

It was a mix of good and bad news for the economy on Tuesday. While Plan panel said India would return to 9%-plus growth levels in two years, exports crashed for 10th straight month

No need to worry, growth set to pick up by Q4: PM



“The underlying strength of the economy will stand us in good stead as we seek to return to our high growth target over the next two years... we are in a strong position to manage the consequences of drought

MANMOHAN SINGH
PRIME MINISTER

Our Bureau
NEW DELHI

THE country's economic growth will start speeding up in the last quarter of this year to reach 9% levels in two years, a Planning Commission forecast said on Tuesday even as Prime Minister Manmohan Singh allayed fears over drought in large parts of the country.

The economy will grow 6.3% this year and 8% next year before returning to 9% growth in 2011-12, Planning Commission deputy chairman Montek Singh Ahluwalia said after the first meeting of the panel under the new government.

The prime minister, who chaired the meeting that assessed the economic situation, said the effect of the drought in more than 40% of the country is temporary on agricultural

output and food price inflation.

“We should not be over-pessimistic. We are in a strong position to manage the consequences of drought. Our food stocks are very high,” Mr Singh said.

He said the government is making all efforts to protect the kharif, or summer crop, and ensure a normal rabi, or winter crop, season. Also, the rural job guarantee scheme will keep the impact of drought on rural poor minimal.

But the drought and the ebbing global recession will impact the economy in the second and third quarters with growth falling below the 6.1% mark recorded in the first quarter, according to Mr Ahluwalia.

India on Monday reported the first acceleration in economic growth in six quarters during April-June. According to policymakers and economists, it signals the worst is over for the

economy, which has slowed down over the past one year as recession gripped the world.

The Plan panel's growth projection factors in a pick-up in overseas demand and normal monsoon rains next year.

The panel also highlighted the need to revive investment, especially in infrastructure, and contain fiscal deficit—government spending over and above its receipts—within the target of 6.8% of the GDP. It called for a bold programme to sell stakes in PSUs to meet the resource gap in the next two fiscal years.

The meeting recommended that prices of petrol, diesel, gas and coal should be freed or linked to the international market. It underlined the need for expanding the scope of public-private partnerships to social sectors such as health, education and urban development.



“A lot depends on September rains still, in the sense that good rains in September may not be able to save the kharif crop in areas where there has been a lot of damage, but can make a big difference to rabi

MONTEK AHLUWALIA
DY CHAIRMAN, PLAN PANEL