



## Press Release

### **NCAER's Quarterly Seminar on 'State of the Economy' and forecast for 2013-14**

- GDP Growth rate is projected at 6.2 per cent.
- WPI based average inflation rate is projected at 5.9 per cent.
- Fiscal deficit for the centre is estimated at 5 per cent of GDP.

**New Delhi, 7 May 2013:** At a Seminar held today at the National Council of Applied Economic Research (NCAER) on State of the Economy, the following observations, reviews and projections for 2013-14 were made by the Council through a presentation and release of their quarterly report titled **"Quarterly Review of the Economy"**.

#### **Agriculture**

- The trends in output of both food grains and commercial crops reveal that despite setbacks due to uneven monsoon, the performance of agricultural sector in 2012-13 is likely to record reasonable growth.
- The output of pulses, currently estimated at 18 million tonnes also represents an increase of about 4 per cent over the previous year's output of 17.3 million tonnes.
- Among non-food grain crops, output of oilseeds is currently estimated at 30.7 million tonnes, which is 2.3 per cent higher than 30 million tonnes produced in 2011-12.
- The output of other two non-food grain crops, fibre crop cotton and sugarcane is expected to show significant decrease of 4 per cent (33.8 million bales from 35.2 million bales) and 6 per cent (from 357.7 million tonnes in 2011-12 to an estimated level of 336.1 million tonnes in 2012-13), respectively.

#### **Industry and Services**

- The growth of the major components of IIP shows steep decline in all of its components between April-February 2011-12 and April-February 2012-13 with the mining sector performing the worst.
- Month-wise the IIP data shows that on a year-on-year basis, the growth touched 2.2 per cent in April-February, 2012-13.
- The eight infrastructure industries (crude oil, petroleum refinery, coal, electricity, cement, steel, natural gas, and fertilizers) registered a growth of 2.6 per cent during April-February, 2012-13, which is half the growth rate achieved during the same period of 2011-12 (5.2%).
- The growth performance of service indicators reveals slowdown in growth of demand. The indicators for transport and communication sector for third and fourth quarter of 2012-13 suggest continuation of this trend in the short term.

#### **External Trade**

- The current account deficit as a per cent of GDP touched 6.7 per cent in the third quarter of 2012-13.
- There is revival of merchandise export growth in the fourth quarter of 2012-13 particularly led by a few commodities including petroleum products, oil cakes, gems and jewellery, engineering goods and cotton yarn.

## Money, Credit and Finance

- Reduction in CRR by 50 basis points in January 2013 helped the commercial banks in reducing the lower end of base rates in February 2013 from 9.75 per cent to 9.5 per cent.
- The food inflation rate has remained at a high level and has been a concern for the monetary policy.
- The capital markets showed signs of improvement in the first three quarters of 2012-13 even as the growth impulses were muted. Some of the impetus to the rise in stock prices in the early part of the year may have been expectations of recovery in the advanced economies.
- The decreased repo rate under Liquidity Adjustment Facility (LAF) by 25 basis points from 7.5 per cent to 7.25 per cent is not likely to lead to an immediate and significant reduction in the lending rates in the banking sector because reduction in deposit rates is unlikely.

## Prices

- Retail prices indices whether rural or urban are rising marginally and are in double digits. This is mainly driven by the food inflation.
- Globally commodity prices are weakening and this is also being passed through to India. However, LPG and High Speed Diesel prices are increasing because of the on-going adjustment process of those commodities to market prices.

## Public Finance

- Net tax revenues increased by only 17.4 per cent over 2011-12 as per the revised estimates for 2012-13 whereas the budget estimates were 22.4 per cent.
- The budget estimates of non-tax revenue for 2012-13 were 35.3 per cent increase over 2011-12 and the realisation was not even 10 per cent.
- The government reined in expenditures so that fiscal deficit was Rs 520,000 crore as against the budget estimate of Rs 513,590 crore, an excess of less than 1.5 per cent for 2012-13.

## GDP Forecast for 2013-14

Item	2011-12(RE)	2012-13(AE)	NCAER forecast for 2013-14 January 2013	NCAER forecast for 2013-14 April 2013
<b>% Change yoy</b>				
<b>Real GDP</b>				
- Agriculture	2.8	1.8	2.9	3.2
- Industry	3.4	3.1	4.5	4.4
- Services	8.9	6.6	7.7	7.7
<b>Total</b>	<b>6.5</b>	<b>5.0</b>	<b>6.2</b>	<b>6.2</b>
Exports (\$ value)	21.8	-1.8	24.1	23.9
Imports (\$ value)	32.3	0.4	15.1	15.8
Inflation (WPI)	8.8	7.2	5.0	5.9
<b>% of GDP at market prices</b>				
Current account balance*	-4.2	-5.1#	-3.2	-3.5
Fiscal Deficit (Centre)	5.7	5.2	5.0	5.0

Notes: Forecast Based on Annual Model.

AE: Advance Estimates RE: Revised Estimates \* Surplus (+)/deficit (-) # PMEAC

**About NCAER:** NCAER, the **National Council of Applied Economic Research**, is India's oldest and largest independent economic think-tank, set up in 1956 at the behest of Prime Minister Jawaharlal Nehru to inform policy choices for both the public and private sectors. Over nearly six decades, NCAER has served the nation well with its rich offering of applied policy research, unique data sets, evaluations, and policy inputs to central and state governments, corporate India, the media, and informed citizens. It is one of a few independent think-tanks world-wide that combine rigorous economic analysis and policy outreach with deep data collection capabilities, particularly for large-scale household surveys. NCAER is currently led by its Director-General, Dr Shekhar Shah, and governed by an independent Governing Body chaired by Mr Nandan M. Nilekani.

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