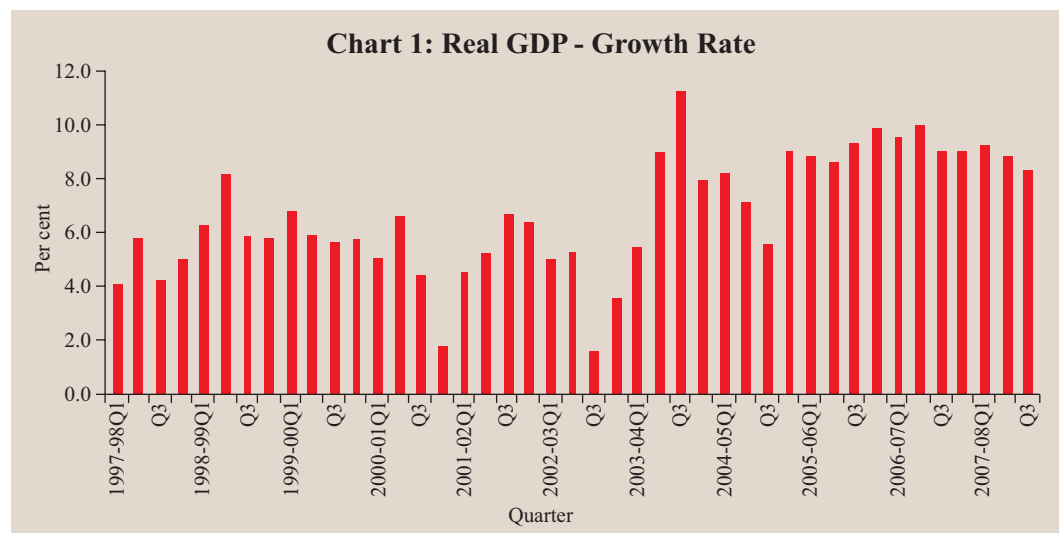


I. THE REAL ECONOMY

During 2007-08, the Indian economy continued to expand at a robust pace for the fifth consecutive year, although there was some moderation in the growth momentum during the course of the year (Table 1 and Chart 1). According to the advance estimates released by Central Statistical Organisation (CSO), the real GDP growth rate moderated to 8.7 per cent in 2007-08 from 9.6 per cent in 2006-07. The moderation in growth occurred in all the three sectors, *viz.*, agriculture and allied activities, industry and services. Notwithstanding the moderation, the growth performance was in tune with the high average real GDP growth of 8.7 per cent per annum during the five-year period, 2003-04 to 2007-08. India also continued to be one of the fastest growing economies of the world.

Table 1: Growth Rates of Real GDP

Sector	(Per cent)											
	2000-01 to 2007-08 (Average)	2005-06	2006-07*	2007-08#	2006-07			2007-08			2006-07	2007-08
					Q1	Q2	Q3	Q1	Q2	Q3	April-December	
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture and Allied Activities	2.6 (20.8)	5.9 (19.6)	3.8 (18.5)	2.6 (17.5)	3.3	3.6	3.4	3.8	3.7	3.2	3.4	3.5
2. Industry	7.2 (19.6)	8.0 (19.4)	10.6 (19.5)	8.6 (19.5)	10.0	10.7	10.3	10.6	8.3	8.4	10.3	9.1
2.1 Mining and Quarrying	4.8	4.9	5.7	3.4	4.2	4.1	6.1	3.2	7.7	4.9	4.8	5.2
2.2 Manufacturing	7.9	9.0	12.0	9.4	11.7	12.2	11.3	11.9	8.6	9.3	11.7	9.9
2.3 Electricity, Gas and Water Supply	5.0	4.7	6.0	7.8	4.3	6.6	7.6	8.3	7.3	5.3	6.2	6.9
3. Services	8.9 (59.6)	11.0 (61.1)	11.2 (61.9)	10.6 (63.0)	11.6	11.5	11.1	10.6	10.4	10.3	11.4	10.4
3.1 Trade, Hotels, Restaurants, Transport, Storage and Communication	10.3	11.5	11.8	12.1	10.8	12.5	12.0	11.9	11.4	11.3	11.8	11.6
3.2 Financing, Insurance, Real Estate and Business Services	8.8	11.4	13.9	11.7	13.6	13.9	14.7	11.1	10.7	11.6	14.1	11.1
3.3 Community, Social and Personal services	5.8	7.2	6.9	7.0	10.3	7.2	5.6	7.6	7.7	7.6	7.6	7.7
3.4 Construction	10.5	16.5	12.0	9.6	13.1	12.0	10.8	10.7	11.1	8.4	11.9	10.0
4. Real GDP at Factor Cost	7.2	9.4	9.6	8.7	9.6	10.1	9.1	9.3	8.9	8.4	9.6	8.9
<i>Memo:</i>	<i>(Amount in Rupees crore)</i>											
a) Real GDP at factor cost	26,12,847	28,64,310	31,14,452									
b) GDP at current market prices	35,80,344	41,45,810	46,93,602									
*: Quick Estimates	#: Advance Estimates											
Note: Figures in parentheses denote shares in real GDP and may not add up to 100 due to rounding off.												
Source : Central Statistical Organisation.												



Agricultural Situation

The cumulative rainfall during the 2007 South-West monsoon season (June 1 to September 30) was 5 per cent above normal of the long-period average (LPA) as against 1 per cent below normal a year ago. Barring short spells of rainfall deficiency during the first week of June, third and fourth weeks of July, and third week of August, the seasonal rainfall was well-distributed over time. At the end of the season water stock in the 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 during 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 corresponding period of the previous year. Of the 36 meteorological sub-divisions, cumulative rainfall was deficient/scanty/no rain in 27 sub-divisions (same as last year) (Table 2). As on April 10, 2008, the total live water storage was 31 per cent (33 per cent last year) of the FRL.

