EDITORIAL

The wheels of India's economic juggernaut are rolling on unabated. The economy has surged by a heady 9.2% in the July–September 2006 quarter and 9.1% in the first half of the current fiscal. This being the fastest growth rate in the last four quarters, our economy is projected to close this fiscal at about 9%. The per capita income growth, which is 6.4% a year now, is estimated to double in 11 years in spite of the population growing at around 1.6%.

The icing on the cake has been that it is the Manufacturing sector that has driven the GDP growth followed by Services, which augurs well for job creation and the Industrialised India of the future. This sector has recorded a growth in net profit of 58% compared with services. For the first time ever, the manufacturing rate of growth has exceeded 12% in six months (April–September 2006). Industrial production has registered high growth of 11.4%—manufacturing accounts for about 80% of this.

Almost 65% of 125 manufacturing sectors tracked have continued on the high to excellent growth paths, as per a survey carried out by Confederation of Indian Industry (CII). As such, this sector seems set to enhance its share in GDP to the targeted 30%. There has also been a greater shift in the excellent and high growth categories. The export performance of the Indian manufacturing sector has also been better with some sectors shifting to excellent growth category. The growing investor confidence has also boosted the manufacturing sector. During the current financial year up to July 2006, India has received US$ 2.9 billion, up 92% from US$1.45 billion received during the same period the previous year.

However, the CII, in its latest quarterly on the state of economy has rightly cautioned that high growth in manufacturing should not make us gloss over poor growth recorded by some of its more labour-intensive sectors. We should also not forget that Industrial Production during October 2006 dipped to a low of 6.2%.

But the saga of manufacturing sector is here to stay if the growth trends over the next 5-10 year period are any indication. The National Manufacturing Initiative proposed by the National Manufacturing Competitiveness Council has also envisaged stepping up of the manufacturing sector growth from 9-10% to 12-14% in the 11th Plan period.

Such fast growth rate may also lead to fears of overheating in the economy. As such, the skilled manpower supply and productivity remains the key to sustained growth rate. The International Monetary Fund, in its latest assessment of the Indian economy, also foresees a robust expansion of Indian economy. Since a major chunk of Indian production is consumed domestically, the growth prospects of economy are likely to be largely insulated from the global slowdown.

India may still be lagging behind China in the manufacturing sector but it is fast emerging as a better long term bet than China. The maturing and booming Indian stock markets and the growing trend of Indian companies buying companies abroad amply hint at India's great potential.

Overall, the present scenario of the surging manufacturing sector offers a plethora of opportunities for professionals, particularly those in industry, in this New Year. It's high time that CAs help the industry in corporate governance, in creating new business models and setting newer and higher standards.

—Editorial Board

ICAI—Partner in Nation Building

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