

*Macroeconomic and Monetary Developments First Quarter Review 2008-09 **

I. The Real Economy

The Indian economy continued to record robust growth in 2007-08, although marginally lower than the last year. According to the revised estimates released by the Central Statistical Organisation (CSO) in May 2008, the real GDP growth was placed at 9.0 per cent during 2007-08 as compared with 9.6 per cent in 2006-07. The deceleration in growth was on account of industry and services, offset partially by recovery in agriculture. The overall growth momentum moderated particularly during the second half of the year (Table 1 and Chart 1).

Agricultural Situation

According to the revised forecast of the India Meteorological Department (IMD) released in June 2008, the rainfall during the 2008 South-West monsoon season (June to September) is likely to be 100 per cent of the long period average (LPA) with a model error of (+/-) 4 per cent. Monsoon set in over Kerala on May 31, 2008 coinciding almost with its normal date of arrival (June 1). It advanced rapidly and covered parts of south peninsula and entire north-eastern States by June 2, 2008. Northward advance of monsoon over east and central India also has been near normal. Advance of this year's monsoon has been smooth and rapid, unlike last year when it was marked by a hiatus of about one week over south peninsula. Rainfall during this year's monsoon so far (up to July 23) has been less satisfactory, with rainfall over the entire country

* Issued with the First Quarter Review of the Annual Statement on Monetary Policy for 2008-09.

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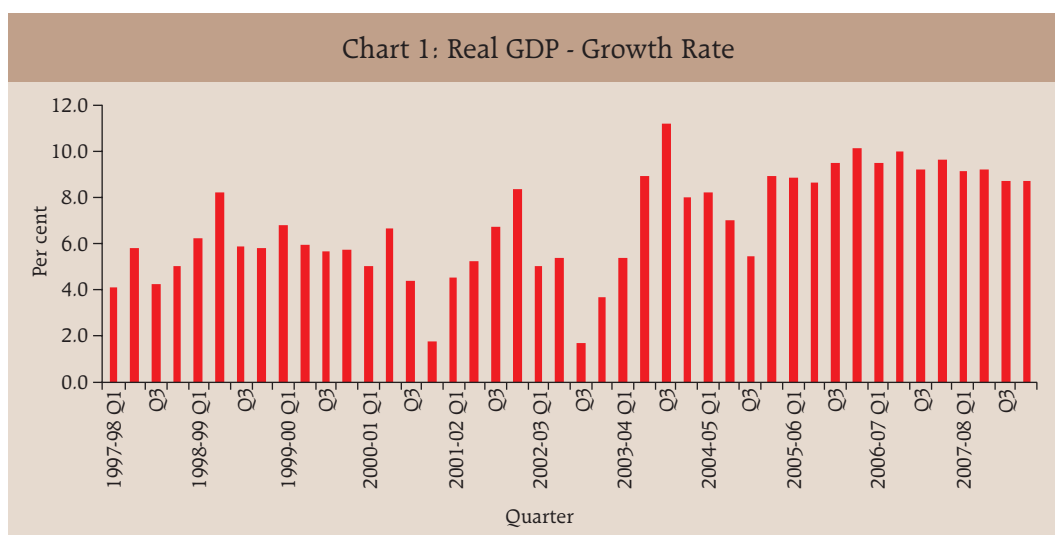
Table 1: Growth Rates of Real GDP @

Sector	2000-01 to 2007-08 (Average)	2005-06	2006-07*	2007-08#	(Per cent)							
					2006-07				2007-08			
					Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	2.9 (20.9)	5.9 (19.6)	3.8 (18.5)	4.5 (17.8)	2.7	3.2	4.0	4.9	4.4	4.7	6.0	2.9
2. Industry	7.1 (19.6)	8.0 (19.4)	10.6 (19.5)	8.1 (19.4)	10.0	10.7	10.3	11.5	9.6	8.6	8.6	5.8
2.1 Mining and Quarrying	4.9	4.9	5.7	4.7	4.1	3.9	6.0	8.2	1.7	5.5	5.7	5.9
2.2 Manufacturing	7.8	9.0	12.0	8.8	11.7	12.2	11.3	12.8	10.9	9.2	9.6	5.8
2.3 Electricity, Gas and Water Supply	4.8	4.7	6.0	6.3	4.3	6.6	7.6	5.4	7.9	6.9	4.8	5.6
3. Services	9.0 (59.6)	11.0 (61.1)	11.2 (61.9)	10.7 (62.9)	11.7	11.6	11.1	10.5	10.6	10.7	10.0	11.4
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	11.5	11.8	12.0	10.9	12.7	12.1	11.6	13.1	11.0	11.5	12.4
3.2 Financing, Insurance, Real Estate and Business Services	8.8	11.4	13.9	11.8	13.6	13.9	14.7	13.4	12.6	12.4	11.9	10.5
3.3 Community, Social and Personal Services	5.8	7.2	6.9	7.3	10.3	7.2	5.6	5.1	5.2	7.7	6.2	9.5
3.4 Construction	10.6	16.5	12.0	9.8	13.1	12.0	10.8	12.2	7.7	11.8	7.1	12.6
4. Real GDP at Factor Cost	7.3 (100)	9.4 (100)	9.6 (100)	9.0 (100)	9.6	10.1	9.3	9.7	9.2	9.3	8.8	8.8
<i>Memo:</i>					(Amount in Rupees crore)							
a) Real GDP at Factor Cost		26,12,847	28,64,310	31,22,862								
b) GDP at Current Market Prices		35,80,344	41,45,810	47,13,148								
@ : At 1999-2000 prices.					* : Quick Estimates.			# : Revised Estimates.				
Note : Figures in parentheses indicate shares in real GDP.												
Source : Central Statistical Organisation.												

amounting to 2 per cent below normal as against 4 per cent above normal during corresponding period of the previous year (Table 2). Out of the 36 meteorological subdivisions, 21 have received excess/normal rainfall this year (up to July 23) as compared with 29 last year. As on July 17, 2008, the total live water storage of 81 important reservoirs accounting for around 72 per cent of the total reservoir capacity of the country was 28 per cent of the full reservoir level (FRL) as compared

to 45 per cent recorded during the corresponding period of the previous year. The average live water storage as per cent of FRL for the last ten years has been much lower at 25 per cent.

