

1. STATE OF THE ECONOMY

The growth performance realized in the year 2005-06 was sustained subsequently in 2006-07. The tempo was maintained in the year 2007-08 also. As far as industry is concerned, Tamil Nadu continues to be the most preferred destination for new investment. The performance of each sector during the year 2006-07 and 2007-08 is briefly discussed in the following paragraphs.

State Income:

The Gross State Domestic Product (GSDP) at constant (1999-2000) prices in the State had increased from Rs.183843 crore in 2005-06 to Rs.201042 crores in 2006-07 and further to Rs.211471 crores in 2007-08. During 2006-07, a 9.36 per cent growth was recorded over and above the 9.39 per cent registered in 2005-06. However in 2007-08, the growth rate decelerated to 5.19 per cent. In 2006-07, Primary, Secondary and Tertiary sectors had experienced a positive growth, while in 2007-08, the Primary sector showed a negative growth and Secondary sector decelerated. During the Tenth Plan Period (2002-07), the GSDP had witnessed 7.59 per cent growth per annum against the target of 8 per cent. The growth rate recorded during the Tenth Plan period was the highest among all the Plan periods.

The per capita income in the State had improved from Rs.24906 in 2005-06 to Rs.27101 in 2006-07 and further to Rs.28526 in 2007-08. In all the three years, it was well above the national average.

Prices:

The Wholesale Price Index, a measure of inflation, increased from 1396.9 by the end of March 2006 to 1562.2 in March 2007 registering 7.54 per cent increase and further to 1624.2 during March 2008 with an increase of 8.12 per cent on a point to point basis. Of the three major groups, during 2006-07, the Primary Articles had a faster rate of 11.11 per cent followed by 4.14 per cent of manufactured products and 0.79 per cent of energy group. A faster rate of increase at the Primary Articles Group coupled with greater weight had influenced the WPI to move at a faster rate of 7.54 per cent and a similar trend prevailed during 2007-08.

The Consumer Price Indices showed an increase during 2006-07 – CPI for Industrial Workers, soared from 2.5 to 6.0 in 2007 and further to 7.6 per cent in 2008. CPI for Agricultural Labourers increased from 4.4 to 7.6 per cent between March 2006 and 2007 and further to 9.9 per cent in March 2008. Consumer Price Index for Urban Non-Manual Employees recorded a faster growth in March 2007 (7.6%) and decelerated to 3.6 per cent in March 2008.

Agriculture:

The area under paddy declined from 20.50 lakh hectares in 2005-06 to 19.31 lakh hectares in 2006-07, and further to 17.89 lakh hectares in 2007-08. The yield rate per hectare had shown an increase from 2541 kgs. in 2005-06 to 3423 kgs. in 2006-07 and however it came down to 2817 kgs in 2007-08.

Horticulture which accounts for 5.7 per cent of the total area witnessed an increase in area coverage from 8.90 lakh hectares to 9.27 lakh hectares between 2005-06 and 2006-07. The area under horticulture crops is estimated at 10.05 lakh hectares in 2007-08. This has resulted in increased production from 141.26 lakh tonnes in 2005-06 to 160.49 lakh tonnes in 2006-07 and further to 174.14 lakh tonnes in 2007-08.

During 2006-07, the State had received a rainfall of 859.7 mm as against the normal of 911.6 mm and in 2007-08, with 1164.4 mm of rainfall it was rated as 'excess'.

The supply of improved seeds was estimated at 1.05 lakh tonnes in 2007-08, which was higher by 22100 tonnes over 2006-07 level. With the favourable climatic conditions, the total fertilizer consumption in the State had gone up to 11.67 lakh tonnes in 2007-08 from 11.25 lakh tonnes in 2006-07.

The Eleventh Five Year Plan envisages a four per cent growth per annum in the agricultural sector.

Animal Husbandry, Fisheries and Forestry:

Tamil Nadu ranked eighth in milk production at the all India level. The milk production in the State has gone up from 54.74 lakh tonnes in 2005-06 to 55.60 lakh tonnes in 2006-07 and to 55.86 lakh tonnes in 2007-08. The per capita availability of milk was around 233 grams, per day.

