

## STATS WINDOW

The Pacific Business Review International has taken an initiative to start a section which will provide a snapshot of major Global & Indian economic indicators and industry review alternatively.

A snapshot of the section in upcoming issues is hereunder:

<b>August 2014</b>	Hospitality Sector: Global Scenario
<b>Sept. 2014</b>	Economy at a Glance (Global & Indian)
<b>Oct 2014</b>	Agriculture Sector: Global Scenario
<b>Nov 2014</b>	Economy at a Glance (Global & Indian)
<b>Dec 2014</b>	Telecommunication Sector: Global Scenario

### Economy At A Glance (Global & Indian)

#### Economic Growth Rate

The global economic growth is expected to improve in 2014 in comparison to 2013 based on assumption that aggregate demand would grow as a consequence of U.S. monetary and fiscal policies and gradual rise of the Euro zone from economic recession. According to the World Economic Outlook published by International Monetary Fund (IMF) in April, 2014, the global production that rose by 3.0 percent in 2013 is projected to grow by 3.6 percent in 2014. From the regional perspective, except Central and Eastern European countries and EU member countries, the economic growth rate declined in 2013 as compared to that of 2012 resulting the decline in the world economic growth rate marginally by 0.2 percent in 2013 as compared to the growth rate of 3.2 percent of 2012. Likewise, IMF has projected that the global production will rise by 3.9 percent in 2015.

According to IMF projection, the economic growth rate of developed countries that grew by 1.3 percent in 2013 will improve and grow by 2.2 percent in 2014. The Fund has also projected that among the developed countries; the U.S. economy that rose by 1.9

percent in 2013 is expected to rise by 2.8 percent in 2014. U.S. economy has been gradually improving growth performances a result of notable rise in domestic demand. Likewise, 0.2 percent of economic growth rate of Euro zone in 2013 has recorded some progress with the projected growth rate at 1.6 percent in 2014. The growth rate of Japan that stood at 1.5 percent in 2013 is expected to grow only by 1.4 percent in 2014. The gradual improvement seen in the economic growth rates of developed countries is attributed to the lessening of fiscal tightening and adoption of accommodative monetary policy.

The economy of the emerging and developing countries that was estimated to have grown by 4.7 percent in 2013 is projected to grow by 4.9 percent in 2014. Likewise, among the largest Asian countries, the economies of India and China estimated to have grown by 4.4 percent and 7.7 percent respectively in 2013 are projected to grow by 5.4 percent and 7.5 percent respectively in 2014. The global trend of economic growth is presented in the Table below:

**Table 1: Global Economic Growth Rate**  
(Annual Percentage Change)

Regions	2011	2012	2013	Projection		
				2014	2015	2019
World Output	3.9	3.2	3.0	3.6	3.9	3.9
Developed Economies	1.7	1.4	1.3	2.2	2.3	2.1
Emerging and Developing Economies	6.3	5.0	4.7	4.9	5.3	5.3
Developing Asia	7.9	6.7	6.5	6.7	6.8	6.5
Middle East and North African Countries	3.9	4.1	2.2	3.2	4.5	4.4
Central and East European Countries	5.4	1.4	2.8	2.4	2.9	3.4
EU Member Countries	1.7	-0.3	0.2	1.6	1.8	1.9

Source: International Monetary Fund, April 2014

Among the South Asian countries, economic growth rates of Maldives and Sri Lanka have increased in 2013 than in 2012 while that of the rest of the countries have declined. Growth rate of Afghanistan that was 14.0 percent in 2012 got confined to 3.6 percent in 2013. Likewise, China, which had registered economic

growth rate of 9.3 percent in 2011, was able to attain a growth rate of only 7.7 percent in the years 2012 and 2013. Despite the reduced effect of recession in the world economy, the economies of South Asian countries have still been affected due to their own inland structural and other problems.

Table 2 below depicts the growth trend of neighboring countries.

