



Purchasing Power Parity and Overview of Indian Economy

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Abstract

In the world, India is the second largest in population by 1.33 billion people after China, and the most populous democracy. Now day's Indian farmers adopt modern technology in agriculture sector and contribute approximately 16.5 per cent in national income and slightly less than half of the work force is in agriculture sector. Indian service sector contribute about 45.4 per cent of the total national income and industrial sector contributes 29.8 percent and major sources of economic growth. Today the role of Indian economy is changing from primary sector to manufacturing sector, as that required transforming in many form on international stage. The present research is an attempt in this direction.

Key words-Population, Purchasing power, Industry, Price level, Investment

Introduction

A South Asian nation India is the seventh-largest country by area and measures 3,214 km from north to south and 2,933 km from east to west with a total area of 3,287,263 sq km. In the world, India is the second largest in population by 1.33 billion people after China, and the most populous democracy. Normally more than half population lived in the rural areas. Now day's Indian farmers adopt modern technology in agriculture sector and contribute approximately 16.5 per cent in national income and slightly less than half of the work force is in agriculture sector. After the new economic reforms in 1991, India has invited many MNCs for investment in Indian economy. With one third of the total labour force, Indian service sector contribute about 45.4 per cent of the total national income and industrial sector contributes 29.8 percent and major sources of economic growth.

Rank of Top Ten Country of GDP at PPP According to 2014

The purchasing power parity shows the gross domestic product (GDP) of all final goods and services produced within a nation in a certain time. The table shows the ranking of the world economy according to their GDP at purchasing power parity of 2014. United States have the no. 1 rank and the rank of India was third in 2014.

Table No. 1

Rank of Top Ten Country of GDP at PPP According to 2014

(Billion \$)

Rank	Country	US	China	India	Japan	Germany	Russia	Brazil	United Kingdom	France	Mexico
GDP (PPP)		16720	13390	4990	4729	3227	2553	2416	2387	2276	1845

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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The data comprehends the world economy of the top ten ranking countries and signifies the GDP in billion dollars unit. The above table places China and Japan at the ranking of world economy according to their GDP on second and fourth rank respectively. Germany, Russia and Brazil grabs the fifth, sixth and seventh rank in the world according to their purchasing power parity while UK, France and Mexico remains at the last three position. Rapid growth of US economy depicts the increasing trends of its national income.

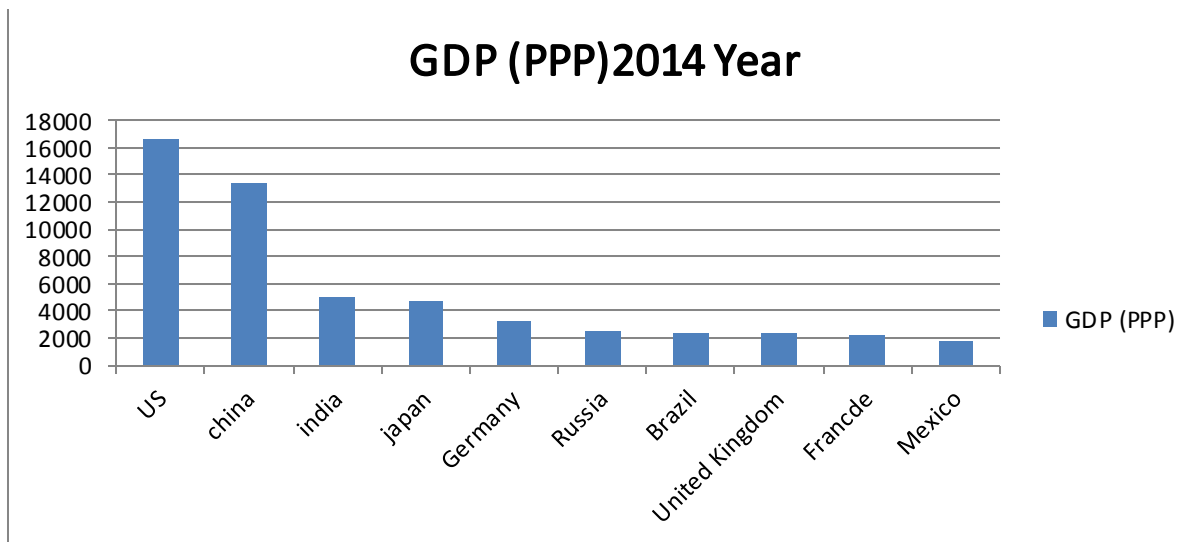


Table No. 2

Gross Domestic Product at Purchasing Power Parity in India

(Amount in Billion \$)

Year	1999	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GDP	1,805	2,200	2,660	3,033	3,319	3,666	4,156	2,966	3,297	3,680	4,060	4,515	4,761	4,990

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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The study of table no. 2 demarcates the increasing trends of GDP from 1999 to 2013 of Indian Economy and evaluated as an increase up to three times of its major changes from the initial noted year to the last year i.e. 2013 observed in the table. Though, the year 2007 saw a fall in GDP from 4156 to 2966 Billion Dollars. It states emerging from the next year and reaches at the 4761 Billion Dollars in the year 2012. So the prominent year plays eminent role in the GDP of India in the year 1999, 2007 and 2011.

Table No. 3
Gross Domestic Product - Real Growth Rate

(In Percentage)

Country	1999	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
India	5.5	6	4.3	8.3	6.2	8.4	9.2	9	7.4	7.4	10.4	7.2	6.5	3.2

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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Real growth rate gives GDP growth on an annual basis adjusted for inflation and expressed in percentage and the table signifies the continuous fluctuations observed from 1999 to 2013. India's real growth rate in 1999 falls at 5.5 percent while in the year 2000 it stays at 6. Still the ups and downs in the real growth rate are easily visible in the year 2002, 2007, 2008, 2011 and 2013 respectively. Though, the table conveys the dominant increasing trend in the year 2003 and 2010. In a nutshell the data deals with fluctuating tendency of India's growth rate in its real terms.