According to the India Meteorological Department (IMD) forecast released in April 2008, the rainfall during the South-West monsoon season (June-September) 2008 for the country as whole is likely to be 99 per cent of the LPA or near normal with a model error of +/- 5 per cent. This is well above the forecast of 95 per cent during the corresponding period of the previous 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 was about 2.8 per cent higher than the previous year. In contrast, area sown under *rabi* crops so far (as reported on April 4,

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

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.

2008) has been 2.9 per cent lower than a year ago on account of the deficiency in rainfall. The lower sowing under *rabi* was observed across all the major crops except rice and groundnut (Table 3).

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

(Million hectares)									
Crop	Normal Area	Area Coverage (As on October 26, 2008)			Crop	Normal Area	Area Coverage (As reported on April 4, 2008)		
		2006	2007	Variation			2007	2008	Variation
1	2	3	4	5	1	2	3	4	5
Kharif Crops					Rabi Crops				
Rice	38.2	37.1	37.3	0.2	Rice	3.7	4.1	4.3	0.2
Coarse Cereals	22.9	22.1	22.0	-0.1	Wheat	26.2	28.2	27.7	-0.5
<i>of which:</i>					Coarse Cereals	6.4	7.1	6.8	-0.2
Bajra	9.4	9.3	8.7	-0.6	<i>of which:</i>				
Jowar	4.4	3.8	3.6	-0.2	Jowar	5.0	4.9	4.7	-0.3
Maize	6.2	6.8	7.5	0.6	Maize	0.7	1.0	1.1	0.0
Total Pulses	10.9	11.4	12.6	1.2	Total Pulses	11.4	14.2	13.5	-0.7
Total Oilseeds	15.4	16.8	17.7	0.9	Total Oilseeds	8.8	10.2	9.6	-0.6
<i>of which:</i>					<i>of which:</i>				
Groundnut	5.5	4.8	5.4	0.6	Groundnut	0.8	1.1	1.3	0.2
Soyabean	6.6	8.1	8.8	0.6	Rapeseed/Mustard	5.9	6.6	6.0	-0.6
Sugarcane	4.2	4.8	5.1	0.3	Sunflower	1.2	1.3	1.1	-0.1
Cotton	8.3	9.0	9.3	0.4					
All Crops	100.8	102.1	104.9	2.8	All Crops	56.5	63.8	61.9	-1.8

Source : Ministry of Agriculture, Government of India.

According to the Third Advance Estimates for 2007-08, the total foodgrains production is slated to reach an all-time high at 227.3 million tonnes, surpassing the target set earlier (221.5 million tonnes) and recording an increase of 4.6 per cent over the previous year (217.3 million tonnes) (Table 4). The enhanced foodgrains production reflects the expected increase across all major crops. Amongst non-foodgrains, while the production of cotton and oilseeds are expected to increase over the previous year, that of sugarcane is likely to show a decline.

Food Management

Total procurement of rice and wheat during 2007-08 aggregated to 37.5 million tonnes, which was 4.5 per cent higher than that procured during the corresponding period of the previous year, mainly on account of increase in wheat procurement. Total offtake of rice and wheat during 2007-08 (up to December 31, 2007) at 27.3 million tonnes was almost of the same order as that

Table 4: Agricultural Production

Crop	2003-04	2004-05	2005-06	2006-07	2007-08	
					Target	Achievement @
					6	7
1	2	3	4	5	6	7
Rice	88.5	83.1	91.8	93.4	93.0	95.7
<i>Kharij</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	12.9
Wheat	72.2	68.6	69.4	75.8	75.5	76.8
Coarse Cereals	37.6	33.5	34.1	33.9	37.5	39.7
<i>Kharij</i>	32.2	26.4	26.7	25.6	28.7	30.9
<i>Rabi</i>	5.4	7.1	7.3	8.3	8.8	8.8
Pulses	14.9	13.1	13.4	14.2	15.5	15.2
<i>Kharij</i>	6.2	4.7	4.9	4.8	5.5	6.4
<i>Rabi</i>	8.7	8.4	8.5	9.4	10.0	8.8
Total Foodgrains	213.2	198.4	208.6	217.3	221.5	227.3
<i>Kharij</i>	117.0	103.3	109.9	110.6	114.2	120.0
<i>Rabi</i>	96.2	95.1	98.7	106.7	107.3	107.3
Total Oilseeds	25.2	24.4	28.0	24.3	30.0	28.2
<i>Kharij</i>	16.7	14.1	16.8	14.0	18.5	19.0
<i>Rabi</i>	8.5	10.2	11.2	10.3	11.5	9.2
Sugarcane	233.9	237.1	281.2	355.5	310.0	344.2
Cotton #	13.7	16.4	18.5	22.6	22.0	23.2
Jute and Mesta ##	11.2	10.3	10.8	11.3	11.0	11.5

@ : Third Advance Estimates as on April 22, 2008.

: Million bales of 180 kgs each.

: Million bales of 170 kgs each.

Source : Ministry of Agriculture, Government of India.

during the corresponding period of the previous year. As on February 1, 2008, total stocks of foodgrains with the Food Corporation of India (FCI) and other Government agencies were at 21.4 million tonnes - higher by 18.4 per cent than that a year ago (18.1 million tonnes). While the stock of rice (14.0 million tonnes) was 11.1 per cent higher than that of last year (12.6 million tonnes), the stock of wheat (7.2 million tonnes) was 33.0 per cent higher than that of the previous year (5.4 million tonnes) (Table 5).

