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**GROWTH CYCLES IN THE INDIAN ECONOMY**



# **Growth Cycles in the Indian Economy**

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**THE GOKHALE INSTITUTE OF POLITICS & ECONOMICS  
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## FOREWORD

During the last three decades the growing Indian economy has also seen significant fluctuations in the economic activity. In a growing economy such short term fluctuations in economic activity manifest themselves either as fluctuations around the trend or as alternate phases of low and high growth. The fluctuations in a number of economic activities are found to synchronise. The scholars in the National Bureau of Economic Research in the United States have called these the growth cycles. However, these fluctuations in the Indian economy have as yet not received very systematic attention.

In the present study a beginning is sought to be made in this direction. It starts by delineating and measuring the short term fluctuations in the economic activity in India since independence with the help of annual time series data covering a wide range of aspects such as production, factory employment, capital formation, money and credit supply, interest rates, prices, foreign trade as well as the world economic situation. The study characterises the Indian economy as having passed through five growth cycles since 1951, and identifies some 15 indicators of cycle turning points. Further, it studies the conformity of individual economic processes, their timing and amplitude in relation to the growth cycles.

The study appears to suggest that short term fluctuations in the overall economic activity are closely associated with sharp fluctuations in public sector investments, in agricultural production, and in the world economic activity. In an attempt to explore the interactions among these, the study suggests that fluctuations in agricultural production and exports not only lead to fluctuations in demand for industrial products but also perhaps are responsible for fluctuations in the public sector investments in fixed capital and stocks. These are important implications calling for further examination of the causes of the short run fluctuations, which may also be relevant for policy formulations. We hope students of the Indian economy will welcome this careful study of fluctuations in the Indian economy.

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## CONTENTS

1. Introduction	...	1
2. Coverage of the series	...	5
3. Methodology for turning points of Specific Cycles	...	8
4. Duration and Amplitude of Specific Cycles	...	10
5. Dating of Growth Cycles in India	...	15
6. Leads and lags of Specific Cycles	...	29
7. Conformity of Specific Cycles to the Growth Cycle	...	47
8. Behaviour of major economic activities during the Growth Cycles	...	57
9. Concluding remarks	...	60

### *Tables:*

1. Indicators of Growth Cycles in India	...	18
2. Chronology for Reference Deviation Cycle	.	23
3. Chronology for Reference Step Cycle in India	...	24
4. Amplitudes for Diffusion and Composite Indices	...	28
5. Series with Perfect or Near-Perfect Conformity to Reference Deviation Cycle and Reference Step Cycle	...	50
6. Series showing Perfect or Near-Perfect Conformity to both Deviation and Step Cycles of Agricultural Production	...	55

### *Charts:*

I. Cumulative Diffusion Indices for Deviation Cycles in India.	...	21
II. Cumulative Diffusion Indices for Step Cycles in India	...	22
III. Composite Indices for Deviation Cycles and Step Cycles	...	26

## LIST OF APPENDICES

A-1	List of the time series used	...	72
A-2	Notes on Data Sources and Adjustments, etc.	...	74
A-3	Classification of Series by Economic Process and Breadth of Coverage	...	77
B-1	Original data, converted to the Financial year 1960-61 = 100	...	83
B-2	Deviations - Original as Percentage of 6-year moving average	...	89
B-3	Annual Percentage Increase	...	95
C-1	Average Duration and Amplitude of Specific Cycles 1951-75	...	101
C-2	Timing Relation and Conformity to Industrial Reference Cycle	...	111
C-3	Reference Cycle Amplitude (Per Year). Results for Deviation Cycles (Amplitude in Percentage Points)	...	117
C-4	Average Duration and Amplitude of Specific Cycles 1951-75. Results for Step Cycles	...	123
C-5	Timing Relation and Conformity to Industrial Reference Cycles. Results for Step Cycles	...	130
C-6	Reference Cycle Amplitude (Per Year). Results for Step Cycles (Amplitude in Percentage Points)	...	136
C-7	Timing Relation and Conformity to Agricultural Reference for Specific Deviation Cycles	...	142
C-8	Timing Relation and Conformity to Agricultural Reference Cycles for Specific Step Cycles	...	148
D	Charts	...	154