Kharif sowing is progressing with the advent of the South-West monsoon in various States. Area coverage under *kharif* crops up to July 18, 2008 was higher by 1.3 million hectares over the corresponding period of the previous year. Among food



crops, rice exhibited significant increase in sown area along with coarse cereals and oilseeds (Table 3).

According to the Fourth Advance Estimates, the foodgrains production during 2007-08 was placed at an all-time

high of 230.7 million tonnes, indicating an increase of 6.2 per cent over the previous year predominantly on account of *khari* foodgrains production. Barring sugarcane, all foodgrains and non-foodgrains are estimated to reach an all-

Table 2: Cumulative Rainfall

(Number of Meteorological Divisions)

Year	South-West Monsoon					North-East Monsoon				
	Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Spatial Distribution				Cumulative Rainfall: Above (+)/ Below (-) Normal (per cent)	Spatial Distribution			
		Excess Rainfall	Normal Rainfall	Deficient Rainfall	Scanty/ No Rain		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
2008*	-2	9	12	14	1					
	(4)	(14)	(15)	(7)	(0)					

* : up to July 23.

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.

Note : Figures in parentheses indicate comparative position during the corresponding period of 2007.

Source : India Meteorological Department.

Table 3: Progress of Area under *Kharif* Crops 2008-09

(Million hectares)				
Crop	Normal Area	Area Coverage (As on July 18, 2008)		
		2007	2008	Variation
1	2	3	4	5
Rice	39.1	12.1	14.9	2.8
Coarse Cereals	22.7	9.6	9.9	0.3
<i>of which:</i>				
Bajra	9.2	3.2	4.0	0.8
Jowar	4.2	1.8	1.3	-0.5
Maize	6.4	4.3	4.1	-0.2
Total Pulses	10.9	4.2	4.2	0.0
Total Oilseeds	15.9	9.9	10.1	0.2
<i>of which:</i>				
Groundnut	5.4	3.0	2.7	-0.3
Soyabean	7.3	5.5	6.5	1.0
Sugarcane	4.1	5.3	4.3	-1.0
Cotton	8.4	7.0	5.8	-1.2
All Crops	101.9	48.8	50.1	1.3

Source : Ministry of Agriculture, Government of India.

time record production during 2007-08 (Table 4). Crops witnessing significant increase in production included coarse cereals (20.1 per cent) and oilseeds (18.6 per cent).

Food Management

The procurement of foodgrains (rice and wheat) during 2008-09 (up to July 18, 2008) aggregated to 27.3 million tonnes, 78.6 per cent higher than that in the corresponding period of the previous year (Table 5). This was mainly on account of a more than two-fold increase in wheat procurement during the current year as compared with the previous year. The offtake of foodgrains (rice and wheat) during 2007-08 at 37.4 million tonnes was marginally higher by 1.8 per cent than that of the previous year. The total stocks of

foodgrains with the Food Corporation of India (FCI) and other Government agencies were at around 19.8 million tonnes as on April 1, 2008, which was higher by 10.2 per cent than that a year ago. Both, the stocks of rice (13.8 million tonnes) and of wheat (5.8 million tonnes) were higher than their buffer stock norms (12.2 million tonnes and 4.0 million tonnes, respectively).

Industrial Performance

Industrial production moderated during April-May 2008, recording year-on-year expansion of 5.0 per cent as against 10.9 per cent in April-May 2007 (Chart 2 and Table 6). The industrial deceleration was driven by both the manufacturing and electricity sectors. Manufacturing recorded cumulative growth of 5.3 per cent during April-May 2008 as compared with 11.8 per

Table 4: Agricultural Production

(Million tonnes)						
Crop	2003-04	2004-05	2005-06	2006-07	2007-08	
					Target	Achievement@
1	2	3	4	5	6	7
Rice	88.5	83.1	91.8	93.4	93.0	96.4
<i>Kharif</i>	78.6	72.2	78.3	80.2	80.0	82.8
<i>Rabi</i>	9.9	10.9	13.5	13.2	13.0	13.6
Wheat	72.2	68.6	69.4	75.8	75.5	78.4
Coarse Cereals	37.6	33.5	34.1	33.9	37.5	40.7
<i>Kharif</i>	32.2	26.4	26.7	25.6	28.7	31.7
<i>Rabi</i>	5.4	7.1	7.3	8.3	8.8	9.0
Pulses	14.9	13.1	13.4	14.2	15.5	15.1
<i>Kharif</i>	6.2	4.7	4.9	4.8	5.5	6.5
<i>Rabi</i>	8.7	8.4	8.5	9.4	10.0	8.7
Total Foodgrains	213.2	198.4	208.6	217.3	221.5	230.7
<i>Kharif</i>	117.0	103.3	109.9	110.6	114.2	121.0
<i>Rabi</i>	96.2	95.1	98.7	106.7	107.3	109.7
Total Oilseeds	25.2	24.4	28.0	24.3	30.0	28.8
<i>Kharif</i>	16.7	14.1	16.8	14.0	18.5	19.8
<i>Rabi</i>	8.5	10.2	11.2	10.3	11.5	9.0
Sugarcane	233.9	237.1	281.2	355.5	310.0	340.6
Cotton #	13.7	16.4	18.5	22.6	22.0	25.8
Jute and Mesta ##	11.2	10.3	10.8	11.3	11.0	11.2

@ : Fourth Advance Estimates as on July 9, 2008.

: Million bales of 170 kgs each.

: Million bales of 180 kgs each.

Source : Ministry of Agriculture, Government of India.

cent during the corresponding period of the previous year. Electricity sector at 1.7 per cent witnessed a sharp slowdown - the lowest growth since 1994-95 for April-May period on account of decline in electricity generation in all the three segments. The mining sector growth, however, accelerated.

The slowdown in manufacturing activity was driven by 13 industry groups (56.3 per cent weight in the IIP) that recorded decelerated/negative growth in April-May 2008 (Table 7). Industry groups such as 'metal products and parts', 'other manufacturing industries', 'rubber, plastic, petroleum and coal products', 'food

products', 'jute and other vegetable fibre textiles' and 'wood and wood products' recorded a decline in production; while 'leather and leather and fur products', 'machinery and equipment', 'basic metal and alloy industries', 'wool, silk and manmade fibre textiles', 'textile products', 'cotton textiles' and 'non-metallic mineral products' recorded decelerated growth. However, the growth in 'chemicals and chemical products', a dominant segment of the manufacturing industry, accelerated reflecting sharp expansion in nitrogenous fertilisers segment and other pharmaceutical drugs.