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 - Domestic	Exports	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14
2004-05	13.1	6.9	20.6	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	26.6	14.8	41.4	31.4	9.8	1.1	0.0	42.3	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	17.9	
2006-07 #	13.7	2.0	16.6	26.7	9.2	35.9	23.6	3.8	0.0	0.0	27.3	18.1	
2007-08 #	13.2	4.7	17.9	26.4	11.1	37.5	24.7	2.6	0.0	0.0	27.3	21.4	
2006													
April	13.7	2.0	16.6	1.7	8.7	10.3	2.5	0.3	0.0	0.0	2.7	22.8	16.2
May	12.8	9.0	22.8	1.6	0.6	2.2	2.9	0.4	0.0	0.0	3.2	22.3	
June	12.0	9.3	22.3	1.5	0.0	1.5	2.6	0.6	0.0	0.0	3.0	20.5	
July	11.1	8.2	20.5	0.8	0.0	0.8	2.7	0.4	0.0	0.0	3.0	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	3.0	15.5	
September	7.8	6.7	15.5	0.2	0.0	0.2	2.6	0.5	0.0	0.0	3.0	12.6	
October	6.0	6.4	12.6	8.0	0.0	8.0	2.5	0.3	0.0	0.0	2.8	18.6	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	17.9	
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	18.0	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	3.6	0.0	3.6	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	-	-	-	-	-	21.4	20.0
February	14.0	7.2	21.4	3.0	0.0	3.0	-	-	-	-	-	-	
March	-	-	-	1.6	0.0	1.6	-	-	-	-	-	-	

PDS: Public Distribution System. OWS: Other Welfare Schemes. OMS : Open Market Sales. - : Not Available.
 # : Off-take up to December 31 and stock as at end-January.
Note : Closing stock figures may differ from those arrived at by adding the opening stocks and procurement and deducting off-take, as stocks include coarse grains also.
Source : Ministry of Consumer Affairs, Food and Public Distribution, Government of India.

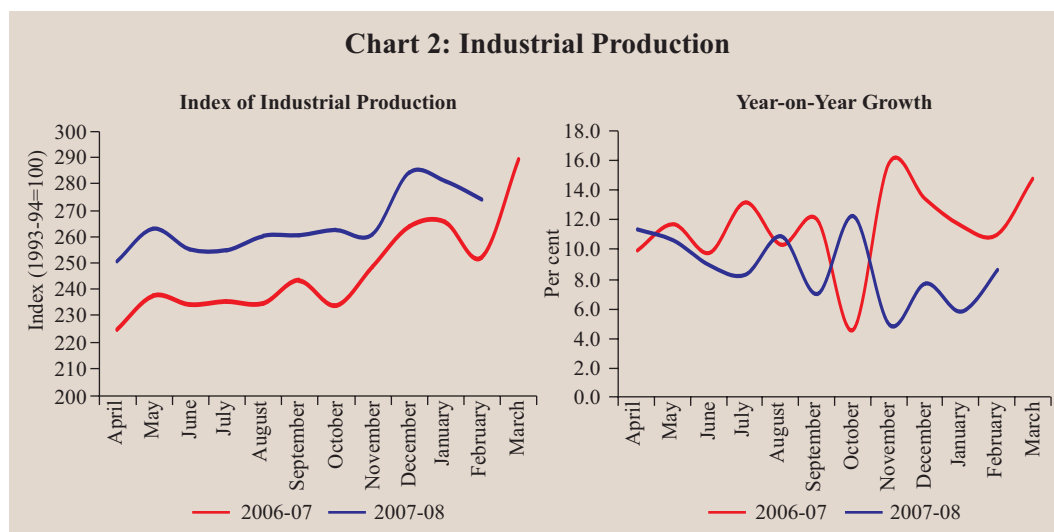
Table 6: Index of Industrial Production: Sectoral and Use-Based Classification of Industries

(Per cent)							
Industry Group	Weight in IIP	Growth			Weighted Contribution#		
		2006-07		2006-07	2006-07		2007-08 P
		April-March		April-February	April-March		April-February
1	2	3	4	5	6	7	8
Sectoral							
Mining	10.5	5.3	5.0	5.1	3.4	3.3	4.0
Manufacturing	79.4	12.5	12.2	9.1	91.1	91.1	89.5
Electricity	10.2	7.3	7.2	6.6	5.5	5.7	6.5
Use-Based							
Basic Goods	35.6	10.3	10.1	7.4	27.2	27.6	25.6
Capital Goods	9.3	18.2	18.3	17.5	17.6	17.6	23.2
Intermediate Goods	26.5	12.0	11.7	9.2	27.0	27.3	27.9
Consumer Goods (a+b)	28.7	10.1	9.5	6.3	28.5	27.8	23.3
a) Consumer Durables	5.4	9.2	9.7	-1.0	6.7	7.4	-1.0
b) Consumer Non-durables	23.3	10.4	9.5	8.9	21.8	20.4	24.3
General	100.0	11.5	11.2	8.7	100.0	100.0	100.0

P : Provisional. # : Figures may not add up to 100 due to rounding off.
Source: Central Statistical Organisation.

Industrial Performance

Industrial growth moderated during April-February 2007-08 primarily reflecting the performance of manufacturing sector (Table 6 and Chart 2). Growth in index of industrial production (IIP) decelerated to 8.7 per cent during April-February 2007-08 from 11.2 per cent during April-February 2006-07 with the



manufacturing sector growth moderating to 9.1 per cent from 12.2 per cent. While the growth in the electricity sector decelerated to 6.6 per cent during April-February 2007-08 from 7.2 per cent a year ago, that of the mining sector increased marginally to 5.1 per cent from 5.0 per cent over the same period.