For providing proper veterinary care, 1207 dispensaries, 139 hospitals, 55 mobile veterinary units, 22 clinical centres and 6 polyclinics are functioning in the State. The meat production in the State rose from 499.11 lakh kgs. in 2005-06 to 586.64 lakh kgs. in 2006-07 and further to 638.23 lakh kgs. in 2007-08.

Egg production in the State has increased from 6223 million in 2005-06 to 8044 million in 2006-07 and to 8394 million in 2007-08.

The total fish production in the State rose from 5.46 lakh tonnes in 2005-06 to 5.52 lakh tonnes in 2006-07 and to 5.58 lakh tonnes in 2007-08. In the total fish production, the relative mix of inland and marine fisheries remained the same at 30:70. The per capita consumption of fish had slightly improved from 13.52 kgs. in 2005-06 to 13.70 kgs. in 2006-07.

Under Forestry sector, a new scheme which is the first effort of its kind in the country viz. Tree cultivation in patta lands was launched in the State during 2007-08. Urban Afforestation Scheme was also launched in 2007-08 with the objective of controlling the adverse effects of air, water and noise pollution.

The total revenue from forestry had decelerated from Rs.144.48 crores in 2005-06 to Rs.82.34 crores in 2006-07 and further to Rs.46.85 crores in 2007-08. This was due to less demand for sandal wood in the market, staggered sale of the sandal wood to meet the market demands for a longer period of time and practicing of conservation oriented forestry which has reduced supply of raw materials to industries from the forest area.

Industry:

In Tamil Nadu, between 2006-07 and 2007-08, 14 MOUs were signed to invest Rs.18483 crore. The Information Technology has been the key driver of strident growth and development in the State. The number of software companies in the State increased to 1127 in 2007-08 from 988 in 2006-07. The value of software exports increased from Rs.13615.10 crores in 2005-06 to Rs.20701.72 crores in 2006-07 and to Rs.28490 crores in 2007-08. As per the latest Annual Survey of Industries (ASI) 2004-05 data, Tamil Nadu stood first in the Number of Factories and Persons engaged, third in terms of Fixed Capital, Productive Capital, Gross Value of Output and Net Value Added.

The performance of industrial sector measured in terms of Index of Industrial Production reveals that during 2006-07 the index registered 8.1 per cent growth over and above the 7.9 per cent recorded in 2005-06. However, in 2007-08, it increased only by 5.0 per cent. This slowdown was attributed to the sluggish growth experienced by the manufacturing group which enjoyed the largest weight of 81.14 per cent in the index. Appreciation in the value of rupee against dollar, interrupted power supply, increased bank rate and labour issues were the reasons cited for the setback.

In the State, yarn production both from SSI & Non SSI Sector has increased from 1369.46 million kgs. in 2005-06 to 1516.39 million kgs. in 2006-07. The number of workers in the textile mill industries improved from 2.31 lakh to 2.48 lakh.

The Sugar Production in the State increased from 21.42 lakh tonnes in 2005-06 to 24.94 lakh tonnes in 2006-07. During 2007-08 (October 07 – June 08), sugar production was at 18.34 lakh tonnes, compared to the corresponding period of previous year it was lower by 1.11 lakh tonnes.

The installed capacity of nitrogenous fertilizer had declined in 2006-07, resulting in a fall in the total installed capacity from 14.10 lakh tonnes to 13.13 lakh tonnes between 2005-06 and 2006-07. The production of fertilizer has come down from 9.03 to 8.62 lakh tonnes in the said period. The decline was due to fall in production of phosphoric fertilizer rather than nitrogenous fertilizers.

The installed capacity of cement industries in the State increased from 145.64 lakh tonnes in 2005-06 to 168.30 lakh tonnes in 2006-07, owing to increase in the installed capacity in the private sector. Consequent to this, cement production improved from 142.89 lakh tonnes in 2005-06 to 164.76 lakh tonnes in 2006-07 and further to 179.23 lakh tonnes in 2007-08.

The total number of registered MSMEs in the State has increased from 5.11 lakh in 2005-06 to 5.39 lakh in 2006-07 and to 5.58 lakh in 2007-08. The employers level has also increased from 37.03 lakhs in 2006-07 to 39.46 lakhs in 2007-08. The output from MSMEs increased from Rs.105980 crores to Rs.114719 crores in the reference period.

