

Macro Economics & Coal Industry

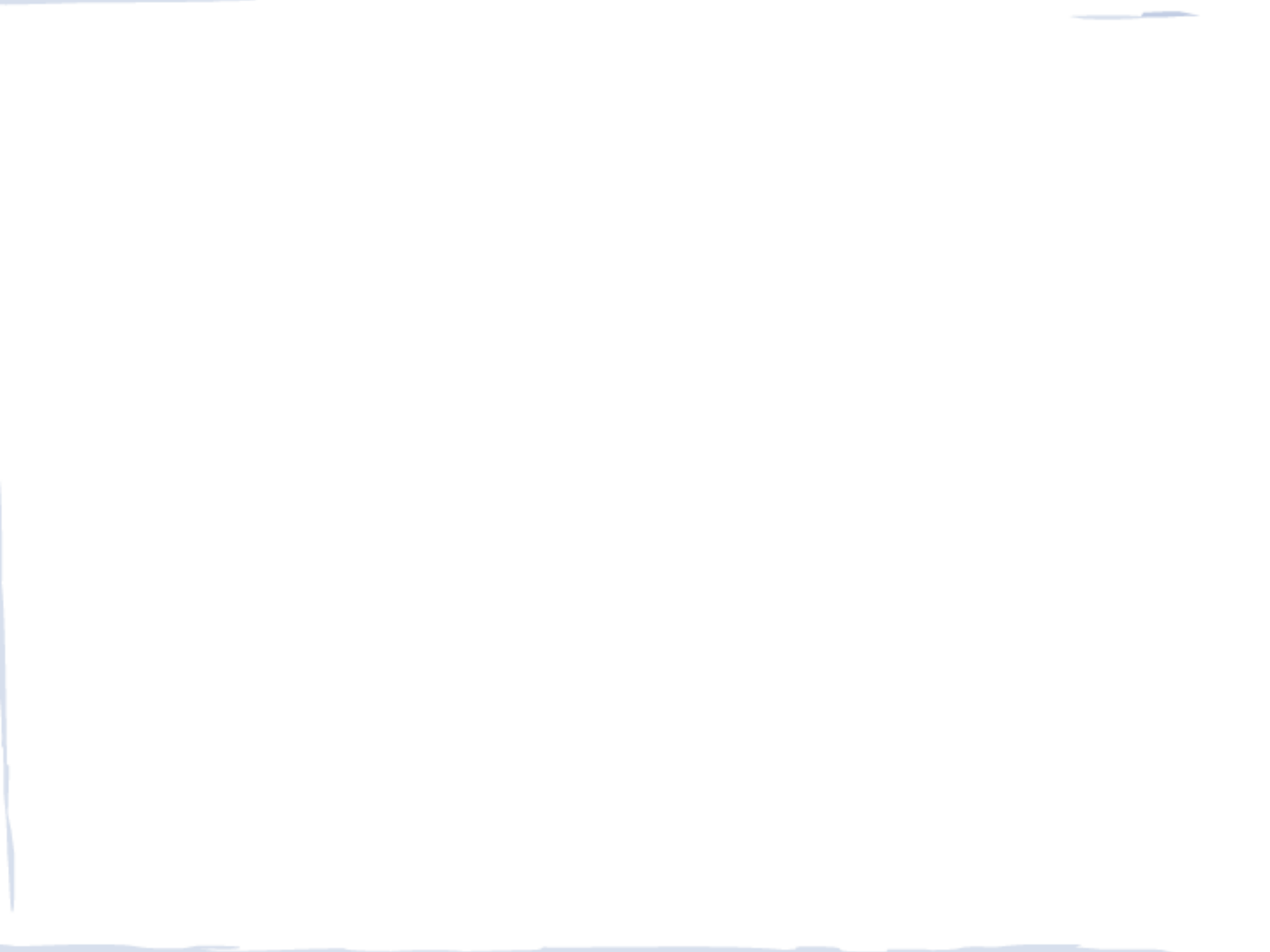
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Global Financial Crisis

- USA – Layman Brothers
- UK - Has lined up \$850b rescue plan, May nationalize Royal Bank of Scotland, Will recapitalize Bank upto \$88b each, Barclays, HSBC, Lyods, Standard Chartered, HBOS, Govt. will guarantee \$439b, Total liability of Barclays \$1950b, Leverage over 60, More than Britain GDM.