The moderation in the manufacturing sector reflected decelerated/negative growth in eleven out of seventeen manufacturing industry groups accounting for 49.3 per cent weight in the IIP (Table 7).

'Machinery and equipment', 'basic metal and alloy industries', 'non-metallic mineral products', 'cotton textiles', 'textile products' and 'transport equipment and parts' were amongst the major groups which registered deceleration in

Table 7: Performance of Manufacturing Groups

Industry Group	Weight in IIP	(Per cent)					
		Growth Rate			Weighted Contribution #		
		2006-07	2006-07	2007-08 P	2006-07	2006-07	2007-08 P
		April-March	April-February	April-March	April-February	April-March	April-February
1	2	3	4	5	6	7	8
1. Wood and wood products, furniture and fixtures	2.7	29.1	21.6	45.8	2.4	1.9	5.6
2. Jute and other vegetable fibre textiles (except cotton)	0.6	-15.8	-13.5	30.8	-0.4	-0.4	0.9
3. Other manufacturing industries	2.6	7.7	10.4	18.7	2.4	3.2	7.5
4. Basic metal and alloy industries	7.5	22.8	22.8	12.9	16.6	17.0	14.0
5. Beverages, tobacco and related products	2.4	11.1	11.8	11.8	4.5	5.0	6.6
6. Leather and leather and fur products	1.1	0.6	1.4	11.8	0.0	0.1	1.1
7. Chemicals and chemical products except products of petroleum and coal	14.0	9.6	9.0	11.3	15.0	14.7	23.6
8. Machinery and equipment other than transport equipment	9.6	14.2	14.2	9.5	18.2	18.6	16.8
9. Rubber, plastic, petroleum and coal products	5.7	12.9	12.4	9.4	6.4	6.3	6.4
10. Food products	9.1	8.5	6.3	6.7	5.7	4.3	5.7
11. Non-metallic mineral products	4.4	12.8	13.1	6.3	6.6	6.9	4.4
12. Cotton textiles	5.5	14.8	14.3	4.5	4.8	4.8	2.1
13. Textile products (including wearing apparel)	2.5	11.5	11.2	4.0	3.2	3.2	1.5
14. Wool, silk and man-made fibre textiles	2.3	7.8	7.4	3.5	1.9	1.9	1.1
15. Transport equipment and parts	4.0	15.0	15.2	3.3	8.2	8.5	2.5
16. Paper and paper products and printing, publishing and allied activities	2.7	8.7	8.6	2.5	2.3	2.3	0.9
17. Metal products and parts (except machinery and equipment)	2.8	11.4	7.7	-3.1	2.3	1.6	-0.8
Manufacturing - Total	79.4	12.5	12.2	9.1	100.0	100.0	100.0

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

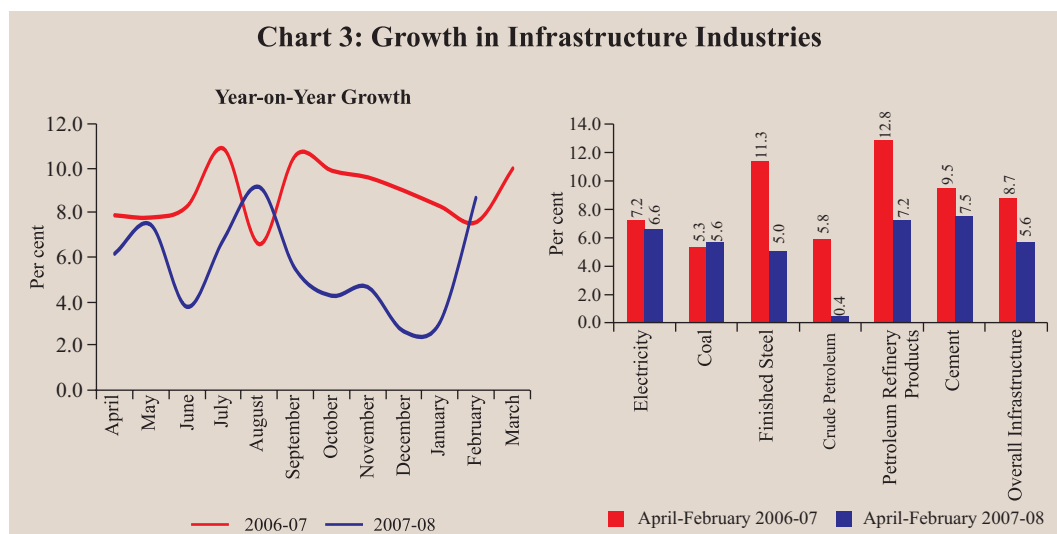
Source: Central Statistical Organisation.

growth largely due to base effect. 'Metal products and parts' recorded negative growth due to decline in the production of tin metal containers, welded link chains and razor blades. 'Chemicals and chemical products except products of petroleum and coal' with the highest weight in the IIP, however, registered a double-digit growth mainly due to strong growth in filament yarn, viscose staple fibre, hair oil and clinical drugs. 'Jute and other vegetable fibre textiles' registered a turnaround with a positive growth during the period.

