I. Growth, Saving and Investment

Growth Rates

According to the advance estimates released by the Central Statistical Organisation (CSO), real GDP growth is likely to have recovered to 5.4 per cent in 2001-02 from 4.0 per cent (quick estimates) in 2000-01. This reflects a sharp increase in the real GDP originating from 'agriculture and allied activities' by 5.7 per cent from (-) 0.2 per cent and 1.3 per cent recorded in 2000-01 and 1999-2000, respectively. The turnaround in agriculture was mainly on account of production of foodgrains, oilseeds and cotton. The industrial sector, in terms of gross value added, is estimated to have grown at a lower rate of 3.3 per cent in 2001-02 as against 6.2 per cent in 2000-01 and 4.2 per cent in 1999-2000. The industrial slowdown permeated all constituent sub-sectors, particularly the manufacturing sector which decelerated to 3.3 per cent in 2001-02 from 6.7 per cent in 2000-01. The growth in 'mining and quarrying' is expected to have slowed down considerably, while 'electricity, gas and water supply' would have shown a moderate deceleration during 2001-02 (Table 1).

Table 1: Growth Rates and Sectoral Composition of GDP (at 1993-94 prices)

(Per cent)

Sector	Growth Rate			Share in GDP		
	1999-2000@	2000-01*	2001-02#	1999-2000@	2000-01*	2001-02#
1	2	3	4	5	6	7
1. Agriculture & Allied Activities	**1.3**	**-0.2**	**5.7**	**25.2**	**24.2**	**24.3**
1.1 Agriculture	1.0	-0.4	—	23.2	22.2	—
2. Industry	**4.2**	**6.2**	**3.3**	**21.6**	**22.1**	**21.6**
2.1 Manufacturing	4.2	6.7	3.3	16.8	17.2	16.8
2.2 Mining and Quarrying	2.0	3.3	1.4	2.3	2.3	2.2
2.3 Electricity, Gas & Water Supply	6.1	6.2	5.2	2.5	2.5	2.5
3. Services	**9.4**	**5.0**	**6.2**	**53.2**	**53.7**	**54.1**
3.1 Trade, Hotels, Restaurants, Transport and Communication	7.6	5.3	6.3	22.1	22.3	22.5
3.2 Financing, Insurance, Real Estate & Business Services	10.6	2.9	7.5	12.7	12.6	12.8
3.3 Community, Social and Personal Services	11.6	6.0	6.0	13.3	13.5	13.6
3.4 Construction	8.1	6.8	2.9	5.1	5.3	5.1
4. GDP at factor cost	**6.1**	**4.0**	**5.4**	**100.0**	**100.0**	**100.0**

@ Provisional estimates. * Quick estimates. # Advance estimates. — Not Available.
Source : Central Statistical Organisation.

Services, on the other hand, are expected to have recorded a higher growth at 6.2 per cent in 2001-02 as against 5.0 per cent in 2000-01, though the pace remains slow in relation to a growth of 9.4 per cent attained in 1999-2000. The relative contribution of services to the real GDP growth has increased over the

Chart 1: Sectoral Contribution to GDP Growth

1990s and it would have contributed 3.3 percentage points to the estimated real GDP growth of 5.4 per cent during 2001-02 (Chart 1).

The real GDP growth recorded an improvement in the first three quarters of 2001-02 (Chart 2). The real GDP growth in 'agriculture and allied activities' registered a growth of 7.1 per cent in the third quarter of 2001-02 as compared to (-)0.8 per cent in the corresponding quarter of 2000-01. The services sector also recorded some improvement in growth during the first three quarters of 2001-02. The industrial sector, on the other hand, witnessed a deceleration in growth during this period as compared with the corresponding period of the preceding year (Table 2).

Chart 2: Quarterly Growth Rate of Real GDP

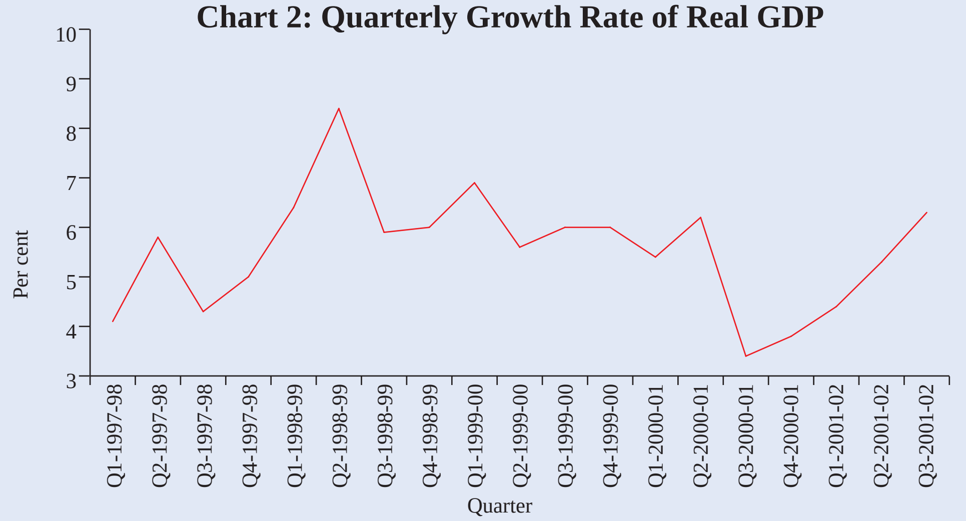


Table 2: Quarterly Estimates of Gross Domestic Product (at 1993-94 prices)

