

EAC lowers GDP projection to 8.9%

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Slower demand for consumer goods and tardy growth in the farm sector may pull down the growth rate of the economy to 8.5 per cent in 2008-09, the Prime Minister's Economic Advisory Council (EAC) said today.

The council also said that the country's gross domestic product would be a "shade lower" in 2007-08 at 8.9 per cent, compared to its earlier projection of 9 per cent in the economic outlook released last July. This is largely on account of a slowdown in the industrial sector, which is expected to grow at 9.7 per cent as against 10.6 per cent projected earlier.

"What made a difference in the performance of industrial sector is a lacklustre show

EAC OUTLOOK	Items	2007-08 Outlook	2007-08 Review
	GDP (%)	9.0	8.9
Agriculture (%)	2.5	3.6	
Industry (%)	10.6	9.7	
Services (%)	10.4	10.3	
Manufacturing (%)	11.3	9.8	
Current account deficit (% of GDP)	1.5	1.3	
Capital inflows (in \$ billion)	58.0	103.0	
Investment rate (%)	36.3	36.3	
Savings rate (%)	35.7	35.6	
Per-capita GDP (%)	7.3	7.2	

Source: EAC Review of the Economy, 2007-08

by the consumer durables sector," Rangarajan said.

On the export front, Rangarajan said that despite a strong rupee appreciation, export growth in dollar terms remained

robust at 22 per cent.

The council has targeted \$156 billion exports in 2007-08, while the commerce ministry now expects exports to be around \$150 billion.

To moderate the impact of high capital inflows, which are expected to touch \$103 billion in the current year, Rangarajan said the only instrument left for use for the rest of the current financial year was dollar sterilisation.

The review also said that the wholesale price index (WPI)-based inflation would remain below 4 per cent in 2007-08. However, it maintained that if petroleum prices were hiked, inflation might rise above 4 per cent.

However, the report maintained that the government would be able to achieve the deficit targets in the current fiscal, riding on tax buoyancy. "Both the fiscal and revenue deficit targets for the current year will be achieved even though off-line items continue to grow," Rangarajan said.