GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:31
ANSWERED ON:03.07.2009
DECLINE IN GDP
Ahir Shri Hansraj Gangaram

Will the Minister of FINANCE be pleased to state:

(a)whether there has been a decline in the growth of Gross Domestic Product(GDP) during the current financial year;

(b)if so , the details thereof;

(c)the reasons for the decline; and

(d)the corrective steps taken by the Government in this regard?

Answer

MINISTER OF FINANCE(SHRI PRANAB MUKHERJEE)

(a) to (d) : A statement is laid on the table of the House.

Statement referred to in reply to Lok Sabha Starred Question No.+31 for 3rd July, 2009 by Shri HANSRAJ G. AHIR regarding 'Decline in GDP"

(a) & (b) As per the Revised Estimates for 2008-09, released by the Central Statistical Organisation (CSO), the growth in real Gross Domestic Product (GDP)at factor cost has declined from 9 percent during the year 2007-08 to 6.7 percent in 2008-09. The details are as given below:

Growth of GDP(Factor Cost at constant 1999-2000 Prices)

(in percent)

	2007-08 (QE)	2008-09 (RE)
1.Agriculture, forestry & fishing	4.9	1.6
2.Industry	8.1	3.9
a.Mining & quarrying	3.3	3.6
b.Manufacturing	8.2	2.4
c.Electricity, gas & water supply	5.3	3.4

d.Construction	10.1	7.2
3.Services	10.9	9.7
a.Trade, hotels, transport & communication	12.4	9.0
b.Financing, Insurance, Real estate & Business services	11.7	7.8
c.Community, social & personal services	6.8	13.1
4.GDP at factor cost	9.0	6.7

(c) The lower growth in GDP in 2008-09 which was spread across all sectors except Mining and quarrying ,Community ,social and personal services, could be attributed to subdued demand conditions, uncertainty regarding the depth and duration of global economic crisis, risk aversion, caution in extension of credit facilities and due to agricultural production being influenced by the vagaries of nature .

(d) In the wake of the emerging global financial crisis, the Government had provided fiscal stimulus packages. These measures from December 2008 to February 2009 inter-alia include expansionary plan expenditure, reduction in indirect taxes, sector-specific measures for textiles, housing, infrastructure, automobiles, micro and small sector and exports and authorisation to specified financial institutions like the IIFCL to raise tax free bonds to fund infrastructure projects. The fiscal measures have been supplemented by the monetary measures taken by the Reserve Bank of India which relate to provision of adequate liquidity and credit delivery, progressive reduction in the Repo rate under the liquidity adjustment facility (LAF), reduction in cash reserve and statutory liquidity ratios for banks, improvement in forex liquidity while at the same time containing the financial contagion from the global financial crisis and sector specific credit measures for exports, housing, micro and small enterprises and infrastructure.