

**PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA**

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**OUTLOOK FOR THE INDIAN ECONOMY; INFLATION TO BE IN BETWEEN 6 AND 7 PER CENT AND GROWTH RATE TO BE ABOVE 7 PER CENT BY MARCH END 2012**

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The Central Statistical Office released the quick estimates of national income, consumption expenditure, saving and capital formation for 2010-11 today. Savings and investment data for 2010-11 are new and all other data are revisions to earlier releases. GDP at factor cost at constant (2004-05) prices (real GDP) grew by 8.4 per cent in 2010-11. This growth was at the same level of 8.4 per cent in 2009-10. (As per earlier data real GDP growth was 8.5 per cent and 8.0 per cent in 2010-11 and 2009-10). Demand side GDP at constant market prices grew by 9.6 per cent in 2010-11 over a level of growth of 8.2 per cent in 2009-10.

Agriculture and Allied sector registered a growth of 7.0 per cent in 2010-11 as against 1.0 per cent in 2009-10. The rate of growth of industry and services sector was 7.2 per cent and 9.3 per cent respectively for 2010-11. The growth rate for these sectors was 8.4 per cent and 10.5 per cent respectively in the year 2009-10.

- Savings rate is placed at 32.3 per cent in 2010-11 and 33.8 per cent in 2009-10 (33.7 per cent earlier reported). The decrease mainly owes to decrease in financial savings of household sector.
- Gross Domestic Capital formation (rate of investment) is placed at 35.1 per cent in 2010-11 as against a level of 36.6 per cent in 2009-10.

**Outlook**

The Ministry of Finance will have a reasonably fair idea about the way the economy is going to perform in the current year, when the CSO is going to release the Advance Estimates for 2011-12. The growth achieved during the first half of the current year was 7.3 per cent and in the Mid-Year Analysis, we had stated that the economy is going to grow at 7.5 +/- 0.25 per cent in the full year.

Regarding the outlook for 2012-13, the Ministry expects the economy to grow faster than the current year but not substantially so. There are reasons to believe that we are on a path of cyclical upswing. Some of these are detailed below.

There was a sharp improvement in industrial performance in November, 2011 and overall growth bounced back to 5.9% compared to a contraction of 4.7% growth in October, 2011. The reversal of the growth from negative to positive was largely on account of the rebound in the growth of manufacturing sector which increased to 6.6% in November, 2011 compared to a contraction of 5.7 in October, 2011.

While overall, growth may continue to remain lower than the growth achieved in the previous year, there are certain positive signs which indicate a continuing momentum in the industrial sector particularly the manufacturing sector.

The sectoral deployment of bank credit indicates that credit growth to manufacturing at 21.8% year on year in November, 2011 is higher than the rate of growth of credit in November, 2010. In the

financial year (April-November), so far the credit growth to manufacturing sector has been 9.1% compared to a credit growth of 5.9% in 2010, 4.8% in 2009. Credit growth has been fairly robust in sectors like mining & quarrying, paper and paper products, petroleum products, glass and glassware, basic metals, transport equipments & parts and Gems and jewellery.

HSBC seasonally adjusted Purchasing Managers' Index also had an upward movement in manufacturing sector during December 2011 and indicated the strongest business conditions in December, 2011 since June 2011. HSBC PMI also indicates higher demand from domestic and foreign clients in December, 2011 and suggests that the momentum, in manufacturing sector is not quite weak as suggested by other indicators.

UBS Lead Economic Index (LEI), a proxy lead indicator of Industrial Production (IP) bounced in December 2011 after moving downhill for well over a year, driven by rise in real M<sub>1</sub>.

Eight core industries, the earliest indicator of industrial performance, have recorded a growth of 3.8% in December, 2011 with a growth during the current financial year so far at 4.4%. There has been a rebound in the coal production. Production of coal in December, 2011 at 52.8 million tons is close to 80% higher compared to production of 29.7 million tons in September, 2011. There has also been upsurge in cement production with a growth 16.6% in November 2011 and 13.3% in December, 2011. Electricity sector has also continued to do very well in the current year with a growth of 9.2% in April-December 2011 compared to a growth of 4.7% in April-December, 2010.

Another factor that could lead to resurgence is the outlook for inflation. With the recent moderation in the WPI and expected decline in the months to come with attendant implications for monetary policy, the investment could pick up momentum.

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