

2. PERFORMANCE OF THE STATE ECONOMY DURING 2004-05

State Income

The Gross State Domestic Product at factor cost at constant prices (1993-94) which was at Rs.91089 crores in 2000-01 has decreased to Rs.89157 crores in 2001-02(RE). The Quick Estimate of GSDP at Constant prices for the year 2002-03 is Rs.91575 crores registering an increase of 2.71% over the previous year while the AE for the year 2003-04 is Rs.96588 crores registering a growth of 5.47% over the previous year estimates.

Table 1: GSDP at constant (1993-94) prices

(Rs. in crores)

Sector	2001-02	2002-03 (Q.E.)	2003-04 (A.E.)	% change over previous year	
				2002-03	2003-04
Primary	16211.17	12706.54	13051.32	-21.62	2.71
Secondary	27641.65	30179.55	30888.31	9.18	2.35
Tertiary	45304.18	48688.73	52648.82	7.47	8.13
Total	89157.00	91574.82	96588.45	2.71	5.47

Source: DOES; Q.E. – Quick Estimate, A.E. – Advance Estimate

The growth in the Primary sector income is principally governed by its sub group Agriculture and allied activities. The Primary sector registered a marginal increase of 0.05% in 2001-02 at constant prices and there was a steep decline of 21.62% in 2002-03 because of the drought situation prevailed in the State. Despite the rainfall being deficient in 2003-04, there is a growth of 2.71% in the Primary sector. Regarding the sectoral contribution in GSDP, the primary sector's contribution has come down from 24.79% in 1993-94 to 13.51% in 2003-04.

Income generation in the secondary sector marked a meager increase of 2.35% in 2003-04. In the secondary sector the absolute income raised from Rs. 30179.55 Crores in 2002-03 to Rs.30888.31 in 2003-04. Registered manufacturing and unregistered manufacturing, the predominant constituents of the secondary sector, put together accounted for 70% of the sectoral income and 22% of State Income in 2003-04. Over the years there was not much of a change in the combined composition of the two sub-sectors.

The growth of the tertiary sector in 2003-04 was at 8.13%. In 2003-04, among the sub-sectors, a significant growth was in Communication (by 21.00%), Trade Hotels & Restaurants by (7.81%), and Real Estate, Ownership of Dwelling and Business Services which includes IT sector (by 10.49%).

The Tertiary sector growth was steady in 2002-03 (QE) and 2003-04 (AE) partly compensated the down-trend low growth in primary and secondary sectors in these years.

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The comparative trends of All India and Tamil Nadu's growth rate in Gross State Domestic Product and Percapita Income at Constant (1993-94) prices are presented below.

Table 2: GSDP and Percapita at constant (1993-94) prices

Year	GDP All India	GSDP Tamil Nadu	Percapita	
			All India	Tamil Nadu
Percentage growth over previous year				
1994-95	7.3	12.57	4.9	10.9
1995-96	7.3	3.45	5.2	2.2
1996-97	7.8	4.95	6.1	3.0
1997-98	4.8	8.20	2.6	7.7
1998-99	6.5	4.73	4.4	2.9
1999-2000	6.1	6.21	4.4	5.1
2000-2001	4.4	7.60	2.4	6.9
2001-02	5.8	-2.12	4.3	-2.3
2002-03	4.0	2.71	2.4	0.9
2003-04	8.5	5.47	7.1	4.5
AAGR	6.2	5.4	4.4	4.2

Source: CSO & DOES

The above statement reveals that during the Eleven year period (1993-94 to 2003-04) the Annual Average Growth rate (AAGR) of Gross State Domestic Product of Tamil Nadu accelerated at 5.4% vis-à-vis 6.2% in All India. The GSDP witnessed set back in the year 2001-02 (-2.12%) compared to the previous year's (2000-01) growth rate of 7.6%. The acceleration of growth process is hampered by the stagnation in the growth rate of primary sector.

In the last ten years the Percapita income of Tamil Nadu was higher than that of All India. But there is fluctuation in the increase of Percapita income of Tamil Nadu during this period. In 1993-94, the percapita income of Tamil Nadu was Rs.8955. It increased to Rs.13017 in 2000-01. But it dipped into Rs.12,717 in 2001-02. Again it went upto Rs.13,423 in 2003-04.

Agriculture

On the agricultural front, the performance during 2004-05 was by and large good. During 2004-05, the state had experienced a dual situation, whilst it faced severe drought up to June-July 2004, it had torrential rains in the month of October leading to flood damage and submergence in some of the districts. The water from Mettur reservoir was released on 12.8.2004 after a delay of 2 months for samba cultivation.

