



# **MACRO ECONOMIC FRAMEWORK STATEMENT**

*(As required under Section 6(6) of  
The Mizoram Fiscal Responsibility and Budget Management Act, 2006)*

**GOVERNMENT OF MIZORAM**

**2013-2014**

**(15<sup>th</sup> March, 2013)**

**FORM – III**  
**(See Rule 7)**

**MACRO ECONOMIC FRAMEWORK STATEMENT**

**OVERVIEW OF THE STATE'S ECONOMY**

1. The growth of India's GDP slipped to 6.5 per cent in 2011-12 while the same was 8.4 per cent in 2009-10 and 2010-11 due to certain reasons like euro zone crisis, high international prices and high gold imports. Further, GDP grew at 8.0 per cent in first quarter of 2011-12 which was, unfortunately, succeeded by a secular decline in every successive quarter. The growth rates in the first and second quarter of 2012-13 have been 5.5 per cent and 5.3 per cent respectively. It is predicted that the overall growth rate during 2012-13 would be 5.0 per cent against 6.5 per cent in 2011-12.

2. Moreover, claiming portion of the revenues for interest payments, government borrowing and huge subsidy aggravated the fiscal situation to some extent. Besides, Indian economy has now become strongly interlink with the global economy. Unfortunately, global economy has been experiencing recession since 2008 which could not reverse to its normal trajectory even during current financial year. As a result of which, current account deficit and trade deficit are also simultaneously increasing. Prospect of sovereign economy is unlikely to improve during 2012-13 against initially foretold.

3. In the meantime, it is expected that the growth rate would be slightly improved in the fiscal 2013-14. Central Government has initiated slew of economic reforms regardless of political popularity. It set the ball rolling by raising the price of diesel and capping the subsidized use of liquefied petroleum gas to six cylinders a year for each household. Moreover, rules governing foreign direct investment in multi-brand retail and aviation have been relaxed. It is also planned to sell some part of Government's shares in some profitable sector enterprises. These measures are put into force with a view to attract foreign investors and to stir up domestic industry. It is strongly believed that the slowdown in the economic activity would be bottomed out and a gradual upswing is perceived from the fiscal 2013-14.

4. “In some contrast to the Centre’s finances, the fiscal health of the States is better”, *Economic Advisory Council to the Prime Minister* remarked in its report *Economic Outlook, 2012-13*. It is absolutely true. However, the credit should not solely go to the State because it is the Central Government which absorbs the affect of global economic slowdown and pass on the resources to States as if nothing happens.

5. The average growth rate of Gross State Domestic Product (GSDP) of the State during 10<sup>th</sup> Plan (2002-2007) stood at 5.1 per cent whereas the growth rate of the same stood at 8.87 per cent during 11<sup>th</sup> Plan (2007-2012). Even the per capita income has also increased considerably. The average per capita income during 11<sup>th</sup> Plan was ` 43,563/-, but it went up to ` 54,689/- in 2011-12. Apart from sector-wise improvement, overall economic condition of the State is also progressing.

6. However, the overall improvement of the State GSDP is mainly attributable to progress of Service sector only despite the fact that Agriculture sector and Industry sector begins to thrive. State Government needs to put more stress on both Agriculture and Industry sector to attain equitable, sustainable and inclusive growth. Initiative in this perspective is seen and perceived, in particular in the implementation of State’s flagship programme – New Land Use Policy.

### **GROWTH OF GROSS STATE DOMESTICE PRODUCT (GSDP)**

10. Gross State Domestic Product (GSDP) is the estimates of the value of all goods and services produced within the State during a reference period of one year.

11. As per Economic Survey report 2012-13, GSDP at factor cost at constant (2004-05) prices is expected to touch an amount of ` 5536.87 crore in 2012-13 against the advance estimates of ` 5016.61 crore for the year 2011-12 registering an impressive growth rate of 10.37 per cent over the previous year. The GSDP at constant (2004-05) prices clocked 8 per cent average annual growth rate during the financial years 2004-05 to 2011-12.