In terms of use-based classification, the capital goods sector recorded double-digit growth during April-February 2007-08 (see Table 6). The continued capacity addition by manufacturing firms helped the robust growth of capital goods. The growth in the intermediate goods sector decelerated on account of slowdown in production of newsprint bleached, cotton yarn, polished granite/stone chips, and ball and roller bearings. The growth in consumer goods sector decelerated to 6.3 per cent during April-February 2007-08 from 9.5 per cent during April-February 2006-07 largely due to negative growth in the consumer durables segment, particularly in telephone instruments, motor cycles and wrist watches. The basic goods sector growth decelerated to 7.4 per cent during April-February 2007-08 from 10.1 per cent during April-February 2006-07 due to decline in production in respect of soda ash, fertilisers, carbon steel and steel castings.

Infrastructure

During April-February 2007-08, growth of the infrastructure sector decelerated to 5.6 per cent from 8.7 per cent during the corresponding period of the previous year, reflecting deceleration in all the sectors, except coal (Chart 3). The deceleration in the electricity sector was mainly on account of moderation



in thermal power generation and decline in nuclear power generation. High base as well as decline in refinery output in certain public sector refineries contributed to decelerated growth in petroleum refinery products. The slowdown in the cement sector was mainly on account of high base and capacity constraints. The sharp deceleration in crude oil production was attributable to the decline in production in Oil India Limited (OIL) and Oil and Natural Gas Corporation (ONGC) plants by 1.3 per cent and 0.2 per cent, respectively, during April-February 2007-08. In six out of eleven months of 2007-08, the crude oil sector recorded decline in production, which led to decelerated growth at 0.4 per cent for April-February 2007-08. The coal sector recorded a growth of 5.6 per cent during April-February 2007-08 as compared with 5.3 per cent during the corresponding period of last year. High base as also capacity constraints faced by major steel producers led to decelerated growth in the steel sector during the same period.

Services Sector

The services sector maintained its double-digit growth at 10.6 per cent during 2007-08 despite some moderation in pace. It continued to be the major contributor to GDP growth. During April-December 2007, the services sector recorded a growth of 10.4 per cent, somewhat lower than 11.4 per cent during April-December 2006 (see Table 1). The growth in services sector continued to be broad based. 'Trade, hotels, transport and communication', 'financing, insurance, real estate and business services' and 'construction' sub-sectors registered lower but double digit growth rates, while 'community, social and personnel services' recorded a higher but single digit growth during April-December 2007 than during April-December 2006. The sub-sector 'trade, hotel, transport and communication' contributed almost one third (34.5 per cent) to overall real GDP growth during April-December 2007 (Table 8).

Leading indicators of service sector activity for April-February 2007-08 show that the growth rates in tourist arrivals, 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 over the previous year (Table 9).

Aggregate Demand

The growth of the Indian economy during 2007-08 was driven by investment demand. The estimated share of gross fixed capital formation

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	2.2	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	0.9	6.6
2006-07 : Q1	0.9	2.8	1.9	1.4	7.0
: Q2	0.9	3.3	2.0	1.1	7.3
: Q3	0.7	3.1	1.9	0.7	6.5
: Q4	0.8	3.4	1.3	0.8	6.2
2007-08 : Q1	0.8	3.1	1.6	1.0	6.5
: Q2	0.8	3.1	1.6	1.1	6.7
: Q3	0.6	3.0	1.6	1.0	6.1

(GFCF) in real GDP increased to 32.6 per cent in 2007-08 from 30.6 per cent in 2006-07, while that of private final consumption expenditure (PFCE) declined to 67.1 per cent from 68.4 per cent over the same period (Table 10).

Table 9: Indicators of Service Sector Activity

Sub-sector	(Growth rates in per cent)			
	2005-06	2006-07	2006-07	2007-08
1	2	3	4	5
Tourist arrivals	12.4	13.6	13.0*	11.3*
Commercial vehicles production #	10.6	33.0	34.3	4.5
Railway revenue earning freight traffic	10.7	9.2	9.1	9.0
New cell phone connections	89.4	85.4	90.3	40.0
Cargo handled at major ports	10.4	9.5	9.4	12.2
Civil aviation				
a) Export cargo handled	7.3	3.6	3.4	8.0
b) Import cargo handled	15.8	19.4	19.5	20.9
c) Passengers handled at international terminals	12.8	12.1	12.0	12.0
d) Passengers handled at domestic terminals	27.1	34.0	35.3	21.6
Cement **	12.4	9.1	9.5	7.5
Steel **	10.8	11.7	11.3	5.0
Aggregate deposits of SCBs	18.1	23.8	23.8*	22.2*
Non-food credit of SCBs	31.8	28.5	28.5*	22.3*

* : April-March # : Leading Indicator for transportation.

** : Leading indicators for construction. 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 : Disposition of GDP at Market Prices (at 1999-2000 Prices)

Item	(Rates as per cent of GDP)									
	2006-07* 2007-08#		2006-07			2007-08			2006-07	2007-08
			Q1	Q2	Q3	Q1	Q2	Q3	April-December	
1	2	3	4	5	6	7	8	9	10	11
1. Total Final Consumption Expenditure	68.4	67.1	72.1	68.9	69.5	70.2	67.5	68.4	70.1	68.7
(i) Private Final Consumption Expenditure	58.6	57.6	60.6	60.3	60.6	59.7	58.6	59.8	60.5	59.4
(ii) Government Final Consumption Expenditure	9.8	9.5	11.5	8.6	8.9	10.5	8.9	8.6	9.6	9.3
2. Gross Fixed Capital Formation	30.6	32.6	30.8	31.2	29.7	32.7	33.7	31.6	30.5	32.6
3. Change in Stocks	2.1	2.0	2.1	2.2	2.0	2.1	2.1	1.9	2.1	2.0
4. Valuables	1.2	1.5	1.3	1.3	1.2	1.4	1.5	1.6	1.3	1.5
5. Exports	20.6	20.1	24.4	18.5	18.7	23.4	16.6	19.9	20.4	20
6. Less: Imports	24.7	24.2	25.5	26.9	24.1	24.8	25.3	24.6	25.4	24.9
7. Discrepancies	1.8	0.9	-5.3	4.8	3.2	-5.0	3.9	1.1	1.0	0.1
<i>Memo:</i>	(Rupees crore)									
Real GDP at market prices	31,17,372	33,89,614	7,04,997	7,21,913	8,23,935	7,70,843	7,85,296	8,93,767	22,50,845	24,49,906
* : Quick Estimates.	# : Advance Estimates.									
Source : Central Statistical Organisation.										