The area coverage under major crops showed a dip in coverage in the early part of the year, which however revived in the month of September 2004 onwards. The area and production of principal crops is set out in the Table below:

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Table 3 : Principal crops : Area and Production

Sl. No.	Crop	Area (in Lakh Ha)		Production (in LMT)	
		2003-04	2004-05	2003-04	2004-05
1.	Paddy	13.967	19.280	32.227	72.300
2.	Millets	9.036	12.120	8.881	16.360
3.	Pulses	5.368	8.460	2.011	3.810
4.	Food grains	28.371	39.860	43.119	92.470
5.	Cotton	0.980	1.630	1.227	3.670
6.	Sugar cane	1.921	2.370	17.656	27.660
7.	Total Oil seeds	7.006	8.640	9.635	14.690
8.	Ground nut	5.917	6.26	9.182	11.890

Source: Department of Agriculture

The Paddy was raised on 19.280 lakh ha in 2004-05 which was 38% higher than the area covered in 2003-04. The production of paddy upto 31.3.2005 is 72.30 LMTs. Through crop diversification strategy less water intensive crops like millets, pulses, oilseeds were encouraged in place of water intensive crops such as paddy and sugarcane.

In millets, the level of production for the year 2004-05 will be at 16.36 LMTs which is 84% increase over the earlier level. As for Pulses production during 2004-05, there is an increase of 89% rise over previous level is anticipated. Turning to the performance of major commercial crops, in sugarcane the level of production anticipated for 27.66 LMTs is a definite improvement over the 2003-04 level. There is considerable increase in cotton production also.

Industry

Index of Industrial Production

The Index of Industrial Production (IIP) during 2004-2005 registered a positive growth rate of 7.9% as against 2.0% in 2003-04 . The mining, manufacturing and electricity sectors showed a positive growth of 8.4%, 8.4% and 1.9% as against 10.6%, 1.9% and 2.1% in the same period of the previous year respectively.

Out of 15 subgroups under the manufacturing sector, 13 subgroups reported a positive growth rate and the rest registered a negative growth rate during 2004-05 when compared to 2003-04. The subgroup machinery & equipment other than transport equipment subgroup has shown the highest growth rate of 41.5% followed by rubber, plastic, petroleum and coal products subgroup with 27.3% and Basic Metal and Alloy Industries subgroup with 17.0%. On the other hand, textile products other than mills recorded a negative growth rate of 37.6%, cotton textiles subgroup with -5.1%.

In the use-based classification capital goods advanced by 29.2% in 2004-05. Basic goods production also increased by 9.9% against 3.4% during the same period last year. Intermediate goods, which have the highest weightage in use-based

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classification, gained an increase of 6.5% and consumer durables by 3.5%. Consumer non-durable goods dipped by 2.2% during 2004-05.

The Growth rates of industrial production by broad sectors and use-based classification are given in the table below.

Table 4 : Growth rate of industrial production

Name of the Sector	Weight	2003-04	2004-05
1	2	3	4
Mining	12.70	10.6	8.4
Manufacturing *	920.13	1.9	8.4
Electricity	67.17	2.1	1.9
General Index	1000.00	2.0	7.9
Use-based Classification			
Basic Goods	229.92	3.4	9.9
Capital Goods	120.81	17.2	29.2
Intermediate Goods	360.83	2.0	6.5
Consumer Durable Goods	63.95	6.2	3.5
Consumer Non-Durable Goods	224.49	-6.8	-2.2
General Index	1000.00	2.0	7.9

* Relating to selected Factories Registered under 2m(i) and 2m(ii) of the Factories Act, 1948.

Source: Department of Economics & Statistics.

Annual Survey of Industries

The estimated data of Annual Survey of Industries for the year 2002-03 reveals that Tamil Nadu has been occupying the first position in terms of factories among the major states, second in providing employment and third position in terms of fixed capital, Gross Value Added and Net Value Added. At the national level, the State's share is 15.21% in number of factories, 14.37% in employment, 10.51% in Fixed capital, 9.35% in Gross Value Added and 9.07% in Net Value Added.

