4 (85.0)	-6.3 (85.0)	-7.3 (84.8)
10. Inventory of finished goods	Below average	-4.9 (83.5)	-5.2 (84.5)	-4.4 (85.2)	2.7 (87.1)	-3.5 (86.4)	-4.5 (86.1)
11. Capacity utilisation (Main product)	Increase	33.2 (56.6)	33.3 (57.7)	29.4 (60.4)	27.0 (61.4)	28.4 (61.5)	24.2 (62.3)
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	10.9 (76.6)	12.8 (76.4)	11.5 (77.1)	9.4 (76.5)	10.7 (77.2)	6.4 (78.3)
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	5.1 (79.7)	4.8 (81.8)	4.0 (82.2)	3.0 (82.2)	4.2 (83.0)	4.7 (83.8)
14. Employment in the company	Increase	17.9 (73.3)	18.1 (73.7)	18.3 (73.3)	17.4 (73.5)	16.7 (74.1)	14.6 (75.6)
15. Exports, if applicable	Increase	34.2 (57.2)	32.6 (57.3)	33.4 (56.8)	32.6 (55.6)	31.4 (55.9)	24.3 (58.3)
16. Imports, if any	Increase	23.4 (68.1)	20.8 (68)	21.6 (68.4)	23.7 (68.2)	20.8 (68.6)	20.1 (70.5)
17. Selling prices are expected to	Increase	16.8 (68.0)	14.2 (69.2)	15.5 (68.9)	19.0 (67.1)	13.0 (68.5)	14.9 (67.1)
18. If increase expected in selling prices	Increase at lower rate	14.5 (67.0)	10.5 (68.1)	12.1 (66.7)	10.4 (65.0)	3.7 (58.9)	13.3 (66.7)
19. Profit margin	Increase	9.2 (60.6)	11.6 (61.7)	9.9 (62.5)	7.5 (62.6)	9.6 (59.6)	5.4 (60.0)

Notes: 1. 'Net response' is measured as the percentage share differential between the companies reporting 'optimistic' (positive) and 'pessimistic' (negative) responses; responses indicating *status quo* (no change) are not reckoned. Higher 'net response' indicates higher level of confidence and *vice versa*.
2. Figures in parentheses are the percentages of respondents with 'no change over the preceding quarter' as responses.

respectively, over the previous quarters.

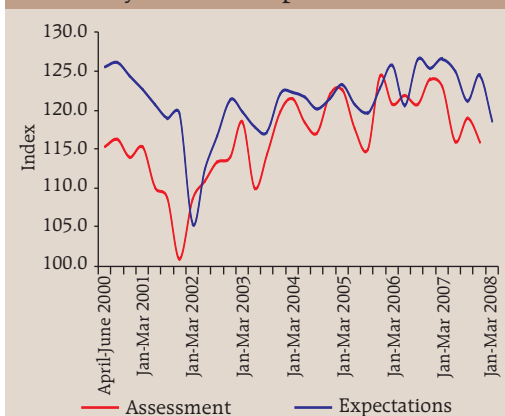
The decline in expectations index for January-March 2008 emanated from lower net responses for major parameters of the survey such as the overall business situation, availability of finance, production, order books, capacity utilisation, employment, exports and profit

margins over the previous quarter (Table 13 and Chart 4).

Purchasing Managers' Index

The ABN-AMRO Purchasing Managers' Index (PMI), which provides the indicators related to the performance of the manufacturing sector, however, rose by 1.6

Chart 4: Reserve Bank's Industrial Outlook Survey -Business Expectation Index



manufacturing sector. The rise in the PMI was underpinned by sharp increases in new business volumes and a marked expansion of production. Employment levels and stocks of purchases also continued to rise. The seasonally adjusted Output Index increased by 0.6 per cent in December 2007 over the preceding month. Reports from the survey panel suggested favourable market conditions, leading to a sharp rise in volumes of incoming new business, and inventory build up.

per cent in December 2007 over the preceding month, signalling a marked improvement in the health of the Indian

Forecasts by various agencies for real GDP growth in 2007-08 are set out in Table 14.

Table 14 : Projections of Real GDP for India by various Agencies - 2007-08

Agency	(per cent)						
	Latest Projection					Earlier Projection	
	Overall Growth	Agriculture	Industry	Services	Month of Projection	Overall Growth	Month
1	2	3	4	5	6	7	8
ASSOCHAM	9.0	3.5	10.0	10.5	December 2007	8.5-8.7	August 2007
JP Morgan	8.6	2.6	9.8	10.0	September 2007	8.0	March 2007
Merrill Lynch	8.8	4.0	9.5	10.0	September 2007	8.5	March 2007
ICRA	9.0	-	-	-	September 2007	8.5	April 2007
Citigroup	9.3	3.0	10.0	11.0	September 2007	9.3	April 2007
CRISIL	8.6	3.4	9.2	10.0	December 2007	7.9-8.4	March/ June 2007
Indicus Analytics	8.4	2.7	8.5	10.1	October 2007	8.4	March 2007
CMIE	9.1	3.9	9.4	10.7	January 2008	9.1	December 2007
NCAER	8.9	3.8	9.0	10.6	October 2007	8.5	August 2007
Economic Advisory Council	8.9	3.6	9.7	10.3	January 2008	9.0	July 2007
UNCTAD	8.5	-	-	-	September 2007	-	-
IMF	8.9*	-	-	-	October 2007	9.0*	July 2007
ADB	8.5	-	-	-	September 2007	8.0	March 2007
RBI	Around 8.5	-	-	-	October 2007	Around 8.5	July 2007

- : Not Available.

*: Calendar year.