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## Macroeconomic indicators - Indian government likely to borrow more

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FE reported that India's economy is projected to grow 7.1% in the current fiscal, the slowest in 6 years, due to the adverse impact of the global economic crisis, especially on the manufacturing sector. However, economists are calling the preliminary estimates by Central Statistical Organization optimistic because industrial production and export growth have deteriorated in the last 4 months.

Pointing to early signs of slowdown, like investment growth as measured by gross fixed capital formation dropping to single digits for the first time in 6 years, experts have called for additional fiscal stimulus to revive demand.

In addition, they have urged the Reserve Bank of India to lower interest rates as headline inflation is expected to drop to the 3% level by March 2009. Based on today's estimate, the government expects the growth rate in the H2 of the current financial year at 6.4% as the economy grew 7.8% in the H1 ended September 2008.

6 out of 8 components of Gross Domestic Product the sum of goods and services produced in the country showed lower growth compared with the 2007-08 figures. Only mining and quarrying as well as community, social and personal services are expected to post higher growth rates.

Agency	2008-09	2009-10	Month of projection
Goldman Sachs	6.7	5.8	Jan-09
Citigroup India	6.8	5.5	Jan-09
Economist	5.6	na	Jan-09
Intelligence Unit			
RBI	7	na	Jan-09
PMs Economic Advisory Council	7.1	7- 7.5	Jan-09
Crisil Ltd #	6.5- 7	na	Jan-09
Merrill Lynch#	7.2	na	Dec-08
CMIE#	7.4	na	Dec-08
Finance Ministry	7	na	Dec-08

Manufacturing is expected to grow only 4.1% as against 8.2% in 2007-08. The services sector, which contributes more than 55% to India's GDP is projected to grow 9.6%, much higher than the estimates by non government research agencies.

Experts said that in order to compensate for the likely drop in private sector investment, the next government will have to increase spending.

Mr Montek Singh Ahluwalia deputy chairman of the Planning Commission said that "If we continue the fiscal stimulus into the next year, our economy will not be slowing as much as the rest of the world."

According to a senior government official, the Centre is likely to revise upwards its borrowing requirement for the current

fiscal because of increased expenditure towards fiscal stimulus and drop in revenue collections.

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(Sourced from FE)

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