

CHAPTER – I

ECONOMIC SITUATION

NATIONAL ECONOMY :

1.1.0 The growth of National economy in terms of Gross Domestic Product (GDP) at constant (1993-94) prices has been estimated at 6.9 per cent for the year 2004-2005 (Advance Estimates) as compared to the growth rate of 8.5 per cent (Quick Estimates) achieved in 2003-2004 as revealed by the Central Statistical Organisation, Government of India. The Per Capita Net National Product at constant (1993-94) prices has been worked out at Rs.12414 in 2004-2005 (Advance Estimates) as against Rs.11799 in 2003-2004 (Quick Estimates) and at current prices the same was Rs.23308 in 2004-2005 (Advance Estimates) as against Rs.20989 in 2003-2004 (Quick Estimates). In respect of Per Capita Net National Product, the year 2004-2005 registered a growth of 5.2 per cent in real terms and at current prices the growth of the same was 11.1 per cent.

1.1.1 The growth recovery in 2003-2004 was accompanied by continued maintenance of relative stability of Prices. Inflation as measured by the Wholesale Price Index (WPI), was 4.6 per cent at the end of March 2004 over the end of March 2003 and 5.5 per cent on average. The point-to-point inflation rate (WPI) was 5.5 per cent in the week ending June 5, 2004. The increasing international price of petroleum crude and the necessary revision of prices of LPG and Kerosene as well as motor spirit and high-speed diesel in line with market developments would naturally exert upward pressure. Retail Price Inflation, as measured by the Consumer Price Index for Industrial Workers (CPI-IW), reached a peak of 5.1 per cent in April 2003 followed by a declining trend and touched at 3.5 per cent in March 2004. CPI inflation declined further to 2.2 per cent in April 2004, compared to 5.1 per cent in April 2003 and abundant food grain stocks helped in maintaining stability in food price.

1.1.2 Agriculture and allied sector registered a growth rate of 9.1 per cent in 2003-2004, reflecting the growth in physical production and was one of the highest in recent years. Favourable monsoon helped in attaining a substantial increase in food-grains production from 174.2 million tonnes in 2002-2003 to 210.8 million tonnes in 2003-2004. The prospects for agricultural production in 2004-2005 are considered bright with normal monsoon forecast by the Meteorological Department.

The estimated production of Rice is 86.4 million tonnes in 2003-2004 as against 72.7 million tonnes in 2002-2003. The production of Wheat is estimated at 72.7 million tonnes in 2003-2004 as against 65.1 million tonnes in 2002-2003. The estimated production of Coarse Cereals and Pulses are 36.8 million tonnes and 14.9 million tonnes respectively in 2003-2004 as against the production of 25.3 million tonnes and 11.1 million tonnes respectively in 2002-2003. There is also a significant increase in the production of Oilseeds and Cotton in 2003-2004. However, the production of Sugarcane experienced a fall to 244.8 million tonnes in 2003-2004 from 281.6 million tonnes in 2002-2003, Jute and Mesta also registered a marginal fall in production from 11.4 million bales in 2002-2003 to 11.2 million bales in 2003-2004.

The Plantation sector comprising Tea, Coffee and Rubber has suffered from a number of problems such as low prices, increasing cost of production, declining export volume and price realization during the year 2003-2004. However, the production of Tea has increased steadily from 838 million Kilograms in 2002-2003 to 850 million Kilograms in 2003-2004.

The Index of Agricultural Production of 46 crops including Plantations crops with base triennium ending 1981-82=100 has increased to 179.6 (Provisional) in 2003-2004 from 150.5 (Provisional) in 2002-2003 thus showing an increased of 16 per cent during the year.

