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PERSPECTIVES

presents emerging issues and ideas that call for action or rethinking by managers, administrators, and policy makers in organizations

Prospects for the Indian Economy

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On 29th November, 2012, the Central Statistical Organization (CSO) came out with an estimate of 5.3 per cent growth for the Indian economy during the second quarter (July-September) of the current fiscal year against the 5.5 per cent growth during the first quarter (April-June). The quick estimate of 5.4 per cent growth of real gross domestic product (GDP) for the first half of the current fiscal year is not a very encouraging figure, though the stock market has taken it favourably. This is because the market might have perceived it as the lower turning point of the current slowdown. At this juncture, addressing questions about the prospects for the Indian economy in the short term, medium term, and long term is critical for individual business and collectively for the national developmental aspirations.

We discuss the prospects for the growth of real GDP and overall inflation rate, and throw light on the likely position of the Indian economy among the largest economies in the world by the year 2025.

GROWTH OF REAL GDP

There have been several studies on the history of economic growth in India since Independence, attempting to identify or define the distinctive phases (for a quick literature review, see Balakrishnan, 2011, pp.159-205). During the successive phases, the Indian economy has experienced growth acceleration as shown in Table 1.

Table 1: Growth of Real GDP in India (1950-51 to 2011-12)

Period	Compound Annual Growth Rate in		
	Total Real GDP	Per Capita Real NNP	Phases
1950-51 to 1979-80	3.44%	1.25%	Nehruvian era with import substitution
1979-80 to 1991-92	5.19%	2.77%	Partial decontrol and deregulation
1991-92 to 2003-04	6.09%	4.13%	Liberalization and globalization
2003-04 to 2011-12	8.16%	6.42%	Consolidation

Source: GoI (2012)[1,2]

The most striking feature of the Indian growth story is the continual acceleration implying shifting growth path at intervals of 10-12 years after initiation of partial decontrol, de-administration, and deregulation in 1979-80. The Planning Commis-

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sion is of the view that the underlying time-path of the growth of real GDP, usually referred to as "structural growth", has been shifting in the country and currently stands at around 7.5-8 per cent per annum[3]. The Reserve Bank of India (RBI) Governor, Dr. D Subba Rao, agrees with this view[4]. Around June 2012, the Planning Commission also expressed its expectation that during the 12th Plan, the growth could further shift to around 8.5-9 per cent per annum, given their likely emphasis on critical infrastructure including coal and gas. However, by October 2012, it revised the target downward to a range of 8-8.5 per cent. The medium- to long-term growth prospects of the Indian economy would certainly depend on these considerations and calculations of the Planning Commission.

Other empirical evidence illustrates the assumptions underlying the calculations of the Planning Commission. The saving rate, which is a ratio of gross savings to GDP at market prices, touched a high of 36.8 per cent in 2007-08 and then declined to 32.3 per cent in 2010-11. Correspondingly, the investment rate, which is a ratio of Gross Capital Formation (GCF) to GDP at market prices, reached 38.1 per cent in 2007-08 and then declined to 35.5 per cent in 2011-12.[5] The decline in the saving rate in recent years is due to the government sector and not the household sector. Thus, tighter budgetary controls and discipline reflected in the adherence to the Fiscal Responsibility and Budget Management (FRBM) Act targets would bring the saving rate back to the 2007-08 level. Moreover, as the Economic Survey 2011-12 points out, "India is also passing through a phase when the dependency ratio will decline from an estimated 74.8 in 2001 to 55.6 in 2026 with a corresponding increase in the share of persons in working age-group" (p.348). This will lead to an increase in the saving rate, which is assumed to be translated into the investment rate in the economy. With the average Incremental Capital-Output Ratio (ICOR) (reflecting the inverse of efficiency of capital use and labour intensity of production in the system) not substantially rising over time, increasing investment rate would lead to higher growth trajectory. This is how India's demographic dividend has become a positive factor for medium- to long-term growth.

Maintaining fiscal discipline, labour-intensive production, enhanced skill formation (leading to higher wages to take full advantage of the demographic dividend), and a higher rate of fixed capital formation by the private sector (resulting from the speedy implementation of critical economic policy reforms) are the crucial assumptions behind the medium to long-term growth projections by the Planning Commission.

