

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

STARRED QUESTION NO:30
ANSWERED ON:20.11.2009
GROWTH RATE
Sardinha Shri Francisco

Will the Minister of FINANCE be pleased to state:

- (a) whether there is positive outlook after a deep recession in the global economy especially in the United States (US) and Europe;
- (b) if so, the details thereof;
- (c) the comparative details of the country's growth rate vis-à-vis those of Europe and the US over the last three years till date;
- (d) the extent to which the global economy has affected the Indian economy;and
- (e) the steps taken or proposed to be taken to improve the growth rate in future?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PRANAB MUKHERJEE) (a) to (e) A Statement is laid on the Table of the House. Statement referred to in reply to Lok Sabha Starred Question No. 30 regarding Growth Rate due for

on November 20, 2009 by Shri Francisco Sardinha

(a) & (b) : The world economy is exhibiting early signs of recovery, supported by the strong performance of Asian economies and recovery in advanced economies. After successive rounds of downward revisions in growth outlook for 2009 from 3.9 per cent in July 2008 to (-) 1.4 per cent in July 2009, the International Monetary Fund (IMF), for the first time, revised the growth projections upward to (-) 1.1 per cent in World Economic Outlook (WEO) October 2009. For 2010, the IMF has revised projections upwards to 3.1 per cent as per WEO of October 2009, as compared to 2.5 per cent projected in WEO July 2009. The developed countries (including USA and Euro area) as a group are expected to grow by 1.3 per cent in 2010 as compared to July 2009 projection of 0.6 per cent, as per the details below:

Item	World Economic Outlook			World Economic Outlook		
	July 2009 (in per cent)			October 2009 (in per cent)		
	2008	2009	2010	2008	2009	2010
	Projections	Projections		Projections	Projections	
World Output	3.1	-1.4		2.5	3.0	-1.1
Advanced economies	0.8	-3.8		0.6	0.6	-3.4
United States	1.1	-2.6		0.8	0.4	-2.7
Euro area	0.8	-4.8		-0.3	0.7	-4.2
European Union	1.1	-4.7		-0.1	1.0	-4.2
						0.3
						0.5

Source: IMF, World Economic Outlook , July and October 2009

(c):The comparative details of India's growth rate vis-à-vis those of Europe and US during the last three years as per World Economic Outlook of International Monetary Fund (IMF) are indicated below:

Growth rate (in per cent)

Country	2006	2007	2008
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United States	2.8	2.1	0.4
Euro area	2.8	2.7	0.7
European Union	3.3	3.1	1.0
India	9.8	9.4	7.3

Source: IMF, World Economic Outlook , November 2008 and October 2009

However, as per the Central Statistical Organisation (CSO), the India's GDP growth rate was 9.7 per cent in 2006-07, 9.0 per cent during 2007-08 and 6.7 per cent in 2008-09.

(d): The global financial crisis hit the Indian economy initially through slowdown and reversal of capital flows, which impacted the stock market and the exchange rates. Thereafter, especially after September 2008, the real economy was affected through slowdown in exports, reduced investment activity and general risk aversion.

(e): In order to contain fallout of the global recession, Reserve Bank of India/ Government took monetary and fiscal steps to restore the growth momentum. The monetary and credit measures taken by the Reserve Bank of India relate to provision of adequate liquidity and credit delivery, progressive reduction in the signalling Repo rate under the liquidity adjustment facility (LAF), reduction in cash reserve and statutory liquidity ratios (CRR and SLR) for banks. These measures have been supplemented with sector specific credit measures for exports, housing, micro and small enterprises and infrastructure. Besides, the Government responded by providing a substantial fiscal expansion in the form of tax relief to boost demand and increased expenditure on public projects to create employment and public assets.

As a result of these fiscal / monetary stimulus and sustained efforts by the Government, the growth in GDP in 2008-09, which had decelerated in the third quarter (October – December 2008) to 5.8 per cent, stabilised at the same level in fourth quarter (January-March 2009) and has improved to 6.1 per cent in the first quarter (April-June 2009) of fiscal 2009-10.