1.1.3 Growth in the industrial sector in 2003-2004 continued to be satisfactory and healthy. As per Index of Industrial Production (IIP), overall growth in the industrial sector improved from 5.7 per cent in 2002-2003 to 6.9 per cent in 2003-2004. At the two digit level classification as many as 12 out of 17 industry groups have showed positive growth during 2003-2004. Industries like Transport equipment and parts grew at 17.0 per cent, followed by Paper and Paper Products, Printing, Publishing and Allied Industries at 15.9 per cent and Machinery and equipment other than Transport equipment at 15.2 per cent. The industry groups that witnessed negative growth are Leather and Leather and Fur products (-4.3 per cent), Jute and other Vegetable Fibre Textiles (Except Cotton) (-4.2 per cent), followed by Textile products including wearing apparel (-3.8 per cent) and Cotton Textiles (-3.3 per cent). However, the key industries of construction sector both Steel and Cement registered a positive growth of 6.9 per cent and 6.1 per cent respectively during 2003-2004. In the Oil and Gas industries, Crude Oil production has marginally increased from 33.04 million tonnes in 2002-2003 to 33.38 million tonnes in 2003-2004, while Natural Gas production rose to 31.96 billion cubic metres during 2003-2004 from 31.40 billion cubic metres during 2002-2003.

The Small Scale Industries (SSI) sector continues to remain as an important sector of the economy with a remarkable contribution to GDP, industrial production, employment generation and exports. During 2003-2004, the number of SSI units was estimated at 115.22 lakh against 110.10 lakh in the previous year. The estimated value of production increased by 11.6 per cent i.e., Rs.348059 crore in 2003-2004 from Rs.311993 crore in 2002-2003, while employment went up to 273.97 lakh persons from 261.38 lakh persons during the same period.

The Information Technology (IT) industry has shaped up as a major success story in Indian Economy. Exports of computer software and IT-enabled services have become a large component of the exports of the country. During 2003-2004, the Indian IT and electronic industry is reported to have recorded a robust growth of 21.6 per cent.

1.1.4 A strong Balance of Payments (BOP) position in recent years has resulted in a steady accumulation of foreign exchange reserves. The current account of balance of payment has been in surplus since 2001-2002. India emerged amongst leading exporting nations as the world's fastest growing exporter after China, recording a growth of 13.8 per cent in dollar value. India's exports (in US dollar value), witnessed a sharp turn around to 20.3 per cent in 2002-2003 from a decline of 1.6 per cent in 2001-2002. Import growth after stagnating for two years, accelerated in 2002-2003, registering a growth of 19.4 per cent in US dollar value. The trade deficit, which reflects changes in the relative growth rates of exports and imports, has showed a widening trend in the recent years and stood at \$8.7 billion in 2002-2003 and further by around 57 per cent and stood at a record level of \$13.7 billion in 2003-2004. The deficit was higher by 28.5 per cent in April-May, 2004 over corresponding previous period.

The Indian economy appears to be in a resilient mood in terms of growth, inflation and balance of payments, a combination that offers large scope for consolidation of the growth momentum with continued macro-economic stability. The Tenth Five Year Plan (2002-2007) has been prepared against a backdrop of high expectations and aims at achieving an average growth rate of the Gross Domestic Product (GDP) at 8 per cent per annum over the period of 2002-2007.

ASSAM'S ECONOMY:

1.2.0 The State's economy in terms of the Net State Domestic Product (NSDP) has registered an annual growth of 5.2 per cent at constant (1993-94) prices during 2004-2005 as per Advance Estimates as against a growth rate of 6.2 per cent during 2003-2004 as per Quick Estimates. At current prices the NSDP recorded a growth of 7.6 percent in 2004-2005 (Advance Estimates) as against 10.3 per cent growth recorded in the preceding year. As per the said estimates the Per Capita Income is likely to attain a level of Rs.6756 at constant (1993-94) prices and Rs.13925 at current prices during 2004-2005 as against Rs.6520 and Rs.13139 respectively in the year 2003-2004. So far as Per Capita Income is concerned a growth of 3.6 per cent in real term is expected in 2004-2005 as against 4.8 per cent recorded in 2003-2004. At current prices, the Per Capita Income is likely to register a growth of 6.0 per cent in 2004-2005 as against 8.8 per cent growth in 2003-2004. The share contribution of Agriculture sector in NSDP of Assam in 2004-2005 was 28.2 per cent at constant (1993-94) prices as against 31.2 per cent in 2003-2004. The share contribution to NSDP in respect of Mining and Quarrying, Manufacturing and Construction during 2004-2005 were 5.1 per cent, 7.5 per cent and 5.7 per cent respectively at constant (1993-94) prices. The Trade, Hotel & Restaurant sector had a larger share of 20.3 per cent at constant prices during the year as against the share of 18.1 per cent during 2003-2004. The overall performance of the economy of the State during the year under report was encouraging as witnessed from the positive growth rates revealed in some important sectors of the economy of the State.