Banking:

In Tamil Nadu, there has been a tremendous increase in the network of bank branches over a period of time. The number of banks has risen from 4898 in 2005-06 to 5534 in 2007-08. The aggregate deposits increased from Rs.134358 crores in 2005-06 to

Rs.207106 crores in 2007-08. At the all India level, Tamil Nadu accounts for 6.23 per cent of the aggregate deposits. The total quantum of bank credit disbursed has increased from Rs.146514 crores in 2005-06 to Rs.231551 crores in 2007-08. The share of the State at the National level was 9.48 per cent. The credit deposit ratio in the State stands at 119 per cent in March 2008.

Tamil Nadu positioned second in the country next to Andhra Pradesh in SHG Bank – Linkage Programmes. During 2007-08, 74636 new SHGs were credit-linked to Banks in the State disbursing bank loans to the tune of Rs.1061.80 crores. The Small Savings gross collection had declined to Rs.7791.11 crores in 2007-08 from Rs.10858.97 crores in 2006-07. The revision of interest rates, alternative avenues of saving and taxation policies of Union Government may be the possible reasons for the deceleration in the Small Savings collection.

Transport and Communication:

In road infrastructure facilities, the State is well placed and ahead of the nation. The total road network in the State increased from 195167 kms. in 2006-07 to 198472 kms. in 2007-08. The road network in the State at 152 kms. per 100 sq.kms. is higher than the national average of 74.90 kms. The outstanding investments in the road projects in the State has increased from Rs.17545 crore as of April 2007 to Rs.19964 crore at the end of January 2008.

The number of registered vehicle population in the State had increased from 91.04 lakhs in 2006-07 to 100.69 lakh in 2007-08. The total route length of railway line in Tamil Nadu as on 2006-07 is 3941.23 kms. of which, 950.11 km. are electrified.

All the three major ports together increased their cargo handling from 821.29 lakh tonnes in 2006-07 to 901.97 lakh tonnes in 2007-08. As at the end of April 2007, there were 20 major port projects with outstanding investment of Rs.13003 crore, which had increased to Rs.16003 crore at the end of January 2008, with the same number of projects. The 15 minor ports handled 887384 metric tonnes of cargo in 2007-08 as against 804832 metric tonnes in 2006-07. Consequently, the revenue earned has increased to Rs.655.75 lakhs in 2007-08 from Rs.589.27 lakhs in 2006-07.

The total passenger traffic in the airports continued to increase from 103.21 lakhs in 2006-07 to 124.82 lakhs in 2007-08. The air cargo traffic also increased from 2.45 lakh tonnes to 2.77 lakh tonnes in the said period.

In the State as on March 2008, there are 201.60 lakh cellular subscribers. In Tele-density, the availability of number of phones per 100 persons, Tamil Nadu with 30.81 per cent was placed sixth in the country. As of 2007-08, there are 12115 post offices in the State doing the postal business alone.

Energy:

Tamil Nadu has focused on demand management and addressed the supply constraints to provide energy of desired quality to users in a sustainable manner and at reasonable costs. The gross supply of 66815 mu of power made available in 2007-08 was 5.1 per cent higher than that of 2006-07. The installed power generating capacity of the

State was 10122.495 MW in 2007-08 against 10097.895 MW in 2006-07. The installed capacity of the State's own projects as on 31st March 2008 was 5598.085 MW against 5597.385 MW in the previous year.

The quantum of power generation from the State's own sources had increased from 26915 mu in 2005-06 to 29481 mu in 2006-07, however, in 2007-08 it decelerated to 29241 mu in 2007-08. The generation mix of Hydro, Thermal and Gas (excluding wind) during 2006-07 in the ratio of 21:72:7 was slightly altered to 22:73:5.

Power purchases from the Central Sector Projects and Independent Power Projects constitute more than 50 per cent of the gross availability of power. During 2007-08, purchases to the extent of 37574 mu were made.

The total number of power consumers in the State has increased from 178.03 lakhs in 2005-06 to 185.82 lakhs in 2006-07 and further to 194.34 lakhs in 2007-08.

Employment:

Out of the total population, the active age group population accounted for 57.8 per cent at the all India level and it was higher at 63.7 per cent at the State level. According to the latest Seventh Quinquennial National Sample Survey, the average growth rate of employment accelerated from 0.24 per cent during 1993-2000 to 1.26 per cent during 2000-05.

