

# **Seven reasons why P Chidambaram is finding it difficult to turn around the economy**

Indian economy was widely expected to pick up pace in the current financial year, but the recovery has not played to the script. Growth estimates are down to as low as 5% now, same as last year, a decade low.

*ET takes a look at why is the economy not picking up momentum.*

## **1 Impending General Elections**

Given the uncertainty over the outcome of the next general elections, private sector has suttered fresh investments. One year wait is not going to kill them, they say

## **2 Clogged Pipeline of Investments**

The cabinet committee on investments has managed to get many projects moving ahead, but on the ground work will take a while to start

## **3 Interest Rate Uncertainty**

The rupee depreciation has brought an abrupt halt to monetary easing. Though interest rates are only on of the many factors, they are one more reason to avoid investments in current environment

## **4 Foreign Investors have Other Options**

Growth prospects are certainly looking better in the US and Japan, and improving in many parts of Europe

## **5 Consumer Sentiment has Worsened**

The slow growth has given rise to concerns over job security and salary increases, while those entering the workforce are worried if they will get work. This has discouraged spending

## **6 Threat of Ratings Downgrade**

Government cannot run higher fiscal deficit to boost the economy because of the chance that the country's rating could be cut to junk

## **7 Politics has Stalled Reforms**

Goods and services tax, higher FDI in insurance can provide impetus to the economy

*(Economic Times)*