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Table 5: Management of Food Stocks

(Million tonnes)

Month	Opening Stock of Foodgrains			Procurement of Foodgrains			Foodgrains Offtake					Closing Stock	Norms
	Rice	Wheat	Total	Rice	Wheat	Total	PDS	OWS	OMS-Domestic	Exports	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	26.7	14.8	41.5	31.4	9.8	1.1	0.0	42.3	16.6	
2006-07	13.7	2.0	16.6	26.3	9.2	35.5	31.6	5.1	0.0	0.0	36.8	17.9	
2007-08	13.2	4.7	17.9	26.4	11.1	37.5	33.5	3.9	0.0	0.0	37.4	19.8	
2008-09 @	13.8	5.8	19.8	4.7 (4.2)	22.5 (11.1)	27.3 (15.3)	..	..	..	..	..	..
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	17.9	
April	13.2	4.7	17.9	0.9	7.9	8.7	2.6	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	3.0	23.9	
July	11.0	12.9	23.9	0.8	0.0	0.8	2.9	0.4	0.0	0.0	3.2	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	3.0	17.9	
September	6.9	11.0	17.9	0.1	0.0	0.1	2.7	0.3	0.0	0.0	2.9	15.6	
October	5.5	10.1	15.6	7.4	0.0	7.4	2.7	0.3	0.0	0.0	2.9	19.7	16.2
November	10.7	9.0	19.7	1.8	0.0	1.8	2.7	0.3	0.0	0.0	2.9	18.5	
December	10.1	8.4	18.5	3.5	0.0	3.5	2.7	0.3	0.0	0.0	3.0	19.2	
2008													
January	11.5	7.7	19.2	4.5	0.0	4.5	2.9	0.3	0.0	0.0	3.2	21.4	20.0
February	14.0	7.2	21.4	3.0	0.0	3.0	2.9	0.4	0.0	0.0	3.4	21.4	
March	14.7	6.5	21.4	1.6	0.0	1.6	3.1	0.5	0.0	0.0	3.5	19.8	
April	13.8	5.8	19.8	1.1	12.6	13.7	..	..	..	..	..	..	16.2
May	..	..	..	2.1	8.8	10.9	..	..	..	..	..	..
June	..	..	..	1.2	0.9	2.2	..	..	..	..	..	..
July @	..	..	..	0.3	0.2	0.5	..	..	..	..	..	..	26.9

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

@ : Procurement up to July 18, 2008.

Note : 1. 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.

2. Figures in parentheses indicate procurement of foodgrains during the corresponding period of 2007-08.

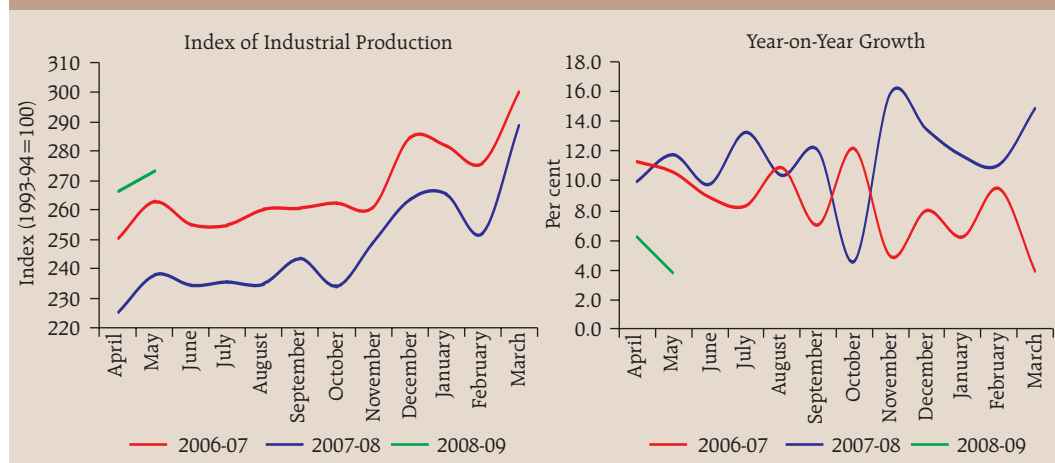
3. Total minimum stocks are to be maintained, as on April 1, July 1, October 1, and January 1, by public agencies under the 'new buffer stocking policy' with effect from March 29, 2005.

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

In terms of use-based classification, the basic goods sector decelerated during April-May 2008, mainly due to decline in production of certain petroleum and steel products. The intermediate goods sector also witnessed deceleration, mainly on account of lower performance of yarn,

hessian, sacking and naptha segments. The capital goods sector that performed well during 2007-08, decelerated to 6.5 per cent due to lacklustre performance of printing machinery, material handling equipments, machine tools and computer systems and peripherals during the period. The

Chart 2: Industrial Production



consumer goods sector recorded decelerated growth due to moderated performance of non-durables. The consumer durable goods industry, which declined in eight months of the last financial year, posted 4.8 per cent growth

during April-May 2008 led by the improved performance of two wheeler tyres, window type air conditioners, washing/laundry machines, motor cycles, passenger cars and T.V. receivers, among others. The consumer non-durables segment

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

(Per cent)

Industry Group	Weight in the IIP	Growth Rate			Weighted Contribution#		
		2007-08	2007-08	2008-09 P	2007-08	2007-08	2008-09 P
			April-May			April-May	
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	5.1	3.2	5.6	4.3	2.1	7.5
Manufacturing	79.4	8.8	11.8	5.3	89.4	90.6	89.2
Electricity	10.2	6.3	9.0	1.7	6.4	7.3	3.0
Use-Based							
Basic Goods	35.6	7.0	9.5	3.5	25.1	26.4	21.0
Capital Goods	9.3	16.9	16.9	6.5	23.9	16.2	14.4
Intermediate Goods	26.5	8.9	9.7	2.3	27.7	23.6	12.0
Consumer Goods (a+b)	28.7	6.1	11.6	7.9	23.3	34.1	50.9
a) Consumer Durables	5.4	-1.0	0.8	4.8	-1.0	0.6	7.3
b) Consumer Non-durables	23.3	8.5	15.4	8.8	24.4	33.5	43.6
General	100.0	8.3	10.9	5.0	100.0	100.0	100.0

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

Source : Central Statistical Organisation.

