



# Budget 2007

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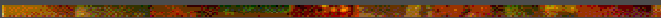
M.R.Vikram  
M.Anandam & Co

# The GDP



	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>
GDP	35,49,960	41,71,800	47,65,200

Rs. crores



# What is driving Growth

	TRENDS IN GROWTH RATES			
	2003-04	2004-05	2005-06	2006-07
<b>I. GROWTH RATES (%)</b>				
GDP (at factor cost) , 99-00 Prices	8.5	7.5	9.0	9.2
Industrial Production	7.0	8.4	8.2	10.8
of which, Electricity	5.0	5.2	5.1	7.5
FoodGrains Production	22.0	-6.9	5.1	0.3
Exports (In Terms Of US \$)	21.1	30.8	23.4	36.3
Imports (In Terms Of US \$)	27.3	42.7	33.8	36.3
<b>II Food Grains Production (mn tonnes)</b>	213.2	198.4	208.6	209.2
<b>III Electricity Generated (bn kwh)</b>	558.3	587.4	617.5	493.1

# Sectoral Growth Rates

				Sectoral Growth Rates In GDP at factor cost(at '99-00 prices)					
YEAR				01-02	02-03	03-04	04-05	05-06(Q)	06-07(A)
<b>I.AGRICULTURE &amp; ALLIED</b>				6.3	-7.2	10	0	6	2.7
<b>II.INDUSTRY</b>				2.7	7.1	7.4	9.8	9.6	10
MINING				1.8	8.8	3.1	7.5	3.6	4.5
MANUFACTURING				2.5	6.8	6.6	8.7	9.1	11.3
ELECTRICITY ,GAS&WATER SUPPLY				1.7	4.7	4.8	7.5	15.3	7.7
CONSTRUCTION				4	7.9	12	14.1	14.2	9.4
<b>III.SERVICES</b>				7.2	7.4	8.5	9.6	9.8	11.2
TRADE ,HOTELS,TRANSPORT & COMMUNICATONS				9.1	9.2	12.1	10.9	10.4	13
FINANCIAL SERVICES				7.3	8	5.6	8.7	10.9	11.1
COMMUNITY ,SOCIAL& PERSONAL SERVICES				4.1	3.9	5.4	7.9	7.7	7.8
<b>IV.TOTAL GDP AT FACTOR COST</b>				5.8	3.8	8.5	7.5	9	9.2

# COMPONENTS OF GDP

	<b>AGRICULTURE</b>	<b>INDUSTRY</b>	<b>SERVICES</b>
1970-71	46	16	38
1980-81	39	20	41
1990-91	31	22	47
2000-01	25	20	55
2005-06	22	24	55

# GDP- INDUSTRY

%

	<b>MINING &amp; QUARRYING</b>	<b>MANUFACTURING</b>	<b>ELECTRICITY , GAS &amp; WATER SUPPLY</b>
1970-71	7	87	7
1980-81	9	83	8
1990-91	12	78	10
2000-01	12	77	11
2005-06	13	77	10

# GDP- SERVICES

%

	CONSTR UCTION	TRADE, HOTELS, TRANSPORT & COMMUNICATION	FINANCING, INSURANCE, REAL ESTATE AND BUSINESS SERVICES	COMMUNITY, SOCIAL AND PERSONAL SERVICES
1970-71	12	33	27	28
1980-81	12	39	22	28
1990-91	12	39	22	26
2000-01	11	39	23	27
2005-06	11	41	24	24



Is this a growth budget?

Our savings rate is high

Investments rate is also high

There is support for infrastructure

There is an agriculture bias

Is this enough?



## The Revenue Account

	06-07	07-08
Revenue Receipts	423331	486422
Revenue Expenditure	<u>506767</u>	<u>557900</u>
<b>Revenue Deficit</b>	<b>83436</b>	<b>71478</b>
As a % of GDP	2.0	1.5

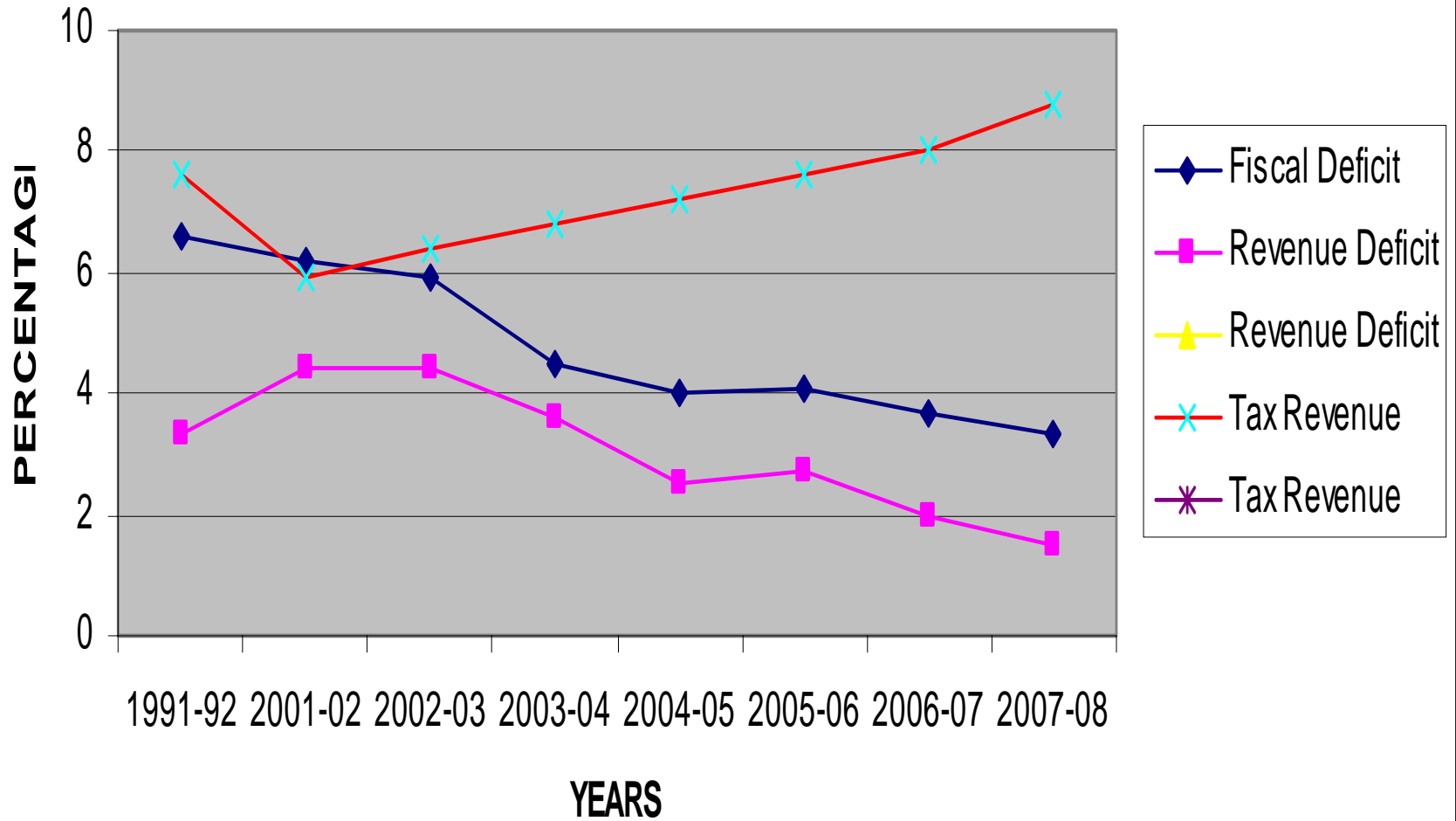
# The Capital Account

	<b>06-07</b>	<b>07-08</b>
Capital Receipts	5978	43151
Capital Expenditure	<u>74870</u>	<u>122621</u>
<b>Capital Deficit</b>	<b>60892</b>	<b>79470</b>

