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PM panel sees growth at 7.7 %

DOWNBEAT Annual rates

	2006-07 QE	2007-08 Rev	2008-09 Projected
Percentage change over previous year			
1. Agriculture & allied activities	3.8	4.5	2.0
2. Mining & Quarrying	5.7	4.7	7.5
3. Manufacturing	12.0	8.8	7.2
4. Elect., Gas & Water Supply	6.0	6.3	6.5
5. Construction	12.0	9.8	8.5
6. Trade, Hotels, Transport, Storage & Communication	11.8	12.0	9.8
7. Finance, insurance, real estate & business services	13.9	11.8	10.0
8. Community & personal services	6.9	7.3	8.4
9. Gross Domestic Product (factor cost & constant prices)	**9.6**	**9.0**	7.7
Industry (2 + 3 + 4 + 5)	11.0	8.5	7.5
Services (6 + 7 + 8)	11.1	10.8	9.6
Non-agriculture (9 - 1)	11.0	10.0	8.9
GDP (factor cost, const. prices) per capita	8.1	7.5	6.2

Source: Economic Outlook for 2008-09 by the Prime Minister's Economic Advisory Council

BS REPORTER
New Delhi, 13 August

Warning that there will be no immediate respite from rising prices, the Prime Minister's Economic Advisory Council (EAC) today projected a gross domestic product growth rate of 7.7 per cent in 2008-09, ending three years of growth in the 9 per cent range.

The EAC's forecast is lower than the recent 8 per cent estimate by the Reserve Bank of India (RBI) and in line with several other forecasts that have pegged growth at 7.5-8 per cent in 2008-09.

Asked to comment on the EAC forecast, Finance Minister P Chidambaram said: "I am confident the GDP growth will be close to 8 per cent this year."

The EAC attributed the lower forecast to a sharp slowdown in agriculture and a moderation in industry growth (see table). Services sector growth, so far the mainstay of India's recent economic boom, is also expected to slow.

In its assessment of the impact of an adverse global environment on India, the EAC said factors inimical to growth included the sharp rise in global commodity inflation, especially food and crude oil, and tightening in credit and equity markets following the sub-prime (or high-risk) loan crisis in the United States.

"It is still possible for inflation to climb further up. It could touch 13 per cent, but by December it will start declining and possibly moderate to 8-9 per cent by March 2009 with coordinated policy action," C Rangarajan, who was the chairman of the council till earlier this week, told reporters here after releasing its Economic Outlook for 2008-09.

Inflation, as measured by the wholesale price index, crossed 12 per cent in July, the highest since 1995.

Reducing inflation to near 7 per cent by next March, as targetted by the RBI, is a challenging task, the report says, adding that it will take considerable effort and a confluence of favourable factors. Rangarajan, a former RBI governor, said the tight monetary policy regime needed to continue. In its latest monetary policy review, the RBI said a GDP growth of 8 per cent in 2008-09 was "a more realistic central scenario at this juncture, barring domestic or external shocks".