In this context, we find the Centre for Monitoring Indian Economy's report (CMIE, May 2012) a very relevant supporting evidence. It estimates that projects worth about Rs.75.6 trillion are under implementation at various stages in the country by the end of March, 2012. Removing the bottlenecks through determined implementation of economic reforms can credibly lead to quick increases in the investment rate in the country. Increase in the investment rate in turn can lead to very sharp recovery in the growth performance of the country in the medium term of the next five to six years.

Turning to the short-term growth forecast for the Indian economy over the next one year, there are a lot of views, opinions, and projections made by several agencies and individuals. In February-March 2012, the Finance Ministry had taken the real growth of GDP at market prices to be 7.6 per cent for the ensuing year and made its calculations for the Union Budget 2012-13. It represented a clear recovery from the then estimated growth of 6.9 per cent during the year 2011-12. In April 2012, when the international rating agency – Standard & Poor (S&P)[6] – downgraded the outlook for India, the Finance Ministry was in a denial mode. Even with substantial downward revision of economic growth in the fourth quarter (Jan-March, 2012) of the fiscal year 2011-12 to only 5.3 per cent by the Central Statistical Organization (CSO) on 31st May 2012, the Finance Ministry still remained optimistic and defended the prospects for the Indian economy when S&P warned in June 2012 about the possible cut in the investment rating. The Finance Ministry continued to maintain that the growth rate of real GDP during 2012-13 in India would exceed 7 per cent according to the reports in leading dailies.

Dr. C Rangarajan, Chairman of the Prime Minister's Economic Advisory Council (PMEAC) expected the economy to grow around 7 per cent during 2012-13[7]. It already represented a downward revision of about 0.5 percentage points from the Council's assessment in February 2012. Mr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission also felt that the target of 7.6 per cent growth would not be achieved during 2012-13, and that the growth might be "somewhere between

6.5 and 7 per cent– we should be able to do and we should do better than that in the next year".[8] Similar view was expressed by Mr. Ashwani Kumar, Minister of State for Planning, that the growth would be 7 per cent in the current year (2012-13) and about 8.5 per cent in the next five years.[9]

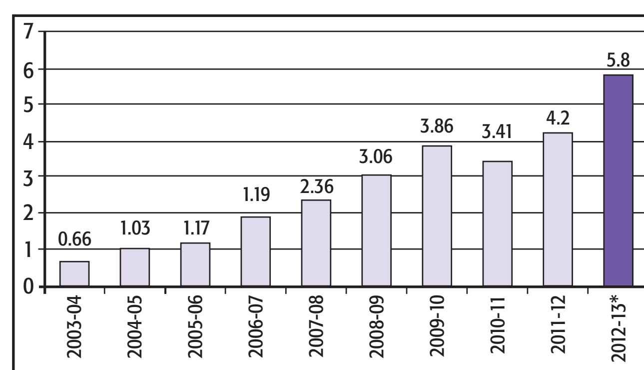
Thus, around June 2012, the policy makers and international banks expected the real growth in the Indian economy to be between 6 and 7 per cent (see Table 2). Most of the multilateral financial institutions' forecasts till June 2012 put India's growth in 2012-13 around 7 per cent. This was largely on account of deteriorated global economic conditions reflected in the prediction of almost 2 percentage points slowdown in the World trade, weak growth in the high income countries (export markets), high fiscal deficits implying little or no fiscal space to face an expected financial global crisis, and a very weak capital and financial support to the developing world during 2012.[10] However, policy inaction, reversals, and introduction of certain policies retrospectively and charges of corruption and scams against Ministers created an environment of uncertainty, distrust, and fear that was extremely detrimental to new investments and growth. Such considerations weighed overwhelmingly in the international banks operating in the country slashing the forecasts further to only around 6 per cent by June 2012.

