

PM says economy has resilience to overcome impact of drought

Rice, wheat stock in Central pool exceeds 50 million tonnes; PM sees NREGS as crucial support to rural families

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NEW DELHI

Prime Minister Manmohan Singh assured the nation on Tuesday that the Indian economy had the resilience to overcome the consequences of this year's drought, pledging efforts to minimize damage to the summer crop and protect the winter crop.

The Planning Commission conceded, however, that growth was set to slow in the next two quarters and warned that inflation was likely to end the fiscal above the comfort zone of 4-5%.

At the first meeting of the Planning Commission since the Congress-led coalition government returned to power in May, Singh said that while India must do everything to tackle the drought, "we should not be over-pessimistic".

"We are in a very strong position to manage the consequences of the drought," Singh said in his concluding remarks at the meeting. "Our food stocks in particular are very high. The government is giving focused attention to all aspects of drought management including both relief measures and efforts to protect the kharif (summer) crop as much as possible and to ensure a normal rabi (winter) season."

India's economy expanded 6.1% in the three months ended 30 June, the fastest pace in three quarters, but the spectre of drought following deficient monsoon rains clouds growth prospects in the remainder of the fiscal year to March 31.

Hurt by the impact of the global financial turmoil, Asia's



Growth focus: (from right) Finance minister Pranab Mukherjee, Prime Minister Manmohan Singh and Planning Commission deputy chairman Montek Singh Ahluwalia at the meeting in New Delhi on Tuesday.

third largest economy expanded 6.7% in the last fiscal, slowing from the near 9% pace of the previous three years.

Deputy chairman of the Planning Commission Montek Singh Ahluwalia said economic growth in the coming two quarters will be lower than the pace of April-June, without giving an estimate. The Planning Commission projects growth for fiscal 2010 at 6.3%, but the economy may miss the target because of the impact of the deficient monsoon.

"It is evident that if we project the underlying movement in the WPI (Wholesale Price Index) in the current year...we will end the fiscal year with inflation above the comfort zone of 4-5%," a Planning Commission report said. "Food prices especially will come under pressure if the demand-supply situation is not managed effectively."

The weekly wholesale price index, India's main inflation measure, has been falling from a year earlier for 11 weeks, part-

ly a reflection of a drop in energy and other commodity prices from unusually high levels in 2008. But the Consumer Price Index, which puts much more weight on food prices, leapt nearly 12% in July from a year earlier.

Tuesday's meeting was held to take stock of the economy and discuss an integrated energy policy approved by the Union cabinet last year. Its significance also lies in the fact that half the 11th Plan (2007-12) period is over. The government had set an economic growth target of 9% for the 11th Plan.

The Plan panel report prepared for the meeting forecast gross domestic product (GDP) growth quickening to 8% in 2010-11 and 9% in 2011-12.

The Planning Commission's target of 6.3% growth this fiscal may be over-optimistic, said N.R. Bhanumurthy, a professor at the Delhi-based National Institute of Public Finance and Policy. Bhanumurthy and Pumi Dua, a professor at the Delhi

School of Economics, have forecast 5.8% growth in the current fiscal.

"Having said that, I don't see the growth target of 8% for next year will be difficult (to achieve), assuming there will be a normal monsoon and exports will revive and touch positive figures," said Bhanumurthy.

Still, the 9% growth targeted for the 11th Plan may be only possible if there is robust growth in infrastructure in the remaining period, he said.

Singh said the National Rural Employment Guarantee Scheme, which promises 100 days of employment to at least one member of every rural family a year, gave the government a "very important instrument for supporting the incomes of those most in need".

The government also has in excess of 50 million tonnes of rice and wheat stocks in the Central pool from which food is distributed to the poor.

Reuters contributed to this story.