Sector	GDP at Factor Cost (Rupees crore)						Percentage change over previous year					
	2000-01			2001-02			2000-01			2001-02		
	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9	10	11	12	13
1. Agriculture & Allied Activities	**70,779**	**51,821**	**93,454**	**72,428**	**53,562**	**1,00,044**	**1.8**	**3.9**	**-0.8**	**2.3**	**3.4**	**7.1**
2. Industry	**63,759**	**64,081**	**66,359**	**65,157**	**65,649**	**68,311**	**7.6**	**6.4**	**7.0**	**2.2**	**2.4**	**2.9**
2.1 Mining & quarrying	6,572	6,582	7,099	6,569	6,621	7,298	4.8	3.6	4.3	0.0	0.6	2.8
2,2 Manufacturing	49,706	49,989	51,542	50,857	51,154	52,985	8.1	7.1	7.1	2.3	2.3	2.8
2.3 Electricity, Gas and Water Supply	7,481	7,510	7,718	7,731	7,874	8,028	7.1	4.5	9.3	3.3	4.8	4.0
3. Services	**1,49,754**	**1,52,052**	**1,60,733**	**1,59,183**	**1,62,850**	**1,72,404**	**6.3**	**6.9**	**4.4**	**6.3**	**7.1**	**7.3**
3.1 Construction	15,837	15,216	15,681	16,238	15,833	16,520	12.4	10.0	7.2	2.5	4.1	5.3
3.2 Trade, Hotels, Transport and Communication	63,535	62,142	69,971	66,868	66,006	74,769	8.1	6.3	4.8	5.2	6.2	6.9
3.3 Financing, Insurance, Real Estate and Business Services	35,977	36,467	37,639	39,526	40,468	41,402	3.7	3.9	2.1	9.9	11.0	10.0
3.4 Community, Social and Personal Services	34,405	38,227	37,442	36,551	40,543	39,713	3.2	9.8	5.0	6.2	6.1	6.1
4. GDP at factor cost	**2,84,292**	**2,67,954**	**3,20,545**	**2,96,768**	**2,82,061**	**3,40,759**	**5.4**	**6.2**	**3.4**	**4.4**	**5.3**	**6.3**

Note : Q1-Quarter 1 (April-June), Q2-Quarter 2 (July-September) and Q3-Quarter 3 (October-December).
Source : Central Statistical Organisation.

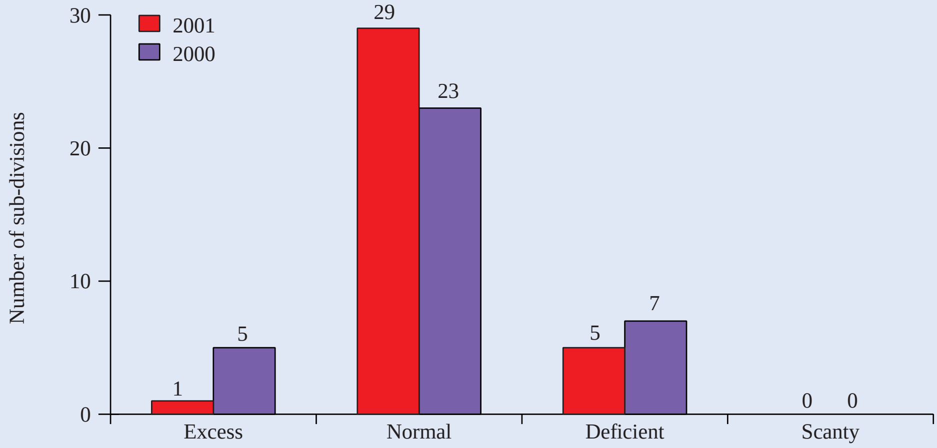
Agricultural Situation

The real GDP growth from 'agriculture and allied activities' improved from 2.3 per cent in the first quarter to 3.4 per cent and 7.1 per cent in the second and third quarters of 2001-02, respectively (Table 2). The turnaround in agricultural sector spread across all crops barring a moderate decline in sugarcane. In terms of the index of agricultural production (base: triennium ending 1981-82 = 100), agriculture witnessed an impressive growth of 7.4 per cent during the year 2001-02 as against the decline of 6.6 per cent during the previous year.

During the South-West monsoon season of 2001, 30 meteorological sub-divisions received excess/normal rainfall as compared with 28 sub-divisions in the previous season indicating better spatio-temporal distribution of rainfall (Chart 3). The North-East monsoon also turned out to be better during 2001-02. Cumulative rainfall during the North-East monsoon (October-December), which was excess/normal in 23 out of 35 sub-divisions as compared with four sub-divisions in 2000, boosted the production of crops such as coarse cereals and pulses.

According to the third advance estimates of the Union Ministry of Agriculture, the foodgrains production is expected to peak at 211.2 million tonnes in 2001-02 from 195.9 million tonnes in the preceding year. The record foodgrains production was led by rice, wheat, pulses and coarse cereals. Non-foodgrains production also recorded improvement over the previous year on account of increased production of oilseeds, cotton and jute and mesta, even though production of sugarcane declined marginally.