# The Total Deficit Picture

	<b>06-07</b>	<b>07-08</b>
<b>Capital Deficit</b>	<b>60892</b>	<b>79470</b>
<b>Revenue Deficit</b>	<b>83436</b>	<b>71478</b>
<b>Fiscal Deficit</b>	<b>152328</b>	<b>150948</b>
<b>% of GDP</b>	<b>3.7%</b>	<b>3.3%</b>
<b>Peak Fiscal deficit</b>	<b>8.4%</b>	
	<b>(1986-87)</b>	

# Trends in Fiscal/Revenue Deficits



# The Revenue Distribution

<b>DETAILS OF DISTRIBUTION OF NET PROCEEDS OF TAXES AND DUTIES</b>			
			(In Crores of Rupees)
<b>TOTAL TAX DISTRIBUTED</b>			<b>142450.29</b>
<b>STATE</b>	<b>AMOUNT DISTRIBUTED</b>	<b>As a % of Total</b>	
<b>UTTAR PRADESH</b>	<b>27479.21</b>	<b>19.29</b>	
<b>BIHAR</b>	<b>15730.96</b>	<b>11.04</b>	
<b>ANDHRA PRADESH</b>	<b>10493.06</b>	<b>7.37</b>	
<b>WEST BENGAL</b>	<b>10066.54</b>	<b>7.07</b>	
<b>MADHYA PRADESH</b>	<b>9572.92</b>	<b>6.72</b>	
<b>GROSS TAX REVENUE</b>			

# What is driving Tax Revenue

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Buoyancy in the Economy

Impressive Tax GDP ratios

Growing Direct Taxes

Service taxes

Education cess

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**Table 2.4 : Service Tax—A Growing Revenue Source**

<b>Year</b>	<b>No of services</b>	<b>Number of assessees</b>	<b>Tax rate in per cent</b>	<b>Revenue (In rupees crore)</b>	<b>Growth in per cent</b>
1994-95	3	3,943	5.00	407	...
1995-96	3	4,866	5.00	862	111.8
1996-97	6	13,982	5.00	1,059	22.9
1997-98	15	45,991	5.00	1,586	49.8
1998-99	26	107,479	5.00	1,957	23.4
1999-00	26	115,495	5.00	2,128	8.7
2000-01	26	122,326	5.00	2,613	22.8
2001-02	41	187,577	5.00	3,302	26.4
2002-03	52	232,048	5.00	4,122	24.8
2003-04(with effect from May 14, 2003)*	60	403,856	8.00	7,891	91.4
2004-05 (with effect from September 10, 2004)*	75	740,267	10.00	14,200	80.0
2005-06 (Prov.)	84	805,591	10.00	23,055	62.4
2006-07 (BE) (with effect from April 18, 2006)*	99	...	12.00	34,500	49.6

# Who gets The Centre's distribution of taxes

DETAILS OF DISTRIBUTION OF NET PROCEEDS OF TAXES AND DUTIES				
			(In Crores of Rupees)	
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# Non-Tax Revenue

		<u>Rs.crores</u>
	<u>06-07</u>	<u>07-08</u>
<u>Total</u>	77360	82550
<i>including</i>		
Interest on Loans to states	20130	19307
Dividends		
PSEs	19046	21901
RBI & banks	11022	12023



The transfer of RBI's holding in SBI to  
the Government of India-Rs.40,000  
crores allocated:

This is cash neutral

Is this inflationary?



# What are the major allocations?

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	Rs.Crores
■ Education	32352
■ Health	15291
■ Bharat Nirman	24603

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# Sarva Siksha Abhiyan- the flagship of the UPA

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	Rs.crores
Allocation for school education	10671
Teachers Training	450
Mid Day Meal	7324
Prarambhik Shisha Kosh	10393

Allocation for Ssa reduced, inspite of a being a flagship program!  
Are states allocating enough?

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# Some problems in Education

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- About 100,000 scholarships to be given to students from Class 9 to Class 12 @ Rs.6000 per annum
  - 96% literacy rates achieved in districts of SSA
    - Results better than USA!!!
  - 500,000 class rooms being built; where are they?
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## Education & Health as a % of Plan Expenditure

		DETAILS OF PLAN EXPENDITURE					
				(In Crores of Rupees)			
				Actuals	Actuals	Revised	Budget
YEAR				1998-99	2004-05	2006-07	2007-08
<b>TOTAL PLAN EXPENDITURE</b>				37333	80526	126510	154940
<b>EDUCATION, ART &amp; CULTURE</b>				4268	10774	19655	27109
as a % of Total				11.43	13.38	15.54	17.50
<b>HEALTH &amp; FAMILY WELFARE</b>				3213	7013	9306	12924
as a % of Total				8.61	8.71	7.36	8.34

**Much Less than the 8% of GDP targetted**

# More on education

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Rs.989 crores to implement reservations in the seven IITs!

Finally, 3 new IITs being planned

Secondary Education to receive a boost (Rs.1305 crores): Additional money being collected

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# NREGS

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- 12000 CRORES
  - 2800 Crores sampoorna gramian rozgar yojana
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# AGRICULTURE

## THE NEW MANTRA

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- FARM CREDIT targetted 225,000 crores
  - Mission for pulses
  - Plantation Sector
  - Reduction in duty on drip irrigation systems welcome
  - Accelerated Irrigation Benefit Programme  
Rs.11,000 crores
  - A study to deliver fertiliser subsidy DIRECTLY to the farmer
  - The ghost of self sufficiency!!
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Rs. 1800 crores allocated as subsidy to  
farmers for ground water recharge—

70,00,000 farmers expected to benefit

Costs of administration??

Another Hole in the Bucket !!



# INFRASTRUCTURE

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- The private initiative in coal  
8581 mill.tons allotted to govt and private users for the first time
  - Private participation in transmission Rural electrification to get Rs.3983 crores
-

## Infrastructure- the new initiative to use our increasing Forex Reserves

US\$ 5 Bn. Allocated to India Infrastructure Finance company

In a complex mechanism, funds will be available with government guarantee from RBI: Costs of accessing funds will go up due to intermediation.

RBI had earlier incurred substantial losses due guaranteed FCNR-B deposits

# Financial Sector

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- RRBs to be strengthened
  - Senior citizens-Mortgage guarantee schemes
  - PAN no. to be the SOLE identification no.
  - Funds from NSSF to be borrowed for Infrastructure
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# Defence

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- Increased from Rs.86000 crores to Rs.96000 crores- Net of inflation this is the same allocation as last year
  - Huge pile ups in capital expenditure plans
  - Both China and Pakistan invest more than 4.5% of GDP in defence
  - We are less than 3%!
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# History art and culture

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- Rs. 50 crores for
    - Sabarmati /ashram
    - Sevagram
    - Bhandarkar Oriental research
    - Nehru Memorial Musuem
  - GB Pant and TN Agricultural university to get Rs.50 crore each
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# National Rural Health Mission

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- Total allocation Rs.9947 crores
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# Expenditure Trends

		TRENDS IN EXPENDITURE										
		(In Crores of Rupees)										
		Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Actuals	Revised	Budget
YEAR		1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	
<b>NON PLAN EXPENDITURE</b>		<b>212522</b>	<b>221871</b>	<b>242923</b>	<b>261116</b>	<b>301778</b>	<b>348923</b>	<b>365960</b>	<b>365485</b>	<b>408907</b>	<b>475421</b>	
Intrest payments		77882	90249	99314	107460	117804	124088	126934	132630	146192	158995	
Defence Expenditure		39897	47071	49622	54266	55662	60066	75856	80549	86000	96000	
Subsidies		23593	24487	26838	31210	43533	44323	45957	47520	53463	54330	
<b>TOTAL EXPENDITURE</b>		<b>279340</b>	<b>298053</b>	<b>325592</b>	<b>362310</b>	<b>413248</b>	<b>471203</b>	<b>498252</b>	<b>506123</b>	<b>581637</b>	<b>680521</b>	
On Revenue Account		216461	249078	277839	301468	338713	362074	384329	439761	506767	557900	
On Capital Account		62879	48975	47753	60842	74535	109129	113923	66362	74870	122621	