Table 2: Forecast of Real GDP Growth in 2012-13 by Different Agencies, April-June, 2012

Agencies	Date	Forecast
1. Finance Ministry[11]	June 2012	7-7.5%
2. Reserve Bank of India[12]	June 2012	6.5-7%
3. PMEAC[13]	May 2012	Around 7%
4. World Bank[14]	June 2012	6.9%
5. Asian Development Bank[15]	April 2012	7%
6. OECD[16]	May 2012	7.1%
7. IMF[17]	April 2012	7.0%
8. Morgan Stanley[18]	June 2012	5.8%
9. Deutsche Bank[19]	June 2012	6.5%
10. Standard Chartered Bank[20]	June 2012	6.2%
11. CLSA[21]	June 2012	Around 6%
12. Citi Group[22]	June 2012	6.4%
13. J P Morgan[23]	June 2012	6.3%
14. HSBC[24]	June 2012	6.2%
15. CRISIL[25]	June 2012	6.5%
16. ING Research Poll of 220 Corporates[26]	June 2012	Below 7%

CMIE (May, 2012), however, sounded an optimistic note in terms of continuation of the accelerating trend in project completion. Figure 1 shows that the project completion in the country has steadily accelerated for the last eight years from Rs.0.66 trillion in 2003-04 to about Rs.4.2 trillion in 2011-12 and is forecasted to be about Rs.5.8 trillion in 2012-13 based on the Capex Survey of CMIE. Moreover, a rising proportion of the project commissioning is by the private sector as per their findings. "The share of private sector in total project commissioning has gone up in the last five years from 55.5 per cent in 2006-07 to 67 per cent in 2011-12" (CMIE, May 2012).

Figure 1: Project Completion in India (Rs.Trillion)



* Forecast

Source: CMIE, May 2012

Table 3 provides data on project completion (or commissioning) in the top 15 sectors during the last three years and a forecast for 2012-13 based on collected information on all ongoing projects by CMIE.

Table 3, based on the CMIE Capex Survey[27], provides good news because as per the forecast for 2012-13, ten out of these fifteen top sectors in terms of project commissioning are critical infrastructural sectors. Once the projects in these critical sectors get commissioned, other dependent projects would also get speeded up promoting new investment and further growth.

However, policy inaction persisted and political environment deteriorated in the country after June 2012. There was no end to the fiscal profligacy in sight with populist expenditures and subsidies rising to levels threatening serious fiscal crisis. Debt-financed unproductive government expenditures started crowding out productive private sector investments through upward pressure on interest rates. Failure to take quick policy

Table 3: Project Commissioning in Top 15 Sectors in India (Rs. crore)

Sectors	2009-10	2010-11	2011-12 Estimate	2012-13 Forecast
Electricity	42,722	53,236	90,417	1,25,751
Steel	15,135	29,684	44,633	45,467
Aluminium	104	5,420	585	29,650
Road transportservice	21,856	21,473	22,267	27,053
Real estate	17,953	14,392	17,116	24,217
Shipping transport infrastructure service	2,666	11,5112	8,627	23,406
Polymers	15,362	622	142	22,708
Petroleum products	12,664	14,279	58,581	22,503
LNG storage & distribution	17,950	868	3,157	21,428
Crude oil & natural gas	56,130	1,600	4,755	20,605
Tyres& tubes	2,380	1,402	2,620	14,255
Information technology	7,656	6,889	2,141	13,555
Retail trading	4,513	4,368	4,351	13,506
Coal & lignite	6,449	555	824	13,071
Hotels & restaurants	2,109	2,759	6,110	13,023

Source: CMIE, May 2012

Table 4: Forecast of Real GDP Growth in 2012-13 by Different Agencies, Aug.-Oct., 2012

Agencies	Date	Forecast
1. Finance Ministry[28]	Nov.2012	5.5-6%
2. Reserve Bank of India [29]	Oct. 2012	5.7%
3. PMEAC[30]	Oct. 2012	6%
4. National Council of Applied Economic Research[31]	Nov. 2012	5.9%
5. Centre for Monitoring Indian Economy	Nov. 2012	6%
6. World Bank[32]	Oct. 2012	6%
7. Asian Development Bank[33]	Oct. 2012	5.6%
8. IMF [34]	Oct. 2012	5-6%
9. Morgan Stanley[35]	Sept. 2012	5.1%
10. Standard Chartered Bank[36]	Sept. 2012	5.4%
11. CLSA [37]	Aug. 2012	5.5%
12. Citi Group [38]	Aug. 2012	5.4%
13. HSBC[39]	Sept. 2012	5.7%
14. ICRA[40]	Aug. 2012	5.7%
15. CRISIL [41]	Aug. 2012	5.5%
16. Standard& Poor[42]	Sept. 2012	5.5%
17. Fitch[43]	Sept. 2012	6%
18. Moody's[44]	Aug. 2012	5.5%