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Table 5: Performance of Principal Industrial Characteristics - ASI 2002-03 - Statewise
Value figures are in Rs. Lakh and others are in number

State	No. of Factories	Share in All India %	Employment	Share in All India %	Fixed capital	Share in All India %	Gross Value Added	Share in All India %	Net Value Added	Share in All India %
Andhra Pradesh	14819	11.57	893129	11.32	371025	6.32	1389724	6.46	1111559	6.51
Assam	1494	1.17	109102	1.38	95037	1.62	326826	1.52	286925	1.68
Bihar	1388	1.08	53137	0.67	190045	3.24	144952	0.67	125090	0.73
Chhattisgarh	1250	0.98	92257	1.17	95171	1.62	399828	1.86	269989	1.58
Gujarat	13136	10.26	707263	8.96	822839	14.02	2991138	13.91	2153833	12.61
Haryana	4407	3.44	303899	3.85	217094	3.70	933782	4.34	762003	4.46
Karnataka	6902	5.39	500358	6.34	573863	9.78	1504810	7.00	1187232	6.95
Kerala	4681	3.66	278626	3.53	72912	1.24	441303	2.05	374708	2.19
Madhya Pradesh	3003	2.35	221496	2.81	136898	2.33	698484	3.25	559181	3.27
Maharashtra	17693	13.82	1174205	14.88	971444	16.55	4237923	19.71	3488018	20.43
Orissa	1643	1.28	135133	1.71	155226	2.64	319050	1.48	228218	1.34
Punjab	6996	5.46	359938	4.56	258467	4.40	629367	2.93	513003	3.00
Rajasthan	5427	4.24	236654	3.00	142582	2.43	621880	2.89	493141	2.89
Tamil Nadu	19471	15.21	1134048	14.37	617199	10.51	2009969	9.35	1549290	9.07
Uttar Pradesh	9028	7.05	538111	6.82	486753	8.29	1484996	6.91	1199669	7.03
West Bengal	6103	4.77	548970	6.96	230767	3.93	892830	4.15	702263	4.11
All India	128039	100.00	7890095	100.00	5870496	100.00	21500569	100.00	17075693	100.00

Source:ASI website (computed)

Small Scale Industries

The SSI sector covers a wide range of enterprises with diverse characteristics. There are tiny and micro enterprises on one hand and sophisticated modern small units on the other. During the financial year 2004-05, 4,89,782 SSI units were registered with an investment of Rs.14,397.31 crores providing employment to 35,25,582 persons. The table given below indicates the trend in growth of small-scale industries and the level of investment, employment etc.

Table 6: Trend in Growth of SSI in Tamil Nadu

Year	No. of Permanent Regd. Units	Investment (Rs. In crores)	Production (Rs. In Crores)	Employment (No.)
2002-03	448905	12569.34	89781.00	3142335
2003-04	474699	13291.50	94939.80	3417832
2004-05	489782	14397.31	99496.77	3525582

Source: Directorate of Industries and Commerce, Chennai.

Investment

The Tamil Nadu's New Industrial Policy, 2003 sets out the road map for improving the investment climate in the State with particular reference to manufacturing sector. About 226 new projects were undertaken during 2004-05 involving an investment of Rs.21,682 crore. During the same period, 44 projects involving an investment of Rs.4,990 crore were implemented. Out of total 853 outstanding projects in the State, the manufacturing sector accounted for 315 projects, involving an investment of Rs.51,055 crore. The sector held 32.14% of the total amount invested in all projects. Within manufacturing sector, chemicals industry had a significant investment to the tune of Rs.39,882 crore. Electricity sector also had a huge share of total investment in the State at Rs.51,075 crore.

Growth of Software Export Industry

The IT Policy 2002 with its five focused objectives has acted as a beacon in attracting investors' attention to the State as well as creating the necessary impetus for e-governance initiatives. The sector specific policies to facilitate further investments in IT Enabled Services and IT Hardware, which are the key drivers for accelerated growth in terms of employment opportunities and economic activities are also on the anvil. A large number of Multinational companies have established their offices in Chennai. Tamilnadu has facilitated several IT Parks of global standards to blossom in and around Chennai and this will add more than six million sq.ft. of IT space with world class communication links and other infrastructure thus creating employment opportunities for an additional one lakh professionals. Messrs Hewlett Packard, Philips, Accenture, General Electric and Virtusa have all come to Chennai as it is clearly a destination of choice. Tier II cities are also growing with fast growth at Coimbatore.

