

Macro-Economic Indicators in Indian Economy

Abstract

The Indian economy can be analyzed from various angles such as the form of economic organization, structure of the economy and the stage of its growth and development. Organizational set up of the Indian economy is a mixture of capitalism and socialism, commonly known as mixed economy. Structure-wise, India has a dualistic character where the small, but growing modern sector is coexisting with vast and sprawling traditional sector. In urban industries centers, we come across modern technology, latest management techniques and well-organized financial institutions, whereas the vast country side still continues with outmoded and primitives techniques in agriculture and household industries while rural finance still remain in the hands of moneylenders and inefficient ill-organized cooperative institutions. However the major point of interest in Indian economy pertains to the level and extent of its development. India, even after half a century of development efforts, still continues to remain an underdeveloped country. Low income, poverty, unemployment, excessive dependence on agriculture etc. However, the Indian economy now is called a developing economy, which in essence, is the new and more respectable name given to the underdeveloped countries. But the term developing economy, in Indian context, also takes due account of the massive efforts that the economy has put in for its development, the determination and will with which it is facing the challenges before it and the reasonably satisfactory pace of growth it has achieved. The Indian economy under the new liberal economic policy has made good progress and has maintained the tempo of growth that promises better prospects for the future. This paper describes some macro-economic indicators and challenges facing India. In this paper we discuss about some growth oriented features of Indian economy. The main challenges of our economy are to achieve growth and eliminate economic inequality.

Keywords: Indicators, Institutions, Unemployment, Inequality, Structure, Agriculture.

Introduction

The Indian economy recorded robust annual growth of 9 percent plus during 2004-08 and this high *growth face was also accompanied by consolidation of key macroeconomic indicators*. Growth rebounded initially in response to large monetary and fiscal stimuli but has slowed down significantly, more ever a substantial widening of the current account and fiscal deficit occurred from 2008-09, along with inflation climbing to an elevated level. With the observed decline in domestic saving and investment rates there are concerns that India's potential growth rate has now fallen. India adopted the pattern of a mixed economy after its independence. The industrial policy of 1948 clearly defined the role of public sectors in India wherein it was laid done that apart from defense, railways and atomic energy which were already in public sector .India took up the challenge of development with the implementation of the first five year plan in 1951. The problems were many and the challenges were mammoth but the determination was equally strong and the enthusiasm was unbounded. The stagnating agriculture was needed to be transformed to usher in an era of rural prosperity and the industry was to be expanded, modernized and developed to lay the foundation of a strong economy. So long term strategies were worked out and perspective plans were formulated.

Objectives

1. To discuss about some macro-economic indicators in Indian economy.
2. To describes some growth oriented features of Indian economy.
3. To analyzed the role of government to sustain economic growth.

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Macro-Economic Indicators

Macro-economic indicators include various indices, earning reports, and economic summaries. Examples: gross domestic product, national income, unemployment rate, consumer price index: a measure of inflation, inflationary pressures, poverty and inequality, population and investment/ saving.

Gross Domestic Product

In January 2015, the government revised base year from 2004-05 to 2011-12. Also changes were made in gross domestic product (GDP) reporting, GDP at factor cost will henceforth be presented as Gross Value Added (GVA) at basic prices for industry-wise estimates, while GDP at market prices will henceforth be referred to as GDP. The Indian economy in 2014-15 has emerged as one of the largest economies with a promising economic outlook on the back of controlled inflation, rise in domestic demand, increase in investments, decline in oil prices and reforms among others.

Structure of GDP: Sectoral Distribution of GDP at Constant Prices (1950-51)

Year at (2004-05) Prices	Agricultural and Allied Activities	Manufacturing, Construction and Electricity	Services
1950-51	55.0	17.0	28.0
1980-81	41.8	21.6	36.5
1990-91	34.9	24.6	40.5
2000-01	25.8	23.8	50.4
2010-11	16.7	26.0	57.3
2011-12	16.5	26.1	57.4
Year at (2011-12) Prices			
2011-12	21.6	29.9	48.5
2012-13	20.8	29.3	50.0
2013-14	20.2	28.7	51.1
2014-15	19.0	28.4	52.5

