GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1758
ANSWERED ON:12.12.2003
ECONOMIC GROWTH
GANGASANDRA SIDDAPPA BASAVARAJ

Will the Minister of FINANCE be pleased to state:

(a) whether the International Monetary Fund has forecast that India`seconomy will grow by 5.5 per cent during 2003-2004 with some upside potential but found that the country`s fiscal deficit and public debt are an economic burden;

(b) if so, whether RBI has decided to have a re-look on growth estimates;

(c) if so, to what extent the Union Government has agreed to the IMF report on the economic growth; and

(d) the steps the RBI has taken in this regard?

Answer

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

(a) The International Monetary Fund (IMF) in its Public Information Notice of August 21, 2003 has forecast that in 2003-04, India`s economy would grow by 5.5 per cent, but there is some upside potential to this projection. As regards fiscal deficit and public debt, it has been mentioned that they are exacting an economic cost in terms of foregone growth. However, following the excellent monsoon, the IMF has since revised its forecast for India`s Gross Domestic Product (GDP) growth upward to 6.5 to 7.0 per cent.

(b) The Reserve Bank of India in its Mid-term Review of Monetary and Credit Policy (November 3, 2003) has forecast the growth in real Gross Domestic Product for 2003-04 at 6.5 to 7.0 per cent, with an upward bias, as compared with its earlier projection of 6.0 per cent.

(c) The Mid-year Review of the Ministry of Finance (November 2003) also forecasts a GDP growth of over 7 per cent based on sound macroeconomic fundamentals, bountiful monsoon, moderate inflation and strong external sector performance.

(d) The Reserve Bank of India in its Mid-term Review of Monetary and Credit Policy has proposed to continue with the overall stance of monetary policy announced in the annual policy Statement (April 2003) towards provision of adequate liquidity to meet credit growth, support investment demand in the economy while continuing a vigil on movements in price level and continue with the soft and flexible interest rate environment within the framework of macroeconomic stability.