Saving and Investment

Gross Domestic Saving (GDS), as a 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 a decline in the financial saving rate. During the Tenth Five-Year Plan period, however, the household saving rate has remained stable, averaging 23.7 per cent (Table 11). The rate of Gross Domestic Capital Formation (GDCF) is estimated to be higher at 35.9 per cent of GDP in 2006-07 than 35.5 per cent in 2005-06. In terms of GDP, while the overall saving rate increased by 0.5 percentage points in 2006-07, the overall investment rate increased by 0.4 percentage points, reflecting a marginal narrowing down of current account deficit.

Corporate Performance

The performance of non-government non-financial companies moderated during 2007-08 (up to December 2007) relative to the previous year, but still remained healthy (Table 12). Sales growth, which slowed down in the first two quarters of the year, accelerated somewhat in the third quarter of 2007-08. On the whole, however, sales growth during the first nine months of 2007-08 at 17.4 per cent was lower than 29.1 per cent in the corresponding period of the previous year. While growth in gross profits and net profits also decelerated during April-December 2007 as compared with the corresponding

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	10 th 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)	76.9	75.1	73.1	69.4	68.0	66.4	70.4
a) Private Final Consumption Expenditure	64.5	63.3	61.8	58.7	57.6	56.1	59.5
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 totals due to rounding off.							
Source : Central Statistical Organisation.							

period of the previous year, gross profits to sales ratio improved marginally over the same period.

Business Expectation Surveys

According to the survey by the National Council of Applied Economic Research (NCAER) conducted in December 2007, the overall business confidence index (BCI) for the next six months improved over the previous round of the survey but declined on a year-on-year basis (Table 13). A component-wise analysis shows that all four components, *viz.*, overall economic conditions, financial position of the firms, investment climate and present capacity utilisation (being close to or above optimal level) recorded an increase over the previous round; the sharpest improvement was in the investment climate. The BCI in respect of all the main industry groups defined in terms of use-based classification also improved. Amongst the various industry sectors, the largest gain in business confidence was in the services sector, while the smallest gain was in the consumer non-durable sector.

Table 12: Corporate Financial Performance

(Growth rates in per cent)											
Item	2005-06	2006-07	2006-07		2006-07				2007-08		
			April-December		Q1	Q2	Q3	Q4	Q1	Q2	Q3
			3	4							
1	2	3	4	5	6	7	8	9	10	11	12
Sales	16.3	26.2	29.1	17.4	25.6	29.2	30.3	22.5	19.2	16.0	18.0
Other Income	17.3	7.1	20.9	75.5	21.6	15.5	9.2	0.4	106.7	45.2	70.2
Total expenditure	16.7	23.4	26.3	17.2	24.0	27.7	25.7	20.0	18.0	15.3	18.9
Depreciation	8.1	15.4	17.2	17.1	14.9	16.4	16.8	18.1	18.1	15.8	17.9
Gross profits	24.6	41.9	44.7	25.0	32.7	46.0	52.9	35.5	31.9	22.5	20.4
Interest payments	-2.0	17.4	18.5	23.9	19.9	18.0	11.9	32.3	4.4	18.4	45.7
Profits after tax	32.8	45.2	46.6	29.8	34.7	49.4	59.5	39.6	33.9	22.7	29.4
Select Ratios											(Per cent)
Gross Profits to Sales	12.2	15.5	15.9	16.8	15.2	15.6	15.8	15.4	16.7	16.3	16.2
Profits After Tax to Sales	8.2	10.7	11.1	12.2	10.6	11.0	11.0	10.6	11.6	11.5	12.2
Interest to Sales	2.2	2.1	2.1	2.2	2.2	2.0	2.0	2.0	2.0	2.1	2.5
Interest to Gross Profits	18.1	13.4	13.0	13.1	14.2	13.1	12.6	12.9	11.8	12.8	15.3
Interest Coverage (Times)	5.5	7.5	7.7	7.6	7.0	7.6	7.9	7.7	8.5	7.8	6.5
Memo:											(Amount in Rs. crore)
No of Companies	2,730	2,388	1,871	1,989	2,228	2,263	2,258	2,356	2,342	2,228	2,329
Sales	7,35,216	10,41,894	6,73,056	8,14,569	2,34,610	2,51,125	2,60,064	2,94,223	2,80,814	2,97,110	3,06,238
Other Income*	17,088	23,895	13,021	25,074	4,304	5,282	4,927	8,466	9,151	8,057	9,221
Total Expenditure #	6,43,826	8,78,645	5,64,464	6,83,468	2,00,120	2,11,043	2,17,472	2,49,133	2,37,698	2,49,194	2,57,472
Depreciation provision	28,961	37,095	24,392	29,604	8,449	8,892	9,172	10,338	10,173	10,576	10,961
Gross profits	90,179	1,61,006	1,06,898	1,36,643	35,761	39,055	40,995	45,424	46,780	48,296	49,717
Interest Payments	16,302	21,500	13,870	17,951	5,083	5,121	5,162	5,862	5,504	6,194	7,609
Profits after tax	60,236	1,11,107	75,036	99,272	24,845	27,710	28,698	31,251	32,699	34,266	37,470

*: 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 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.