Global Financial Crisis (cont...)

- Belgium – Govt. took partial control of the struggling Fortis Bank, Fortis Bank liability is several times higher than GDP of Belgium.
- Germany – Has guaranteed all Bank deposits, Total liability of Deutsche Bank leveraging over 50 which is 80% more than the GDP of Germany.
- The situation is more or less similar to other countries of EU – Iceland has nationalized 3 of its biggest Bank.
- IMF's latest estimate regarding losses of US Banking system amounts to \$1.4 Trillion.



Micro & Macro Economics

- **Micro Economics** is a branch of economics which study how the individual, household, firm, make decision to allocate limited resources and how this decision affect the supply and demand of goods and services which determines price and how price in turn determine the supply and demand of goods and services.

Micro & Macro Economics

(cont..)

- **Macro Economics** on the other hand involve the sum total of economic activity dealing with issues like
 - Economic growth – savings, population, COR, poverty etc.
 - Inflation, Unemployment
 - International economics
 - Export, Import, balance of trade, current account deficit
 - Govt. policy and its effect on macro economic parameters.

Poverty

- **Definition – World Bank** – In Aug'08 World Bank has revised the threshold of poverty line for the purpose of estimating global poverty from per capita expenditure capacity of \$1 per day to \$1.25 per day in terms of PPP for the year 2005.
- As per the new definitions, 41.6% of the Indian population are poor and as per the earlier definition 24.3% of Indian population are living in poverty.

Poverty (cont....)

- In India, the definition of poverty is based on nutritional norm i.e. the expenditure capacity of household group, 2400 Calories for an individual in rural area 2100 Calories in urban areas.
- In financial term the amount are –

Rural Urban

1973	Rs.49.00	Rs.57.00
2000	Rs.327.00	Rs.454.00
2006	Rs.432.00	Rs.603.00
2008	Rs.498.00	Rs.696.00

Poverty (cont....)

- The above definitions of poverty line is more akin to starvation line.
- The definition, beyond a mere calorific norm, access to health, education, shelter as well as hygiene and sanitation is not considered.
- Suresh Tendulkar Committee has been constituted by the govt. to frame a comprehensive definition of poverty. But Indian Govt. do not allow any other definition which will increase statistically the no. of poor.

Macro Scene – Financial Tsunami & Ripple Effect

- The Good
 - Oil price has fallen over 50%
 - Regulated banking system
 - Forex reserve over \$270b
 - Global wheat prices have fallen
 - Interest rates are declining – Cut in repo rate

Macro Scene – Financial Tsunami & Ripple Effect (cont....)

- The Bad
 - Sensex has crashed 60% - FCCB, stoppage of right issue
 - Banks are reluctant to lend
 - The rupee has breached 50 v/s \$
 - Monsoon worse than last year
 - Fiscal deficit to be far higher
 - Projects likely to be stalled
 - Overseas funds have dried up
 - Job prospects are green

Macro Scene – Financial Tsunami & Ripple Effect (cont....)

- Could Turn Ugly
 - Slow down could result in more job losses
 - Corporates could face credit freeze
 - Further flight of capital likely
 - Food prices could rise
 - Bank NPAs set to rise
 - Loans may become inaccessible too

Economic Growth

- During the last couple of year, India has made remarkable GDP growth as below:

<u>Year</u>	<u>GDP Growth</u>	<u>Total GDP</u>	<u>Per capita</u>
2002-03	3.8 %	24.5 L.Cr.	23266
2003-04	8.5%	27.5 L.Cr.	25696
2004-05	7.5%	31.4 L.Cr.	28980
2005-06	9.4%	35.8 L.Cr.	32372
2006-07	9.6%	41.4 L.Cr.	36950
2007-08	9.0%	47.1 L.Cr.	41416
2008-09	7.5%	53.0 L.Cr.	43000