**Table 2: Economic Growth Rate of Neighboring Countries**

(Annual percentage change)

Countries	2011	2012	2013	Projection		
				2014	2015	2019
Bangladesh	6.5	6.1	5.8	6.0	6.5	7.0
Bhutan	10.1	6.5	5.0	6.4	7.6	8.0
India	6.6	4.7	4.4	5.4	6.4	6.8
Maldives	6.5	0.9	3.7	4.2	4.5	4.8
Nepal	3.4	4.9	3.6	4.5	4.5	5.0
Sri Lanka	8.2	6.3	7.3	7.0	6.5	6.5
Pakistan	3.7	4.4	3.6	3.1	3.7	5.0
Afghanistan	6.5	14.0	3.6	3.2	4.5	5.6
China	9.3	7.7	7.7	7.5	7.3	6.5

Source: International Monetary Fund, April, 2014

### Price Situation

The global price rose at a slower pace in 2013 as compared to 2012. However, Middle East and African countries experienced double digit price rise due to disturbed peace and internal conflicts. The consumer price based inflation stood at double digits in the countries of this group due to high price rise mainly in countries

like Iran, Sudan and Yemen. As per IMF's projection, prices in developed countries will also gradually surge. Such price rise is expected due to the factors like the lessening effect of global recession and European debt crisis on one hand and increased domestic demand in such countries on the other. Inflation remained at lower level as a result of higher output gap in Euro zone.

The trend of CPI-based global inflation is given in the Table below:

**Table 3: CPI Based Global Inflation Rate**

(Percentage)

Regions	2011	2012	2013	Projection		
				2014	2015	2019
Developed Economies	2.7	2	1.4	1.5	1.6	2
Emerging and Developing Economies	7.3	6	5.8	5.5	5.2	4.6
Developing Asia	6.5	4.6	4.5	4.5	4.3	3.9
Middle East and North African Countries	9.8	10.6	10.1	8.5	8.3	7.6
Middle and East European Countries	5.4	5.8	4.1	4	4.1	4
Countries of European Union	3.1	2.6	1.5	1.1	1.4	1.8

Source: International Monetary Fund, April, 2014

### World Trade

The volume of world trade in goods and services that extensively declined in 2012 as compared to 2011 improved marginally in 2013. The world trade in goods and services recorded a growth of 3.0 percent in 2013 as compared to 2.8 percent in 2012 and 6.2 percent in 2011. The export of developed economies rose by 2.3 percent while that of emerging and developing economies grew by

4.4 percent in 2013. Likewise, the imports of developed, emerging and developing economies grew by 1.4 percent and 5.6 percent respectively in 2013. The trade balance of developed economies in 2013 expanded by 0.7 percent while that of emerging and developing economies shrank by 0.3 percent. Goods and services worth 23,083 billion US dollar were traded globally in 2013. IMF has made a forecast of some progress in the world trade in 2014.

The trend in the world trade is depicted in the Table below.

**Table 4: World Trade Situation**

(Annual Percentage Change)

Trade/Year		2011	2012	2013	Projection	
					2014	2015
Total Trade Volume	Global	6.2	2.8	3.0	4.3	5.3
	Developed Economies	5.7	2.1	2.3	4.2	4.8
Export	Emerging and Developing Economies	7.0	4.2	4.4	5.0	6.2
	Developed Economies	4.8	1.1	1.4	3.5	4.5
Import	Emerging and Developing Economies	9.2	3.8	5.6	5.2	6.3
	Developed Economies	-1.5	-0.7	0.7	0.0	-0.2
Trade Balance	Emerging and Developing Economies	3.4	0.6	-0.2	-0.2	-0.7
	Developed Economies	-1.5	-0.7	0.7	0.0	-0.2
Total Trade Amount (US Dollar in Billion)		22,517	22,533	23,083	23,990	25,123
Total Amount of Goods Traded (US Dollar in Billion)		18,123	18,260	18,591	19,281	20,132

Source: International Monetary Fund, April, 2014.