1.2.1 One of the most serious problems adversely affecting the State's economy and for that matter the agricultural sector is the recurrence of devastating floods almost every year. The successive wave of floods during the year under report inundated nearly 32 per cent of the total area under Kharif crops in all the districts of the State thereby affecting nearly 59 per cent farm families in the State. Under the circumstances the Government decided to wean over the farmers from the traditional cultivation of Kharif Rice to Rabi Rice. To ensure Rabi Rice cultivation top priority was assigned on developing micro-irrigation in the State which led to appreciable increase in production and productivity. During the year 2003-2004, the total production of foodgrains crops covered by the crop forecast in the State has been estimated at 40.34 lakh tonnes as against 38.94 lakh tonnes during 2002-2003 showing an increase of 3.60 per cent over the previous year. The production of Rice which is the most important cereals crops grown in the State has recorded an increase of 3.80 per cent during the year. The production of total pulses increased to 0.63 lakh tonnes in 2003-2004 from 0.60 lakh tonnes in 2002-2003. The production of Wheat however decreased to 0.73 lakh tonnes in 2003-2004 from 0.78 lakh tonnes in 2002-2003. The production of Rape and Mustard increased to 1.38 lakh tonnes in 2003-2004 from 1.30 lakh tonnes in 2002-2003 and Sugarcane (in terms of cane) also recorded an increase to 9.81 lakh tonnes during 2003-2004 from 9.16 lakh tonnes during the previous year. During the aforesaid period the production of Mesta recorded an increase to 0.27 lakh bales from 0.25 lakh bales. In view of the encouraging performance of the agriculture sector the General Index of Agricultural Production (base triennium ending 1981-82=100) for the State has recorded an increase to the point of 166 in 2003-2004 (provisional) from the point of 165 in 2002-2003.

During the year 2004-05 agricultural production in the State is likely to show some fall due to extensive damages caused to standing crops by successive waves of severe floods.

1.2.2 In the Manufacturing and Processing sector of the State, a mixed performance in production could be observed during the year 2003-2004. Provisional production data available for the year shows a positive growth in the production of industrial items like Cement, Fertilizer, Jute Textiles, Tea Processing, Wheat, Flour, etc. over the production level of the previous year. On the other hand a decrease in production has been noticed in respect of items like Refinery Products during the said year. The overall industrial scenario of the state is expected to improve considerably in near future due to efforts made by the State Government through announcement of new Industrial Policy mostly aimed at attracting private investors from outside.

The General Index of Industrial Production of the State (Base 1993-94=100) stood at 141.45 in 2003-2004 as against 132.37 in 2002-2003 thereby recording an increase of 6.8 per cent over the year.

The performance of Mining Sector in the State was not much satisfactory during 2003-2004. As per provisional data available the production of Petroleum (Crude) decreased by 4.0 per cent during 2003-2004 over the previous year. Production of Limestone, another important mineral item also decreased by 17.0 per cent during the same period. However, the production of other important items like Coal has substantially increased by 17.3 per cent and Natural Gas (Utilized), also registered 4.7 per cent increase during the same year over 2002-2003.

The Index of Mineral Production of the State (Base 1993-94=100) decreased to 95.3 in 2003-2004 from 97.5 in 2002-2003. In percentage term the decrease was 2.3 over the year.

