

India: Brief Profile March 2009

Domestic Economy

- Real GDP of India registered a robust growth of 9.0% during 2007-08, as compared to 9.4% during the previous year. Robust activity in the manufacturing sector and continued buoyancy in the services sector boosted overall growth during the year. However, GDP is estimated to have slowed down to 7.1% during 2008-09, primarily as a result of global economic slowdown.
- GDP in absolute terms stood at an estimated US\$ 1,170.5 billion during 2007-08, with a per capita income of US\$ 1,064.1.
- Inflation rate (measured by the wholesale price index) averaged 4.7% during 2007-08, as compared to 5.4% during the previous year.
- The services sector is the largest contributor to the economy, accounting for 55.7 % of GDP during 2007-08. The share of Industry and agricultural sectors in GDP stood at 26.5 % and 17.8 %, respectively, during the same year.

Trade and External Sector

- India's exports registered a robust rise of 29.0% during 2007-08 to reach US\$ 162.9 billion, from that of US\$ 126.3 billion during the previous year. Increased exports of petroleum products, gems & jewellery, readymade garments cotton accessories, machinery & instruments, pharmaceutical products, manufactures of metals, transport equipment among others, contributed to the rise in overall exports.

- Imports also registered a sharp rise of 35.5 % during 2007-08 to touch US\$ 251.4 billion, up from US\$ 185.6 billion during the previous year. While oil imports recorded a 39.6% rise during 2007-08, non-oil imports also grew sharply by 92.0% underlined by the continued robust activity in the domestic industrial sector.
- Petroleum products are the largest export items accounting for 17.4% of total exports during 2007-08. Other major exports include gems & jewellery (12.1%), readymade garments cotton accessories (6.0%), machinery & instruments (5.6%) and pharmaceutical products (4.6%).
- As regards imports, crude petroleum is the largest import item, accounting for 31.7% of total imports during 2007-08. Other important import items include electronic goods (8.5%), non-electrical machinery (8.2%), gold (7.0%), iron & steel (3.4%), and transport equipments (3.4%).
- US is the largest market for India's exports, accounting for 12.7% (US\$ 20.7 billion) of total exports during 2007-08. Other important destinations of India's exports include UAE (US\$ 15.6 billion), China (US\$ 10.8 billion), Singapore (US\$ 7.4 billion) and UK (US\$ 6.7 billion).
- As regards imports, China has emerged as the largest source of import during 2007-08, with a share of 10.8% (US\$ 27.1 billion) of total imports. Other important import sources include US (US\$ 21 bn), Saudi Arabia (US\$ 19.4 billion), the UAE (US\$ 13.5 billion) and Iran (US\$ 10.9 billion).
- India's trade deficit increased to US\$ 88.5 billion during 2007-08 from that of US\$ 59.3 billion the previous year, due to the sharp pick up in imports.

- Reflecting primarily the rise in trade deficit, India's current account deficit increased to US\$ 17 billion in 2007-08, as against a deficit of US\$ 9.6 billion during the previous year.

Currency, Foreign Exchange Reserves & External Debt

- India's foreign exchange reserves increased to US\$ 309.7 billion during 2007-08, up from US\$ 199.2 billion 2006-07. Reserves during 2007-08 provided around 14.8 months of imports cover.
- The exchange rate averaged Rs 40.2: US\$ 1 during 2007-08, appreciating from Rs 45.3: US\$ 1 during 2006-07. However, exchange rate depreciated to Rs. 50.4: US\$ 1, as on February 2009, due to higher outflow of foreign exchange.
- Total external debt stood at US\$ 224.8 bn in 2007-08, increasing from the previous year's US\$ 171.4 bn.

Country Risk Ratings

- *Euromoney*, in its September 2008 ratings of 186 countries, placed India at 56, which is a rise of three places from its previous ranking in March 2008.
- *Institutional Investor*, in its September 2008 country credit ratings of 177 countries, has placed India at 54, which is an improvement of one place from its previous ranking in March 2008.
- *Export Credit Guarantee Corporation (ECGC) of India Ltd.* ranks countries in seven categories (A1, A2, B1, B2, C1, C2 and D) in ascending order of risk. It has placed India in Group A1 of countries in the risk ratings of December 2008.

Macroeconomic Outlook

- During the fiscal year 2008-09, India's foreign trade has registered sustained buoyant performance, with exports during April-December 2008-09 registering a rise of 17.1% to US\$ 132 bn compared to the same period in the previous year. Imports also rose sharply by 31.5% during April-December 2008-09, amounting to US\$ 225.8 billion, underlined by increase in non-oil imports. According to Ministry of Commerce and Industry, Government of India, in spite of recent global recession, it is expected to achieve a target of US\$ 175 billion in export during 2008-09.
- Wholesale price inflation is expected to turn negative temporarily in the third quarter of 2009 and to average 2.3% in 2009 and 4% in 2010.
- Currency is expected to average Rs 47.8: US\$ 1 in 2009, which represents an 8.9% fall on its average value against the US dollar in 2008. Currency is expected to appreciate modestly in 2010, to average Rs 46.3: US\$ 1 in that year, as inflation is expected to subdue and economic growth remains stronger than in most other countries.

India- Economic Indicators

INDICATORS	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
GDP (at current prices, US\$ bn)	599.4	700.9	808.7	916.4	1170.5 ^e	1,217.1 ^f
GDP Growth (at constant prices, %)	8.5	7.5	9.5	9.7	9.0	7.1*
Inflation rate (WPI, avg. %)	5.5	6.5	4.4	5.4	4.7	3.36 (Feb 14)
Gross Fiscal Deficit (% of GDP)	4.5	4.0	4.1	3.5	2.7	6.0 ^e
Exchange Rate (Rs/US\$, avg.)	46.0	44.9	44.3	45.3	40.2	50.41 (Feb 26)
Exchange Rate (Rs/Euro, avg.)	54.0	56.5	53.9	58.1	57.0	64.03 (Feb 26)
Exports (US\$ bn)	63.8	83.5	103.1	126.3	162.9	132.0 (Apr-Dec)
% change	21.1	30.9	23.4	22.5	29.0	17.1 ^h
Imports (US\$ bn)	78.1	111.5	149.2	185.6	251.4	225.8 (Apr-Dec)
% change	27.3	42.7	33.8	24.4	35.5	31.5 ^h
Trade Balance (US \$ bn)	-14.3	-28.0	-46.1	-59.3	-88.5	-93.8 (Apr-Dec)
Current Account Balance (US\$ bn)	14.1	-2.5	-9.9	-9.6	-17.0	-22.3 (Apr-Sep)
CAB as percentage of GDP (%)	2.3	-0.4	-1.2	-1.1	-1.5	-
Forex Reserves (US\$ bn)	113.0	141.5	151.6	199.2	309.7	249.7 (Feb 13,'09)
External Debt (US \$ bn)	111.6	133.0	138.1	171.4	224.8	222.6 (Apr-Sep)
External Debt to GDP Ratio (%)	17.8	18.6	17.2	18.0	19.1	-
Short Term Debt / Total Debt (%)	4.0	13.3	14.1	15.6	20.9	22.5 (Apr-Sep)
Foreign Investment Inflows (US\$ bn)	15.7	15.4	21.5	29.8	63.8	13.4 (Apr-Dec)

Source: Economic Survey 2007-08; Union Budget 2008-09, RBI Monthly Bulletin, Annual Report & Weekly Statistical Supplement; Ministry of Commerce & Industry; Central Statistical Organisation (CSO).