Chart 3: South-West Monsoon Cumulative Rainfall



The *kharif* foodgrains production attained a new peak at 109.5 million tonnes in 2001-02 surpassing the previous record of 105.5 million tonnes in 1999-2000. Production of *kharif* rice and pulses increased by 6.8 per cent to 78.3 million tonnes and 23.0 per cent to 5.5 million tonnes, respectively. The output of *kharif* coarse cereals increased marginally by 0.6 percent over the previous year's level to 25.7 million tonnes.

The estimated production of *rabi* foodgrains at 101.7 million tonnes in 2001-02 is higher than the previous year's level mainly due to increase in wheat output. *Rabi* production of the rain-dependent coarse cereals, pulses and major *rabi* oilseeds are also expected to have increased during 2001-02 (Table 3).

Table 3 : Season-Wise Agricultural Production

(Million Tonnes)

Crops	1997-98		1998-99		1999-2000		2000-01		2001-02 AE	
	Kharif	*Rabi*	*Kharif*	*Rabi*	*Kharif*	*Rabi*	*Kharif*	*Rabi*	*Kharif*	*Rabi*
1	2	3	4	5	6	7	8	9	10	11
Rice	72.5	10.0	72.7	13.4	77.5	12.2	73.3	11.5	78.3	4.4
Wheat	—	66.4	—	71.3	—	76.4	—	68.8	—	73.5
Coarse Cereals	24.8	5.6	25.1	6.3	23.2	7.1	25.6	6.1	25.7	7.4
Pulses	4.3	8.7	5.1	9.8	4.8	8.6	4.5	6.2	5.5	8.3
Total Foodgrains	101.6	90.7	102.9	100.7	105.5	104.3	103.4	92.6	109.5	101.7
Nine Oilseeds	14.1	7.2	15.8	9.0	12.5	8.2	11.8	6.6	13.0	8.1

AE : Advance Estimates as on April 5, 2002.
Source : Ministry of Agriculture, Government of India.

The total production of rice is estimated to have peaked at 90.8 million tonnes during 2001-02 consequent upon the anticipated improvement in performance in both *kharif* and *rabi* seasons, although it is short of the target of

92.0 million tonnes. The production of wheat is estimated to have increased by 6.9 per cent to 73.5 million tonnes in 2001-02 as against the target of 78.0 million tonnes. During 2001-02, output of pulses would have recorded a significant growth of 29.2 per cent to reach 13.8 million tonnes, while coarse cereals at 33.1 million tonnes would have shown a rise of 4.7 per cent. Non-foodgrains output is also expected to have increased in 2001-02 mainly on account of major oilseeds, cotton, and jute and mesta; the production of sugarcane at 289.4 million tonnes in 2001-02 may, however, witness a decline of 3.3 per cent over the previous year's level (Table 4).

Table 4 : Crop-Wise Achievements/Targets

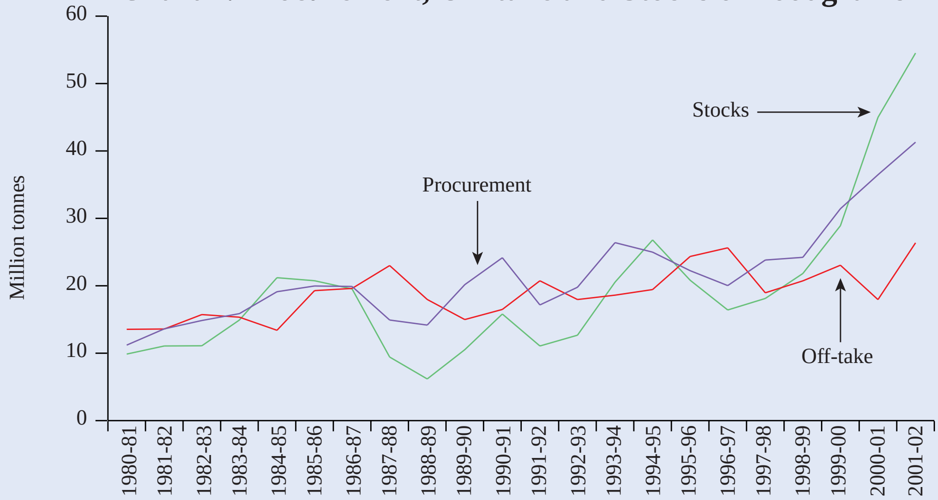
(Million Tonnes)

Crops	1997-98		1998-99		1999-2000		2000-01		2001-02 AE	
	T	A	T	A	T	A	T	A	T	A
1	2	3	4	5	6	7	8	9	10	11
Rice	83.0	82.5	84.2	86.1	86.0	89.7	90.0	84.9	92.0	90.8
Wheat	68.5	66.4	70.0	71.3	74.0	76.4	74.0	68.8	78.0	73.5
Coarse Cereals	33.5	30.4	34.3	31.3	34.5	30.3	33.0	31.6	33.0	33.1
Pulses	15.0	13.0	15.5	14.9	15.5	13.4	15.0	10.7	15.0	13.8
Total Foodgrains	200.0	192.3	204.0	203.6	210.0	209.8	212.0	195.9	218.0	211.2
Nine Oilseeds	25.5	21.3	27.0	24.8	28.0	20.7	28.0	18.4	28.0	21.2
Sugarcane	280.0	279.5	300.0	288.7	305.0	299.3	325.0	299.2	325.0	289.4
Cotton*	14.8	10.9	14.8	12.3	15.0	11.5	14.5	9.7	14.5	11.3
Jute & Mesta**	9.8	11.0	9.8	9.8	11.0	10.6	10.0	10.5	11.0	10.7

T : Target. A : Achievement. AE : Advance Estimates as on April 5, 2002.
* in million bales of 170 k.g. each. ** in million bales of 180 k.g. each.
Source: Ministry of Agriculture, Government of India.