1.2.3. The overall Power Supply position in the State continued to be erratic during the year under report. The installed capacity of power has remained 574.400 M.W. for seven consecutive years i.e. from 1997-98 to 2003-2004. On the other hand, the Generation of Power has decreased from 840.406 (MU) in 2001-2002 to 746.094 (MU) in 2002-2003 and further to 710.669 (MU) in 2003-2004. During 2003-2004 the estimated requirement of Power for the State was 3657.000 (MU) while the availability was 3240.217 (MU) thereby resulting shortage by about 11.40 per cent. In order to meet the shortage of power supply, the State continued to purchase power from other sources. The net import of power by the State was 2563.016 (MU) in 2003-2004 as against 2582.737 (MU) in 2002-2003.

1.2.4 The total number of reporting Scheduled Commercial Bank Offices (including Regional Rural Banks) in the State at the end of March, 2004 was 1221. The volume of Deposits and Credit of these Banks stood at Rs.14970 crore and Rs.4607 crore respectively at the end of the aforesaid period. The Credit-Deposit Ratio in the State as on March, 2004 was 30.8 per cent which was quite unsatisfactory when compared to the ratio of 58.7 per cent at the National level during the same period.

1.2.5 The behaviour of Price level can be observed from the movement of Consumer Price Index Number (CPI) for the Working Class Population and the Wholesale Price Index Number for Agricultural Commodities. The average Consumer Price Index Number for the Working Class Population (Base 1982=100) for the State displayed a price rise of 3.54 per cent in 2003 over 2002

as against 2.17 per cent increase recorded in 2002 over 2001. The annual average Wholesale Price Index Number for Agricultural Commodities (Base 1993-94=100) stood at 165 in 2003-2004 as against 161 in 2002-2003 and 163 in 2001-2002. The Index thus displayed an increase of 2.48 per cent in 2003-2004 over 2002-2003. As far as the behaviour of Retail Prices of essential commodities is concerned, it has been observed that most of the commodities recorded moderate rise of different variations in their prices. However, the price situation in the State during 2003-2004 was found to have remained more or less steady. So far as the position during the current year is concerned, the CPI for Working Class Population on a point to point basis showed an increase of 3.8 per cent in October 2004 over October 2003 while a rise of 2.4 per cent was observed in the Wholesale price Index for Agricultural Commodities in September 2004 over September 2003 on a point to point basis.

1.2.6 As regards the Employment Sector, the number of persons employed in organized economic activity (comprising both Public and Private Sectors) was 10.98 lakh at the end of December, 2003 thereby registering a nominal increase of 1.2 per cent in employment over the previous year. The employment of women in organised sector of the State was 333.0 thousand at the end of December, 2003 which was 30.3 per cent of the total employment. As regards the scenario of manpower supply and demand, the data available from the Employment Exchanges of Assam revealed that the total job seekers in the Live Register marginally decreased to 15.68 lakh at the end of December, 2003 from 15.72 lakh at end of December 2002 and the placements also have decreased to 737 from 747 during the same period. However, the number of jobseekers on Live Register is reported at 16.15 lakh as on October, 2004.

In order to increase employment avenues through generation of gainful employment opportunities the Government has been implementing various schemes like Swarnajayanti Gram Swarajgar Yojana (SGSY), Special Swarnajayanti Gram Swarajgar Yojana (Special SGSY) etc., and at the same time which also aims at upliftment of rural people at the grass root level. The concept of Self Help Group (SHG) has been introduced to bring a revolution in the field of self employment. Under the SGSY Scheme, a total of 4505 Nos. of SHGs have been formed during the year 2003-2004.

It is encouraging to observe that more and more people of the State are taking keen interest in availing opportunities offered through implementation of these schemes. A positive development is already under way in various key sectors of the State's rural economy as evident from the achievements made in their respective areas.

Over the recent few years, the State has had to pass through a lot of constraints such as stringent financial position, insurgency problem and recurrence natural calamities in the shape of floods, erosion and at times draught, thereby making the task of desired development difficult. However, despite of such constraints, the State has been able to achieve considerable progress in diverse fields as reflected in the growth of SDP of the State for the last four years.