

SM/09/22
Correction 3

June 5, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **India—Staff Report for the 2008 Article IV Consultation**

The attached corrections to SM/09/22 (1/23/09) have been provided by the staff:

Factual Errors Not Affecting the Presentation of Staff's Analysis or Views

Page 44, table 2, line 39:

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
					Proj.	Proj.
for <i>Of which:</i> short-term debt 9/	9.2	7.8	8.3	8.6	11.3	11.4
read <i>Of which:</i> short-term debt 9/	4.6	3.3	3.8	7.3	7.6	7.9

Page 44, table 2, line 40:

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>
					Proj.	Proj.
for Ratio of gross reserves to short-term debt (end-period) 9/	2.2	2.4	2.6	3.1	1.9	1.7
read Ratio of gross reserves to short-term debt (end-period) 9/	4.4	5.6	5.76	3.6	2.8	2.4

Page 44, table 2, footnote 9: for “all NRI deposits, and medium-and long-term debt on residual maturity basis, different from authorities’ definition.” read “NRI deposits due within one year, and medium- and long-term debt on residual maturity basis.”

Page 49, table 7, line 32:

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
for <i>Of which:</i> short-term debt 7/	9.2	7.8	8.3	8.6	11.3	11.4	12.0	12.2	12.3
read <i>Of which:</i> short-term debt 7/	4.6	3.3	3.8	7.3	7.6	7.9	8.8	9.3	9.7

Page 49, table 7, line 33:

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
for	Ratio of gross reserves to short-term debt (end-period) 7/								
	2.2	2.4	2.6	3.1	1.9	1.7	1.6	1.6	1.5
read	Ratio of gross reserves to short-term debt (end-period) 7/								
	4.4	5.6	5.7	3.6	2.8	2.4	2.2	2.1	2.0

Page 49, table 7, footnote 7: for “all NRI deposits, and medium-and long-term debt on residual maturity basis, different from authorities’ definition.” read “NRI deposits due within one year, and medium- and long-term debt on residual maturity basis.”

Page 50, table 8, row 22:

	<u>2004/05</u>	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>	<u>2008/09</u>
for	Total short-term external debt to reserves (percent) 6/				
	45.8	41.6	38.3	32.4	53.9 (Projection)
read	Total short-term external debt to reserves (percent) 6/				
	22.7	17.7	17.6	27.6	36.2 (Projection)

Page 50, table 8, footnote 6: for “all NRI deposits, and medium-and long-term debt on residual maturity basis, different from authorities’ definition.” read “NRI deposits due within one year, and medium- and long-term debt on residual maturity basis.”

Questions may be referred to Ms. Papi, APD (ext. 36894).

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (3)

