

THE MACRO-ECONOMIC ENVIRONMENT

IN INDIA

4 Challenges

GDP Growth

Inflation

Twin deficits:

- Fiscal
- Trade/financing vulnerability

Political climate

GDP Growth

- 2003-08 8.9%
- 2008-12 7.4%
- 2012-17 ?

Savings

- | | Household | Priv Corp | Public | Total |
|-----------|-----------|-----------|--------|-------|
| • 2004-05 | 23.6 | 6.6 | 2.3 | 32.4 |
| • 2005-06 | 23.5 | 7.5 | 2.4 | 33.5 |
| • 2006-07 | 23.2 | 7.9 | 3.6 | 34.6 |
| • 2007-08 | 22.5 | 9.4 | 5.0 | 36.9 |
| • 2008-09 | 23.8 | 7.9 | 0.5 | 32.2 |
| • 2009-10 | 23.5 | 8.1 | 2.1 | 33.7 |

Consumer Inflation (%)

- 2005-06 5.3
- 2006-07 6.7
- 2007-08 7.9
- 2008-09 8.0
- 2009-10 14.9
- 2010-11 8.8

- *2011-12(7)* *7.0*

Budget Deficits

	Revenue	Capital	Fiscal
• 2003-04	3.6	0.9	4.5
• 2004-05	2.4	1.5	3.9
• 2005-06	2.5	1.5	4.0
• 2006-07	1.9	1.4	3.3
• 2007-08	1.1	1.4	2.5
• 2008-09	4.5	1.5	6.0
• 2009-10	5.2	1.1	6.3
• 2010-11	3.4	1.7	5.1 (<i>Revised</i>)
• 2011-12	3.4	1.2	4.6 (<i>Budget</i>)

Govt Expenditure (% of GDP)

- Education to go up
- Health to go up
- Defence to go up
- Infrastructure to go up
- Social safety net to go up
- Over-all, increase govt 3-5% of GDP, from 14%
- Non-debt receipts of Centre 9%; with states' share, 12%
- ***Can revenue keep pace? Or will deficits go up?***

Trade

	Exports	Imports	Deficit	Curr A/c	Reserves
• 06-07	126	186	-60	-9.5	199
• 07-08	163	252	-89	-15.7	310
• 08-09	185	304	-119	-27.9	252
• 09-10	179	288	-109	-38.3	279
• 10-11	245	350	-105	-44.3	305
• <i>11-12(8)</i>	<i>192</i>	<i>310</i>	<i>-119</i>		<i>306</i>

Rupee's external value

	Dollar	Euro
• 2001-02	47.7	68.3
• 2002-03	48.4	74.8
• 2003-04	46.0	77.7
• 2004-05	44.9	82.9
• 2005-06	44.3	79.0
• 2006-07	42.3	85.6
• 2007-08	40.3	80.8
• 2008-09	46.0	78.3
• 2009-10	47.4	75.9
• 2010-11	45.2	70.5
• 2011-12*	52.8	69.7

3 Core Beliefs

- Rapid economic growth is here to stay
(Courtesy Goldman Sachs & Brics)
- Reform and growth have not helped the poor
(Need inclusion, meaning income transfers)
- Reforms don't get votes
(Freebies do!)