Work has been started on establishing the Knowledge Industry Township (KIT) at Sholinganallur near Chennai. Established in an area of about 500 acres it will facilitate the growth of various types of IT Companies including IT SMEs and IT majors with campus style operations. The construction of a six lane IT Expressway leading to the Knowledge Industry Township and other IT establishments is under way. The five Indian IT Majors viz. Tata Consultancy Services, WIPRO, Infosys, Satyam and HCL have announced huge expansion plans for their operations in Chennai.

During 2004-05, software exports is Rs.10730.03 crores and Hardware export at Rs.261.87 crores.

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The growth of software and hardware industries in Tamil Nadu is shown below:

Table 7 : Growth of Software/ Hardware Industry in Tamil Nadu

Fiscal Year	No. of Companies	Exports (Rs. in Crs.)
a) Software industry-		
2002-03	934	6315.51
2003-04	992	7621.25
2004-05	1095*	10730.03**
*103 Units approved during the Financial Year 2004-05 are also included. **Export reported by STP, N-STP and MEPZ units.		
b) Hardware industry-		
2002-03	11	698.25
2003-04	10	263.71
2004-05	13*	261.87**
*3 units approved during the Financial Year 2004-05 are also included. **Export reported by EHTP units		

Source: Software Technology Parks of India, Chennai

Power Sector

The installed capacity as on 31.03.2005 stood at 9,512 MW against 9,296 MW during the same period at last year which represents an increase of 2.32%. Power generation during 2004-05 was 26,451 MU as compared to 24,114 MU during the same period of previous year registering an increase of 9.69%. Due to the good inflow of reservoirs, the hydro generation was 4,425.637 MU as against 2066.606 MU during the same period last year showing an increase of 114.15%. Thermal power generation was 20,004.035 MU as against the previous level of 20,430.58 MU for a reduction of 2.09%. The wind power generation during April 2004 to March 2005 was 17.337 MU as against 24.348 MU during the same period last year. The gas turbine generation during April 2004 to March 2005 was 2003.089 MU as against 1592.050 MU during the same period last year. The power purchased during this period is 25,895 MU which shows an increase of 1.16% when compared to the purchase of 25,599 MU made during the corresponding period last year.

Table 8 : Performance of Power Sector

Development Indicators	2003-04	2004-05	% change
Installed Capacity (MW)	9296	9512	2.32
State's Own Projects	5341	5381	0.75
Central Sector Projects	2889	3065	6.09
Private Sector Projects	1066	1066	0.00
Power Generation (MU)	24114	26451	9.69
Hydro (MU)	2067	4426	114.15
Thermal (MU)	20431	20004	-2.09
Wind (MU)	24	18	-25.00
Gas (MU)	1592	2003	25.82

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Power Purchase (MU)	25599	25895	1.16
Total availability (MU)	49713	52346	5.30
Power Demand (MU)	146.973	159.139	8.28
Peak Demand (MW)	7247	7537	4.00

Source: TNEB

State Transport Undertakings (STUs)

The fleet strength of STUs as on 31.03.2005 was 16,861. The revenue earnings by the STUs in 2004-05 increased by Rs. 265.3 crores whereas HSD cost increased by Rs. 182.71 crores, establishment cost by Rs. 84.24 crores and the overall expenditure by Rs. 253.23 crores when compared to 2003-04.

The performance of the STUs in terms of effective kms, revenue earned / expenditure incurred etc. with the fleet strength is given below:

Table 9 : Performance of the STUs

Year	Fleet Strength	Effective kms in Lakhs	Total Revenue	Total Expenditure	Extent of coverage of expenditure by revenue
			(Rs. in crores)		
2001-02	16797	22358	2921.60	3020.46	97%
2002-03	16670	22937	3231.32	3235.53	99.8%
2003-04	16664	23325	3362.70	3360.32	100.07%
2004-05 (Pre Audit)	16861	23697	3627.88	3613.43	100.4%

Public Distribution System

The Public Distribution system which is the principal instrument of the Government for providing a safety net for the poor is being operated in accordance with the Essential Commodities Act, 1955. Making available adequate quantities of essential items such as rice, wheat, sugar and kerosene etc., at all times, in places accessible to all, at prices affordable to all and protection of the weaker section of the population from the vicious spiral of rising prices in the open market are the objectives of the system.

As per the Government of India estimates, the number of BPL families in Tamil Nadu is 48.63 lakhs. Out of the total 1.87 crore family card-holders, except about 25 lakhs card holders who have given their option for drawal of extra kerosene or sugar instead of rice, there are 1.47 crore card holders drawing rice under PDS. Under Public Distribution System (PDS), Govt. of India was allotting from Central pool 4,75,863 MTs of rice per month to Tamil Nadu. There are 28,177 fair price shops functioning in the State, run by Cooperatives (26,293), Tamil Nadu Civil Supplies Corporation (1,149), mobile shops (36) women shops (541) and other shops (158).

