

## INDIA

There has been a pause in India's long economic upswing, with GDP growth having fallen well below potential by late 2008. The government introduced some new stimulatory fiscal measures at the beginning of 2009, following a sizeable increase in public outlays in 2008. In 2009, falling exports are projected to result in some slowdown in domestic demand. With the gradual recovery of the global economy and easier financial conditions, growth is projected to gradually regain momentum.

The extent of the deterioration in the fiscal position prior to the slowdown has reduced the scope for discretionary fiscal policy action. Indeed, the new government will face the need to restore fiscal discipline, speed up structural reform and increase sales of public-sector assets. Any further easing in policy should be achieved through lower interest rates, rather than discretionary fiscal expansion. The growing use of protectionist measures is a cause for concern.

## India: Macroeconomic indicators

	2006	2007	2008	2009	2010
Real GDP growth	9.7	9.0	6.5	5.9	7.2
Inflation <sup>1</sup>	5.2	4.7	8.4	4.5	3.5
Consumer price index <sup>2</sup>	6.7	6.2	8.8	4.5	3.0
Wholesale price index (WPI) <sup>3</sup>	5.4	4.7	8.6	0.5	3.5
Short-term interest rate <sup>4</sup>	8.2	8.9	9.6	5.3	5.8
Long-term interest rate <sup>5</sup>	7.8	7.9	8.4	7.8	8.5
Fiscal balance (per cent of GDP) <sup>6</sup>	-7.4	-6.1	-10.0	-11.0	-10.0
Current account balance (per cent of GDP)	-1.1	-1.0	-1.3	-1.3	-1.4

Note: Data refer to fiscal years starting in April.

1. Percentage change in GDP deflator from previous period.

2. Consumer price index for industrial workers.

3. All commodities.

4. Mumbai three month offered rate.

5. 10 year government bond.

6. Gross fiscal balance for central and state governments, includes net lending and transfers to oil, food and fertiliser companies and recurrent Pay Commission awards, but not backpay nor debt write-offs for small farmers.

Source: CMIE and OECD projections.