

## **World Bank may peg India's GDP at 5.5% in 2012, 6% in 2013**

Indian economy is expected to growth by about 5.5% this year, according to initial estimates by the World Bank. It means that the multi-lateral agency expects the economy to grow by more than 5.5% in the October-December, 2012 quarter.

The Bank may also peg India's GDP to grow by little less than 6% next year 7% in 2014 and 2015.

Kauhsik Basu, Senior Vice President & Chief Economist at the World Bank, today told a press conference on the sidelines of Economic Conclave that the multilateral institution was likely to peg India's growth at 5.5% in 2012.

He added reforms initiated by the government, especially direct cash transfers, could be the game changer for the poor and help economy goes back on growth trajectory.

India's economy grew by 5.3% in the fourth quarter (January-March) of 2011-12. The average growth in the first six months (April-September) of financial year 2012-13 was 5.4%. A growth of 5.5% in calendar year 2012 would be possible only when the GDP growth in October-December is higher than 5.5%.

"You could expect it to be just short of 6% in the next year and 7% in 2014 and 2015," Basu said. He added the numbers might undergo some change when the Bank formally announces it on January 15.

The former Chief Economic Advisor in the Ministry of Finance said the next year would also be very hard for India's growth trajectory primarily because of global slowdown. He said very few countries such as Indonesia and Thailand are growing at 6-7% rate.

"The European situation will remain very difficult up to the end of 2014 and may be in the beginning of 2015. That is going to rub-off on India but if it can begin to move up to 6-7% in this difficult situation that would be good."

He said India has enough fundamental strength. "If you work on this there is no reason why the country can't get back to 8-9% growth," Basu said.

Asked whether reforms initiated by the government in the recent months could catapult growth, Basu said, "Catapult is a strong word but the reforms, including the talk of direct cash transfer, hearten me."

On fiscal cliff in the US, he said, a resolution in the sense of completely averting the cliff was not likely but it was going to be negotiated gently. "There is enough expectation now that it will be a great embarrassment to both Democrats and Republicans if the cliff is taken on full swing. After that in January or February even the rough edges will be managed better," he added.

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