## Economy At A Glance (India)

India's growth declined from an average of 8.3 per cent per annum during 2004-05 to 2011-12 to an average of 4.6 per cent in 2012-13 and 2013-14. Average growth in the emerging markets and developing economies including China declined from 6.8 per cent to 4.9 per cent in this period (calendar-year basis). After achieving unprecedented growth of over 9 per cent for three successive years between 2005-06 and 2007-08 and recovering swiftly from the global financial crisis of 2008-09, the Indian economy has been going through challenging times that culminated in lower than 5 per cent growth of GDP at factor cost at constant prices for two consecutive years, i.e. 2012-13 and 2013-14. Sub-5 per cent GDP growth for two years in succession was last witnessed a quarter of a

century ago in 1986-87 and 1987-88.

### Trend in Inflation

In addition to the growth slowdown, inflation continued to pose significant challenges. Although average wholesale price index (WPI) inflation declined in 2013-14 to 6.0 per cent vis-à-vis 8.9 per cent in 2011-12 and 7.4 per cent in 2012-13, it is still above comfort levels. Moreover, WPI inflation in food articles that averaged 12.2 per cent annually in the five years ending 2013-14, was significantly higher than non-food inflation. Fortunately, the upward trend of inflation that played a part in slowdown in growth, savings, investment, and consumption, appears to have subsided.

Table 1 : Year on Year Inflation (per cent)

Year	WPI	CPI-IW	CPI-NS
2011-12	8.94	8.39	-
2012-13	7.35	10.44	10.21
2013-14	5.98	9.68	9.49

**Source:** Office of the Economic Adviser, Department of Industrial Policy and Promotion (DIPP), Labour Bureau, Central Statistics Office (CSO).

Notes: WPI is wholesale price index; CPI-IW is consumer price index-industrial workers; CPI-NS is CPI-new series.

Table 2 : Key Indicators

Data categories	Unit	2009-10	2010-11	2011-12	2012-13	2013-14
<b>1. GDP and Related Indicators</b>						
GDP (current market prices)	RS. Crore	6477827	7784115	9009722 <sup>2R</sup>	10113291 <sup>1R</sup>	11355073 <sup>PE</sup>
Growth Rate	%	15.1	20.2	15.7	12.2	12.3
GDP (factor cost 2004-05 prices)	RS. Crore	4516071	4918533	5247536 <sup>2R</sup>	5482111 <sup>1R</sup>	5741791 <sup>PE</sup>
Growth Rate	%	8.6	8.9	6.7	4.5	4.7
Savings Rate	% of GDP	33.7	33.7	31.3	30.1	na
Capital Formation Rate	% of GDP	36.5	36.5	35.5	34.8	na
Per Capita Net National Income (factor cost at current prices)		46249	54021	61855	67939	74380
<b>2. Production</b>						
Food grains	Million tonnes	218.1	244.5	259.3	257.1	264.4 <sup>a</sup>
Index of Industrial Production <sup>b</sup> (growth)	%	5.3	8.2	2.9	1.1	-0.1
Electricity Generation(growth)	%	6.1	5.5	8.2	4.0	6.1
<b>3. Prices</b>						
Inflation (WPI) (average)	%	3.8	9.6	8.9	7.4	6.0
Inflation CPI (IW) (average)	%	12.4	10.4	8.4	10.4	9.7
<b>4. External Sector</b>						
Export (in US\$ terms)	% change	-3.5	10.5	21.8	-1.8	4.1
Import (in US\$ terms)	% change	-5.0	28.2	32.3	0.3	-8.3
Current Account Balance (CAB/GDP)	%	-2.8	-2.8	-4.2	-4.7	-1.7
Foreign Exchange Reserves <sup>c</sup>	US\$ Billion	279.1	301.8	294.4	292.0	304.2
Average Exchange Rate <sup>d</sup>	/US\$	47.44	45.56	47.92	54.11	60.5

**Note:** na: not available. 1R: 1<sup>st</sup> Revised Estimates, 2R: 2<sup>nd</sup> Revised Estimates, PE: Provisional Estimates.

a Third advance estimates.

b The Index of Industrial Production has been revised since 2005-06 on base (2004-05=100).

c At end March.

d Average exchange rate (RBI's reference rate).

e Fiscal indicators for 2013-14 are based on the provisional actuals.

f Census 2011.

