

India to grow 6.5-7% in FY13, says Montek

Planning Commission Deputy Chairman Montek Singh Ahluwalia on Monday pegged India's growth this financial year at 6.5-7 per cent. He added the country had taken various steps to boost investment, the results of which would be seen in six months.

He said there was a slowdown in investment. "Investment is driven by animal spirits; animal spirits are affected by many things, including the global economy," he added. Growth in investment, as indicated by gross fixed capital formation, saw a turnaround in the fourth quarter of 2011-12, growing 3.6 per cent in the quarter ended March, against -0.32 per cent in the quarter ended December 2011. However, in April, dismal industrial growth of 0.1 per cent pointed to lack of investment, as capital goods saw 16.3 per cent contraction.

While the country can't really address concern on global economic growth, it can help lift investor sentiment by resolving issues that are leading to projects being stuck and ministries differing with each other. "These are genuine problems. The government has acknowledged these and put in place mechanisms to sort these. Many large projects that were stuck are made to come unstuck. These efforts would take six months to be effective," Ahluwalia said. On external debt, he said, "\$135 billion of debt coming up for maturity would have been a problem, had our foreign exchange reserves been \$50 billion."

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