Other Distribution:
Department Heads

Table 1. India: Millennium Development Goals, 1990–2006 1/

	1990	1995	1998	2001	2004	2006
Eradicate extreme poverty and hunger 2/						
Income share held by lowest 20%	...	...	...	...	8.1	...
Malnutrition prevalence, weight for age (% of children under 5)	...	...	44.4	...	43.5	...
Poverty headcount ratio at national poverty line (% of population)	...	36.0	...	28.6	27.5	...
Prevalence of undernourishment (% of population)	...	25.0	21.0	...	20.0	...
Achieve universal primary education 3/						
Literacy rate, youth total (% of people ages 15-24)	61.9	...	...	76.4	...	...
Persistence to grade 5, total (% of cohort)	...	...	59.7	61.4	73.0	...
Primary completion rate, total (% of relevant age group)	63.8	77.1	69.7	72.4	83.8	85.7
School enrollment, primary (% net)	...	...	...	78.5	89.4	88.7
Promote gender equality 4/						
Proportion of seats held by women in national parliament (%)	5.0	...	7.0	9.0	9.0	8.3
Ratio of girls to boys in primary and secondary education (%)	70.3	...	82.1	79.8	90.3	91.4
Ratio of young literate females to males (% ages 15-24)	67.1	...	...	80.5	...	...
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	12.7	14.4	16.0	16.8	17.9	...
Reduce child mortality 5/						
Immunization, measles (% of children ages 12-23 months)	56.0	72.0	51.0	53.0	58.0	59.0
Mortality rate, infant (per 1,000 live births)	80.0	74.0	72.0	66.0	61.6	58.7
Mortality rate, under-5 (per 1,000)	114.9	101.5	...	89.3	...	78.4
Improved maternal health 6/						
Births attended by skilled health staff (% of total)	...	34.2	42.3	42.5	...	46.6
Maternal mortality ratio (modeled estimate, per 100,000 live births)	...	...	...	...	...	...
Combat HIV/AIDS, malaria, and other diseases 7/						
Children orphaned by HIV/AIDS	...	...	...	...	...	...
Contraceptive prevalence (% of women ages 15-49)	43.0	...	...	46.9	...	56.3
Incidence of tuberculosis (per 100,000 people)	167.8	...	...	...	...	...
Prevalence of HIV, female (% ages 15-24)	...	...	...	...	...	...
Prevalence of HIV, total (% of population ages 15-49)	...	...	...	...	...	0.3
Tuberculosis cases detected under DOTS (%)	...	0.3	1.6	23.1	55.3	63.8
Ensure environmental sustainability 8/						
CO2 emissions (metric tons per capita)	0.8	1.0	1.1	1.1	1.2	...
Forest area (% of land area)	21.5	...	...	22.7	...	22.8
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	3.2	3.4	3.7	3.9	4.3	4.5
Improved sanitation facilities (% of population with access)	14.0	...	...	23.0	...	28.0
Improved water source (% of population with access)	71.0	77.0	...	82.0	...	89.0
Nationally protected areas (% of total land area)	...	...	...	...	...	...
Develop a global partnership for development 9/						
Aid per capita (current US\$)	1.6	1.9	1.6	1.6	0.6	1.2
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	...	...	...	...	...	...
Fixed line and mobile phone subscribers (per 1,000 people)	0.6	1.3	...	3.6	...	24.3
Internet users (per 1,000 people)	...	...	...	0.5	...	17.8
Total debt service (% of exports of goods, services and income)	31.9	29.7	21.2	14.7	13.8	7.7
Unemployment, youth female (% of female labor force ages 15-24)	...	8.0	...	10.2	10.8	...
Unemployment, youth male (% of male labor force ages 15-24)	...	8.4	...	10.1	10.4	...
Unemployment, youth total (% of total labor force ages 15-24)	...	8.3	...	10.1	10.5	...
General indicators						
Fertility rate, total (births per woman)	3.8	3.4	3.3	3.1	2.7	2.5
GNI per capita, Atlas method (current US\$)	390.0	380.0	420.0	460.0	630.0	820.0
GNI, Atlas method (current US\$) (billions)	330.9	350.2	415.1	478.6	680.6	914.7
Gross capital formation (% of GDP)	24.2	26.6	22.6	24.2	31.6	36.0
Life expectancy at birth, total (years)	59.1	61.4	62.2	62.9	63.4	64.5
Literacy rate, adult total (% of people ages 15 and above)	48.2	...	...	61.0	...	...
Population, total (millions)	849.5	932.2	982.2	1,032.5	1,079.7	1,109.8
Trade (% of GDP)	15.7	23.1	24.0	26.4	37.9	47.2

Source: *World Development Indicators* database, September 2008.

1/ In some cases the data are for earlier or later years than those stated.

2/ Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day.

3/ Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

4/ Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015.

5/ Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

6/ Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

7/ Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

8/ Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water. By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers.

9/ Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. Address the Special Needs of the Least Developed Countries. Address the Special Needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Table 2. India: Selected Social and Economic Indicators, 2004/05–2009/10 1/