decisions to facilitate domestic production of critical mineral and other inputs, expectation of near-drought conditions due to inadequate rainfall, falling export growth due to depressed demand in the developed world, and rising imports on account of oil, coal, and gold demand led to increased deficit on the country's current account of the balance of payments. The same factors contributed to the capital account of the balance of payments not improving enough to compensate for the current account deficit. This led to the Indian rupee losing value to other currencies in the world adding to the woes of external deficits and domestic inflation.

By end September 2012, most of the rating agencies and multinational banks started revising their growth forecast of the Indian economy downward. Policy making bodies in India also followed suit by end October 2012 (see Table 4).

By now, market sentiments for the short-term growth of Indian GDP during 2012-13 are so depressed that almost everybody expects the annual growth rate to be below, if not substantially below, the 6 per cent mark. It is not only the short-term growth forecasts that reflect pessimism, but also the medium-term annual growth target for the 12th Plan (2012-17) set by the Planning Commission in September 2012 that shows serious reduction from the previous 9 per cent to 8.2 per cent. In November 2012, OECD also revised its forecast of the annual growth for the next five years in India to 6.4 per cent against 8.3 per cent in China in its South-East Asian Economic Outlook 2013 report.

Against this backdrop, the latest developments assume importance. Since the quarterly estimates recently (on 29-11-12) released by CSO show almost the same growth rate of around 5.3 per cent for the last three quarters, the market feels that the growth curve has bottomed out and expects the future quarters to show higher growth rates of about 6 per cent or more. Delayed rains in the current year have revived hopes on agricultural growth in the *rabi* season because of improved soil moisture (Lokhande, 2012, pp. 83-85). This is also supported by the change of guard in the Finance Ministry in September 2012 with the new Finance Minister, having proven track record, firmly repeating his resolve to reign in the fiscal discipline by cutting subsidies, improving tax compliance, and announcing various policy measures long awaited to revive investors' confidence and growth impulses in the economy. The markets reacted to these announcements very favourably with sharp appreciation of the Indian rupee and renewed growth of foreign investment inflow. However, the markets are losing

patience since the announcements are not getting converted into solid action on the ground even after two months.

Uncertain political environment, inefficient functioning of the Parliament, and forthcoming elections in the next fiscal year are the major stumbling blocks in the growth path of the economy. If the government shows firm determination to move ahead with several pending reforms and puts its resolve for the fiscal discipline to practice in the next budget by reducing the fiscal deficit, the growth in the economy can revive substantially. However, this is a major political and managerial challenge before the government.

About the long-term prospects of the growth of the Indian economy, Mr. Montek Singh Ahluwalia, the Deputy Chairman of Planning Commission has displayed optimism[45], citing special focus and emphasis on critical infrastructural inputs like coal, gas, and steel. He has also hoped that the underlying structural growth (or the trend growth rate) is likely to shift further to 8.5-9 per cent during the next two Five Year Plans. CMIE Capex Survey results and analysis (Figure 1 and Table 3) also support such optimism about future growth. Similarly, the demographic trends, implied saving behaviour and ICOR considerations discussed above, also point to a high growth trajectory of 9 per cent plus in the long term.

Implications of such a high trajectory of growth on the business in the country and its future are remarkable. From Table 1, we can infer that the population growth in the country is on decline and during the last decade stood at 1.75 per cent annually. With high growth in real GDP, it is likely to further decline to an average of about 1.3 per cent over the next three decades. Growth of 8.5-9 per cent on average would give the growth of 7.2-7.7 per cent in per capita income in the country in real terms. It implies that availability of goods and services per person would double every 9 to 10 years. Thus, real income and consumption reflected by purchasing power in the hands of Indians would on an average expand almost 30-32 folds during the working life of an individual. This has mind-boggling implications for the nature of goods and services demanded and the pattern of consumption of people at large in the country.