In fact GDP in the purchasing power parity is nearly 4 times the above GDP

Crude & Natural Gas Production, Import and Consumption

Year	Production (MT)	Import (MT)	Consumption (MT)	Natural Gas (bln cu.m.)
2003-04	33.4	90.4	116.0	32.0
2004-05	34.0	95.9	120.0	31.8
2005.-06	32.2	99.4	122.2	32.2
2006-07	34.0	111.5	131.7	31.7
2007-08	34.1	121.7	131.0	32.3

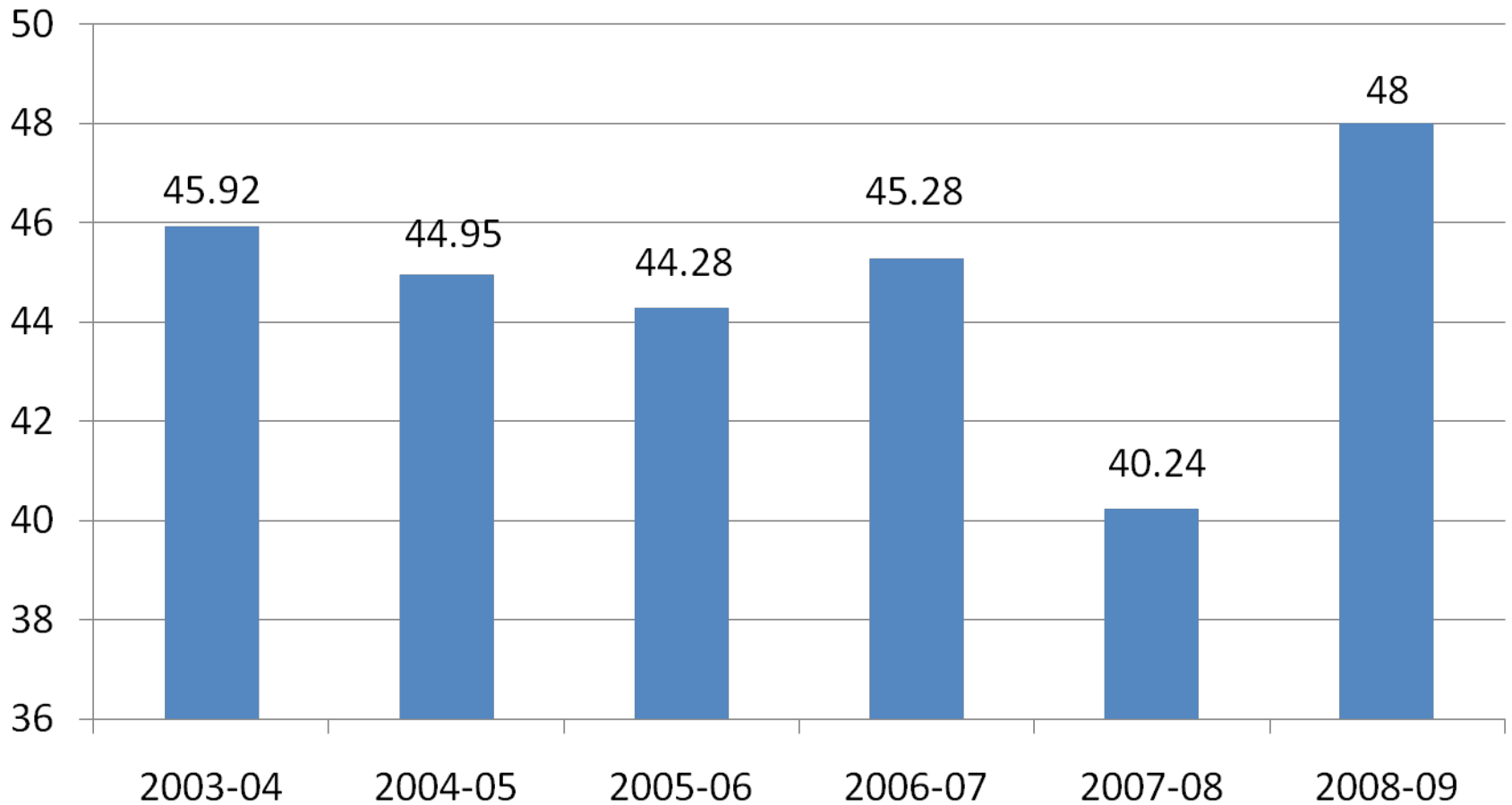
Balance of Payment

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Export	63.9	83.5	103	126	159	191
Import	78.2	111.4	149	185	239	302
POL	20.6	29.8	44	57	79.6	102