In recent years, the procurement of foodgrains (rice and wheat) has been consistently rising; however, the off-take has been uneven leading to substantial accretion to foodgrain stocks (Chart 4). Foodgrain procurement during 2001-02 increased by 13.9 per cent to 41.3 million tonnes. During 2001-02 (up to February), the off-take of foodgrains rose by 71.9 per cent to 26.4 million tonnes and reversed the declining trend, mainly on account of increased off-take under Open Market Sales (OMS) and Other Welfare Schemes (OWS). Notwithstanding the increased off-take, stocks of both rice and wheat recorded an increase of 16.6 per cent to reach 54.5 million tonnes (Table 5). This works out to around three-and-a-half times the end-March norm of 15.8 million tonnes.

Chart 4: Procurement, Off-take and Stocks of Foodgrains



The continuous accretion to food stocks has entailed substantial increases both in food subsidy and food credit. The food subsidy rose from Rs.6,066 crore in 1996-97 to Rs.12,010 crore in 2000-01, while the outstanding food credit extended by commercial banks increased from Rs.7,597 crore as at end-March 1997 to Rs.39,991 crore as at end-March 2001 and further to Rs.53,978 crore as at end-March, 2002 (Chart 5).

Table 5: Procurement, Off-take and Stocks of Foodgrains

(Million tonnes)

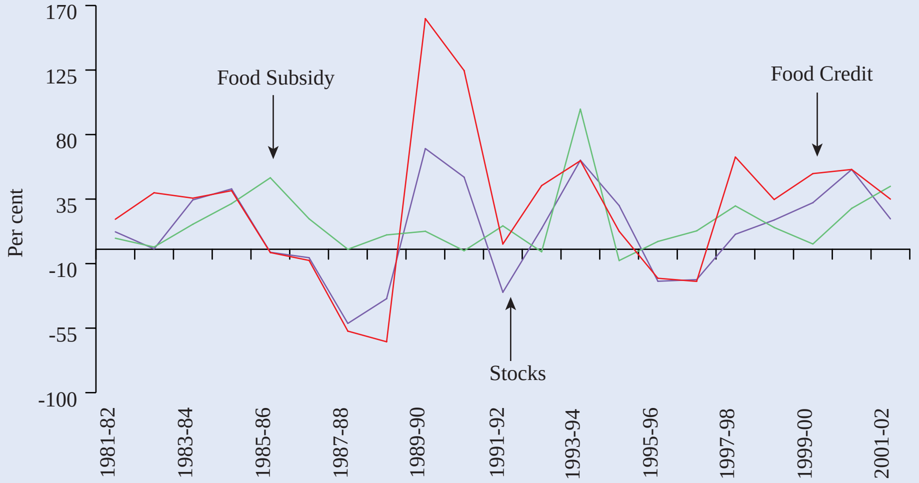
Year	Procurement			Off-take			Stocks*		
	Rice	Wheat	Total@	Rice	Wheat	Total@	Rice	Wheat	Total@
1	2	3	4	5	6	7	8	9	10
1995-96	9.9	12.3	22.2	11.6	12.7	24.4	13.1	7.8	20.8
1996-97	11.9	8.2	20.0	12.3	13.3	25.7	13.2	3.2	16.4
1997-98	14.5	9.3	23.8	11.2	7.8	19.1	13.1	5.1	18.1
1998-99	11.6	12.7	24.2	11.8	8.9	20.7	12.2	9.7	21.8
1999-2000	17.3	14.1	31.4	12.4	10.6	23.1	15.7	13.2	28.9
2000-01	20.1	16.4	36.5	10.2	7.7	18.0	23.2	21.5	45.0
2001-02#	20.7	20.6	41.3	12.8	13.6	26.4	26.0	28.5	54.5

* Stocks are at end-March. @ includes coarse cereals.

Data on procurement are up to end-March, 2002 while those on off-take and stocks are up to February, 2002.

Source : Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

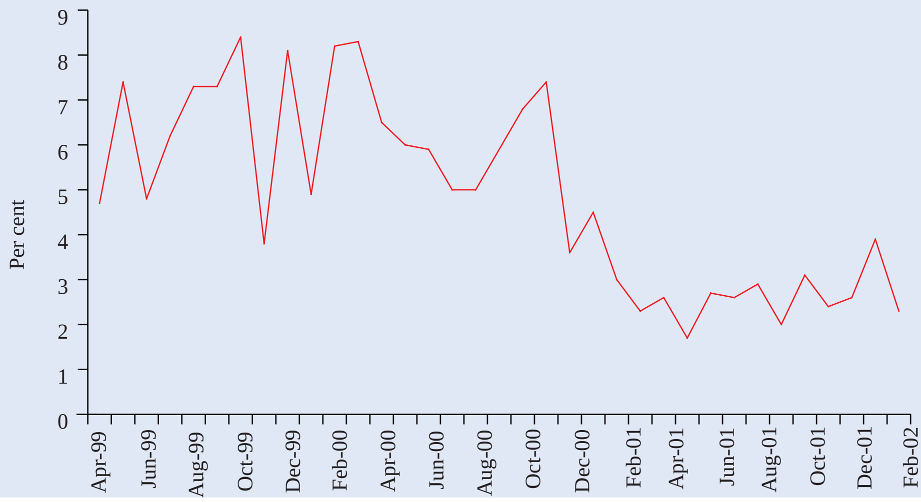
Chart 5: Change in Food Stock, Food Credit and Food Subsidy