It is interesting to note that most of the goods and services existing and being consumed by people today are likely to become "inferior goods" in the sense that their consumption would decline for individuals as their incomes rise beyond a certain threshold. Almost all goods and services would experience rapid upgrade in their quality, finesse, and appeal. People may turn demanding more exclusive items and that would boost invention, innovation, and technological progress. The rate of obsolescence may increase substantially. Businesses that do not envisage this trend and have the ability to cope up with such changes would find themselves getting left out. However, because the personal income distribution in the country today is highly dispersed, such a rapid growth would provide space to most of the goods and services to find buyers. As the consumption of lower income groups get upgraded with substantial rise in their incomes, they would start demanding things which are currently out of their reach. This would provide some breathing time and space for businesses to adjust, innovate, and compete.

Such a scenario depicting the long-term prospects of the Indian economy is very encouraging but equally challenging. It is because of such prospects that we are likely to attract tremendous inflow of capital and enterprise from abroad. It will not be surprising if we start attracting human labour from abroad in another decade or so. There is already a trend emerging among the non-resident Indians to return to the country for career, enterprise, and investments.

INFLATION

Forecasting inflation rate in the short, medium, and long term is a very challenging task because it typically depends on the rates of change in the aggregate demand and supply in the system. This makes it depend not only on external or exogenous factors such as movements of the oil prices and non-fuel commodity prices in the world market and nature of agricultural seasons at home, but also on changes in domestic fiscal policy, external trade policy, infrastructural policy, monetary policy, and exchange rate policy. Very often the inflation rate is either an explicitly or implicitly targeted variable for the monetary and credit policies in the economy. Moreover, it is well recognized in the literature and policy circles that the actual inflation depends directly on the inflationary expectations of the people. Unlike the developed economies such as the US and Western Europe, the developing economies including India do not generate usable

independent time series of expected inflation for analytical purposes. Usually, inflationary expectations are considered within the specific context of the broader models and are not usable outside the particular model.

Mr. Montek Singh Ahluwalia has aptly summarized concerns about inflation (*Mint*, June 12, 2012). According to him, there is some comfortable upper limit on inflation rate and if it is exceeded, policy makers are expected to make positive efforts to bring it down. However, he also makes it explicit that the perception of the comfortable upper limit differs for different policy bodies in the government. According to him, RBI would be comfortable with an annual inflation rate of around 4 per cent and Finance Ministry with about 5 per cent while the Planning Commission may consider 6 per cent as a comfortable limit. The current annual inflation rate at 7.5 per cent is certainly on a higher side and all the policy makers have to be acting in tandem to bring it down. This would particularly include controlling aggregate demand by reducing consumption expenditures and simultaneously encouraging investment expenditures, allowing inflows of goods and investments, and removing all impediments and bottlenecks for boosting production in the economy.

Inflation in India particularly in the current context is considered more as a phenomenon arising out of the unfavourable developments on the supply side. Once the supply side constraints such as lack of adequate infrastructure, delayed project approvals, and inefficient external trade policies are removed, investments will start flowing in both domestically and from abroad. This will improve the growth performance of the economy which would then make the actual inflation more responsive to the domestic aggregate demand policies. Thus, as the classical quantity theory of money in its modified form would suggest, the inflation rate would be determined by the growth rate of money supply and growth rate of the real GDP in the system. This framework can then be used for medium-term and long-term forecasts for the inflation rates, because we have already seen a lot of optimism about the growth prospects of the Indian economy in the medium and long terms.