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Table 7: Performance of Manufacturing Groups

(Per cent)							
Industry Group	Weight in the IIP	Growth Rate			Weighted Contribution #		
		2007-08	2007-08	2008-09P	2007-08	2007-08	2008-09P
			April-May			April-May	
1	2	3	4	5	6	7	8
1. Food products	9.08	7.1	39.3	-7.9	6.4	21.9	-12.3
2. Beverages, tobacco and related products	2.38	11.9	8.4	30.8	6.9	3.9	30.8
3. Cotton textiles	5.52	4.3	7.4	1.5	2.0	2.7	1.2
4. Wool, silk and man-made fibre textiles	2.26	4.8	4.1	3.6	1.6	1.0	1.9
5. Jute and other vegetable fibre textiles (except cotton)	0.59	33.0	27.8	-10.1	1.0	0.7	-0.6
6. Textile products (including wearing apparel)	2.54	3.7	7.5	2.6	1.4	2.3	1.7
7. Wood and wood products, furniture & fixtures	2.70	39.6	87.9	-17.4	5.3	6.9	-5.1
8. Paper and paper products and printing, publishing and allied Industries	2.65	2.7	0.8	2.5	1.0	0.2	1.4
9. Leather and leather & fur products	1.14	11.5	8.9	8.5	1.1	0.6	1.3
10. Chemicals and chemical products (except products of petroleum & coal)	14.00	10.6	6.6	12.2	22.8	11.6	45.9
11. Rubber, plastic, petroleum and coal products	5.73	8.9	13.2	-5.2	6.2	7.1	-6.4
12. Non-metallic mineral products	4.40	5.7	8.1	1.4	4.2	4.6	1.7
13. Basic metal and alloy industries	7.45	12.1	19.6	4.6	13.7	15.7	8.8
14. Metal products and parts (except machinery and equipment)	2.81	-5.6	4.2	-0.8	-1.6	0.8	-0.3
15. Machinery and equipment other than transport equipment	9.57	9.5	16.1	5.7	17.6	20.6	17.0
16. Transport equipment and parts	3.98	2.9	1.8	11.6	2.3	1.1	14.0
17. Other manufacturing industries	2.56	19.8	-4.8	-1.5	8.2	-1.6	-0.9
Manufacturing - Total	79.36	8.8	11.8	5.3	100.0	100.0	100.0

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

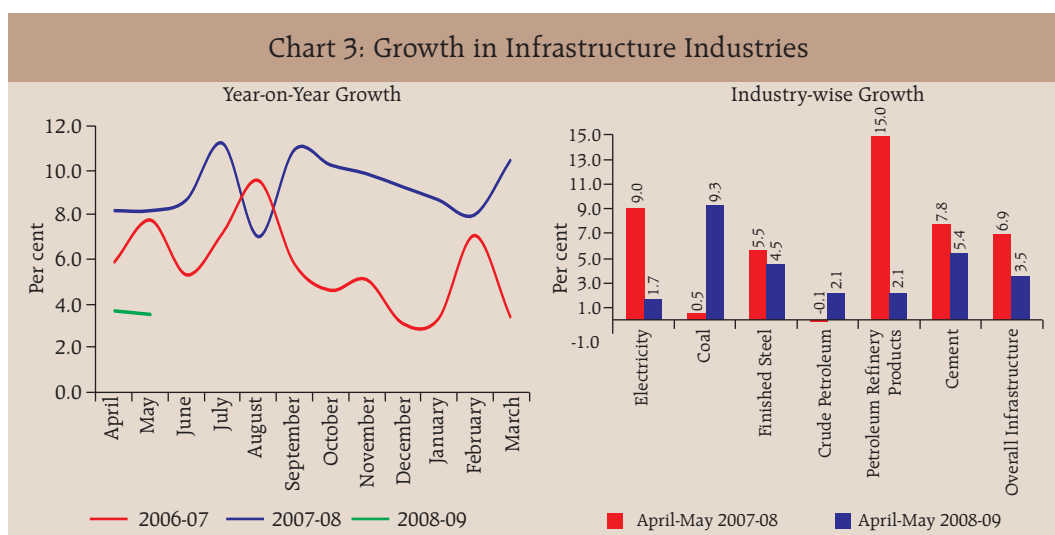
Source : Central Statistical Organisation.

moderated in April-May 2008 on account of base effect and decline in production of sugar, wheat flour/maida, and certain edible oils.

Infrastructure

The core sector recorded lower growth at 3.5 per cent during April-May 2008 than 6.9 per cent during April-May 2007-08 (Chart 3). Sharp deceleration in electricity and subdued performance of petroleum refinery products impacted the growth of infrastructure during April-May 2008. The

coal sector, on the other hand, recovered and posted robust growth. The electricity sector slowed down mainly on account of decline in nuclear and hydro electricity generation along with lower plant load factor in thermal power plants. The cement sector recorded decelerated growth due to base effect. The steel sector recorded moderate growth on account of capacity constraints. Increased production in Oil and Natural Gas Corporation (ONGC) Ltd. and Assam unit of Oil India Ltd. (OIL) contributed to a turnaround in crude oil



sector. The petroleum refinery sector decelerated sharply on account of base effect and decline in production in some of the public sector refineries.

Services Sector

The services sector continued to record double digit growth during 2007-08, although there was some moderation. Accelerated growth in 'trade, hotels, transport, storage and communication' and 'community, social and personal services' was more than offset by deceleration in 'financing, insurance, real estate and business services' and 'construction'. Notwithstanding some moderation, services sector remained the major contributor to the GDP growth (Table 8).

The leading indicators of services sector activity for 2008-09 so far suggest acceleration in growth in respect of some indicators such as railway revenue earning freight traffic, tourist arrivals and

export cargo handled by civil aviation during April-May 2008 as compared with April-May 2007. On the other hand, growth decelerated in respect of cargo handled at major ports, various indicators of civil aviation excluding export cargo and commercial vehicles production. Some deceleration was also observed in production of cement and steel during April-May 2008, which are among the important indicators of construction industry (Table 9).

