

Economic Review–September 2009

(FKCCI Business Research Cell)

Industrial Production

India's Industrial output increased by 6.8% in July 2009 in a clear sign that the Indian economy is well on its way to a turnaround. As can be seen from the Table below, Manufacturing has observed a reasonable 4.3% growth during the first four months of the current financial year.

INDEX of Industrial Production (Base Year: 1993-94)

	Weight (%)	July 2008	July2009	Apr-July 2008-09	Apr-July 2009-10
MINING	10.47	2.8	9.9	3.7	7.5
Manufacturing	79.36	6.9	6.8	6.0	4.3
Electricity	10.17	4.5	4.2	2.6	5.6
OVERALL	100	6.4	6.8	5.6	4.6

Source: Central Statistical Organisation

The six-core infrastructure industry Viz: Oil (Crude & Refined), Coal, Electricity, Cement and Finished Steel, also have observed 4.1% growth during April – July 2009 as against 3.5% growth in April – July 2008. In fact all the constituent sectors except the crude & refined petroleum have recorded fairly good positive rates of growth. (Table below for details). Genuinity

PERFORMANCE OF SIX CORE INDUSTRIES –July 2009 (Base Year 1993-94) Growth in %

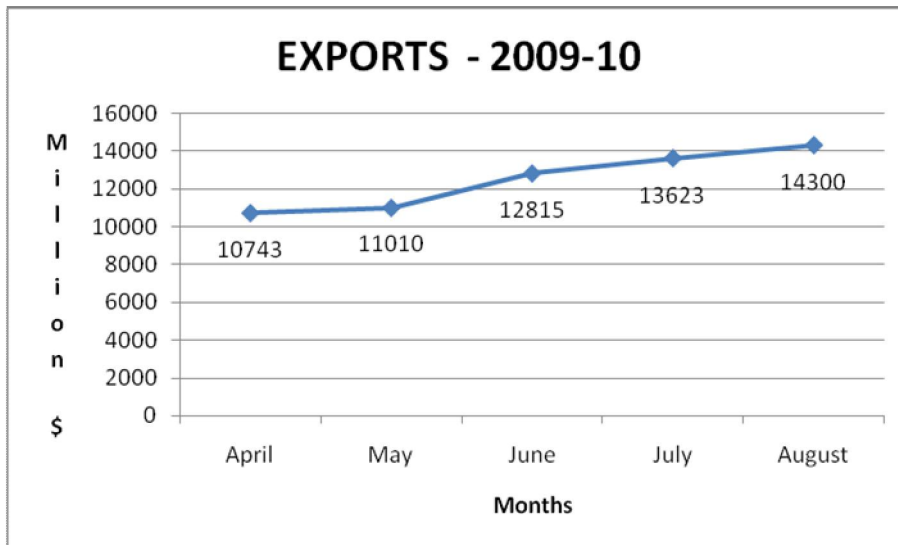
Sector	Weight (%)	August 2008	August 2009	April-August 2008-09	April-August 2009-10
Crude Oil	4.17	-1.0	-2.6	-0.9	-1.3
Petroleum Refinery Products	2.00	2.5	3.0	4.8	-4.9
Coal	3.22	5.9	12.9	7.3	12.4
Electricity	10.17	0.8	9.8	2.2	6.4
Cement	1.99	1.9	17.6	5.0	13.5
Finished steel (carbon)	5.13	3.4	3.1	3.5	2.6
Overall	26.68	2.1	7.1	3.3	4.8

Source: Department of Industrial Policy and Promotion (DIPP)

EXPORTS

Some what disturbing aspect in this recovery is that the exports are still registering decline.. For instance, exports declined for the 11th consecutive month in August 2009 by 19.7%. The first five months of the current financial year, April-August 2009, witnessed a 31.3 % decline in exports as compared to same period in 2008.

However, as can be seen from the graph below, exports have shown increase from month to month during the April-August 2009..



Inflation

WPI (Wholesale Price Index)

Inflation, measured in terms of WPI (Wholesale Price Index), increased marginally by 0.37 per cent for the week ended September 12 as compared to the same week last year. The irony, however, is the fact that there is no respite in the increase of prices of essential food items like pulses, cereals fruit and vegetables continued to rise. As can be seen in the Table below, if one looks into the build up from End-March 2009, the increase is far higher at 6.12%. Also, the primary articles which includes the food items have observed a higher rate . The low inflation is basically because of the low fuel and manufactured products, which together have a high weight of 77.97%.

(%)

Commodity	Weight	WPI 5 th September	Build up from End- March		Year on Year	
			2008-09	2009-10	2008-09	2009-10
All Commodities	100	242.0	6.62	6.12	12.42	0.37
Primary articles (Includes Food)	22.03	274.7	6.38	10.56	11.56	9.29
Fuel, Power, Light & Lubricants	14..23	343.4	9.80	7.01	16.66	8.47
Manufactured Products	63.74	208.1	5.47	3.93	11.0	0.24

Source;DIPP

CPI (Consumer Price Index)

Inflation measured in terms of Consumer Price Index (CPI) for Industrial Workers for the month of July, 2009 on the other hand has gone up to 12% as compared to July 2008

Foreign Exchange & Foreign Investment

As on 18 September 2009, India has a foreign exchange reserve of US \$ 280.770 billion. .

The foreign exchange rate of US \$ has averaged to Rs 48.46 in September 2009.

Non-Food Credit

As per the RBI, the non food credit as on 11 September is at Rs 2,778,185 crores, an increase of Rs 48,847 crores in the current financial year so far

Conclusion

To sum up, the indicators of the Indian economy give an assuring feeling that we are in the growth path again..