12. According to Economic Survey reports 2012-13, GSDP at constant (2004-05) prices at factor cost of Mizoram during 2009-10 is ` 4248.96 crore and the same during 2010-11, 2011-12 and 2012-13 are also pegged at ` 4556.72 crore, ` 5016.61 crore and ` 5536.87 crore respectively.

13. Similarly, the same report reveals that GSDP at factor cost at current prices during 2009-10, 2010-11, 2011-12 and 2012-13 are placed at ` 5259.85 crore, ` 6057.70 crore, ` 6991.40 crore, and ` 8091.86 crore respectively. In particular, the increase of GSDP of Mizoram at factor cost at current prices during 2012-13 against the previous year is 15.74 per cent. The growth rate of Mizoram economy during the past few years is indeed noteworthy and laudable whatever the reason it may be.

14. The per capita income of Mizoram for the year 2011-12 is estimated at ` 54689/- as against the previous year's estimate of ` 48591/-. Per capita income at the national level is ` 61564/- for the year 2011-12 (Quick Estimates).

15. Per capita income of Mizoram as per Economic Survey reports 2012-13 during 2008-09, 2009-10, 2010-11 (Q), 2011-12 (A) and 2012-13 (Pr) are ` 38582/-, ` 42715/-, ` 48591/-, ` 54689/- and ` 61732/- respectively. (*P= Provisional, Q= Quick Estimate, A= Advance Estimates*)

16. Based on the year 2004-05, the contribution of Agriculture and allied sector, Industry sector and Service sector during 2010-11 (Q) in the corresponding State GSDP at constant (2004-05) prices were *20.16 per cent, 20.10 per cent and 59.74 per cent* respectively. During 2011-12 (A), the contributions of Agriculture, Industry and Service sectors in the GSDP were *19.41 per cent, 20.14 per cent and 60.45 per cent* respectively. Similarly, the sectoral shares of Agriculture, Industry and Services during 2012-13 (Pr) were *18.68 per cent, 20.29 per cent and 61.04 per cent* respectively.

## **OVERVIEW OF THE STATE GOVERNMENT FINANCES**

17. Economic Survey 2012-13 report reveals that the State economy is dominated by Service sector by holding 61.04 per cent which is followed by Industry sector at 20.29 per cent and Agriculture & its Allied sector at 18.68 per cent. On account of this dominating factor, a day to day economic activity of the State almost entirely depends on the expenditure and income of Government and its employees. It may not be out of place to mention that more than half of our population derives greater part of their income from agriculture. It is therefore

imperative from the part of the Government to accelerate growth in agriculture so as to provide an impetus to even non-agriculture income in rural areas. This action will help address the rural-urban imbalance. In fact, full efforts have already been on to get faster growth in agriculture through implementation of flagship programme New Land Use Policy.

18. Significantly, Central Government recently earmarked ` 935.55 crore for Mizoram under Share in Taxes against Thirteenth Finance Commission expectation of ` 895.00 crore. Besides, various fund allocations under Central Plan scheme, Centrally Sponsored Scheme etc... are also increased considerably. Even for current financial year 2013-14, the estimated total receipts of ` 5476.44 crore exceed the estimated total expenditure of ` 5397.24 crore which is indeed pleasurable for the fiscal wellbeing of the State.

19. The fiscal health of the State has gradually been improving owing to both improvement of tax awareness and better grants-in-aid from Central Government. According to *The working group on State's Financial Resources' Report*, average Tax-GSDP ratio during 11<sup>th</sup> Plan period was 1.5 whereas the average of all States is 8.0. Meanwhile the Thirteenth Finance Commission projection for the fiscal 2012-13 is 3.0. This report further projected that the average Tax-GSDP ratio for the period of 2012-17 in respect of Mizoram State is 2.2 against the All States average of 7.4. Notwithstanding the dismal performance of the State in regard to collection of revenue, an improvement is perceived in the recent years. Performance of Mizoram in the last five years may be highlighted here for reference. State's Own Revenue (i.e. Tax and Non Tax revenue) for the year 2009-10 (actual), 2010-11 (actual), 2011-12 (Pre-actual), 2012-13 (LE) and 2013-14 (BE) were placed at ` 253.29 crore, ` 234.08 crore, ` 346.70 crore, ` 408.83 crore and ` 488.25 crore respectively. One may observe from the uptrend of the Own revenue of State Government that there is an improvement in the tax collection.