Aggregate Demand

The Indian economy continued to be driven by domestic demand with consumption accounting for more than two-thirds and investment little less than one-third of real GDP. During 2007-08, the share of final consumption expenditure declined to 67.8 per cent, while that of gross fixed capital formation rose to 31.9 per cent (Table 10).

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Table 8: 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	2.2	1.1	0.6	4.3
2003-04	0.7	2.9	0.8	0.8	5.2
2004-05	1.0	2.7	1.2	1.0	5.8
2005-06	1.1	3.0	1.5	1.0	6.6
2006-07	0.8	3.1	1.9	1.0	6.8
2007-08	0.7	3.2	1.7	1.0	6.6
2006-07 : Q1	0.9	2.8	1.9	1.4	7.1
: Q2	0.9	3.4	2.0	1.1	7.4
: Q3	0.7	3.1	1.9	0.7	6.5
: Q4	0.8	3.1	1.8	0.7	6.5
2007-08 : Q1	0.6	3.4	1.8	0.7	6.5
: Q2	0.9	3.0	1.9	1.1	6.9
: Q3	0.5	3.0	1.6	0.8	5.9
: Q4	0.9	3.4	1.5	1.3	7.1

Source : Central Statistical Organisation.

Savings and Investment

Gross Domestic Saving (GDS), as percentage of GDP at current market prices, increased to 34.8 per cent in 2006-07 from 34.3 per cent in 2005-06 mainly due to improvement in the saving

performance by the private corporate and public sectors. On the other hand, the household saving rate declined marginally in 2006-07 from the previous year on account of decline in the financial saving rate (Table 11). The rate of gross domestic

Table 9: Indicators of Services Sector Activity

(Growth rates in per cent)				
Sub-sector	2006-07	2007-08	2007-08	2008-09
			April-May	
1	2	3	4	5
1. Tourist arrivals	13.0	11.3	8.2 *	10.2 *
2. Commercial vehicles production #	11.2	-0.2	10.6	4.6
3. Railway revenue earning freight traffic	5.1	10.9	6.2	10.2
4. New cell phone connections	85.4	38.3	50.4	42.9
5. Cargo handled at major ports	22.1	14.7	17.7	10.3
6. Civil aviation				
a) Export cargo handled	3.6	7.5	1.6	7.6
b) Import cargo handled	19.4	19.7	21.7	9.3
c) Passengers handled at international terminals	12.1	11.9	13.1	9.0
d) Passengers handled at domestic terminals	34.0	20.6	24.4	5.9
7. Cement **	5.8	6.9	7.8	5.4
8. Steel **	2.7	4.0	5.5	4.5
9. Aggregate deposits of SCBs	23.8	22.4	4.1 @	3.5 @
10. Non-food credit of SCBs	28.5	23.0	-0.7 @	1.7 @

* : April-June # : Leading Indicator for transportation. ** : Leading indicators for construction.

@ : Up to July 4. SCBs : Scheduled Commercial Banks.

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: Expenditure Side of GDP (at 1999-2000 Prices)

Item	(Rates as per cent of GDP)									
	2006-07*	2007-08#	2006-07				2007-08			
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11
1. Total Final Consumption Expenditure	68.4	67.8	72.2	68.9	69.3	64.2	70.1	68.2	69.0	64.6
(i) Private Final Consumption Expenditure	58.6	58.2	60.7	60.3	60.4	53.7	59.8	59.5	60.7	53.4
(ii) Government Final Consumption Expenditure	9.8	9.6	11.5	8.6	8.9	10.5	10.3	8.7	8.3	11.2
2. Gross Fixed Capital Formation	30.6	31.9	30.8	31.2	29.6	30.9	32.0	33.4	31.0	31.6
3. Change in Stocks	2.1	2.0	2.1	2.2	2.0	2.0	2.1	2.1	1.9	1.9
4. Valuables	1.2	1.3	1.3	1.3	1.2	1.1	1.2	1.3	1.4	1.1
5. Exports	20.6	20.3	24.5	18.8	17.9	21.4	23.8	16.8	19.0	21.6
6. Less: Imports	24.7	24.4	25.6	27.0	24.2	22.6	24.9	24.8	25.4	22.8
7. Discrepancies	1.8	1.1	-5.3	4.6	4.3	3.0	-4.3	3.1	3.0	1.9
<i>Memo:</i> (Rupees crore)										
Real GDP at market prices	31,17,372	33,98,767	7,04,841	7,22,355	8,25,401	8,64,774	7,69,871	7,88,514	8,99,098	9,41,283

* : Quick Estimates.

: Revised Estimates.

Source : Central Statistical Organisation.

capital formation (GDCF) was estimated to be marginally higher at 35.9 per cent of GDP in 2006-07 than 35.5 per cent in 2005-06. During 2006-07, while the overall saving rate increased by 0.5 percentage point in 2006-07, the overall investment rate increased by 0.4 percentage point, reflecting a marginal narrowing down of current account deficit.

Corporate Performance

The performance of non-government non-financial companies moderated during 2007-08 relative to the previous year (Table 12). Sales growth, which slowed down in the first two quarters of the year, accelerated in the third and fourth quarters. On the whole, sales growth during 2007-08 at 18.5 per cent was lower than 26.2 per cent registered in the previous year. Growth in gross profits and net profits also decelerated during 2007-08. The gross profits to sales ratio, however, improved

marginally over the same period. Growth in sales and net profits in the fourth quarter of 2007-08 were at 20.6 per cent and 14.1 per cent, respectively, as compared with 22.5 per cent and 39.6 per cent in the fourth quarter of 2006-07.

