



Optimistic outlook: Dr C. Rangarajan, Chairman, Prime Minister's Economic Advisory Council, along with Members of the Council, Mr G. K. Chadha (left) and Dr Saumitra Chaudhuri (centre), addressing the media persons on the 'Review of the Economy' 2007-08' in the Capital on Thursday. - Kamal Narang

GDP growth pegged at 8.5% for 2008-09

PM's council discounts US slowdown impact

Our Bureau

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The Prime Minister's Economic Advisory Council (EAC) has forecast the Indian economy to grow by 8.5 per cent during 2008-09, despite the likelihood of a slowdown in the US and the developed world. "The Indian economy is much less dependent on the external markets than the Chinese economy, for example. Thus, while some export demand compression is likely to put an additional burden on our exporters of goods and services, it is unlikely to be large enough to significantly depress growth," the EAC, headed by Dr C. Rangarajan,

has said in its 'Review of the Economy 2007-08' report released here on Thursday.

The report has also marginally revised downwards its growth estimate for the current fiscal to 8.9 per cent, against the earlier projection of nine per cent made in July.

This, in turn, is due to agriculture doing better than previously expected (3.6 per cent against 2.5 per cent), while the respective growth rates for industry and services have been put lower at 9.7 per cent and 10.3 per cent (compared to the corresponding July projections of 10.6 per cent and 10.4 per cent).

Admitting that the global environment "looked benign" when its July report was presented, the EAC has noted that the situation has "changed dramatically since in the wake of the sub-prime housing mortgage crisis in the US" and "a general consensus" of a slowdown in its economy in 2008.

But the Council is of the opinion that "the slowdown will be a modest one which would not significantly impact India's next year's growth prospects by much".

Taking all factors into account, "the Council expects the economy to grow at about 8.5 per cent in 2008-09", the report has stated.

Estimated Balance of Payments for 2007-08

US\$ Billion

	2006/07 (P)	2007/08 Est. (H1+H2)
Current Account		
Merchandise Exports	1271	156.7
Merchandise Imports	192	254.7
Merchandise Trade	-64.9	-94.4
Balance	-71%	-79%
Net Invisibles	55.3	79.1
Software & BPO	32.1	32.8
Remittances	27.2	47.1
Investment Income	-4.3	-2.9
Current Account	-9.6	-15.3
Balance	-1.1%	-1.3%
Capital Account		
Foreign Investment	15.5	50.0
FDI (net)	8.4	7.9
Inbound FDI	19.4	22.9
Outbound FDI	11.0	6.0
Portfolio capital	7.1	33.1
Private Equity		8.0
Loans	21.1	35.0
Banking capital	2.1	9.3
Other capital	6.4	9.0
Capital Account	44.9	103.2
Balance	4.9%	8.7%
Errors & Omissions	1.3	0.7
Accretion to Reserves with RBI	36.6	88.6
	4.0%	74%
GDP in US\$ billion	911.8	1,175.8

Source: Economic Advisory Council to the Prime Minister

Figures in per cent are with respect to GDP at market and current prices