GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:903
ANSWERED ON:22.11.2002
IMF OBSERVATION ON INDIAN ECONOMY
ALE NARENDRA;M. JAGANNATH

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the International Monetary Fund and the Reserve Bank ofIndia have both predicted that the Indian economy may not achieve the 6 per cent growth targeted for the financial year 2002-03 ;

(b) if so, whether in its annual review, these remarks have been made on the Indian economy ;

(c) if so, whether the Government have examined this report; and

(d) if so, the steps taken by the Government to meet the situation?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b): In its latest World Economic Outlook (September 2002)the International Monetary Fund (IMF) has projected the Indian economy to grow by 5 percent and 5.7 percent respectively in 2002 and 2003. In the earlier World Economic Outlook (April 2002), IMF had projected India to grow by 5.5 percent and 5.8 percent respectively in 2002 and 2003. The Reserve Bank of India (RBI) in its Mid-Term Review of Monetary and Credit Policy for the year 2002-03 (announced onOctober 29, 2002) has projected the Indian economy to grow between 5-5.5 percent for the year 2002-03, as against its earlier projection of 6-6.5 percent.

(c) & (d): The growth momentum of the Indian economy for the current year has weakened somewhat due to adverse developments like poor monsoons, neighbourhood security tensions, slow global recovery, etc. However, despite the adversities, the economy has performed creditably in the current year, as indicated by the country`s abundant food stocks, record volume of foreign exchange reserves, low inflation, rising exports and a relatively improved fiscal scenario.

Government has taken several steps to promote economic growth. These measures include liberalization of policies in trade, industry, infrastructure, financial sector; rationalisation and reduction of both direct and indirect taxes; reduction in interest rates; incentives for investment in infrastructure and backward areas, combined with sound macroeconomic policies to stimulate economic growth with stability in prices and exchange rates.