Business Expectation Survey

According to the quarterly business expectations survey of the National Council of Applied Economic Research (NCAER) released in April 2008, the overall business confidence index (BCI) for the next six months declined both over the previous round and the previous year (Table 13). A component-wise analysis shows that three out of four components, *viz.*, overall economic conditions, investment climate and financial position of firms declined over the previous round, while the capacity utilisation did not show any variation. The BCI in respect of consumer durables, services and

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Table 11: Rates of Gross Domestic Saving and Investment

(Per cent of GDP at current market prices)							
Item	2001-02	2002-03	2003-04	2004-05	2005-06 PE	2006-07 QE	10th Plan Average
1	2	3	4	5	6	7	8
1. Household Saving	22.1	23.2	24.4	23.0	24.2	23.8	23.7
<i>of which :</i>							
a) Financial assets	10.9	10.3	11.4	10.1	11.8	11.3	11.0
b) Physical assets	11.3	12.9	13.0	12.9	12.5	12.5	12.7
2. Private Corporate Saving	3.4	3.9	4.4	6.6	7.5	7.8	6.0
3. Public Sector Saving	-2.0	-0.6	1.1	2.2	2.6	3.2	1.7
4. Gross Domestic Saving	23.5	26.4	29.8	31.8	34.3	34.8	31.4
5. Net capital inflow	-0.6	-1.2	-1.6	0.4	1.2	1.1	0.0
6. Gross Domestic Capital Formation #	22.8	25.2	28.2	32.2	35.5	35.9	31.4
7. Gross Capital Formation	24.2	25.2	26.8	31.6	34.5	36.0	30.8
<i>of which :</i>							
a) Public sector	6.9	6.1	6.3	6.9	7.6	7.8	6.9
b) Private corporate sector	5.4	5.7	6.6	10.5	13.3	14.5	10.1
c) Household sector	11.3	12.9	13.0	12.9	12.5	12.5	12.8
d) Valuables	0.6	0.6	0.9	1.3	1.2	1.2	1.0
8. Total Consumption Expenditure (a+b)	76.7	75.1	73.0	69.2	67.8	66.1	70.2
a) Private Final Consumption Expenditure	64.4	63.2	61.7	58.4	57.4	55.8	59.3
b) Government Final Consumption Expenditure	12.4	11.9	11.3	10.7	10.4	10.3	10.9
<i>Memo:</i>							
Saving-Investment Balance (4-6)	0.7	1.2	1.6	-0.4	-1.2	-1.1	0.0
Public Sector Balance	-8.9	-6.7	-5.3	-4.7	-5.0	-4.5	-5.3
Private Sector Balance	8.8	8.5	9.2	6.1	5.9	4.5	6.8
a) Private Corporate Sector	-2.1	-1.9	-2.2	-4.0	-5.8	-6.8	-4.1
b) Household Sector	10.9	10.3	11.4	10.1	11.8	11.3	10.9
PE : Provisional Estimates. QE : Quick Estimates.							
# : Adjusted for errors and omissions.							
Note : Figures may not add up to the total due to rounding off.							
Source : Central Statistical Organisation.							

intermediates sectors declined, while modest gains were observed in respect of capital goods and consumer non-durables.

The CII business confidence index (CII-BCI) for April-September 2008 declined by 5.3 per cent as compared with the past six months and 2.9 per cent as compared with the corresponding period a year ago (Table 13). The decline was on account of uncertain global economic outlook and concerns about high interest rates. The composite business optimism index for July-September 2008 compiled

by Dun and Bradstreet (D&B) declined by 11.2 per cent as compared with the previous quarter and by 18.0 per cent as compared with the previous year. All the six optimism indices - volumes of sales, net profits, selling prices, new orders, inventory levels and employee levels declined as compared with the previous quarter. Optimism was particularly low among respondents in the consumer durables and basic goods sectors.

According to the Reserve Bank's Industrial Outlook Survey of manufacturing companies in the private sector for April-

Table 12: Corporate Financial Performance

(Growth rates in per cent)											
Item	2005-06	2006-07	2007-08P	2006-07				2007-08			
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	2	3	4	5	6	7	8	9	10	11	12
Sales	16.3	26.2	18.5	25.6	29.2	30.3	22.5	19.2	16.0	18.0	20.6
Other Income	17.3	7.1	47.0	21.6	15.5	9.2	0.4	106.7	45.2	70.2	28.5
Expenditure	16.7	23.4	18.6	24.0	27.7	25.7	20.0	18.0	15.3	18.9	23.3
Depreciation	8.1	15.4	14.8	14.9	16.4	16.8	18.1	18.1	15.8	17.9	15.4
Gross Profits	24.6	41.9	23.3	32.7	46.0	52.9	35.5	31.9	22.5	20.4	16.8
Interest Payments	-2.0	17.4	28.8	19.9	18.0	11.9	32.3	4.4	18.4	45.7	35.8
Profits After Tax	32.8	45.2	27.0	34.7	49.4	59.5	39.6	33.9	22.7	29.4	14.1
Select Ratios (Per cent)											
Gross Profits to Sales	12.2	15.5	16.3	15.2	15.6	15.8	15.4	16.7	16.3	16.2	15.0
Profits After Tax to Sales	8.2	10.7	11.8	10.6	11.0	11.0	10.6	11.6	11.5	12.2	10.3
Interest to Sales	2.2	2.1	2.3	2.2	2.0	2.0	2.0	2.0	2.1	2.5	2.2
Interest to Gross Profits	18.1	13.4	13.9	14.2	13.1	12.6	12.9	11.8	12.8	15.3	14.6
Interest Coverage (Times)	5.5	7.5	7.2	7.0	7.6	7.9	7.7	8.5	7.8	6.5	6.8
Memo: (Amount in Rupees crore)											
No of Companies	2,730	2,388	2,219	2,228	2,263	2,258	2,356	2,342	2,228	2,329	2,357
Sales	7,35,216	10,41,894	10,88,203	2,34,610	2,51,125	2,60,064	2,94,223	2,80,814	2,97,110	3,06,238	3,50,917
Other Income *	17,088	23,895	28,798	4,304	5,282	4,927	8,466	9,151	8,057	9,221	10,082
Expenditure #	6,43,826	8,78,645	9,12,834	2,00,120	2,11,043	2,17,472	2,49,133	2,37,698	2,49,194	2,57,472	3,02,105
Depreciation	28,961	37,095	38,528	8,449	8,892	9,172	10,338	10,173	10,576	10,961	11,805
Gross Profits	90,179	1,61,006	1,76,845	35,761	39,055	40,995	45,424	46,780	48,296	49,717	52,583
Interest Payments	16,302	21,500	24,551	5,083	5,121	5,162	5,862	5,504	6,194	7,609	7,703
Profits After Tax	60,236	1,11,107	1,27,968	24,845	27,710	28,698	31,251	32,699	34,266	37,470	36,109

P : Provisional; data pertain to 2,219 companies available so far.