The organized sector employment for the year 2007-08 (upto December) was 23.03 lakhs as against 22.41 lakhs at the end of March 2007. In the net addition of 62700 jobs, private sector accounted for 57100 and the rest came from public sector. In the State, after a gap of nearly about one and a half decade, additional jobs were effected in the public sector.

In Tamil Nadu, as on 30.11.2007, the total number of applicants on the live register of Employment Exchanges stood at 43.39 lakhs. The educated job seekers accounted for nearly 70 per cent of the total applicants.

Rural Development:

The total budgetary expenditure towards rural development had increased from Rs.3236.94 crores in 2005-06 to Rs.4028.37 crores in 2006-07 and to Rs.5128.06 crores in 2007-08 (RE).

During 2006-07, 2540 villages were selected under Anaithu Grama Anna Marumalarchi Thittam (AGAMT) and Rs.508 crores was allotted for the implementation of the Schemes. In 2007-08, 2534 villages were selected and Rs.506.80 crores was allocated.

In the State, during 2006-07, the allocation for the implementation of Schemes under Member of Legislative Assembly Constituency Development Scheme (MLACDS) was enhanced from Rs.1.00 crore to Rs.1.20 crore.

Namakku Naame Thittam (NNT) was revived during 2007-08. This State Sponsored Scheme is being implemented with a minimum of one-third amount as public contribution and two-thirds from Government as grant for both Rural and Urban areas. During the current year, public contribution of Rs.20.89 crores was mobilized and the government sanctioned the grant to the tune of Rs.42.27 crores. Upto the end of March 2008, 325 works were completed.

Under Member of Parliament Local Area Development Scheme (MPLADS), Rs.114 crores was allocated in 2007-08 of the 4138 works sanctioned, 4072 were commenced, 2611 completed and 1527 were on going.

As against the total allocation of Rs.642 crores approved by the Government of India for the implementation of Total Sanitation Campaign, upto the end of March 2008, Rs.402.10 crores was made available, of which, Rs.345.61 crores was spent.

Under Indira Awaas Yojana (IAY), 50001 houses were constructed at a cost of Rs.187.53 crores in 2006-07. The corresponding figures for 2008 were 49760 and Rs.254.38 crores.

The Tamil Nadu Rural Employment Guarantee Scheme which was launched in 2006 and implemented in 3230 villages was extended to cover 1602 more villages during 2006-07. The total number of households guaranteed 100 days of employment has increased from 33349 in 2006-07 to 36908 in 2007-08.

The National Rural Employment Guarantee Scheme (NREGS) is extended to four more districts in 2007-08. During 2006-07, 66963 works in 23 districts were completed and 250.17 lakh mandays were generated and 2.23 lakh tonnes of rice was distributed. In 2007-08, as against 49632 works sanctioned, upto March 2008, 44588 works were completed at a cost of Rs.270.11 crores, generating 233.20 lakh mandays.

Urban Development:

The receipts of all the Urban Local Bodies have considerably increased to Rs.592.16 crores in 2006-07 from Rs.521.70 crores in 2005-06 and in 2007-08, it was anticipated to increase to Rs.726.14 crores. Corresponding to the receipts, the expenditure has increased from Rs.414.01 crores in 2005-06 to Rs.432.13 crores in 2006-07 and to Rs.514.24 crores in 2007-08.

Under Solid Waste Management (SWM) Scheme, the 12th Finance Commission granted a sum of Rs.41.15 crores to all the Municipalities and Rs.16.05 crores to Town Panchayats in 2006-07 for infrastructure development.

During 2006-07 under Phase I, 10 Municipalities were covered under Urban Infrastructure development Scheme for Small and Medium Towns (UIDSSMT) Water Supply Scheme at a cost of Rs.81.68 crores. Proposal has been made for 14 Town Panchayats at a cost of Rs.25.55 crores during 2007-08.

There are 718 urban towns in Tamil Nadu excluding Chennai City. During 2007-08, 55 Urban towns comprising two Municipalities and 53 Town Panchayats have been provided with water supply at a cost of Rs.75.58 crores.