# Subsidies

		DETAILS OF MAJOR SUBSIDIES					
					(In Crores of Rupees)		
					Actuals	Revised	Budget
YEAR				2005-06	2006-07	2007-08	
<b>MAJOR SUBSIDIES</b>					<b>44480</b>	<b>49701</b>	<b>51247</b>
<b>FOOD</b>					23077	24204	25696
<b>INDIGENOUS (UREA) FERTILIZERS</b>					10653	11400	11400
<b>IMPORTED (UREA) FERTILIZERS</b>					1211	2704	2704
<b>SALE OF DECONTROLLED FERTILIZERS WITH CONCESSION TO FARMERS</b>					6596	8348	8347
<b>PETROLEUM SUBSIDY</b>					2683	2785	2840
<b>GRANTS TO NAFED FOR MIS/PPS</b>					260	260	260



**India's Foreign Exchange Reserves are a comfortable (?) US\$185 bn.**

**India's External Debt outstanding is US\$136.5 Bn**

**India's Current Account Deficit is 3.3% GDP ,  
but not yet a worry**

**Comfortable FDI inflows hopefully will continue.**

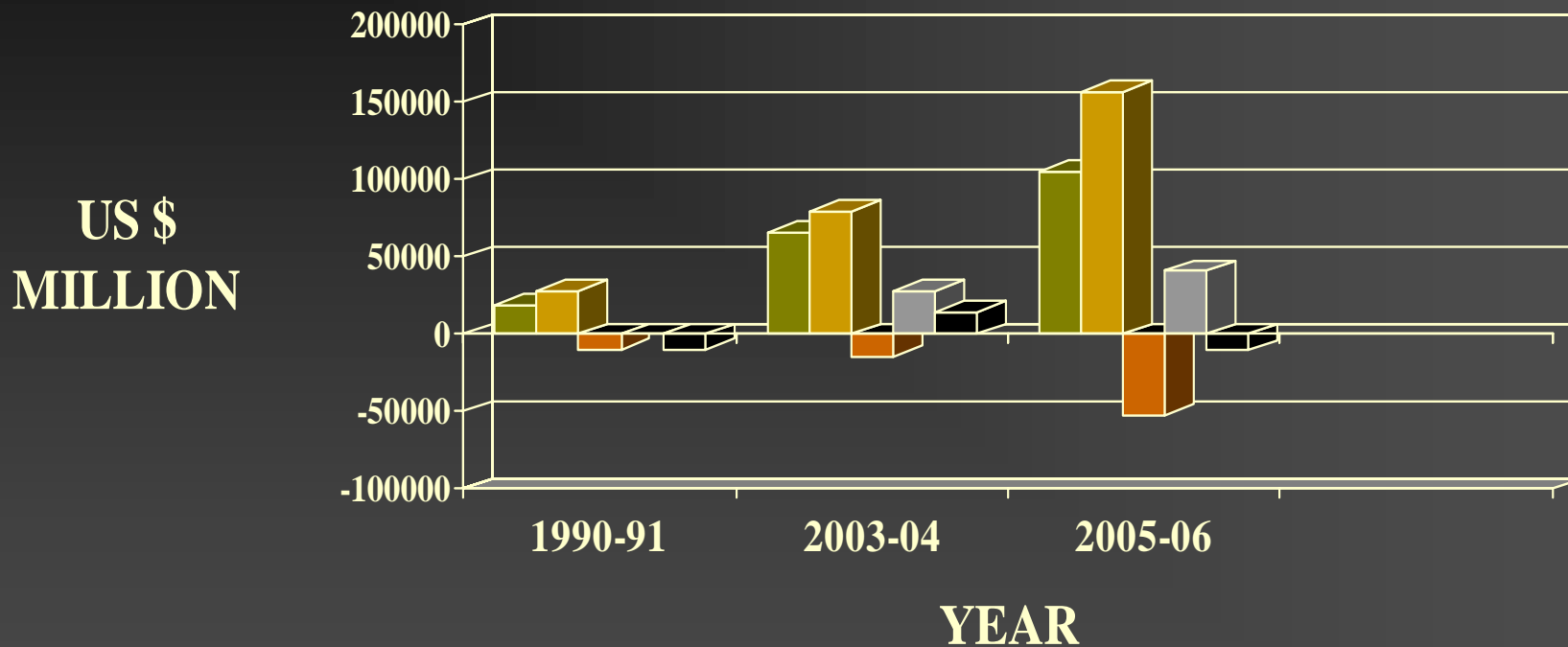


## India's Debt Position

	Rs. Crores
Internal Debt	26,32,896
External Debt	6,38,181
Total	32,70,977

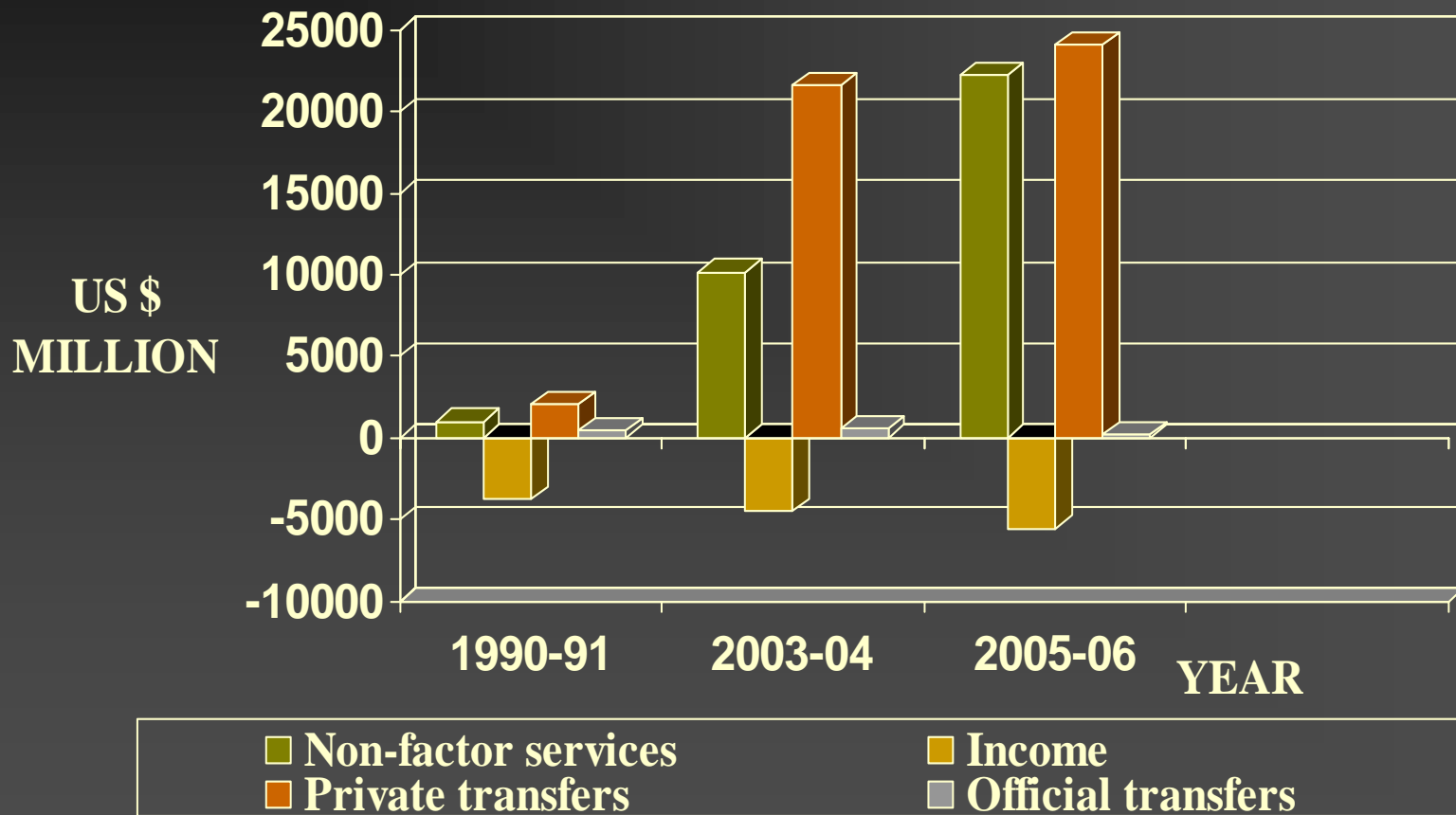
Incl. contingent Liabilities about 82% of GDP: Still a cause for worry.