* : Other income excludes extraordinary income/expenditure if reported explicitly.

: The increase or decrease in stock in trade is accounted under total income instead of total expenditure as was hitherto done.

Notes : 1. Data for 2005-06 are based on audited annual accounts, 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 percentage 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.

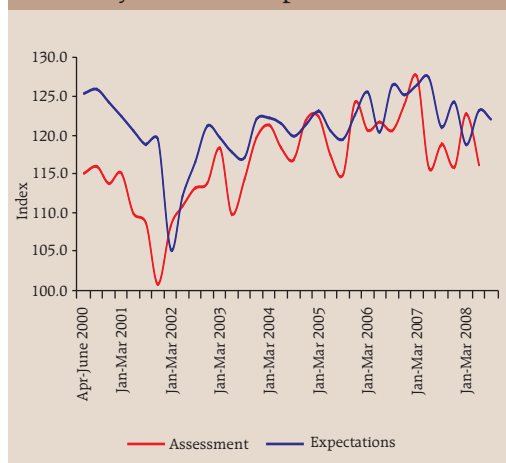
June 2008, the business expectations indices based on assessment for April-June 2008 and on expectations for July-September 2008 declined by 5.4 per cent and 0.9 per cent, respectively, over the

corresponding previous quarters. The indices, however, increased by 0.3 per cent and 0.8 per cent, respectively, over the corresponding quarters of the previous year (Chart 4).

Table 13: Business Expectations Surveys

(Per cent)				
Organisation	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
1	2	3	4	5
NCAER	April-September 2008	Business Confidence Index	-1.7	-3.4
CII	April-September 2008	Business Confidence Index	-2.9	-5.3
Reserve Bank of India	July-September 2008	Business Expectations Index	0.8	-0.9
Dun & Bradstreet	July-September 2008	Business Optimism Index	-18.0	-11.2

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



The decline in expectations index for July-September 2008 over the previous quarter was due to lower net responses for major parameters of the survey such as overall business situation, overall financial situation, production, order books, cost of raw materials, capacity utilisation, employment, imports and profit margins than in the previous quarter (Table 14). Most of the corporates expect increase in raw material prices and the increased production cost is expected to be adjusted by keeping inventory levels (both raw material and finished goods) at 'below average' and by increasing selling prices.

The recent projections for growth rate of industrial production in 2008-09 by the Centre for Monitoring Indian Economy (CMIE) present an optimistic view in the light of large capital investments scheduled for

commissioning during the year. The CMIE expects the industrial growth to accelerate from the estimated 8.5 per cent in 2007-08 to 11.4 per cent in 2008-09. Growth rates in the manufacturing, mining and electricity sectors are projected at 10.8 per cent, 8.0 per cent and 6.3 per cent, respectively. As per CMIE, the industrial rebound is expected to be well spread across all the sectors and would be fuelled by robust growth in capital goods in the wake of large capital goods imports and investments, healthy order-book position and a pick-up in the growth of consumer goods.

The ABN-AMRO Purchasing Managers' Index (PMI)¹ for June 2008 rose to its highest reading in four months at 58.6 (57.4 in May 2008), supported by increase in the rate of growth of both output and new orders, indicating strong growth in the manufacturing sector. Manufacturing firms attributed higher new order levels to improvement in market conditions and robust underlying demand. However, on the down side, input price inflation accelerated to its sharpest for nineteen months in June, on account of higher raw material costs.

Survey of Professional Forecasters²

The results of professional forecasters' survey conducted by the Reserve Bank in

¹ The PMI is a composite indicator designed to provide an overall view of activity in the manufacturing sector. A PMI of 50.0 indicates no change while values above or below this level indicate an expansion or a contraction of manufacturing activity.

² Introduced by the Reserve Bank from the quarter ended September 2007. The forecasts made in the section are that of professional forecasters and not that of the Reserve Bank.

**Table 14: Reserve Bank's Industrial Outlook Survey - Net Response on
'A Quarter Ahead' Expectations About the Industrial Performance**

(Per cent)							
Parameter	Response	Apr-June 2007	July-Sept 2007	Oct-Dec 2007	Jan-Mar 2008	April-June 2008	July-Sept 2008
1	2	3	4	5	6	7	8
1. Overall business situation	Better	51.7 (43.3)	49.5 (41.2)	50.2 (42.1)	47.7 (42.9)	46.0 (42.7)	41.8 (42.6)
2. Financial situation	Better	43.8 (49.8)	41.3 (49.8)	40.1 (51.3)	40.3 (50.3)	36.6 (51.6)	32.7 (53.0)
3. Working capital finance requirement	Increase	35.3 (59.2)	34.5 (59.2)	32.2 (62.6)	34.7 (60.3)	36.6 (56.5)	33.6 (57.3)
4. Availability of finance	Improve	35.2 (57.2)	32.1 (58.6)	33.8 (58.8)	31.1 (59.5)	32.3 (58.3)	30.2 (57.9)
5. Production	Increase	47.8 (41.6)	46.6 (41.1)	49.0 (40.9)	43.9 (42.3)	45.2 (41.0)	43.5 (36.6)
6. Order books	Increase	45.7 (45.4)	43.6 (46.1)	44.1 (46.0)	37.1 (48.6)	41.5 (44.3)	38.5 (43.5)
7. Pending orders, if applicable	Below normal	-2.2 (82.8)	-2.2 (82.6)	-3.5 (82.4)	0.4 (80.2)	-4.3 (81.3)	2.2 (80.9)
8. Cost of raw material	Decrease	-42.1 (52.0)	-46.0 (49.7)	-42.4 (51.0)	-44.1 (49.2)	-48.2 (46.0)	-54.7 (39.1)
9. Inventory of raw material	Below average	-7.3 (85.0)	-5.4 (85.0)	-6.3 (85.0)	-7.3 (84.8)	-7.0 (83.2)	-3.8 (81.8)
10. Inventory of finished goods	Below average	-4.4 (85.2)	-2.7 (87.1)	-3.5 (86.4)	-4.5 (86.1)	-5.8 (84.5)	-1.5 (84.5)
11. Capacity utilisation (Main product)	Increase	29.4 (60.4)	27.0 (61.4)	28.4 (61.5)	24.2 (62.3)	25.6 (59.9)	22.2 (58.8)
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	11.5 (77.1)	9.4 (76.5)	10.7 (77.2)	6.4 (78.3)	9.4 (77.0)	3.6 (74.9)
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	4.0 (82.2)	3.0 (82.2)	4.2 (83.0)	4.7 (83.8)	8.0 (81.2)	4.6 (81.3)
14. Employment in the company	Increase	18.3 (73.3)	17.4 (73.5)	16.7 (74.1)	14.6 (75.6)	20.8 (68.2)	15.8 (71.5)
15. Exports, if applicable	Increase	33.4 (56.8)	32.6 (55.6)	31.4 (55.9)	24.3 (58.3)	27.7 (53.3)	27.7 (54.9)
16. Imports, if any	Increase	21.6 (68.4)	23.7 (68.2)	20.8 (68.6)	20.1 (70.5)	25.3 (65.6)	21.3 (66.5)
17. Selling prices are expected to	Increase	15.5 (68.9)	19.0 (67.1)	13.0 (68.5)	14.9 (67.1)	19.1 (66.0)	21.0 (61.5)
18. If increase expected in selling prices	Increase at lower rate	12.1 (66.7)	10.4 (65.0)	3.7 (58.9)	13.3 (66.7)	9.0 (64.0)	3.0 (61.3)
19. Profit margin	Increase	9.9 (62.5)	7.5 (62.6)	9.6 (59.6)	5.4 (60.0)	7.2 (61.0)	3.8 (59.8)