Industrial Performance

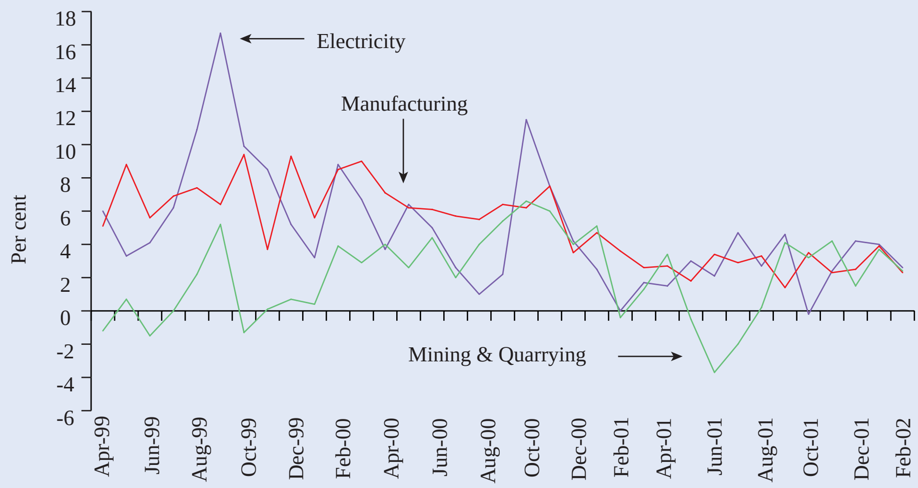
The downturn in the real GDP originating from industry experienced since the first quarter of 2000-01 continued in 2001-02 although there was a marginal improvement in the growth rate in the third quarter of 2001-02 to 2.9 per cent from 2.2 per cent in the first quarter and 2.4 per cent in the second quarter (Table 2). The pronounced deceleration in industrial performance is also reflected in the Index of Industrial Production (IIP) which rose by 2.6 per cent during 2001-02 (April-February) as compared with 5.4 per cent during the corresponding period of the previous year (Chart 6).

Chart 6: Index of Industrial Production-General (Monthly Growth Rate)



A sectoral analysis of industrial performance shows that the manufacturing sector recorded a decelerated growth in all the months of 2001-02 (up to February). Although electricity showed an increase during the second quarter of 2001-02, its growth rate decelerated during the third quarter mainly on account of a fall in electricity generation from the hydro sector. The mining and quarrying sector recorded a decline of 0.3 per cent during the first quarter of 2001-02. There was a moderate turnaround in the second and third quarters of 2001-02 with growth of 0.7 per cent and 2.9 per cent, respectively (Chart 7).

Chart 7 : Monthly Growth Rates of Industrial Sectors



According to the use-based classification, the capital goods sector registered an absolute decline of 4.2 per cent during April-February 2001-02 as against a growth of 2.1 per cent during April-February 2000-01, reflecting weak investment demand in the economy (Chart 8). Some signs of recovery in the capital goods sector were observed with a positive growth in November 2001 (Chart 9); however, in December 2001 and January 2002, the capital goods sector again recorded declines of 4.1 per cent and 4.3 per cent, respectively, recovering in February 2002 with a positive growth of 1.6 per cent.

At a disaggregated level of industry groups within the manufacturing sector, five out of seventeen two-digit industry groups recorded declines, while six industry groups witnessed low growth ranging between 0 to 4 per cent. Growth in another three groups remained between 4.0 per cent to 10.0 per cent.

Chart 8: Growth of IIP - Use-based Classification

The three industry groups, which recorded growth of above 10 per cent during April-February 2001-02 were 'rubber, plastic, petroleum and coal products', 'beverages, tobacco and related products', and 'other manufacturing industries' (Table 6).

