

Return to 9% GDP growth likely by end of 2010-11, says CEA

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Optimistic that India should return to the 9 per cent growth rate trajectory by the end of the next financial year, Kaushik Basu, chief economic advisor in the Union finance ministry, today said robust growth in the manufacturing and services sectors would offset the impact of a decline in the agricultural GDP (gross domestic product) growth in the third quarter. For the current financial year, Basu expects GDP growth to be between 7.5 and 7.8 per cent.

“It is true that we are expecting the agricultural growth to decline in the third quarter. Agriculture now constitutes 17 per cent of India’s national income, which means the agricultural downturn should be deflated by one-fifth or more for its total impact on the GDP. That, coupled with the fact that in the same quarter one year ago, India had performed very poorly. The GDP growth was 5.8 per cent. These two factors make me feel that the third-quarter GDP is going to be pretty good,” said Basu, on the sidelines of a seminar organised by the American Chamber of Commerce here today.

“We are getting indications that growth in manufacturing and services sectors will be pretty good,” he added.

Pronab Sen, chief statistician and also secretary of the ministry of statistics and programme implementation, had recently said poor agricultural growth might pull down GDP growth in the third quarter to 6-6.5 per cent.

On being asked if the third-quarter GDP growth would be similar, Basu said: “The growth in the second quarter was very good at 7.9 per cent and we expect it to be very good in the third quarter as well. My expectation is that the economy should be returning to 9 per cent growth, at least in the last two quarters of 2010-11.”

“For good or for bad, agriculture is now only 17 per cent of the national income. That is going to shrink,” he added.

Saying double-digit growth of GDP was also on the cards, Basu said it was not impossible for India to overtake China’s growth rate in five years.

Inflation varying across sectors, it was not the only factor that should prompt a rollback of fiscal stimulus packages. “Having said that, you cannot continue with the stimulus for too long. But, how and when it will be rolled back is still on the table,” Basu said.