I. Social Indicators						
GDP (2007/08)			Poverty (Percent of population)			
Nominal GDP (billions of U.S. dollars):	1,173		Headcount ratio (2003/04):		27.5	
GDP per capita (U.S. dollars):	999		Undernourished (2000):		21.0	
Population characteristics (2007)			Income distribution (2004, WDI)			
Total (in billions):	1.2		Richest 10 percent of households:		31.1	
Urban population (percent of total):	29.3		Poorest 20 percent of households:		8.1	
Life expectancy at birth (years):	64.5		Gini index:		36.8	
II. Economic Indicators						
	2004/05	2005/06	2006/07	2007/08	2008/09 2/ Proj.	2009/10 2/ Proj.
Growth (y/y percent change)						
Real GDP (at factor cost)	7.5	9.4	9.6	9.0	6.3	5.3
Non-agricultural sector	9.5	10.3	11.0	10.0	7.1	5.9
Industrial production	8.4	8.2	11.5	8.5	...	...
Prices (y/y percent change, period average for annual data)						
Wholesale prices (1993/94 weights)	6.5	4.4	5.4	4.7	8.8	1.9
Consumer prices - industrial workers (2001 weights)	3.8	4.4	6.7	6.2	7.8	3.4
Saving and investment (percent of GDP)						
Gross saving 3/	31.8	34.3	34.8	36.0	34.6	34.9
Gross investment 3/	32.2	35.5	35.9	37.5	37.6	36.4
Fiscal position (percent of GDP) 4/ 5/						
Central government deficit	-4.1	-4.7	-4.4	-3.4	-7.1	-5.7
General government deficit	-7.3	-7.3	-6.3	-5.8	-9.9	-8.8
General government debt	86.5	84.2	80.6	80.1	80.7	82.9
Money and credit (y/y percent change, end-period)						
Broad money	12.3	21.2	21.5	20.8	...	...
Credit to commercial sector	26.0	32.2	25.8	20.6	...	...
Financial indicators (percent, end-period)						
91-day treasury bill yield	5.3	6.1	8.0	7.2	...	...
10-year government bond yield	6.7	7.5	8.0	7.9	...	...
Stock market (y/y percent change, end-period)	16.1	73.7	15.9	19.7	...	...
External trade 6/						
Merchandise exports (US\$ billions)	85.2	105.2	128.9	166.2	186.4	169.0
y/y percent change	28.5	23.4	22.6	28.9	12.2	-9.4
Merchandise imports (US\$ billions)	118.9	157.1	190.7	257.8	298.0	265.5
y/y percent change	48.6	32.1	21.4	35.2	15.6	-10.9
Net oil imports (US\$ billions)	22.9	32.3	38.3	52.2	60.0	38.6
Balance of payments (US\$ billions)						
Current account balance	-2.5	-9.9	-9.6	-17.0	-35.1	-18.6
(in percent of GDP)	-0.4	-1.2	-1.0	-1.5	-3.0	-1.5
Foreign direct investment, net	3.7	3.0	7.7	15.4	19.9	14.0
Portfolio investment, net (equity and debt)	9.3	12.5	7.1	29.6	-11.7	-2.5
Overall balance	26.2	15.1	36.6	92.2	-27.9	-3.3
External indicators						
Gross reserves (in billions of U.S. dollars, end-period)	141.5	151.6	199.2	309.7	246.8	243.5
(In months of imports) 7/	8.9	7.7	7.7	10.5	9.1	8.0
External debt (in billions of U.S. dollars, end-period) 8/	133.0	138.1	171.4	224.8	229.0	238.0
External debt (percent of GDP, end-period) 8/	19.0	17.1	18.7	19.2	19.5	18.7
Of which: short-term debt 9/	4.6	3.3	3.8	7.3	7.6	7.9
Ratio of gross reserves to short-term debt (end-period) 9/	4.4	5.6	5.7	3.6	2.8	2.4
Gross reserves to broad money (percent; end-period)	27.5	24.8	26.1	31.0	28.9	...
Debt service ratio 10/	6.0	10.1	4.9	5.3	5.5	5.7
Real effective exchange rate 11/						
(y/y percent change, period average for annual data)	2.2	4.4	-2.2	8.2	...	...
Exchange rate (rupee/US\$, end-period)	43.7	44.6	43.5	40.1	...	...
Memorandum items (in percent of GDP):						
Subsidy-related bond issuance 12/	0.0	0.5	1.0	0.6	1.3	0.3

Sources: Data provided by the Indian authorities; CEIC Data Company Ltd; Bloomberg L.P.; *World Development Indicators*; and Fund staff estimates and projections.

1/ Data are for April-March fiscal years.

2/ Current staff projections.

3/ Differs from official data, calculated with gross investment and current account. Gross investment includes errors and omissions.

4/ Divestment proceeds treated as below-the-line financing.

5/ Subsidy-related bond issuance included in total expenditure.

6/ Annual data are on balance of payments basis.

7/ Imports of goods and services projected over the following twelve months.

8/ For projection, data are reported relative to staff's estimated annual GDP.

9/ Including short-term debt on contracted maturity basis, NRI deposits due within one year, and medium and long-term debt on residual maturity basis.

10/ In percent of current account receipts excluding grants.

11/ IMF INS calculation.

12/ Issued by the central government to FCI, the state-owned oil refining/distribution companies, and fertilizer companies as compensation for losses incurred from the provision of subsidies.