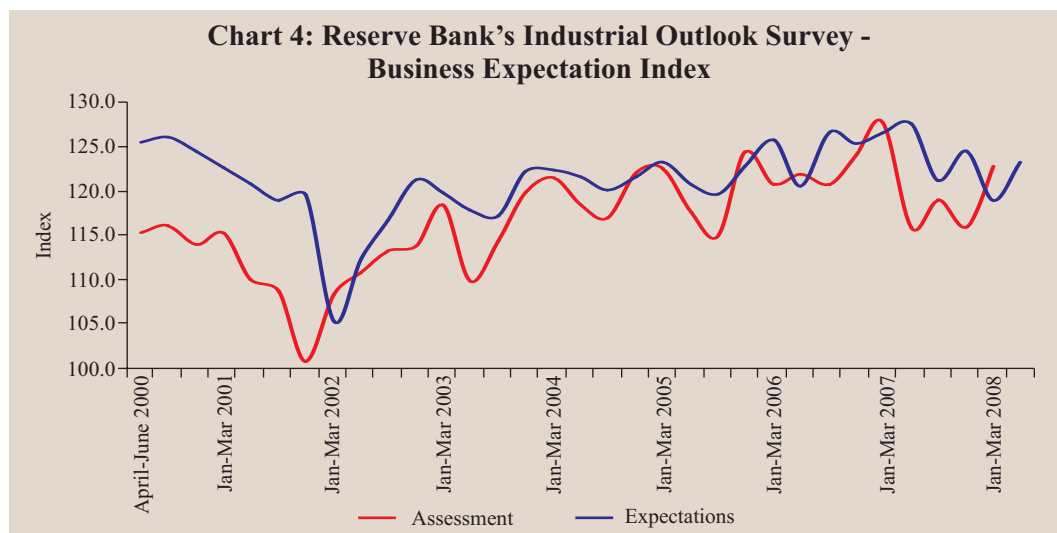
2. Growth rates are per cent changes in the level for the period under reference over the corresponding period of the previous year for common set of companies.

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.

According to the Reserve Bank's latest Industrial Outlook Survey of manufacturing companies in the private sector conducted in February 2008, the business expectations indices based on assessment for January-March 2008 and on expectations for April-June 2008 increased by 6.0 per cent and 3.9 per cent, respectively, over the previous quarters. The indices, however, declined by 3.8 per cent and 3.4 per cent, respectively, over the corresponding quarter of the previous year (Chart 4).

Table 13: Business Expectations Surveys

(Per cent)				
Agency	Business Expectations		Growth over a year ago	Growth over previous round
	Period	Index		
1	2	3	4	5
NCAER	January-June 2008	Business Confidence Index	-2.1	5.6
RBI	April-June 2008	Business Expectation Index	-3.4	3.9
Dun & Bradstreet	April-June 2008	Business Optimism Index	-23.6	-9.0



The improvement in expectations index for April-June 2008 over the previous quarter emanated from higher net responses for major parameters of the survey such as working capital requirement, availability of finance, production, order books, capacity utilisation, employment, exports, imports, selling prices and profit margins than in the previous quarter (Table 14). However, even with this improvement, the performance of the manufacturing sector in the first quarter of 2008-09 was expected to be considerably lower than that of the corresponding quarter of the previous year. A significantly higher proportion of respondents expected a decline in the overall business and financial situation and exports, and an increase in the prices of raw material than in the first quarter of 2007-08.

Purchasing Managers' Index

The ABN-AMRO Purchasing Manager's Index (PMI)¹ declined to 57.5 in March 2008 from 59.5 in the previous month. While the index posted the lowest reading in the past eight months, it nevertheless indicated a considerable improvement in operating conditions. At a disaggregated level, the seasonally adjusted output index remained markedly high as Indian manufacturers were reported to continue expanding production at their plants in line with strong sales growth and efficiency gains during the month. Despite a weakening in input price index in March 2008, input costs remained strong due to higher prices for a range of raw materials, including aluminum and oil.

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.