# INDIA'S OVERALL CURRENT ACCOUNT POSITION



- Exports-FOB
- Imports-CIF
- Trade balance
- Invisibles-Net
- Current account balance

# INDIA'S OVERALL POSITION AS REGARDS INVISIBLES- NET

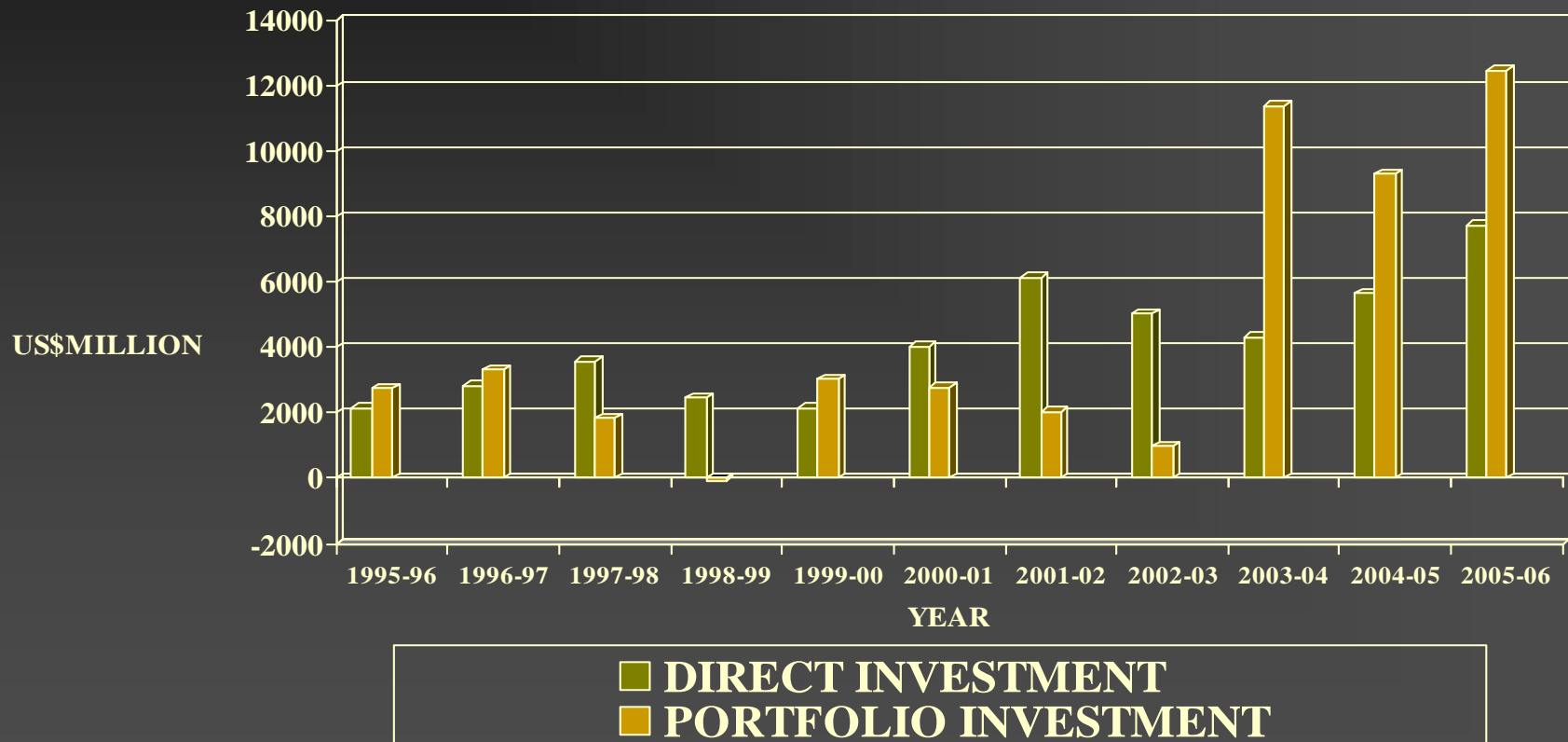


# CONTRIBUTION OF SOFTWARE SERVICES IN ELIMINATING TRADE DEFECIT

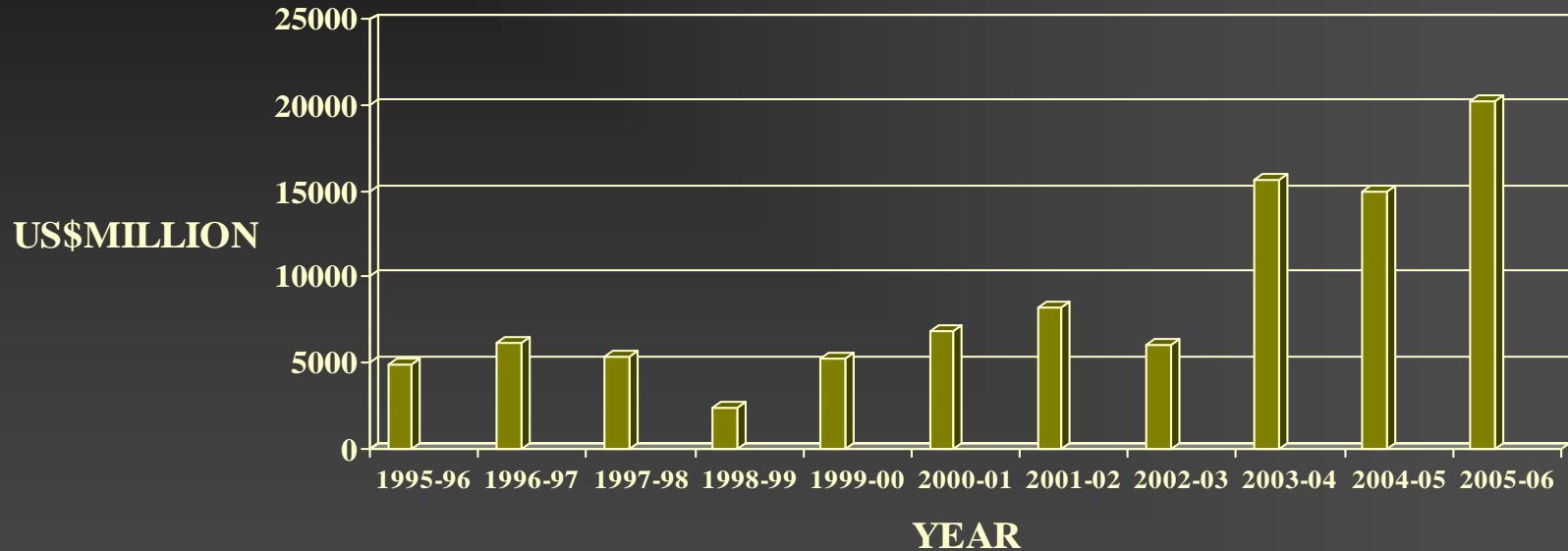
(US \$ MILLION)

<u>YEAR</u>	<u>TRADE DEFECIT</u>	<u>SOFTWARE SERVICES</u>	<u>%AGE</u>
2003-04	13718	12324	89.84
2004-05	36629	16526	45.12
2005-06	51554	22262	43.18