As per the announcement made by the Government on 18.5.2004 49,31,757 applications were received for issue of new family cards. Out of which 37,39,451 are

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found eligible for issue of new cards. Upto 31.3.2005, 36,57,284 new family cards have been issued to the left out families.

The Govt. of India has allotted 57,10,356 MTs of rice during 2004-05 and Tamil Nadu Civil Supplies Corporation has procured under Decentralised Procurement System 9,28,153 MTs of rice. The Procurement price of paddy under Decentralised Procurement scheme is fixed at Rs.550 per quintal for the ordinary variety and Rs.580 per quintal for fine/ super fine variety.

Price Behaviour

Price stability is imperative for stepping up production as well as protecting the interests of the consumers. Rate of inflation as measured by the movement of Wholesale Price Index was very modest as 1.91% in 2004-05 (Apr.-Feb.) compared to the level of 5.15% in 2003-04. An analysis of the groupwise movement of WPI in 2004-05 shows that the sub group primary articles notched up a negative growth of 0.01%, fuel, power and lubricants increased by 2.51% and manufactured products increased by 4.26%.

Employment

The number of people employed in public sector and such of those private sector establishments which employ 25 or more persons as on 31.12.2004 is 22.61 lakhs out of which the women employment is 6.91 lakhs (30.56%). Women employment in Health and Social sectors (1.77 lakhs) was the highest, followed by Education (1.70 lakhs), Manufacturing sector (1.49 lakhs), Public Administration (0.73 lakhs), and Agriculture (0.32 lakhs).

The details of registration for employment, placement and number of job seekers on the Live Register may be seen from the table below:

Table 10: Details of registration for employment, placement and job seekers

Year	No. of Registration	No. of Placements	Placement/Registration	No. in the Live register
2000	629701	15751	2.50%	4670397
2001	594580	20138	3.38%	4151170
2002	443566	10337	2.33%	5057420
2003	334879	30714	9.17%	4876380
2004	567619	16799	2.95%	4567443
2005 (Upto March)	45751	5635	12.32%	3835389

Source: Department of Employment and Training

The total number of candidates in the Live Register as on 31st March 2005 is 38.35 lakhs. The Placement - Registration ratio in 2005 (upto March) was 12.32%.

Social infrastructure

Tamil Nadu is doing well in most of the basic demographic indicators : Crude birth rate -18.5, Death rate - 7.7, Infant mortality rate - 44 (Sample Registration System 2002), Total fertility rate – 2.0, Under five Mortality Rate 57, Maternal Mortality Ratio-112, Juvenile sex ratio-939, literacy rate-73.5%, Life expectancy at birth-66.74 years, level of Human Development Index in Tamil Nadu - 0.657 and India - 0.571, Tamil Nadu stands 3rd position in HDI. Health infrastructure is also quiet good. There are fourteen Government Medical Colleges, seven private medical colleges, 21,000 beds on Director of Medical Education side, 270 District level institutions with 21,000 beds, 243 urban health posts, 1415 Primary Health Centres with 7191 beds and 8682 Health Sub Centres. The MMR is now between 130-140 per 1000 live births. Trends in higher order births are also coming down. 5.2% of total budget of the State is allocated for health sector. The Gross Access Rate (GAR) in Primary Schools and Upper Primary Schools has been achieved in full in Tamil Nadu. Out of the total number of schools in Tamil Nadu (49,370), 56% of children in the age group of 6-14 are in Government schools. Enrolment of pupils in Standard I-VIII are 96.50 lakhs. Of this 82.80% are studying in Government and Government aided schools. Teacher-pupil ratio at Primary level is 36 and that of upper primary level is 46 in 2004-05. Net Enrolment Rate (NER) shows an increase of 5.38% and 6.98% for all children in 2004-05 at Primary and Upper Primary level. In primary schools, the drop out rate declined by 6.21% for all. In upper primary schools, the Drop out rate declined by 4.36% for all.

As on 1.4.2004, water supply in 35,727 rural habitations have been fully covered, 36,777 rural habitations partially covered while that of 9,283 not covered. It is proposed to cover the entire rural habitations and to upgrade additional 1000 habitations with 40 lpcd to 50 lpcd.