20. At the same time, it may not be out of place to mention that the State receives lots of grants and subvention from Central Government every year. These total transfers mainly consist of share in devolution of Central Taxes & Duties and various Grants-in-aid from Central Government. The total transfer during 2009-10 (actual), 2010-11 (actual), 2011-12 (Pre actual), 2012-13 (RE) and 2013-14 (BE) were ` 2729.42 crore, ` 3665.11 crore, ` 4850.86 crore and ` 4551.17 crore respectively. This helps improve the State's finance to a great extent.

21. The State finances, though diminutive in volume when compared to other big states, requires strict vigil and thorough examination. In particular, the upsurging of requirement for salary and its related expenditure needs immediate attention of the appropriate authority. We may look at the increasing trend of allocation of fund for salary since past few years. During 2010-11(actual), 2011-12 (Pre actual), 2012-13 (RE) and 2013-14(BE), allocation for salary were ` 1395.57 crore, ` 1441.76 crore, ` 1841.99 crore and ` 1902.11 crore respectively.

22. Time and again, it is badly needed to overhaul the way how subsidy is doled out to the targeted beneficiaries in respect of food grains, power purchase, supply of drinking water etc. Mass subsidy, though it is imperative to cushion the needy people, is detrimental to the State finances especially when it is not properly strategized. The idea behind mass subsidy is good but the way how it is implemented needs to be done more systematic. Fortunately, Central Government has rolled out the Direct Benefit Transfer scheme from 1<sup>st</sup> January, 2013. It is hoped that the same would be implemented in our State very soon and prevent embezzlement and pilferage that could have taken place in the implementation process of subsidy.

## **PROSPECTS**

23. The State is having a bright future and cheerful prospects. Being located in the North Eastern States bordering Myanmar and Bangladesh, the prospects for Border trade is immense and is almost flowering but still in the capsule. Besides, implementation of New Land Use Policy has begun to illustrate its impact on the economic activities of the State. In particular, the announcement made in the Budget Speech, 2013-14 provides an impetus to the existing intention to augment the border trade across the international boundary. As and when this initiative is actually rolled out in the ground, the State economy is expected to grow at commendable rate.

24. To reduce Non-Plan revenue expenditure, the State Government is taking full effort wherever it is expedient. Some of the State Government efforts to repress the burgeoning Non-Plan expenditure include non-increase of contingent expenditures of various Departments for the last ten years, budget cut under Non-Plan, imposition of blanket ban on creation of post under Non-Plan, non-filling of more than 10000 vacancy posts etc... Owing to these

measures, the State Exchequer is expected to keep up Revenue Account in surplus even in 2013-14.

25. As it has been explained earlier, the present growth rate of State Domestic Product portends a bright future for the State. Even though GSDP high growth is mainly attributable to enormous devolution of resources by the Centre, the same could also be ascribed to the State Government for good utilization of fund and effective implementation of the devolved resources. In view of the current performance of the State and many more policies which have been put in place recently, the State's prospects are found to be good and cheerful.

26. A Macro Economic Framework Statement giving trend in selected macro economic and fiscal indicators is placed below at Annexure appended to this Statement.