# FOREIGN INVESTMENT INFLOWS



# FOREIGN INVESTMENT INFLOWS



■ TOTAL FOREIGN INVESTEMENT INFLOW

## Inflation – the growing worry

Table 5.1 : Annual WPI inflation rate					
<i>(per cent)</i>					
Year	Annual point to point Inflation rate				52-week
	Primary Articles	Fuel, power, light & lubricants	Manufactured Products	All Com- modities	Average (All Commodities)
Weights (per cent)	22.0	14.2	63.8	100.0	100.0
<b>Long term trends (Average Annual)</b>					
1991-1996	11.3	11.3	10.1	10.6	–
1996-2001	5.4	13.0	3.1	5.1	–
2001-2006	3.6	8.1	3.9	4.7	–
<b>Recent Annual trends (Points to point)</b>					
2002-03	6.1	10.8	5.1	6.5	3.4
2003-04	1.6	2.5	6.7	4.6	5.5
2004-05	1.3	10.5	4.6	5.1	6.4
2005-06	5.4	8.9	1.7	4.1	4.4
2006-07#	9.76	3.67	5.65	6.11	4.90
2005-06#	5.87	7.84	2.32	4.24	4.65
<b>Contribution (adjusted) to annual inflation (per cent)</b>					
2006-07#	34.90	13.51	51.58	100.0	–
2005-06#	29.44	39.79	30.77	100.0	–

# : As on 43rd week – January, 20, 2007 and January 21, 2006.

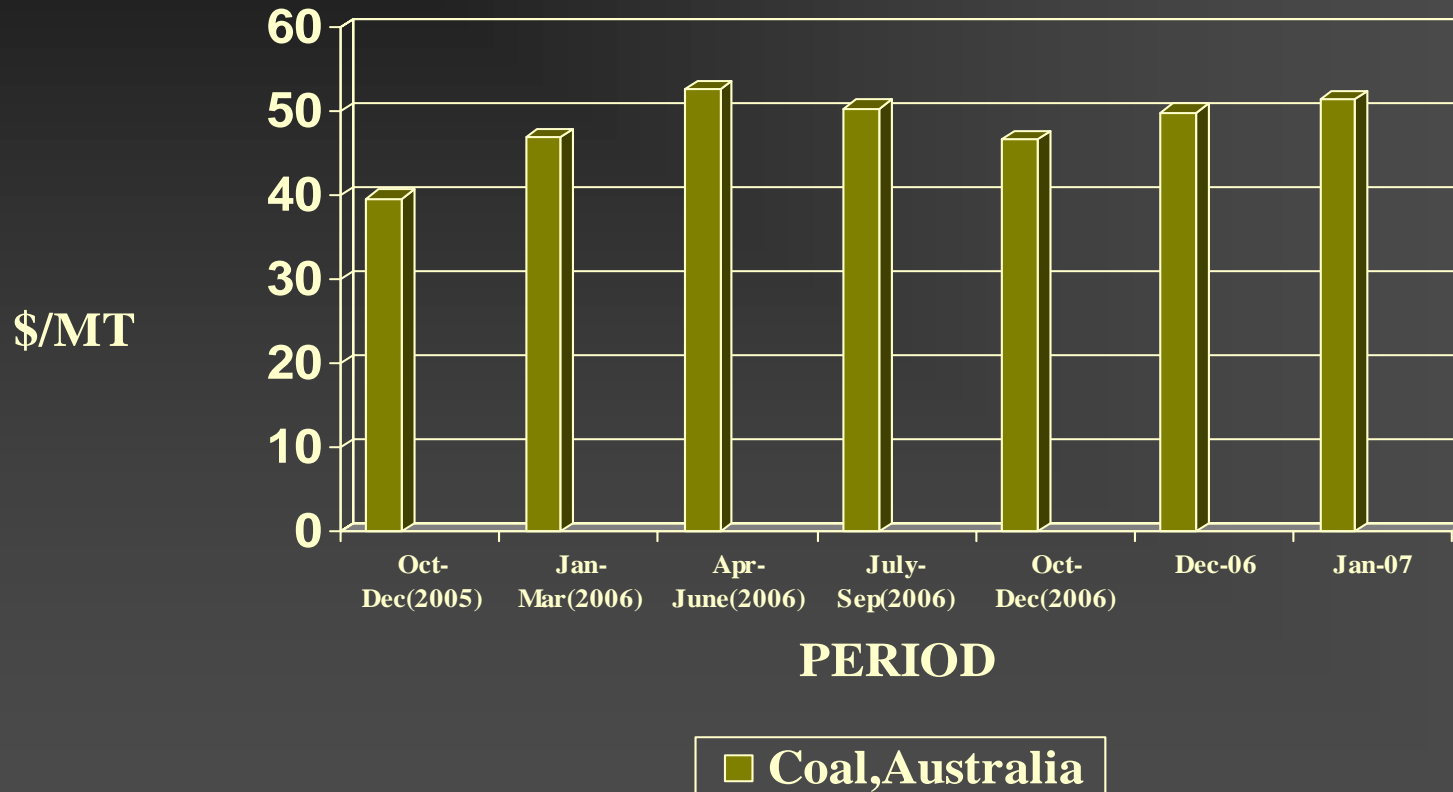
# PERCENTAGE INCREASE IN THE PRICES OF SELECT COMMODITIES IN JANUARY 2007 RELATIVE TO OCTOBER - DECEMBER 2005

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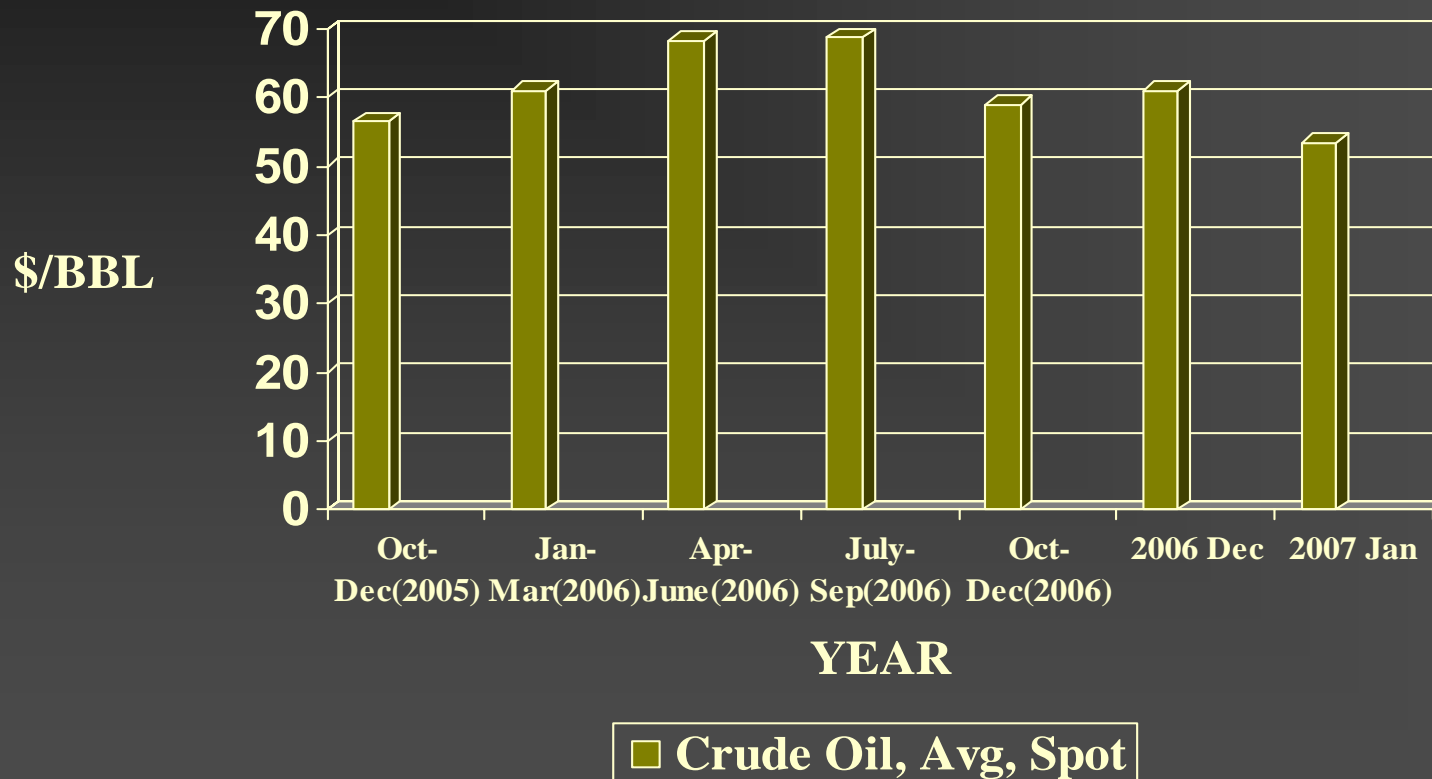
➤ EDIBLE OILS	27.8%
➤ CROPS	18.3%
➤ METALS	73.0%