Source: compiled Economics Survey 2014-15

Gross Domestic Product indicators

GDP indicators	2013-14	2014-15
GDP (constant prices) (INR crore)	9,921,106	10,656,925
Growth (in %)	6.9	7.4
GVA at basic prices (2011-12 prices) (INR crore)	9,169,787	9,857,672
Growth (in %)	6.6	7.5

Source: Economic Survey: 2014-15

On the demand side growth of private final consumption to 7.5 percent in 2014-15 from 6.6 percent in 2013-14 as per advanced estimates. The fixed capital formation in the economy has picked up growth but lost share in aggregate demand. Gross fixed capital formation increased from 3.0 percent in 2013-14 to 4.1 percent in 2014-15. export in 2014-15 recorded a growth of just 0.9 percent as compared to 7.3 percent in 2013-14. Imports on the other hand increased from -8.4 percent in 2013-14 to -0.5 percent in 2014-15 primarily due to the sharp decline in international oil prices in the current year that compressed the oil import bill.

National Income

National income estimates are published annually by the central statistical organization (CSO) of the government of India in its population National Accounts Statistics. The current series of national income estimates records India's national income since 1950-51 onwards. The estimates presented are of two types viz. (1) those based on current prices, i.e. the price prevailing in the year to which the estimates relate and (2) those based on specified base year prices popularly known as national income at constant prices. The base year for the current series is 2004-05 till the year 2011-12. For year after 2011-12 as new series has been published and estimates for the later years available with 2011-12 as the base year.

Year Base Year 2004-05	National Income (Crore) At Current Prices	At Constant Prices	Per Capita Income (Rupees) At Current Prices	At Constant Prices
1950-51	9829	269724	274	7513
1960-61	17062	411519	393	9482
1970-71	44550	596470	823	11025
1980-81	138565	795193	2041	11711
1990-91	526017	1342031	6270	15996
2000-01	1947788	2291795	19115	22491
2010-11	6942089	4657438	58534	39270
Year Base Year 2011-12				
2011-12	7846531	7846531	64316	64316
2012-13	8841733	8193427	71593	66344
2013-14	10056523	8751834	80388	69959
2014-15	11217079	9400266	88533	74193

Source: Economic Survey 2014-15

National income of India at 2004-05 prices has grown from rs. 255405 crore in 1950-51 to rs. 4572075 crore in 2011-12. The per capita income in India has not grown at a pace at which national income has risen over the past four decades. At 2004-05 prices the per capita income in 1950-51 was rs. 7513. It has gone up only to rs. 41255 by the end of 2011-12. Under the new series per capita income increased from rs.64316 in 2011-12 to rs. 74193 in 2014-15. Thus this has been only about six fold increase in per capita income over this long period of over six decades till 2011-12.

Population

Men are the central focus point of all development effort. Man produces wealth and wealth is produced for the use of mankind. Hence, population of a country is a crucial factor in the development of its economy. Population was one of the most important contributory factors in the early development of western countries. Increasing population provided additional hands to work and additional pocket to buy the newly produced goods. however, beyond a point the additional population become a drain on our economy limited resources, more so particularly in the case of underdeveloped countries.

Year	Population of Indian union (in million)	Increase or decrease over previous decade (in million)	Percentage increase or decrease during the decade
1901	236.1	-	-
1911	252.1	16.0	5.7
1921	251.1	0.3	(-)0.3
1931	279.1	27.8	11.1
1941	318.7	39.6	14.2
1951	361.1	42.4	13.3
1961	439.2	78.1	21.5
1971	548.2	109.0	24.8
1981	683.3	135.1	24.7
1991	846.3	163.0	23.8
2000	1028.0	182.3	21.5
2011	1210.2	181.0	17.6

Source: Compiled from Census of Population 2011 and Earlier Reports

All India Rural and Urban Unemployment Rates (2011-12) (%)

Estimates	Rural			Urban			Rural + urban		
	Male	Female	M +F	Male	Female	M+ F	Male	female	M +F
Usual Principal status	2.1	3.0	2.3	3.2	6.4	3.8	2.5	3.8	2.8
Usual status (ADJ)	1.8	1.6	1.7	3.0	5.2	3.5	2.2	2.4	2.2
Current weekly status	3.3	3.5	3.4	3.8	6.9	4.4	3.5	4.3	3.7
Current daily status	5.5	6.2	5.7	4.9	7.9	5.4	5.3	6.7	5.6

Source: NSSO Report (68th round) Employment and Unemployment Situation in India (2011-12)

Investment and Saving

Rate of capital formation is the ratio of investment to national product. Investment comes from saving i. e, that part of national income which is not consumed but used for making of physical capital goods such as plants, machinery and equipment. Savings made by the household sector, corporate

sector and government sector. Savings of the household and private corporate sector are called private saving and that of the government sector are known as public saving. thus, both the private and the public sector make saving and the total of two is called domestic saving which are used for investment.