Table 7. India: Macroeconomic Framework, 2004/05–2012/13 1/

	2004/05	2005/06	2006/07	2007/08	Projections				
					2008/09	2009/10	2010/11	2011/12	2012/13
Growth (percent change)									
Real GDP (at factor cost)	7.5	9.4	9.6	9.0	6.3	5.3	7.0	7.6	7.9
Non-agricultural sector	9.5	10.3	11.0	10.0	7.1	5.9	7.8	8.6	8.8
Real GDP (at factor cost, on calendar year basis)	7.2	9.1	9.8	9.3	7.3	5.1	6.5	7.5	7.8
Prices (percent change, period average)									
Wholesale prices (1993/94 weights)	6.5	4.4	5.4	4.7	8.8	1.9	4.0	3.9	3.9
Consumer prices	3.8	4.4	6.7	6.2	7.8	3.4	4.0	3.9	3.9
Interest rate on general government domestic debt (percent)	8.4	7.8	7.9	7.1	7.5	6.3	8.0	8.0	8.0
Saving and investment (percent of GDP)									
Gross saving 2/	31.8	34.3	34.8	36.0	34.6	34.9	34.5	34.7	35.2
Gross investment 3/	32.2	35.5	35.9	37.5	37.6	36.4	36.7	37.0	37.6
Fiscal position (percent of GDP)									
Central government balance - authorities 4/	-4.0	-4.1	-3.4	-2.8	-5.8	-5.4	-4.1	-3.3	-3.0
Central government balance - augmented 5/	-4.1	-4.7	-4.4	-3.4	-7.1	-5.7	-4.3	-3.5	-3.2
General government balance - augmented 5/	-7.3	-7.3	-6.3	-5.8	-9.9	-8.8	-7.3	-6.1	-5.6
General government debt	86.5	84.2	80.6	80.1	80.7	82.9	82.5	80.2	77.3
External trade (percent change, BOP basis)									
Merchandise exports (in U.S. dollar terms)	28.5	23.4	22.6	28.9	12.2	-9.4	10.2	12.5	12.7
Merchandise imports (in U.S. dollar terms)	48.6	32.1	21.4	35.2	15.6	-10.9	13.3	12.6	12.3
Balance of payments (in billions of U.S. dollars)									
Current account balance	-2.5	-9.9	-9.6	-17.0	-35.1	-18.6	-29.6	-35.3	-40.1
(in percent of GDP)	-0.4	-1.2	-1.1	-1.5	-3.0	-1.5	-2.1	-2.3	-2.4
(in percent of GDP, calendar year basis)	0.1	-1.3	-1.1	-1.0	-2.5	-1.8	-2.0	-2.3	-2.4
Foreign direct investment, net	3.7	3.0	8.4	15.4	19.9	14.0	20.7	19.6	19.9
Portfolio investment, net (equity and debt)	9.3	12.5	7.1	29.6	-11.7	-2.5	15.1	19.6	21.6
Overall balance	26.2	15.1	36.6	92.2	-27.9	-3.3	23.9	24.3	24.0
External indicators									
Gross reserves (in billions of U.S. dollars, end-period)	141.5	151.6	199.2	309.7	246.8	243.5	267.4	291.6	315.7
(in months of imports) 6/	8.9	7.7	7.7	10.5	9.1	8.0	7.8	7.3	7.0
External debt (in billions of U.S. dollars, end-period)	133.0	138.1	171.4	224.8	229.0	238.0	268.8	303.8	342.8
External debt (percent of GDP, end-period)	19.0	17.1	18.7	19.2	19.5	18.7	19.5	20.1	20.7
Of which : short-term debt 7/	4.6	3.3	3.8	7.3	7.6	7.9	8.8	9.3	9.7
Ratio of gross reserves to short-term debt (end-period) 7/	4.4	5.6	5.7	3.6	2.8	2.4	2.2	2.1	2.0
Debt service (percent of current account receipts)	6.0	10.1	4.9	5.3	5.5	5.7	7.0	8.5	8.4
Memorandum items (in percent of GDP):									
Subsidy-related bond issuance 8/	0.0	0.5	1.0	0.6	1.3	0.3	0.3	0.2	0.2

Sources: Data provided by the Indian authorities; CEIC Data Company Ltd; and Fund staff estimates and projections.

1/ Data are for April-March fiscal years unless otherwise mentioned. Calendar year data in 2008/09 column indicate data for 2008, for instance.

2/ Differs from official data, calculated with gross investment and current account.

3/ Statistical discrepancy adjusted.

4/ Divestment proceeds are treated as revenue until 2005/06 (included); excludes subsidy-related bond issuance.

5/ Divestment is treated as financing; includes subsidy-related bond issuance.

6/ Imports of goods and services projected over the following twelve months.

7/ Including short-term debt on contracted maturity basis, NRI deposits due within one year, and medium and long-term debt on residual maturity basis.