## Overview of India's Bop

The external sector witnessed a remarkable turnaround after the first quarter of 2013-14, and the year ended with a CAD of 1.7 per cent of GDP as against 4.7 per cent in 2012-13. After plummeting to ` 68.36 to a US dollar on 28 August 2013, triggered by the expected taper of quantitative easing in the United States, the rupee gradually strengthened and the year ended with the exchange rate averaging ` 61 per US dollar in March 2014, owing to measures taken by the government and the Reserve Bank of India (RBI). Foreign exchange reserves increased by nearly US\$ 40 billion from US\$ 275 billion in early September 2013 to US\$ 314.9 billion

on 20 June 2014. These developments on external account have generated some optimism that the Indian economy is better prepared to confront the challenges of global policy reversals, including tapering of quantitative easing in the US. Improvement is also observed on the fiscal front, with the fiscal deficit declining from 5.7 per cent of GDP in 2011-12 to 4.9 per cent in 2012-13 and 4.5 per cent in 2013-14. Much of this improvement has been achieved by reduction in expenditure rather than from increased revenue. Nevertheless, the corrections in fiscal and current account deficits augur well for macroeconomic stabilization.

Table 3: BoP (US \$ million)

S.No	Item	2009-10	2010-11	2011-12 <sup>m</sup>	2012-13 <sup>m</sup>	2013-14 <sup>r</sup>
1	Exports	182442	256159	309774	300581	318607
2	Imports	300644	383481	499533	502237	466216
3	Trade balance	-118202	-127322	-189759	-195656	-147609
4	Invisibles (Net)	80022	79269	111604	107493	115212
	A. Services	36016	44081	64098	64915	72965
	B. Transfer	52045	53140	63191	64031	65276
	C. Income	-8038	-17952	-15988	-21455	-23028
	Current account balance	-38180	-48053	-78155	-88163	-32397
II	Capital account					
	i. External assistance	2890	4941	2296	982	1032
	ii. External commercial borrowings	2000	12160	10344	8485	11777
	iii. Short-term debt	7558	12034	6668	21657	-5044
	iv. Banking capital of which Non-resident deposits	2083	4962	16226	16570	25449
	v. Foreign investment	50362	42127	39231	46711	26386
	A. FDI	17966	11834	22061	19819	21564
	B. Portfolio investment	32396	30293	17170	26891	14822
vi. Other flows		-13259	-12484	-7008	-5105	-10813
	Capital account balance	51634	63710	67755	89300	48787
	Capital account (including errors & omissions)	51622	61104	65323	91989	47905
III	Errors & omissions	-12	-2636	-2432	2689	-882
IV	Overall balance	13441	13050	-12831	3826	15508
V	Reserves change	-13441	-13050	12831	-3826	-15508

indicates increase,

+indicates decrease)

Source : Reserve Bank of India (RBI).

Notes : PR: partially revised; P: preliminary.

## Foreign Exchange Reserves

Change in foreign exchange reserves can be decomposed into change in reserves on BoP basis and valuation changes in the assets held by the RBI, which are denominated in US dollars. As against a reserve accretion of US\$ 15.5 billion on BoP basis as at end March

2014, foreign exchange reserves in nominal terms increased by only US\$ 12.2 billion as there was a valuation loss in the non-US dollar assets held owing to cross-currency movements and the decline in gold prices. As at end May 2014, foreign exchange reserves stood at US\$ 312.2 billion (Table 4).

Table 4 : Summary of Changes in Foreign Exchange Reserves (US\$ billions)

S.No.	Year (at end March)	Foreign exchange reserves	Total increase(+)/decrease(-) in reserves over previous year	Increase(+)/decrease(-) in reserves on BoP basis	Increase(+)/decrease (-) in reserves due to valuation effect
1	2008-09	252.0	(-)57.7	(-)20.1	(-)37.6
2	2009-10	279.1	(+)27.1	(+)13.4	(-)13.7
3	2010-11	304.8	(-)25.7	(-)13.1	(-)12.6
4	2011-12	294.4	(-)10.4	(-)12.8	(+)2.4
5	2012-13	292.0	(-)2.4	(-)3.8	(-)6.2

Source : RBI

## India's Services Sector

Services in India are emerging as a prominent sector in terms of contribution to national and states' incomes, trade flows, FDI inflows, and employment.