Turning to the short-term forecasts of inflation, the first two quarters of the current fiscal year 2012-13 have shown a rate in excess of 7 per cent in the overall Wholesale Price Index (WPI). The food prices and consumer prices show a growth rate in excess of 9 per cent, though the core (manufacturing) inflation is much lower at 5 per cent or less and declining. In this context, recent international and domestic developments are very important. International oil prices have sharply fallen since February, 2012. Since India's dependence on oil imports is almost 80 per cent of its domestic consumption, it represents a significant development. Its impact is not felt immediately on domestic prices because a large part of the decline in the international price of oil has been neutralized by sharply depreciating rupee. Similarly, the non-fuel commodity prices in the international markets are also softening. Rupee has already started appreciating and by now (as on 1st Dec. 2012) has gained 5 per cent, but has still not stabilized. As and when it stabilizes with about additional 5 per cent appreciation compared to the present level of about Rs. 54.3 to a dollar, both these factors would substantially reduce inflationary pressures on the domestic economy. Domestically, delayed rains have improved the prospects for agricultural production easing the pressure on prices of the primary products including fruits and vegetables.

Several agencies including international banks, government policy making bodies, and corporates have been providing their projections or estimates of the inflation rate for the next one or two years. These short-term forecasts for the fiscal year 2012-13 are summarized in Table 5.

Table 5: Forecast of Inflation Rate in India by Different Agencies for the year 2012-13

Agency	Expected Rate (WPI)
1. ADB[46]	7%
2. OECD[47]	6.7%
3. IMF[48]	10.2% (CPI) but declining over time
4. World Bank[49]	7%
5. CRISIL[50]	8%
6. ICRA[51]	7.5 to 7.7%
7. PwC[52]	7.2% for 2012 and 6.8% for 2013
8. Finance Ministry[53]	6.5% to 7.5%
9. PMEAC[54]	>7% but declining
10. RBI Survey of Professional Forecastors[55]	7.7% average
11. Reuters[56]	7.7%
12. ING Research Survey of 220 corporates[57]	Above 7%

These agencies on average expect the annual inflation rate to be marginally above 7 per cent in the short term during fiscal year 2012-13. Most of them also feel that the next year (2013-14), the inflation rate would be lower. This is consistent with their expectation that real growth in the system and hence the supply of goods and services would pick up further next year onwards.

In the medium and long terms, the inflation rate projections have to consider unexpected shocks and developments such as droughts, oil price shocks, currency crises, and policy changes. However, annual inflation rate being a very sensitive and important policy target that no political party can afford to ignore, it is normal to expect that the government and RBI will act with determination to keep it under control in the medium and long term. IMF (2012), therefore, forecasts about 5 per cent annual inflation rate for India by 2017. Accordingly, we expect that the policy target for inflation rate will be about 5 per cent annually in the medium term (i.e., five years from 2013-14 to 2017-18) and about 4 per cent annually in the long term (i.e., next five years from 2018-19 to 2022-23). There could be a slippage of about 0.5 percentage points in practice given the track record of governments in the country.

PROSPECTS FOR INDIA IN THE GLOBAL CONTEXT

India by now is the tenth largest economy in the world in terms of the GDP converted to US dollars at the market exchange rate (see Table 6). In the year 2008, it was the eleventh largest economy, but by 2011, it has crossed Canada to become the tenth largest economy. Still ahead of India are the economies of USA, China, Japan, five countries from Europe and Russia. All these countries except China and Russia have grown at an annual rate lower than 4 per cent in the recent past. India, on the other hand, has registered close to 8 per cent growth. Table 6 provides compound average annual growth rate (CAGR) experienced by all these eleven largest economies of the world during the period 2000-2008.

The years 2008-2011 represent serious turmoil in the global economy in general and most of these largest economies in particular. Confidence-cum-financial crisis of 2008 resulted in almost all these economies registering a negative growth except China and India. To come out of this depression, substantial fiscal and monetary boosts had to be provided in a coordinated way in all these economies. Some economies could come out of the depression by 2011, but several others like Japan, UK, Italy, and Spain are still struggling. The heavy doses of fiscal boost resulting in large and continuing fiscal deficits in the European countries have created another round of deep sovereign debt crisis. Almost all these large economies are, therefore, forced to restructure and readjust their economies to differing extents. Stringent fiscal discipline and consolidation are required in most of these economies including USA. Their future growth prospects in the next five to ten years are not likely to be anywhere near what they achieved in the years prior to 2008.