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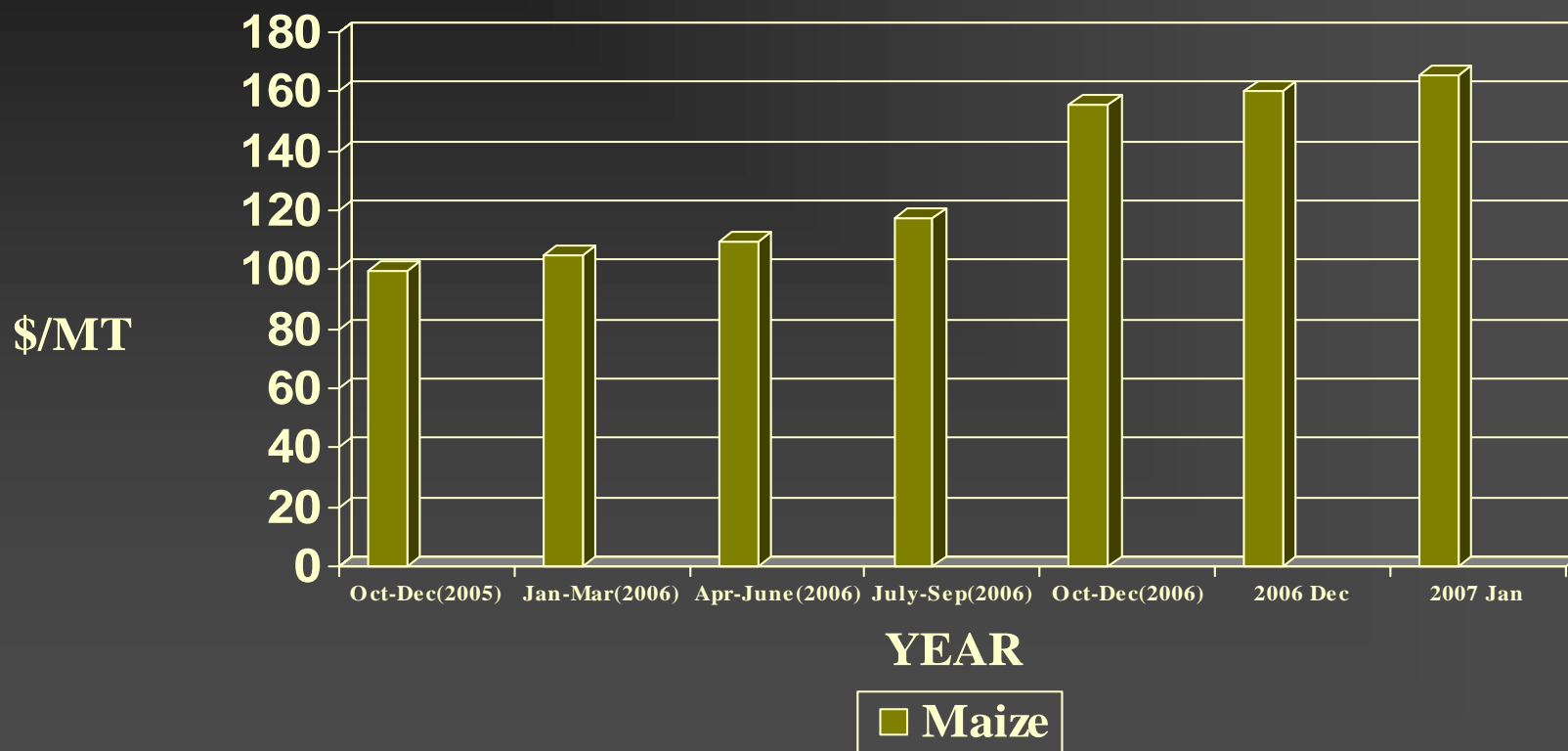
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)- COAL, AUSTRALIA



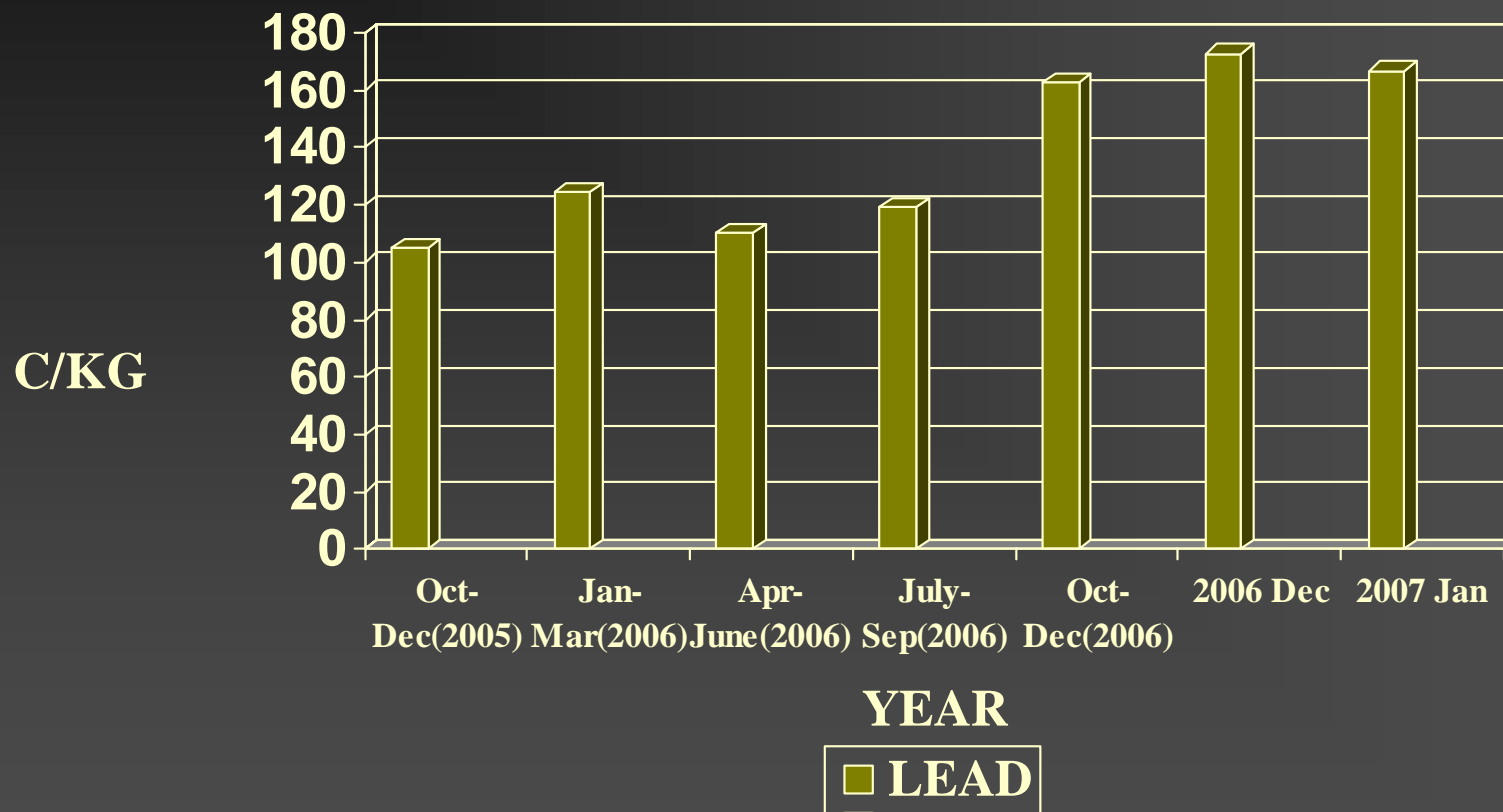
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)- CRUDE OIL,AVG,SPOT