Non-POL	57.6	81.6	105	128	158.4	200
Trade Balance	(-) 14.3	(-) 27.9	(-) 46	(-) 59	(-) 80	(-) 111
Trade4 Balance (RBI)	14.0	33.7	51.9	63	90	-
Gross invisible	53.5	69.5	89.6	115	145	-

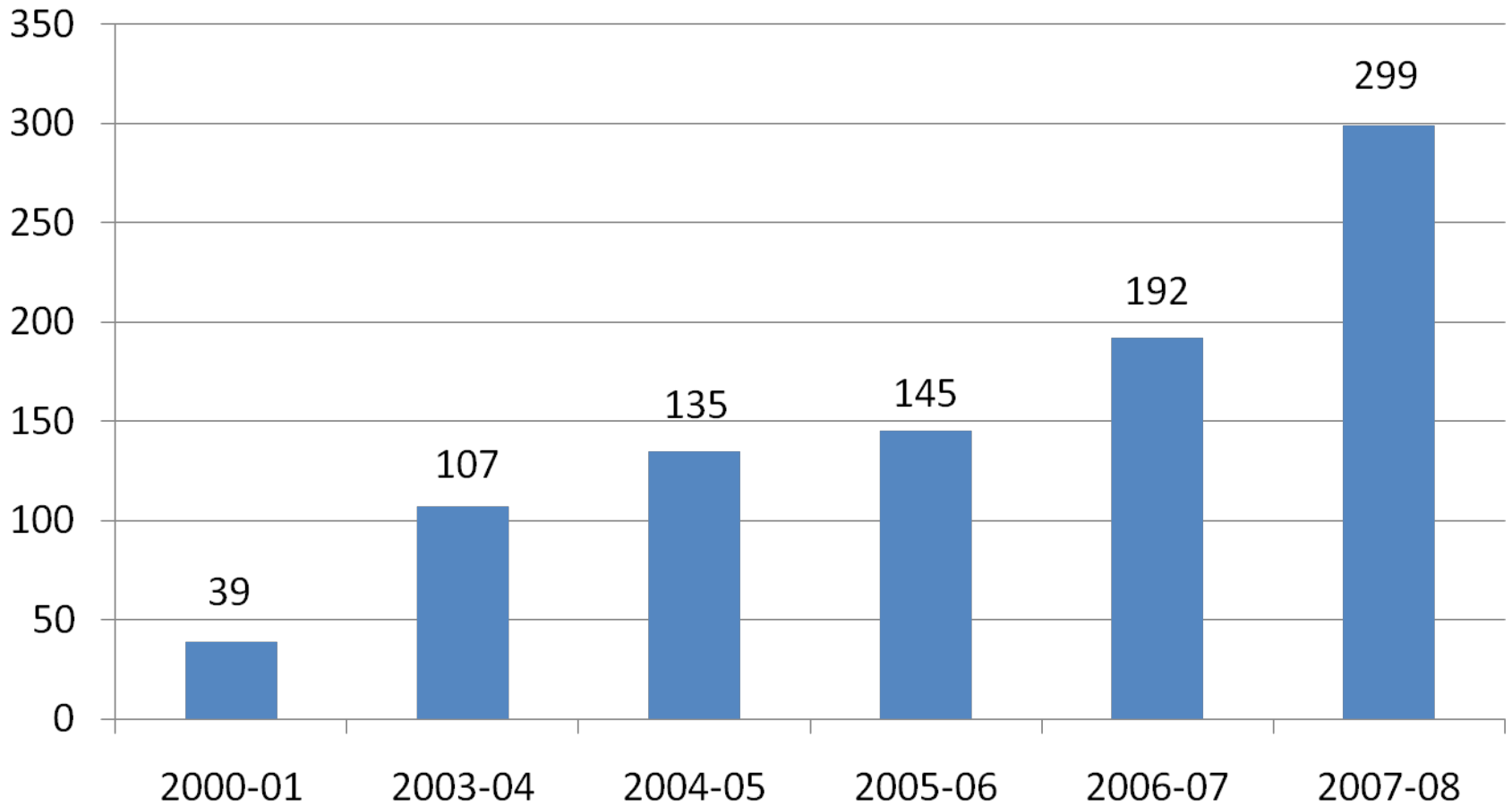
Balance of Payment (cont...)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Net invisible	27.8	31.2	42.0	53	73	-
Current A/c Balance	(-) 14.0	(-) 2.5	(-) 9.9	(-) 9.8	(-) 17.4	-
Foreign Capital Inflow	16.7	28.0	25	46	108	-
External Comm. borrowing	(-) 2.9	5	2.5	16	22	-
FDI	4.3	5.9	8.9	22.0	32	-
Portfolio	11.0	9.3	12.5	7.0	29	-