Recent elections in USA providing the mandate to the Obama government to continue with similar policies imply that the restructuring and disciplining needed in the US economy are not likely to materialize to the required extent for at least the next four years. On the contrary, there are strong chances of the US moving towards more protectionism and inward looking policies. This does not augur well for the rest of the world because it may result in lower growth of international trade and more restrictive factor flows including capital and skilled labour across nations. It would also restrict the growth of GDP and employment in both USA and Europe. As a spillover effect of all this, prospects for growth in India and China may also suffer by about one percentage point unless some new political solution involving economic cooperation among economies other than USA and Europe emerge.

Table 6 also provides expected compound average annual growth rate for the period 2012-2025 and the resulting GDP estimates in dollars at market exchange rate in the years 2017 and 2025.

It is interesting to see that India is likely to be the seventh largest economy in the world by the year 2017, and fifth or fourth largest economy in the world by 2025 depending on whether it grows at 8 per cent or 9 per cent annually during the period. If India does not grow at 9 per cent annually, it will not be able to overtake Germany by 2025. This provides an additional perspective on the prospects of the Indian economy in the global context. India's influence on the world economic affairs and hence political affairs is definitely going to increase in the next decade and a half.

Table 6: Real GDP at Market Exchange Rate (in $bn) and Growth (CAGR) over Time

Countries	GDP 2008	GDP 2011	Observed Growth2000-08	Expected Growth 2012-25	GDP 2017	GDP 2025
1. USA	14,204	14,348	2.5%	1.5%	15,689	17,673
2. Japan	4,909	4,809	1.6%	1.5%	5,258	5,924
3. China	4,326	5,695	10.4%	8%	9,037	16,727
4. Germany	3,653	3,717	1.2%	1.5%	4,064	4,578
5. France	2,853	2,859	1.7%	1.5%	3,126	3,522
6. UK	2,646	2,607	2.5%	2%	2,936	3,440
7. Italy	2,293	2,215	0.9%	0.9%	2,337	2,511
8. Russia	1,608	1,613	6.8%	6%	2,288	3,646
9. Spain	1,604	1,546	3.3%	1.5%	1,690	1,976
10. Canada	1,400	1,438	2.5%	2.5%	1,668	2,032
11. India	1,217	1,515	7.9%	8% or 9%	2,404 (@8%) or 2,541 (@9%)	4,450 (@8%) or 5,063 (@9%)

Source: *World Economic Outlook,* IMF for different years; and author's calculations.

Another observation from Table 6 is about the importance of the Indian contribution to the growth in the world market for the goods and services over time. The increase in the GDP in all major economies over the period 2011-2017 and over 2017-2025 can be derived. We can readily predict that India's contribution to the market expansion would be the third highest in the world after China and USA during the next five years. However, during the next eight years (2017-2025), India will be the second largest contributor to the market expansion in the world. Since investment decisions are likely to be governed by such prospects, we can expect a huge capital inflow in the country provided our policies do not positively discourage it. There are indeed challenges, but certainly many more opportunities waiting to be grabbed by the Indian economy in the near future.

END NOTES

[1] Government of India (2012). *Economic survey 2011-12,* Appendix Tables.

[2] Government of India (2012). Press Note dated May 31, 2012.

[3] See, Interview of Montek Singh Ahluwalia in *Mint,* June 12, 2012.

[4] See Interviews of Dr. D. Subba Rao in leading national dailies, dated June 20, 2012.

[5] Government of India (2012) as in 1 & 2.

[6] See http://www.standardandpoors.com

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[12] *Business Standard,* June 1, 2012.

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[32] See World Bank (2012)

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[45] *Mint,* June 12, 2012.

[46] *Outlook*, April, 2012.

[47] *Business Standard,* May, 2012.

[48] See IMF (2012).

[49] See World Bank (2012).

[50] *News Track India*, August 7, 2012.

[51] *Moneycontrol,* August 24, 2012.

[52] PwC Website (http://www.pwc.co.uk/economic-services/global-economy-watch/gew-projections.jhtml) accessed on December 3, 2012)

[53] *Business Standard*, June 15, 2012.

[54] *The Times of India,* August 17, 2012.

[55] *The Indian Express* (2012). Results of the Survey of Professional Forecasters on Macroeconomic Indicators – (July 30, 2012)

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