### Services GDP

Services constitute a major portion of India's GDP with a 57 per cent share in GDP at factor cost (at current prices) in 2013-14 — an increase of 6 percentage points over 2000-01. Including construction, the share is 64.8 per cent. The CAGR of services-sector GDP at 8.5 per cent for the period 2000-01 to 2013-14 has been higher than the 7.1 per cent CAGR of overall GDP during the same period.

In 2013-14 the growth rate of the services sector at 6.8 per

cent is marginally lower than in 2012-13. This is due to deceleration in the growth rate of the combined category of trade, hotels, and restaurants and transport, storage, and communications to 3.0 per cent from 5.1 per cent in 2012-13, despite robust growth of financing, insurance, real estate, and business services at 12.9 per cent. Construction, a borderline services inclusion which has not been performing well since 2012-13, grew by only 1.6 per cent in 2013-14.

Sub-sector-wise, banking and insurance (11.8 per cent) and real estate, ownership of dwelling, and business services (10.0 per cent) were the best performers in terms of growth rate in 2012-13 and the performance of railways (0.3 per cent) followed by hotels and restaurants (0.5 per cent) was the lowest (Table 5).

**Table 5 : Share and Growth of India's Services Sector (at factor cost)**

	2000-01 14**	2011-12 <sup>a</sup>	2012-13 <sup>a</sup>	2013- 14 <sup>a</sup>
Trade, hotels, & restaurants	14.5 (5.2)	17.4 (1.2)	17.2 (4.5)	24.0 (3.0) <sup>#</sup>
Trade	13.2 (5.0)	15.9 (1.0)	15.8 (4.8)	—
Hotels & restaurants	1.3 (7.0)	1.5 (3.8)	1.4 (0.5)	—
Transport, storage, & communication	7.6 (9.2)	7.3 (9.4)	7.5 (6.0)	—
Railways	1.1 (4.1)	0.7 (7.5)	0.8 (0.3)	—
Transport by other means	5.0 (7.7)	5.4 (8.6)	5.6 (6.6)	—
Storage	0.1 (6.1)	0.1 (2.9)	0.1 (8.6)	—
Communication	1.5 (25.0)	1.1 (11.2)	1.1 (6.5)	—
Financing, insurance, real estate, & business services	14.1 (3.5)	16.5 (11.3)	17.2 (10.9)	18.5 (12.9)
Banking & insurance	5.4 (-2.4)	5.7 (12.9)	5.9 (11.8)	—
Real estate, ownership of dwellings, & business services	8.7 (7.5)	10.7 (9.9)	11.4 (10.0)	—
Community, social, & personal services	14.7 (4.6)	13.8 (4.9)	14.3 (5.3)	14.5 (5.6)
Public administration & defence	6.5 (1.9)	5.9 (4.2)	6.0 (3.4)	—
Other services	8.2 (7.0)	7.8 (5.4)	8.2 (6.8)	—
Construction	6.0 (6.1)	8.2 (10.8)	8.1 (1.1)	7.8 (1.6)
Total services	51.0 (5.1)	54.9 (6.6)	56.3 (7.0)	57.0 (6.8)
Total services (including construction)	57.0 (5.2)	63.1 (7.1)	64.4 (6.2)	64.8 (6.2)
Total GDP	100.0 (4.1)	100.0 (6.7)	100.0 (4.5)	100.0 (4.7)

Source: Central Statistics Office (CSO).

Notes : Shares are in current prices and growth in constant prices; Figures in parentheses indicate growth rate; <sup>a</sup> first revised estimates, <sup>@</sup> second revised estimates, <sup>\*\*</sup> provisional estimate; <sup>#</sup> includes the combined share and growth of trade, hotels, & restaurants and transport, storage, & communication for 2013-14.