Rupee Dollar Exchange Rate



Foreign Exchange Reserve



Govt. Receipt & Payment

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Receipt D. Tax	1050	1320	1573	2195	3044	3647
Indirect Tax	1494	1729	2088	2540	2810	3230
Total Tax	2544	3049	3661	4735	5854	6877
Expenditure	4712	4983	5057	5834	7094	7509
Plan Expenditure	1223	1323	1406	1699	2075	2434
N.P. Expenditure	3489	3660	3651	4135	5018	5075
Gross Fiscal Deficit	1233	1258	1464	1426	1437	1333
Subsidiaries	443	460	475	571	697	716

Govt. Receipt & Payment (cont....)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Defence (billion)	601	759	805	855	925	1056
Interest (billion)	1241	1269	1326	1503	1720	1908
Outstanding Int. Debt (billion)	11417	12759	13897	15450	18441	19725
External Debt (\$b)	112	133	138	169	221	-
Wholesale Price Index	5.4	6.4	4.4	5.4	4.7	10
Primary Article	4.2	-	-	-	-	9.2
Fuel Power	6.3	-	-	-	-	14.3
Manufacture	5.6	-	-	-	-	8.7

Unemployment

- Employment scenario has worst hit, particularly export oriented sector such as Textile, IT, Leather, Aviation.
- Job anxiety is prevailing across the sectors.
- Since the sub-prime crisis more than 5 million job has been lost in India.
- IT sector has layoff more than 10,000 employees.
- Lower GDP growth have adverse impact in the creation of job opportunity.

Unemployment (cont....)

- In export oriented unit and labor intensive industries such as leather, textile, gems and handicrafts, 3 million jobs has been lost.
- Currently in India 484 million strong workforce is growing by 2.5% annually i.e. more than 10 million people join the workforce every year.
- Intension to hire has dampened at all level.

Unemployment (cont....)

- Demographic advantage of India (570 million people below the age of 25) is turning into disadvantage.
- 60% of the workforce is in the rural areas which provides only 18% of GDP.
- 40% of our workforce is illiterate, 40% is below 12 class pass.
- Job in the organized sector is insignificant. Only 7% of the India's workforce which normally makes the headline – In case of Jet Airways galvanized politician and media.

Unemployment (cont....)

- Unorganized sector like personal service, transportation, construction, power loom employ 150 million people.
- In Coimbatore, a manufacturing hub employing more than 1 million people, 10% of the workforce has been retrenched.
- The private engineering colleges are worst hit.
- GDP growth has correlation with the employment generation, slow down in GDP will reflect in falling job creation rate and unemployment will rise.

Workforce by Sectors

(Employment in Millions)

Industry	2007-08	2004-05	1999-2000	1993-94
Agriculture	273	269	237	242
Manufacturing	57	54	48	42
Trade	51	47	37	28
Community, PS	41	36	33	32
Construction	28	26	18	12
Transportation Storage, Com.	20	17	15	10
Financial Service	9	7	5	4
Mining & Querying	3	3	2	3
Elect., Gas & Water Supply	2	1	1	1
Total	484	460	396	374