Chart 9: Monthly Growth in Capital Goods Sector

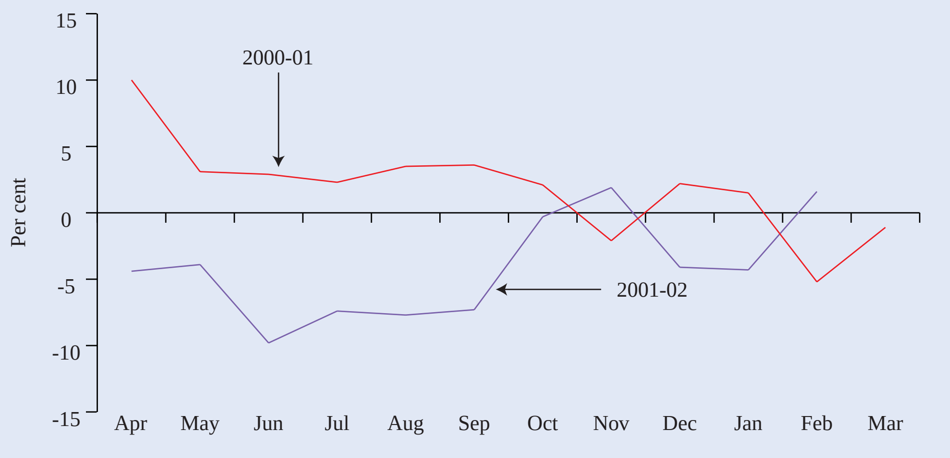


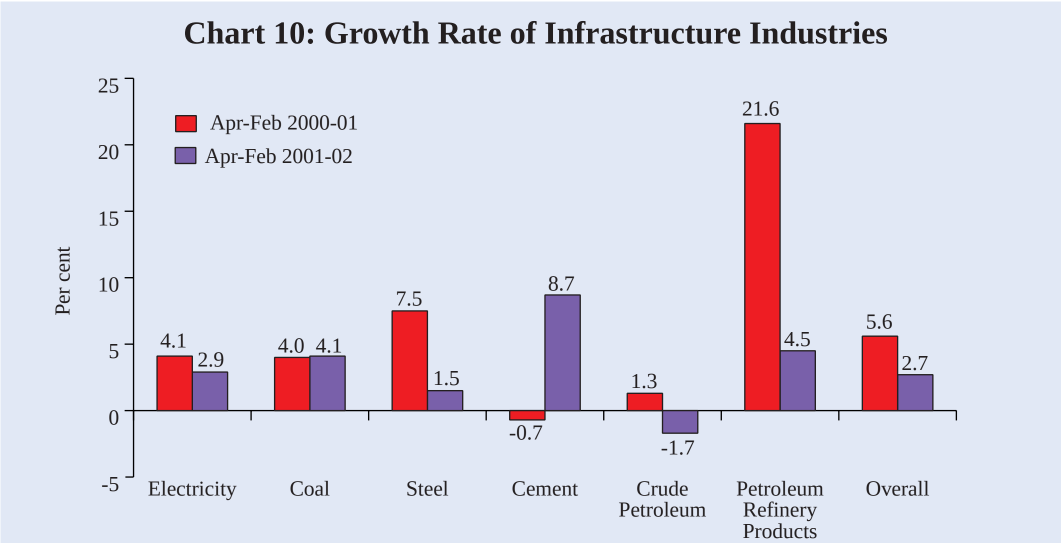
Table 6: Frequency Distribution of Industry Groups on the Basis of Growth Rates (April-February, 2001-02)

Negative	0 - 4 per cent	4 - 10 per cent	Above 10 per cent
1	2	3	4
1. Wood and wood products, furniture & fixtures (2.70)	1. Machinery and equipment other than transport equipment (9.57)	1. Basic chemicals & chemical products (14.00)	1. Other manufacturing industries (2.56)
2. Metal products and parts (except machinery and equipment) (2.81)	2. Non-metallic mineral products (4.40)	2. Transport equipment and parts (3.98)	2. Beverages, tobacco and related products (2.38)
3. Jute and other vegetable fibre, textiles (except cotton) (0.59)	3. Textile products (including wearing apparel) (2.54)	3.`Leather and leather & fur products (1.14)	3. Rubber, plastic, petroleum and coal products (5.73)
4. Cotton textiles (5.52)	4. Paper and paper products and printing, publishing & allied activities (2.65)		
5. Food products (9.08)	5. Basic metal and alloy industries (7.45)		
	6. Wool, silk and man made fibre textiles (2.26)		

Note: Figures in brackets indicate weights in the IIP.

The infrastructure industries recorded a lower growth of 2.7 per cent during April-February 2001-02 as against 5.6 per cent during April-February 2000-01. Crude petroleum recorded a decline while electricity, steel and petroleum refinery products recorded lower growth than in the corresponding period of the previous year. Contrary to the general trend, cement and coal recorded a higher growth during April-February 2001-02 (Chart 10).

Reflecting the deceleration in industrial growth, the financial results of the Indian corporate sector during 2001-02 (up to September 2001) indicated a steep deceleration in sales and profits (Chart 11). Growth of sales and post-tax profits of a sample of 1,209 non-government non-financial public limited companies decelerated to 3.2 per cent and 4.1 per cent in the first half of 2001-02 from 15.3 per cent and 11.3 per cent (for 1,060 companies), respectively, in the corresponding period of the previous year.



The growth of non-food credit continued to be subdued in reflection of the behaviour of manufacturing output (Chart 12). Resource mobilisation through primary market and assistance sanctioned and disbursed by All India Financial Institutions (AIFIs) remained depressed during April-February 2001-02.