8/ Issued by the central government to FCI, the state-owned oil refining/distribution companies, and fertilizer companies as compensation for losses incurred from the provision of subsidies.

Table 8. India: Indicators of External Vulnerability, 2004/05–2008/09 1/

	2004/05	2005/06	2006/07	2007/08	2008/09 2/
Financial indicators					
General government debt (percent of GDP)	86.5	84.2	80.6	80.1	80.7 (Projection)
Broad money (percent change, 12-month basis)	12.3	21.2	21.5	20.8	19.8 (December 2008)
Private sector credit (percent change, 12-month basis)	26.0	32.2	25.8	20.6	23.2 (December 2008)
91 day T-bill yield (percent; end-period)	5.3	6.1	8.0	7.2	4.8 (December 2008)
91 day T-bill yield (real, percent; end-period) 3/	-1.1	1.6	2.4	2.5	-1.0 (December 2008)
External indicators					
Exports (percent change, 12-month basis in US\$) 4/ 5/	28.5	23.4	22.6	28.9	(9.9) (November 2008)
Export volume (percent change, 12-month basis) 5/	11.7	15.5	16.5	15.3	14.9 (Projection)
Imports (percent change, 12-month basis in US\$) 4/ 5/	48.6	32.1	21.4	35.2	6.1 (November 2008)
Import volume (percent change, 12-month basis) 5/	28.0	20.0	13.5	13.2	12.8 (Projection)
Terms of trade (percent change, 12 month basis) 5/	-3.5	-4.8	-2.3	-3.1	-0.1 (Projection)
Current account balance (percent of GDP)	-0.4	-1.2	-1.0	-1.5	-3.0 (Projection)
Capital and financial account balance (percent of GDP)	4.0	3.1	4.9	9.2	0.6 (Projection)
Of which: Net portfolio investment (debt and equity)	1.3	1.5	0.8	2.5	-1.0 (Projection)
Other investment (loans, trade credits, etc.)	1.4	1.3	3.1	3.6	0.3 (Projection)
Net foreign direct investment	0.5	0.4	0.8	1.3	1.7 (Projection)
Foreign currency reserves (billions of US\$)	141.5	151.6	199.2	309.7	254.6 (December 2008)
RBI forward liabilities (billions of US\$)	0.0	0.0	0.0	-14.7	-0.1 (October 2008)
Official reserves (in months of imports of goods and services)	8.9	7.7	7.7	10.5	9.1 (Projection)
Ratio of foreign currency reserves to broad money (percent)	27.5	24.8	26.1	31.0	28.0 (December 2008)
Total short-term external debt to reserves (percent) 6/	22.7	17.7	17.6	27.6	36.2 (Projection)
Total external debt (percent of GDP)	19.0	17.1	18.7	19.2	19.5 (Projection)
Of which: public sector debt	8.9	7.3	6.7	6.1	6.3 (Projection)
Total external debt to exports of goods and services (percent)	103.5	84.8	84.5	87.7	80.9 (Projection)
External interest payments to exports of goods and services (percent)	2.4	3.2	2.7	3.2	3.2 (Projection)
External amortization payments to exports of goods and services (percent)	4.8	8.8	3.1	3.3	3.4 (Projection)
Exchange rate (per US\$, period average)	44.9	44.3	45.2	40.3	48.7 (December 2008)
REER (y/y change in percent; end-period)	1.4	4.2	0.1	5.2	-11.6 (December 2008)
Financial market indicators					
Stock market index (end-period)	6,493	11,280	13,072	15,644	9,647 (December 2008)
Foreign currency debt rating					
Moody's Investor Services	Baa3	Baa3	Baa3	Baa2	Baa2 (December 2008)
Standard and Poor's	BB+	BB+	BBB-	BBB-	BBB- (December 2008)
Fitch Ratings	BB+	BB+	BBB-	BBB-	BBB- (December 2008)

Sources: Data provided by the Indian authorities; CEIC Data Company Ltd.; Bloomberg L.P.; and Fund, *Information Notice System* and staff estimates and projections.

1/ Data for April-March fiscal year.

2/ Latest date available or staff estimate, as noted.

3/ Equals nominal yield minus actual WPI inflation.

4/ Data for 2008/09 are on a customs basis, whereas data for previous years are on a BOP basis.

5/ Terms of trade including goods and services. Goods volumes are derived from partner country trade price deflators, and services volumes are derived using U.S. CPI from the WEO database.

6/ Including short-term debt on contracted maturity basis, NRI deposits due within one year, and medium and long-term debt on residual maturity basis.