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

(Per cent)							
Parameter	Response	Jan-March 2007	Apr-June 2007	July-Sept 2007	Oct-Dec. 2007	Jan-Mar 2008	Apr-June 2008
1	2	3	4	5	6	7	8
1. Overall business situation	Better	53.7 (40.7)	51.7 (43.3)	49.5 (41.2)	50.2 (42.1)	47.7 (42.9)	46.0 (42.7)
2. Financial situation	Better	44.5 (49.9)	43.8 (49.8)	41.3 (49.8)	40.1 (51.3)	40.3 (50.3)	36.6 (51.6)
3. Working capital finance requirement	Increase	36.2 (59.2)	35.3 (59.2)	34.5 (59.2)	32.2 (62.6)	34.7 (60.3)	36.6 (56.5)
4. Availability of finance	Improve	36.2 (56.6)	35.2 (57.2)	32.1 (58.6)	33.8 (58.8)	31.1 (59.5)	32.3 (58.3)
5. Production	Increase	50.7 (40.1)	47.8 (41.6)	46.6 (41.1)	49.0 (40.9)	43.9 (42.3)	45.2 (41.0)
6. Order books	Increase	47.3 (43.1)	45.7 (45.4)	43.6 (46.1)	44.1 (46.0)	37.1 (48.6)	41.5 (44.3)
7. Pending orders, if applicable	Below normal	-2.7 (82.9)	-2.2 (82.8)	-2.2 (82.6)	-3.5 (82.4)	0.4 (80.2)	-4.3 (81.3)
8. Cost of raw material	Decrease	-41.7 (51.0)	-42.1 (52.0)	-46.0 (49.7)	-42.4 (51.0)	-44.1 (49.2)	-48.2 (46.0)
9. Inventory of raw material	Below average	-7.1 (83.8)	-7.3 (85.0)	-5.4 (85.0)	-6.3 (85.0)	-7.3 (84.8)	-7.0 (83.2)
10. Inventory of finished goods	Below average	-5.2 (84.5)	-4.4 (85.2)	-2.7 (87.1)	-3.5 (86.4)	-4.5 (86.1)	-5.8 (84.5)
11. Capacity utilisation (Main product)	Increase	33.3 (57.7)	29.4 (60.4)	27.0 (61.4)	28.4 (61.5)	24.2 (62.3)	25.6 (59.9)
12. Level of capacity utilisation (Compared to the average in the preceding four quarters)	Above normal	12.8 (76.4)	11.5 (77.1)	9.4 (76.5)	10.7 (77.2)	6.4 (78.3)	9.4 (77.0)
13. Assessment of the production capacity (With regard to expected demand in the next six months)	More than adequate	4.8 (81.8)	4.0 (82.2)	3.0 (82.2)	4.2 (83.0)	4.7 (83.8)	8.0 (81.2)
14. Employment in the company	Increase	18.1 (73.7)	18.3 (73.3)	17.4 (73.5)	16.7 (74.1)	14.6 (75.6)	20.8 (68.2)
15. Exports, if applicable	Increase	32.6 (57.3)	33.4 (56.8)	32.6 (55.6)	31.4 (55.9)	24.3 (58.3)	27.7 (53.3)
16. Imports, if any	Increase	20.8 (68.0)	21.6 (68.4)	23.7 (68.2)	20.8 (68.6)	20.1 (70.5)	25.3 (65.6)
17. Selling prices are expected to	Increase	14.2 (69.2)	15.5 (68.9)	19.0 (67.1)	13.0 (68.5)	14.9 (67.1)	19.1 (66.0)
18. If increase expected in selling prices	Increase at lower rate	10.5 (68.1)	12.1 (66.7)	10.4 (65.0)	3.7 (58.9)	13.3 (66.7)	9.0 (64.0)
19. Profit margin	Increase	11.6 (61.7)	9.9 (62.5)	7.5 (62.6)	9.6 (59.6)	5.4 (60.0)	7.2 (61.0)

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.

CMIE Projections

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 the large investments being made in the economy. The CMIE expects the industrial growth to accelerate from the estimated 8.5 per cent in 2007-08 to 10 per cent in 2008-09. Growth rates in manufacturing, mining and electricity sectors are projected at 10.8 per cent, 8.0 per cent and 6.3 per cent, respectively. On the whole, 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, investments and healthy order-book position as also a pick-up in growth of consumer goods.

Survey of Professional Forecasters

Several central banks conduct 'Survey of Professional Forecasters' on major macroeconomic indicators of short to medium term economic developments so as to gain from the professional expertise and experience of these forecasters. The Reserve Bank has also introduced such a survey from the quarter ended September 2007. The results of the fourth quarter (ended March 2008) survey are presented for select macroeconomic indicators in Table 15.

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

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

Indicators	2008-09			
	Annual	Q1	Q2	Q3
1	2	3	4	5
1. Real GDP growth rate at factor cost (in per cent)	8.1	8.1	8.3	8.1
a. Agriculture & Allied Activities	3.0	3.0	3.0	2.9
b. Industry	8.1	8.4	8.5	8.6
c. Services	9.7	10.0	9.6	9.8
2. Gross Domestic Saving (per cent of GDP at current market prices)	35.0	-	-	-
3. Gross Domestic Capital Formation (per cent of GDP at current market prices)	36.0	36.2	36.0	36.0
4. Corporate profit after tax (growth rate in per cent)	24.7	21.3	22.6	23.1
5. 91-day Treasury Bills Yield (per cent-end period)	6.8	-	-	-
6. 10-year Government Securities Yield (per cent-end period)	7.8	-	-	-
7. Export (growth rate in per cent)	15.8	-	-	-
8. Import (growth rate in per cent)	20.0	-	-	-
9. Trade Balance (US \$ billion)	-115.5	-28.4	-27.5	-28.1

- : Not Available.

Source : Survey of Professional Forecasters, Fourth Quarter 2007-08.

Table : 16 : Projections of Real GDP for India by various Agencies - 2007-08

(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	April 2008
Confederation of Indian Industry (CII)	8.0-8.5	-	-	-	March 2008
Citigroup	8.3	-	-	-	February 2008
	7.7	3.0	7.5	9.2	March 2008
Merrill Lynch	8.4	-	-	-	December 2007
	8.2	3.0	7.6	9.9	March 2008
JP Morgan	7.5	-	-	-	December 2007
	7.0	-	-	-	March 2008
Goldman Sachs	7.8	-	-	-	January 2008
CRISIL	8.5	3.0	8.3	10.3	February 2008
	8.1	-	-	-	April 2008
Centre for Monitoring the Indian Economy (CMIE)	9.1	3.3	10.4	10.3	February 2008
	9.5	2.6	11.4	10.6	April 2008
Asian Development Bank	8.5	-	-	-	September 2007
	8.0	-	-	-	April 2008
International Monetary Fund	8.4 *	-	-	-	October 2007
	7.9 *	-	-	-	April 2008
United Nations Organisation	8.2	-	-	-	January 2008
Economic Advisory Council to Prime Minister	8.5	-	-	-	January 2008

- : Not Available. * : Calendar year.