During 2006-07 the Central and State Governments together sanctioned a sum of Rs.25.21 crores to implement the Swarna Jayanthi Shahari Rozgar Yojana (SJSRY) Scheme. Under Jawaharlal Nehru National Urban Renewal Mission (JNNURM), the Centre has released a sum of Rs.82.99 crores to carry out nine projects during 2006-07 and the State as its share has released Rs.78.86 crores. For 2007-08, the Centre has released a sum of Rs.125.23 crores for the four projects out of the total sanction of Rs.1303.85 crores for five projects.

To provide basic amenities to all the 561 Town Panchayats, the Anaithu Peruratchi Anna Marumalarchi Thittam (APAMT) was implemented in 2007-08 for a four year period of 2007-08 to 2010-2011 at an estimated cost of Rs.280.50 crores. During 2007-08, 1492 works at a cost of Rs.70 crores were implemented in 140 Town Panchayats.

Social Sector:

Improvement in the Social Sector would pave the way for equity and economic development. The per capita expenditure on Social Sector in Tamil Nadu had increased from Rs.1341 in 2003-04 to Rs.2271 in 2006-07. The Human Development Index of the State had increased from 0.466 in 1991 to 0.531 in 2001 and the State was placed third among the major States.

In the rural areas, out of 86981 habitations, about two-thirds (65.8%) were fully covered with 40 litres per capita per day of water supply, 33.6 per cent were partially covered and a very meager 0.6 per cent was uncovered in 2006-07. The norm prescribed for each Corporation was 110 litres of water per day per capita and the corresponding figures for Municipality and Town Panchayats were 90 litres and 70 litres. Out of 718 urban local bodies the number coming under 'fully covered' had increased from 312 to 328 between 2005-06 and 2006-07.

The implementation of Sarva Siksha Abhiyan in the State has reduced the drop out rates in the primary level from 3.81 per cent in 2005-06 to 1.91 per cent in 2006-07 and from 7.58 per cent to 4.08 per cent in the upper primary level.

The PDS in Tamil Nadu operates with the goal of making available essential commodities, especially to the disadvantaged sections of the society. During 2007-08, a total number of 28995 fair price shops were functioning and 189.93 lakh family card holders had been benefited.

The objective of the State is to improve the health and nutritional status of the population thereby reducing the IMR, MMR. According to SRS – 2006, the crude birth rate was 16.2 per 1000 population, crude death rate 7.5 per 1000 population. The per capita public expenditure had increased from Rs.270 in 2002-03 to Rs.557 in 2006-07.

Environment:

Environmental degradation seriously threatens economic and social progress even at the global level. As sustainable development is the need of the hour, which is possible only by promoting awareness about the need to protect environment, the Government has taken several initiatives. During 2006-07, in the State Rs.1.67 crores was spent towards

various schemes such as prevention of air and water pollution, environmental awareness and environmental research.

State Finance:

The revised 'Medium Term Fiscal Plan' under the Tamil Nadu Fiscal Responsibility Act would strive to bring down the revenue deficit to below 5 per cent in 2007-08 and would eliminate it in 2008-09. The fiscal deficit estimated at 3 per cent in 2006-07 would be brought down to 2.68 per cent in 2007-08 and to 2.3 per cent in 2008-09. This is expected to result in the generation of sufficient resources for the State to meet its current expenditure.

In accordance with the above targets, the revenue surplus accounted for Rs.2648.26 crores in 2006-07, whereas it was Rs.915.65 crores only as per revised estimate during 2007-08. The fiscal deficit over GSDP was 1.56 per cent during 2006-07 while in 2007-08 (RE) it was 2.56 per cent.

The revised estimate of the budget 2007-08 showed a revenue surplus as Rs.91564 lakhs as against the revenue surplus of Rs.264826 lakhs during 2006-07. Over the period of past ten years, for the first time, capital account showed a deficit of Rs.414735 lakhs during 2006-07 (Accounts). The increase in capital receipts to Rs.868912 lakhs during 2007-08 (RE) as compared to Rs.714716 lakhs in 2006-07 (Accounts) had reduced the capital account deficit to Rs.368399 lakhs in 2007-08. The overall transactions had shown a surplus budget of Rs.2832 lakhs and Rs.4113 lakhs during 2006-07 (Accounts) and 2007-08 (RE) respectively.