Gross Domestic Saving and Investment Rates (Percent of GDP)

Year	2004-05	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
A.Gross domestic Saving	32.4	36.8	32.0	33.7	34.1	33.9	31.8	30.6
Public sector	2.3	5.0	1.0	0.2	2.6	2.6	1.7	1.6
Private sector (a+b)	30.1	31.8	31.1	33.5	31.5	31.5	32.6	29.1
a.household sector	23.6	22.4	23.6	25.2	23.5	23.5	20.2	18.2
b private sector	6.6	9.4	7.4	8.4	7.9	7.9	10.0	10.9
Gross domestic investment	32.8	38.1	34.3	36.5	36.8	36.8	36.6	32.3

Sources: Compiled from Economics Survey 2014-15

Production: Sectors

Sectors	Production 2013-14	Production 2014-15
Power(billion units)	722.1	793.7
Petroleum(million metric tonnes)	28.4	28.2
Natural gas(billion cubic meters)	26.7	25.3
Coal (million tonnes)	565.8	630.25

The government took a number of policy initiatives to enhance crude oil and natural gas production such as new gas pricing formula, reassessment of hydrocarbon potential, projects for survey of un-appraised sedimentary basins of India, data acquisition through non-executive multi-client model gas grid infrastructure, etc.

Inflation and monetary policy

Another major issue facing the economy is the sharp and persistent rise in the general price level

which has culminated into inflation over the past decades. Initially, the prices started rising in India during and after the period of the second world. Indian economy is witnessing almost continuous rise in prices though this rate of prices (or inflation rate) has varied from year to year.

Inflation rates based on consumer prices index CPI and consumer food price inflation (CFPI)
Base: 2012=100

Indices	Nov-2015(prov.)			Oct-2015(final)			Nov-2014(final)		
	Rural	Urban	Combd.	Rural	Urban	combd	Rural	Urban	combd
CPI general	5.95	4.71	5.41	5.54	4.28	5.00	3.15	3.48	3.27
CFPI	5.83	6.53	6.07	5.18	5.47	5.25	1.29	0.88	1.13

Note: prov.- provisional ,combd.-combined

Source: CSO

The average whole sale price index (WPI)inflation decline in 2014-15 to 3.4 per cent (april-december),vis-à-vis 8.9 percent in 2013-14,as fuel has witnessed a sharp decline in prices .food price inflation also moderated to 4.8 per cent during april-december 2014 as compared to 9.4 percent in 2013-14. Average retail inflation measured by consumer price index (CPI), moderated to 6.3 percent in 2014-15(april-december) from 9.5 percent in 2013-14

The reserve bank of India had tightened the monetary policy last year which helped contain demand pressures, creating a buffer against any external shock and keeping volatility in the value of the rupee under check .during the last one year, the rupee remained relatively stable vis-à-vis the currency of peer emerging countries, which too had a sobering influence on inflection. Head line WPI inflation though moderated from 9.56% in 2010-11 and 8.94% in 2011-12 was at 7.81% in September 2012.

Conclusion

India adopted the pattern of a mixed economy after its independence. The industrial policy of 1948 clearly defined the role of public sectors in India wherein it was laid done that apart from defense, railways and atomic energy which were already in public sector. India took up the challenge of development with the implementation of the first five

year plan in 1951. The problems were many and the challenges were mammoth but the determination was equally strong and the enthusiasm was unbounded. There are some of the problems of our economy and some of the issue calling for urgent development effort. The government of India and the planning commission (now NITI Aayog) addressed themselves to the grim situation prevailing in India and accordingly worked out a strategy of development incorporated in India's five year plans.

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