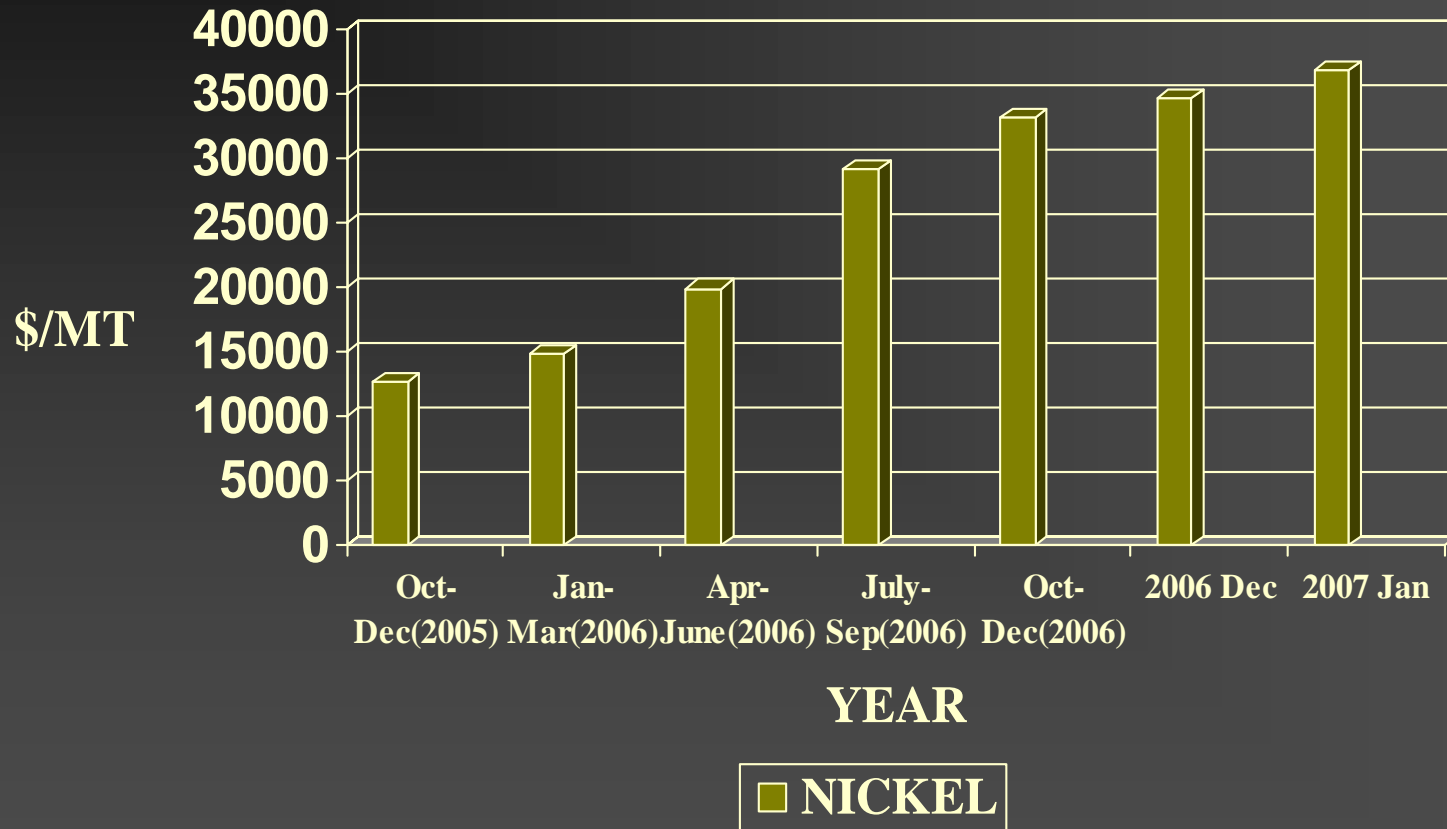
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)-MAIZE



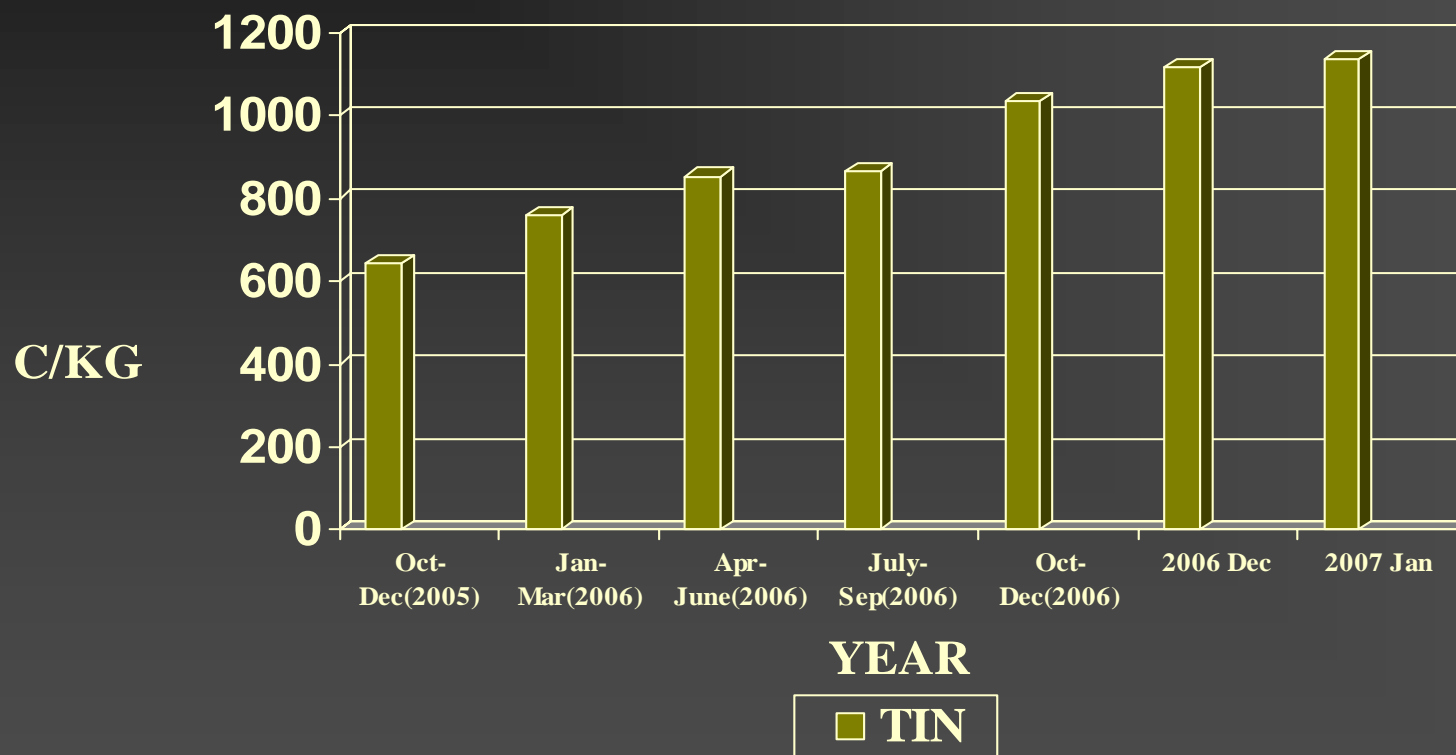
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)-LEAD



