

Mid Year Review of the Indian Economy 2000-2001

The review of the Indian economy for 2000-2001 analyses all leading macroeconomic variables before concluding that there is clear evidence of a slowdown in the overall performance of the economy this fiscal year. As against the Union Budget expectation of 7 to 8 per cent GDP growth, the macro econometric model predicts a growth of 5.4 per cent. Both industry and services are expected to perform below expectations, while agriculture may perform slightly better than last year. Although data revision may alter marginally the comparative performance of the economy this fiscal year yet a slowdown will be a pronounced phenomenon.

The analysis suggests that under normal circumstances, and with the current pace of reform, the economy may grow at about 6 per cent per annum in the medium-run. With the performance of infra-structure favourable domestic and international economic conditions the medium-run growth rate may accelerate to 7 per cent. An acceleration of GDP growth at 8 to 9 per cent is feasible only if the government is able to take necessary steps to improve the productivity of both capital and labour.

A challenging and novel method of making forecasting of economic behaviour more realistic, this study will be of great significance for policy making.