

## INDIAN ECONOMY AND EXPECTATIONS OF GROWTH REVIVAL

After a turbulent time that the Indian economy passed through in the first half of 2012, rays of hope for an economic revival appears to be emerging from the beginning of 2013. In this regard, it is expected that the few of the favourable sector-wise policy reforms declared by the Government of India seem to have generated a temper of positivity among various players of the Indian economy. The eight core sectors of the economy grew at 6.5 per cent in October 2012 compared to a 0.4 per cent growth a year ago thereby indicating a revival of the economic situation. The eight core sectors are coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity with a combined weight of 37.9 per cent in the IIP.

In the existing situation, the Government of India is hopeful of containing the fiscal deficit to 3 per cent of GDP and this could be one of the signal contributors to the expected better performance of the economy. At the beginning of 2013, various forecasts have, however, projected a growth in GDP to 6 per cent in the current fiscal.

Headline inflation in December 2012 had fallen from 7.24 per cent as on November 2012 to 7.18 per cent. This marginal fall in inflation has come about as a result of a fall in the prices of fuel and power. Prices of almost all commodities, have however, continued to register increase causing anxiety for the RBI in controlling inflation. In the circumstances, it is unlikely that there would be any rate cut through the ensuing Monetary Policy Review.

One of the positive indicators of the economy for 2012-13 has been the increased inflow of portfolio investments. Portfolio inflow since September 2012 has aggregated to \$14 billion, which is slightly lower than \$17 billion inflow in investments during the whole of FY12. The gradual rise in inflow of foreign investment has also been supplemented by the Government's decision to relax FDI in multi-brand retail to 100 per cent. Such a decision taken by the Government, would not only positively affect both the primary and secondary sectors but would also raise the overall inflow of foreign investment.

The rising inflow of portfolio investment has generated a trickle-down effect by positively influencing the value of rupee against dollar. The revival in the value of rupee against dollar from its all time low has marginally eased the impact on import bills and has shown positive impact on the Current Account Deficits (CAD). The CAD has, thus, partially revived from 5.4 per cent to 5.2 per cent. Despite a minute reduction, the CAD continues to be wide pertaining to large-scale imports of petroleum and gold.

On the other hand, a continued grim situation in the western countries have reduced imports. India's total exports stood at \$141.80 million showing a decline of 8.1 per cent in the first half of 2012-13 in comparison to the last fiscal. Exports in December, 2012 fell by only 1.9 per cent compared to 4.2 per cent in November, 2012. Contraction in global trade and slowdown in domestic manufacturing are the obvious reasons for the fall.

While the Indian economy has shown signs of revival, the IIP indicators in this regard, are yet to reveal a rising trend. IIP contracted by 0.1 per cent in the month of November, 2012 due to a continued low performance by the manufacturing sector. Despite the consumer goods sector showing a stable production of 1 per cent, the production in capital goods have fallen by 7.7 in November 2012.

#### **FOCUS ON OPPORTUNITIES CREATED**

- National Fertiliser Policy released in 2012 is expected to boost investments in fertiliser industry with special emphasis on promotion of 'Green Field Projects'.
- National Pharmaceutical Policy released in 2012 would on the one hand control prices of generic medicines while on the other, the process would attract foreign investors in the pharmaceutical sector and would create opportunities for Indian firms for better investments.
- In the context of West Bengal, announcement of Information and Communication Technology 2012 and West Bengal ICT Incentive Scheme, 2012 and West Bengal Food Processing Industry Policy, 2012 have generated hopes for investments in the respective sectors. The focus is now on the new Industrial Policy to be announced by the State Government.