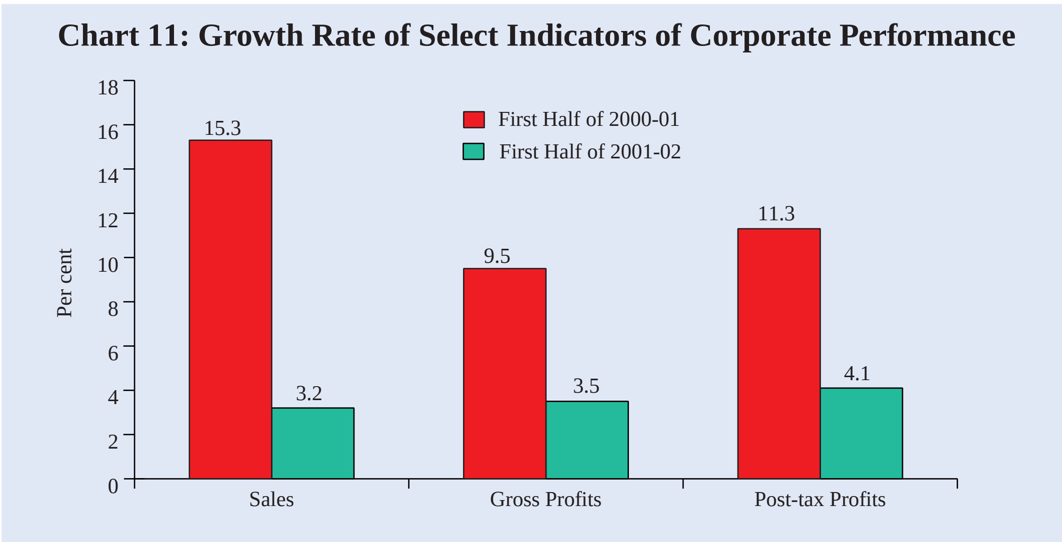
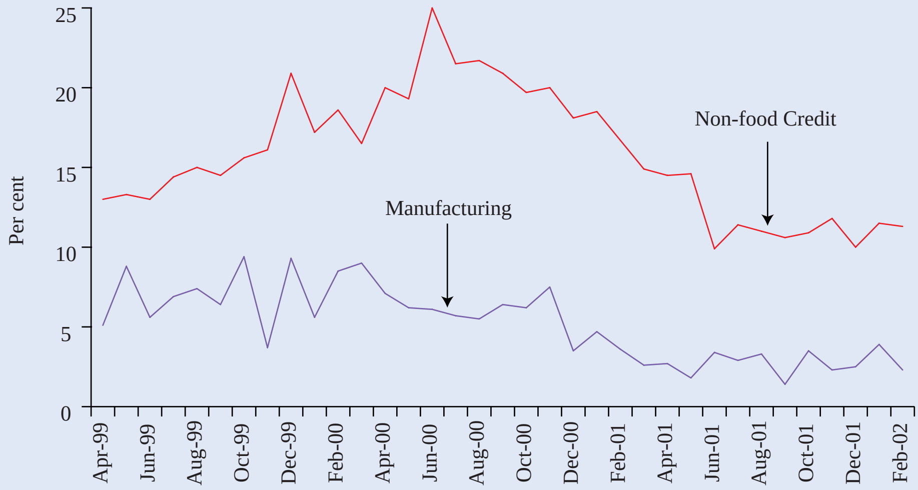


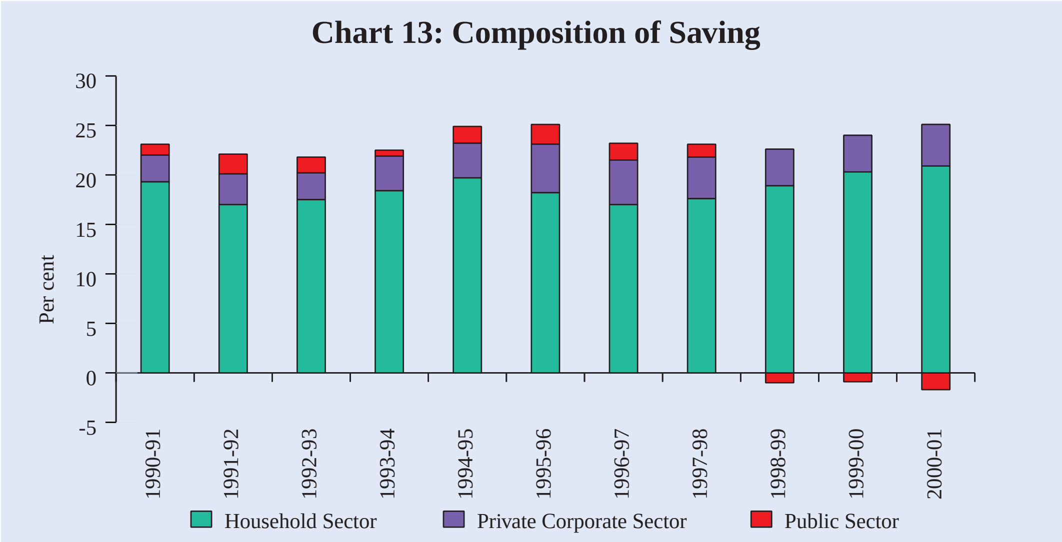
Chart 12: Monthly Growth of Manufacturing Sector and Non-Food Credit



Saving and Investment

According to the quick estimates released by the CSO, the rate of gross domestic saving improved marginally to 23.4 per cent in 2000-01 from 23.2 per cent recorded a year ago mainly on account of increases in the rate of household saving and private corporate sector saving. The household sector saving rate moved up to 20.9 per cent in 2000-01 from 20.3 per cent in 1999-2000 reflecting increased holdings of both financial and physical assets. The rate of saving of the private corporate sector also increased to 4.2 per cent in 2000-01 from 3.7 per cent in 1999-2000. The public sector dis-savings deteriorated to 1.7 per cent from 0.9 per cent in 1999-2000 and 1.0 per cent in 1998-99 (Chart 13).