**Annex: Economic Performance at a Glance**  
**Table: Trends in Select Macroeconomic and Fiscal Indicators**

Sl. No.	Economic / Fiscal Indicators	Absolute value (Rs. Crore)		Percentage Changes	
		April - March		April - March	
		2011-12 (Actuals)	2012-13 (RE)	2011-12 (Actuals)	2012-13 (RE)
<b>A</b>	<b>Real Sector</b>				
1	GDSP at factor cost				
	(a) at current prices	6991.40	8018.96	15.41	14.70
	(b) at 2004-2005 prices	4556.72	5016.61	0.00	0.00
2	Agriculture Production	1253.81	1396.12	10.18	11.35
3	Industrial Production	1524.16	1799.73	17.54	18.08
4	Tertiary Sector Production	4213.43	4823.11	16.30	14.47
<b>B</b>	<b>Government Finances</b>				
<b>1</b>	<b>Revenue Receipts (2+3)</b>	<b>4011.81</b>	<b>5259.69</b>	<b>18.88</b>	<b>27.42</b>
2	Tax Revenue (2.1+2.2)	1006.45	994.72	39.62	11.76
2.1	Own Tax Revenue	178.67	202.08	37.35	12.07
2.2	State's Share in Central Taxes	827.78	792.64	40.12	11.68
3	Non-Tax Revenue (3.1+3.2)	3005.36	4264.97	13.25	31.73
3.1	State's Own Non-Tax revenue	168.03	206.75	14.53	-14.28
3.2	Central Transfers	2837.33	4058.22	13.17	35.43
<b>4</b>	<b>Capital Receipts</b>	<b>493.55</b>	<b>426.89</b>	<b>-8.52</b>	<b>-13.31</b>
4.1	Recovery of loans	27.80	26.55	7.05	-27.77
4.2	Other Receipts	-	-		
4.3	Public Debt	465.75	400.34	-9.30	-12.14
<b>5</b>	<b>Total Receipts (1+4)</b>	<b>4505.36</b>	<b>5686.58</b>	<b>777.33</b>	<b>1147.99</b>
<b>6</b>	<b>Non-Plan Expenditure</b>	<b>2600.00</b>	<b>3096.07</b>	<b>5.94</b>	<b>14.65</b>
6.1	Revenue Account	2350.71	2719.91	14.25	12.05
	of which:-				
	(a) Interest payments	273.79	248.37	159.62	-8.59
	(b) Subsidies	-	-		
	(c) Salaries	1150.09	1482.72	-1.85	19.55
	(d) Pension Payments	298.36	240.17	19.94	9.66
6.2	Capital Account	249.29	376.16	-37.17	37.71
<b>7</b>	<b>Plan Expenditure</b>	<b>1938.45</b>	<b>3009.79</b>	<b>13.82</b>	<b>31.00</b>
7.1	Revenue Account	1373.14	1953.13	14.67	29.62
7.2	Capital Account	565.31	1056.66	11.80	33.61
<b>8</b>	<b>Total Expenditure (6+7)</b>	<b>4538.45</b>	<b>6105.86</b>	<b>9.16</b>	<b>22.16</b>
8.1	Revenue Expenditure (6.1+7.1)	3723.85	4673.04	14.40	18.78
8.2	Capital Expenditure (6.2+7.2)	814.60	1432.82	-9.73	34.66
	of which:-				
	(a) Loans & Advances	33.52	31.20	12.22	-11.01
	(b) Capital Outlay	494.84	1144.11	-19.59	66.73
<b>9</b>	<b>Revenue Deficit (-)/Surplus (+) (1-8.1)</b>	<b>287.96</b>	<b>586.65</b>	<b>140.61</b>	<b>202.93</b>
<b>10</b>	<b>Fiscal Deficit {(1+4.1+4.2)-(8.1+8.2a+8.2b)}</b>	<b>-212.60</b>	<b>-562.11</b>	<b>-57.45</b>	<b>14.52</b>
<b>11</b>	<b>Primary Deficit (10-6.1a)</b>	<b>61.19</b>	<b>-313.74</b>	<b>-110.11</b>	<b>-58.86</b>
12	<b>Memo:</b>				
	Average amount of WMA from RBI*	0.20	0.12	-	-
	Average amount of OD from RBI#	-	-	-	-
	Number of days of OD	-	-	-	-
	Number of occasions of OD	-	-	-	-

\* Indicates daily average of W&MA availed during the year

# The State Government did not lapse into OD during the year.