Table no.4
Gross Domestic Product Based on PPP Valuation on Country GDP

Current international Dollar (Billion)

Year	Gross domestic product based on purchasing-power-parity (PPP) valuation of country GDP	Percent Change	Year	Gross domestic product based on purchasing-power-parity (PPP) valuation of country GDP	Percent Change
1991	1041.84		2004	2902.27	10.81%
1992	1124.01	7.89%	2005	3273.78	12.80%
1993	1205.42	7.24%	2006	3686.98	12.62%
1994	1313.05	8.93%	2007	4156.08	12.72%
1995	1441.97	9.82%	2008	4402.48	5.93%
1996	1579.14	9.51%	2009	4812.08	9.30%
1997	1671.22	5.83%	2010	5370.62	11.61%
1998	1793.83	7.34%	2011	5845.36	8.84%
1999	1975.41	10.12%	2012	6252.67	6.97%
2000	2100.67	6.34%	2013	6783.66	8.49%
2001	2254.78	7.34%	2014	7375.9	8.73%
2002	2378.85	5.50%	2015		
2003	2619.03	10.10%	2016		

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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The table no 4 shows the yearly PPP valuation of country's GDP from the year 1991 to 2014. Whereas the PPP evaluation is presented with its percentage change along with PPP valuation, the PPP valuation starts from 1041.81 in the year 1991 reaches at 7375.9 Billion in the year 2014. The decade of 1991 to 2001 observes the increasing trend in PPP noticing its percent change excluding the year 1996, 1997 and 2003. Whereas the year 2002 provides its PPP valuation at 2378.85 to 7375.9 in the year 2014. Notable increase can be seen clearly in the year 2003, 2005 and 2010 respectively with percentage change at 10.10 % , 12.80% and 11.61 %

respectively. While a major downfall comes in the year 2008 and 2012. The available data provides the rhythmic trends with current international dollar currency in Billion units.

Table No. 5

Gross domestic product based on purchasing-power-parity (PPP) per capita GDP

Current International
Dollar

Year	Gross domestic product based on purchasing-power-parity (PPP) per capita GDP	Percent Change	Year	Gross domestic product based on purchasing-power-parity (PPP) per capita GDP	Percent Change
1991	1205.486		2004	2644.584	9.10%
1992	1274.572	5.73%	2005	2938.758	11.12%
1993	1337.867	4.97%	2006	3262.811	11.03%
1994	1428.781	6.80%	2007	3626.593	11.15%
1995	1538.919	7.71%	2008	3788.712	4.47%
1996	1653.437	7.44%	2009	4084.5	7.81%
1997	1716.821	3.83%	2010	4495.662	10.07%
1998	1808.294	5.33%	2011	4826.965	7.37%
1999	1955.493	8.14%	2012	5095.101	5.55%

2000	2041.095	4.38%	2013	5456.005	7.08%
2001	2151.505	5.41%	2014	5855.306	7.32%
2002	2235.629	3.91%	2015		
2003	2423.901	8.42%	2016		

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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The Gross domestic product based on purchasing-power-parity (PPP) per capita GDP and expressed in GDP in PPP dollars per person. Data are derived by dividing GDP in PPP dollars by total population. These data form the basis for the country weights used to generate the World Economic Outlook country group composites for the domestic economy.

The above table explains about the GDP based on PPP per capita from 1991 to 2016. The column of percentage change clearly signifies the growth and clear downfall year wise wherever it takes place. The composite GDP on per capita brings forth the evaluation starts from 1205.486 in 1999 and touches the highest of 5855.306 dollar per capita in the year 2014. As the data given indicates the publication of year 2015 so it excludes the year 2015,20146 from the given table. The year 1993, 1997, 2000,2002,2008,2011 and 2012 clearly indicates the major downfall observed in percent change i.e 4.97, 3.83, 4.38, 3.91, 4.47,7.37 and 5.55% respectively. Major collapse in percentage change in year 2002 provides the percentage 3.91 depicts the downfall in country's economy.

In a way GDP based on PPP per capita symbolize the fluctuations in Indian economy provides the zig zag feature of stability.

Table No.6

Gross domestic product, constant prices

Year	Gross domestic product,	Year	Gross domestic product,
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	constant prices		constant prices
1991	1.057	2004	7.849
1992	5.482	2005	9.285
1993	4.75	2006	9.264
1994	6.659	2007	9.801
1995	7.575	2008	3.891
1996	7.55	2009	8.48
1997	4.05	2010	10.26
1998	6.184	2011	6.638
1999	8.463	2012	5.081
2000	3.975	2013	6.899
2001	4.944	2014	7.168
2002	3.907	2015	
2003	7.944	2016	

Source: International Monetary Fund, World Economic Outlook Database, April 2015

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Table no 6 explains the GDP at constant price of the same year s given the table no.5. it shows the fluctuating trends in all the years.

Conclusion

The crux of the study directs towards the conclusion that the year 1997, 2000, 2002, 2008 and 2012 dominant decrease in all fields and surveys whereas it was of GDP, GDP per capita and GDP at constant price. So the question arises provides the overview of downfall in the above quoted years and affects the economy of the country upto a great extent.



Note: Annual percentages of constant price GDP are year-on-year changes; the base year is country-specific. Expenditure-based GDP is total final expenditures at purchasers' prices (including the f.o.b. value of exports of goods and services), less the f.o.b. value of imports of goods and services. [SNA 1993]

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