

Economic growth

1.5 GDP at current market prices is projected at Rs. 46,93,602 crore in 2007-08 by the Central Statistical Organisation (CSO) in its advance estimates (AE) of Gross Domestic Product. Thus, in the current fiscal year, the size of the Indian economy at market exchange rate will cross US\$ 1 trillion. At the nominal exchange rate (average of April-December 2007) GDP is projected to be US\$ 1.16 trillion in 2007-08. Per capita income at nominal exchange rate is estimated at US\$ 1,021. According to the World Bank system of classification of countries as low income, middle income and high income, India is still in the category of low income countries.

1.6 The (per capita) GDP at purchasing power parity is conceptually a better indicator of the relative size of the economy than the (per capita) GDP at market exchange rates. There are, however, practical difficulties in deriving GDP at PPP, and we now have two different estimates of the PPP conversion factor for 2005. India's GDP at PPP is estimated at US\$ 5.16 trillion or US\$ 3.19 trillion

depending on whether the old or new conversion factor is used. In the former case, India is the third largest economy in the world after the United States and China, while in the latter it is the fifth largest (behind Japan and Germany).

1.7 GDP at factor cost at constant 1999-2000 prices is projected by the CSO to grow at 8.7 per cent in 2007-08. This represents a deceleration from the unexpectedly high growth of 9.4 per cent and 9.6 per cent, respectively, in the previous two years. With the economy modernizing, globalizing and growing rapidly, some degree of cyclical fluctuation is to be expected. This was taken into account while setting the Eleventh Five Year Plan (2007-08 to 2011-12) growth target of 9 per cent (both in the approach paper and in the NDC approved plan). Given the over 9 per cent growth in the last two years of the Tenth Five Year Plan it was argued that the Eleventh Five Year Plan target could be set at 10 to 11 per cent as 9 per cent had already been achieved. Maintaining growth rate at 9 per cent will be a challenge and raising it to two digits will be an even greater one.