

ECONOMIC SURVEY—1960-61

The object of this Economic Survey is to present a review of the major developments in the economy in the course of 1960-61 and to assess the emerging trends so as to bring out the considerations relevant to the formulation of budgetary and economic policies for the coming year. This is the last year of the Second Plan, and since the Third Plan commences from the next fiscal year, references have been made in suitable contexts to the developments over the Second Plan period and the requirements of the Third Plan.

I. The Assessment In Brief

2. The broad assessment for 1960-61 that emerges from this review is that while the economy registered a continuing advance in several directions, the rise in prices and the strain on the balance of payments were indicative of a deficiency of the resources available relatively to the demands on them. The increase in industrial production was the highest on record; for the first ten months of 1960 it was 11·7 per cent over the level for the corresponding period of the previous year. The industrial expansion that has taken place both in the public and in the private sectors has strengthened the growth potential of the economy. With the adverse agricultural season of 1959-60, however, the production of foodgrains and agricultural raw materials recorded a decline and reduced domestic availabilities. The pull of demand factors on the other hand resulting from continued high levels of private and public expenditures was upward. In the result, wholesale prices recorded a rise of about 6·5 per cent. The substantial increase in money supply, the rising volume of bank lending, and the boom on the stock exchanges about the middle of the year reflected the emergence of a degree of excess liquidity in the system. Over the twelve months of 1960, there was a fall of Rs. 69 crores in foreign exchange reserves, about half of which was on account of repurchase of rupees from the International Monetary Fund. The measures taken to correct these imbalances have been outlined in the course of this survey.

3. Public investment has been stepped up steadily in the course of the Second Five Year Plan, the estimated level for 1960-61 being about Rs. 800 crores as compared to Rs. 570 crores in 1956-57. Private investment in organised industry was markedly high in the first two years of the Second Plan. It declined somewhat in 1958-59 but picked up again as from 1959-60. The available indices of new capital issues and of imports of capital goods, taken together with the increase in the domestic output of intermediate products and capital goods suggest that private investment in 1960-61 was also at a high level. The demand for consumer goods has also been rising steadily as a result of the increase in population and incomes.

4. As against these continuing increases in demand, the growth in national output in real terms has been uneven. In 1956-57, the increase was 5 per cent. The following year recorded a fall of 1 per cent because of the bad harvest. In 1958-59, there was a rise of 7·4 per cent in national income. But, again, on the "quick" estimates that are available, the increase in 1959-60 was only 0·5 per cent. These fluctuations in output accounted for mainly by the outturn in agriculture cannot but affect domestic prices and the balance of payments.

5. The outlook for 1961-62 both for agricultural and for industrial production appears encouraging. The fact that Government have in hand a large stock of foodgrains and that more imports are scheduled will assist in keeping prices relatively stable. The Third Plan, however, calls for increased investment, which means that the effort to raise domestic resources has to be accelerated. The task for the coming year—and for the Third Plan period—is to secure better results in terms of production as well as restraint on consumption. The investments undertaken have to be completed economically and as early as possible and brought into productive use. From the larger flow of resources thus becoming available year by year, the quantum of savings has to be increased through restraint on consumption. It is only through coordination of action in both these fields that larger surpluses can be mobilised effectively for development. It is in the nature of development that, up to a stage, each succeeding plan calls for a larger effort and a greater measure of economic discipline all-round. Economic policy in its different aspects has to focus on this central objective.