The investment rate declined to 24.0 per cent in 2000-01 from 24.3 per cent in 1999-2000 (Chart 14). The overall saving-investment gap narrowed to (-)0.6 per cent of GDP in 2000-01 from (-)1.1 per cent of GDP in 1999-2000. While the public sector saving-investment gap widened to (-) 8.7 per cent of GDP in 2000-01 from (-) 8.0 per cent of GDP recorded in the previous year, the private sector surplus increased to 9.2 per cent of GDP from 7.9 per cent of GDP over the same period.



The final consumption expenditure, which had increased from 75.8 per cent of GDP in 1997-98 to 78.4 per cent of GDP in 1999-2000, decreased to 77.4 per cent of GDP in 2000-01. This reflected a fall in private final consumption expenditure from 65.6 per cent of GDP in 1999-2000 to 64.2 per cent in 2000-01. The government final consumption expenditure, on the other hand, recorded a steady increase (Table 7).

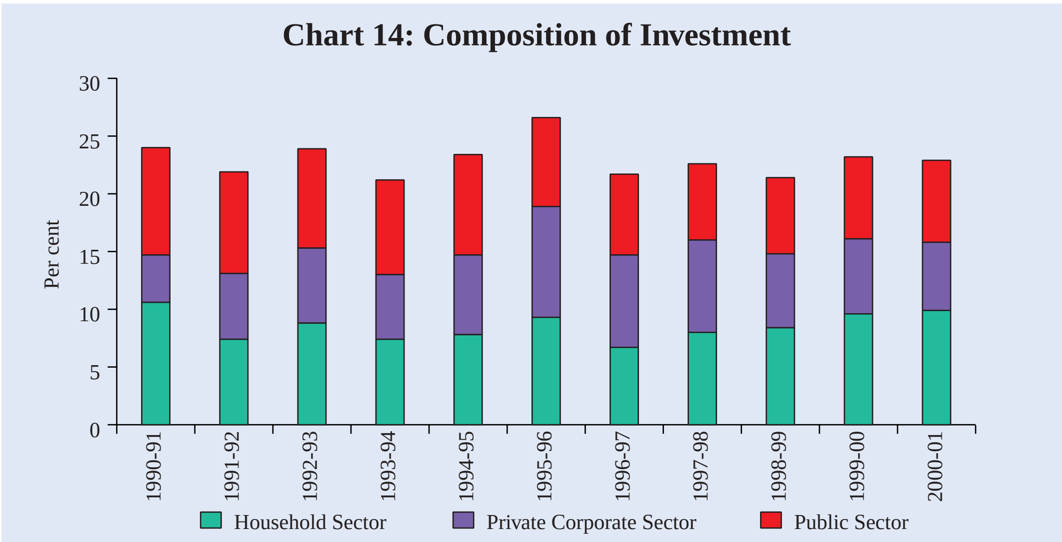


Table 7: Gross Domestic Saving and Investment

Item	Per cent of GDP (at current market prices)				Amount in Rupees crore			
	1997-98@	1998-99@	1999-00@	2000-01*	1997-98@	1998-99@	1999-00@	2000-01*
1	2	3	4	5	6	7	8	9
1. Household Saving	17.6	18.9	20.3	20.9	2,68,437	3,29,414	3,92,632	4,35,926
1.1) Financial Assets	9.6	10.5	10.8	11.0	1,46,777	1,82,958	2,07,538	2,28,862
1.2) Physical Assets	8.0	8.4	9.6	9.9	1,21,660	1,46,456	1,85,094	2,07,064
2. Private corporate sector	4.2	3.7	3.7	4.2	63,486	65,026	71,882	86,881
3. Public sector	1.3	-1.0	-0.9	-1.7	20,255	-17,169	-17,326	-34,479
4. Gross Domestic Saving (GDS)	23.1	21.7	23.2	23.4	3,52,178	3,77,271	4,47,188	4,88,328
5. Net capital inflow	1.5	1.0	1.1	0.6	22,302	18,090	21,988	12,977
6. Gross Domestic Capital Formation (GDCF)	24.6	22.7	24.3	24.0	3,74,480	3,95,361	4,69,176	5,01,305
7. Total Consumption Expenditure	75.8	77.7	78.4	77.4	11,53,860	13,53,444	15,13,480	16,16,857
7.1) Private final consumption expenditure	64.5	65.4	65.6	64.2	9,81,671	11,39,411	12,65,349	13,40,962
7.2) Government final consumption expenditure	11.3	12.3	12.9	13.2	1,72,189	2,14,033	2,48,131	2,75,895
Memo Items								
Saving-Investment gap (4-6)	-1.5	-1.0	-1.1	-0.6	-22,302	-18,090	-21,988	-12,977
Public Sector	-5.3	-7.6	-8.0	-8.7	-80,398	-1,31,714	-1,54,996	-1,82,585
Private Sector	5.8	7.9	7.9	9.2	88,864	1,36,776	1,53,033	1,92,721
Private Corporate Sector	-3.8	-2.7	-2.8	-1.7	-57,913	-46,182	-54,505	-36,141
Household Sector	9.6	10.5	10.8	11.0	1,46,777	1,82,958	2,07,538	2,28,862

@ Provisional Estimates. * Quick Estimates.
Source : Central Statistical Organisation.