

Economic Survey reading and indication for the budget

The Economic Survey 2011 indicates that the Indian Economy is poised for strong growth. Robust growth and steady fiscal consolidation have been the hallmark of the Indian economy in the year 2010-11 so far. However, food inflation, higher commodity prices and volatility in global commodity markets have been a cause of concern as indicated by the Economic Survey. The Economic Survey also focuses on keeping the fiscal deficit in check. The Government continues to fight against inflation by raising policy rates at the same time keen to maintain healthy GDP rate.

Key Highlights

- The Indian economy is expected to grow 8.6 per cent in the current fiscal. Indian economy is forecasted to grow 8.75-9.25% in FY12.
- The services sector continues to play a dominant role with a share of 53.7% in GDP of FY 2010. For FY2012, services sector is expected to have grown at a rate of 9.6%
- India FY11 fiscal gap seen 4.8% on higher GDP base. The Government wants to reduce the fiscal deficit to 4.1% of GDP by 2012-13.
- India FY11 revenue gap seen 3.8% of GDP
- During the first half of 2010-2011, total external debt increased by US\$ 33.5 billion (12.8 per cent) to US\$ 295.8 billion.
- Exports grew 29.5% during Apr-Dec 10 to reach US\$164.7 bn. As per the current indication India will surpass its target export of US\$200 bn
- Trade gap stood at US\$82.01 bn in Apr-Dec 2010 compared to US\$80.1 from the corresponding period of previous year.
- India's foreign exchange reserves touched USD 297.3 billion in December, 2010 from USD 279.1 billion in March.
- Direct Taxes Code proposed to be launched Apr 2012.
- Economic Survey said banking licenses should be given to promote the goal of financial inclusion. Two types of licenses namely one for providing basic banking to fulfill the obligation of financial inclusion and the other for full banking encompassing all activities of a commercial bank could be considered.
- Inflation, as measured by WPI, remained at elevated levels from December 2009 although it has been on a downward trajectory since April 2010. It stood at 8.23% in January 2011.



- The RBI has raised the policy rates 6 times during the current fiscal year wherein repo rates was increased cumulatively by 175 bps to 6.5% and reverse repo increased by 225 bps to 5.5%.
- Food grain production is estimated to rise to 232.07 million tonnes in 2010-11 crop year from 218.11 million tonnes last year. The country is all set to harvest a record wheat, pulses and cotton crop this year.
- The slowdown in the IIP index is partly due to base effect of very fast growth last year, however, the growth momentum remains strong and broad based.