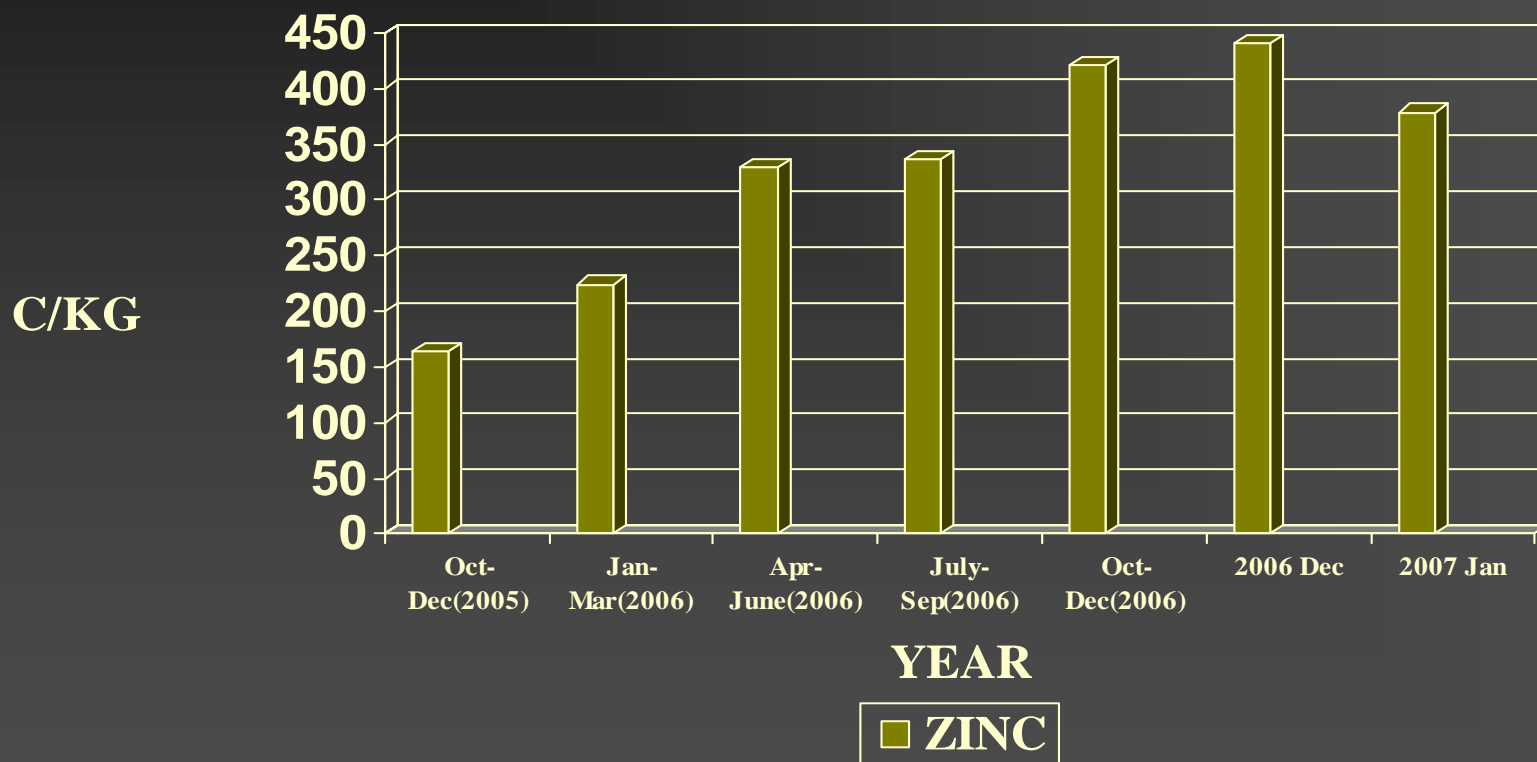
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)- NICKEL



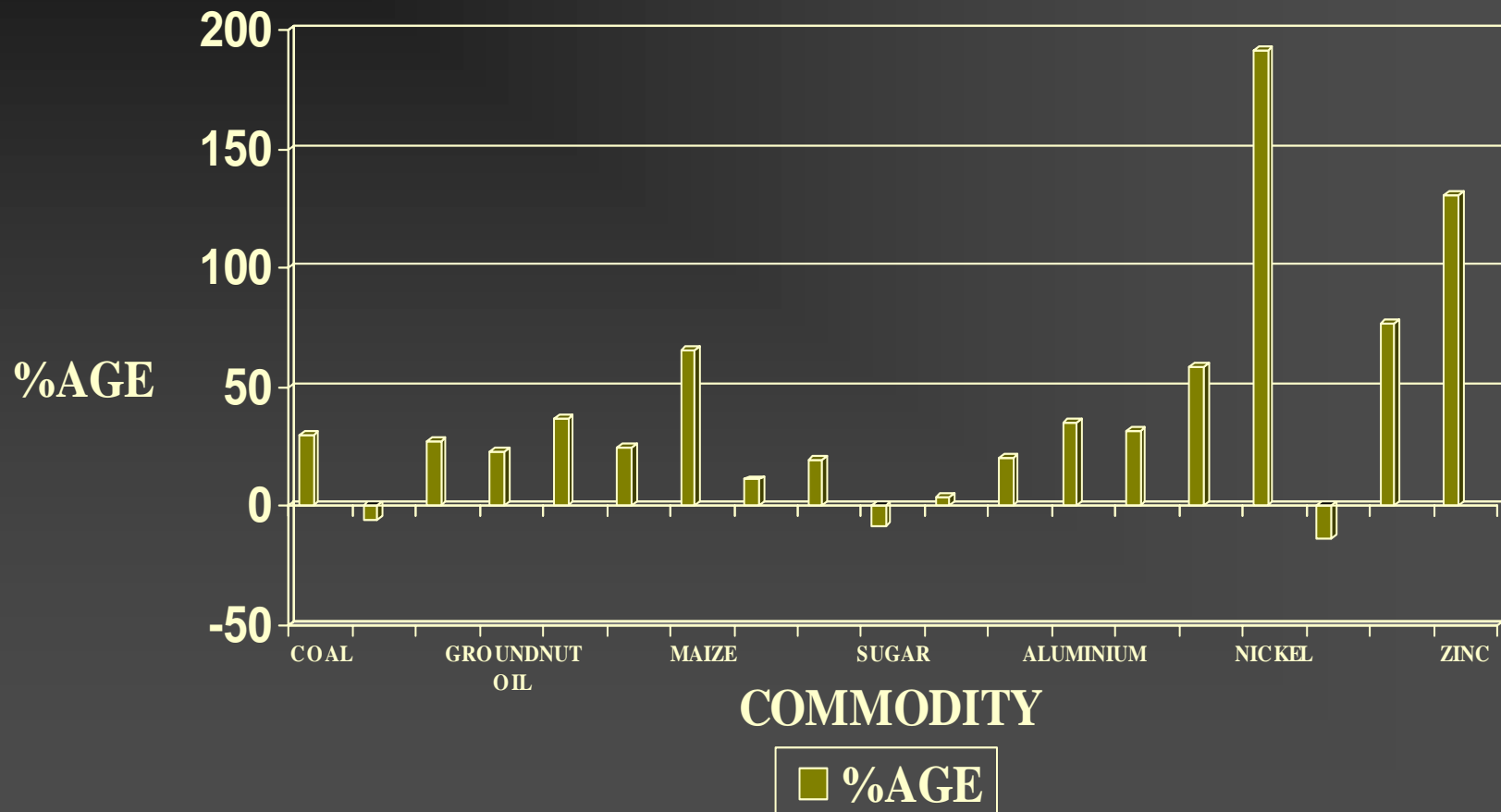
# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)-TIN



# INTERNATIONAL PRICES OF SELECT COMMODITIES (QUARTERLY AVERAGES)-ZINC



# INCREASE IN JANUARY 2007 RELATIVE TO OCTOBER – DECEMBER 2005- COMMODITY WISE



## Causes for worry

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Inflation

Oil Prices

Power sector lagging behind; we are short by 18000 MW in the tenth plan that just got over

Low growth in Infrastructure

Financial inclusion

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# IN SUMMARY

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UPA thrust towards the social sector continues

Agriculture gets renewed support

No spectacular initiatives- the troubles of a coalition government

GDP growth driving burgeoning tax collections

Is India really poised?

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