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.

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**Table 15: Median Forecasts of Select Macroeconomic Indicators by
Professional Forecasters 2008-09**

Indicators	Actual 2007-08	2008-09								
		Annual		Q1		Q2		Q3		Q4
		E	L	E	L	E	L	E	L	L
1	2	3	4	5	6	7	8	9	10	11
1 Real GDP growth rate at factor cost (in per cent)	9.0	8.1	7.9	8.1	8.0	8.3	7.7	8.1	7.6	7.5
a. Agriculture & Allied Activities	4.5	3.0	3.0	3.0	3.1	3.0	3.4	2.9	3.1	3.8
b. Industry	8.1	8.1	7.5	8.4	7.1	8.5	7.0	8.6	7.4	7.3
c. Services	10.7	9.7	9.5	10.0	9.9	9.6	9.6	9.8	9.6	9.5
2 Gross Domestic Saving (per cent of GDP at current market prices)	34.8 *	35.0	35.0	-	-	-	-	-	-	-
3 Gross Domestic Capital Formation (per cent of GDP at current market prices)	35.9 *	36.0	36.3	36.2	36.6	36.0	36.0	36.0	35.8	36.1
4 Corporate profit after tax (growth rate in per cent)	27.0	24.7	16.0	21.3	20.3	22.6	17.4	23.1	16.0	19.5
5 91-day Treasury Bill Yield (per cent-end period)	7.2	6.8	8.2	-	-	-	-	-	-	-
6 10-year Government Securities Yield (per cent-end period)	7.9	7.8	8.8	-	-	-	-	-	-	-
7 Export (growth rate in per cent)	23.7	15.8	20.0	-	-	-	-	-	-	-
8 Import (Growth rate in per cent)	29.9	20.0	29.5	-	-	-	-	-	-	-
9 Trade Balance (US \$ billion)	-90.1	-115.5	-126.2	-28.4	-31.1	-27.5	-32.1	-28.1	-31.1	-29.0

E : Earlier Projection. L : Latest Projection. * : Pertains to 2006-07. - : Not Available.

Note : The latest round refers to the fourth round for the quarter ended June 2008, while earlier round refers to third round for the quarter ended March 2008.

Source : Survey of Professional Forecasters, First Quarter 2008-09.

June 2008 suggested moderation in economic activity for each of the three forthcoming quarters and for 2008-09 on the whole (Table 15). Between the third round of survey conducted in March 2008 and fourth round survey in June 2008

forecast of real GDP growth for 2008-09 was revised downward to 7.9 per cent from 8.1 per cent. The sectoral growth rate forecasts for industry and services sector were also revised downwards. On the other hand, growth rates in export and import were

Table 16: Projections of Real GDP for India by Various Agencies - 2008-09

(per cent)					
Agency	Overall Growth	Agriculture	Industry	Services	Month of Projection
1	2	3	4	5	6
ASSOCHAM #	7.9	2.6	7.6	9.7	Apr-08
Confederation of Indian Industries (CII)	8.0-8.5	-	-	-	Mar-08
Citigroup	7.7	3.0	7.5	9.2	Mar-08
	8.3	-	-	-	Feb-08
Merrill Lynch	7.9	2.5	7.4	9.6	June-08
	8.2	3.0	7.6	9.9	Mar-08
JP Morgan	7.0	-	-	-	Mar-08
	7.5	-	-	-	Dec-07
Centre for Monitoring Indian Economy (CMIE)	9.5	3.2	11.4	10.6	July-08
	9.1	-	-	-	Feb-08
NCAER @	8.5-8.8	2.5	8.9-9.4	10.2-10.5	May-08
Standard & Poor's, CRISIL	7.8	3.0	7.5	9.5	June-08
	8.1	3.0	8.3	10.3	Apr-08
	8.5	-	-	-	Feb-08
Asian Development Bank	8.0	-	-	-	Apr-08
	8.5	-	-	-	Sep-07
International Monetary Fund *	8.0	-	-	-	July-08
	7.9	-	-	-	Apr-08
	8.4	-	-	-	Oct-07
United Nations Organisation	8.2	-	-	-	Jan-08
Economic Advisory Council to Prime Minister	8.5	-	-	-	Jan-08
Reserve Bank of India	8.0-8.5	-	-	-	Apr-08

- : Not Available. * : Calendar year. # : The Associated Chambers of Commerce and Industry of India.
@ : National Council of Applied Economic Research.

revised upwards to 20 per cent and 30 per cent, respectively. The trade deficit is expected to increase in 2008-09.

Forecasts by various agencies for real GDP growth in 2008-09 are set out in Table 16.