News Release

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Montek Ahluwalia Sees Signals of Turnaround in Indian Economy

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- Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission, sees signals of a turnaround in the Indian economy and predicts stronger growth in the second six months of the financial year.
- A GDP growth target of 7% next fiscal year is not impossible to achieve.
- The government ' s latest reforms and the new five-year plan are part of a huge agenda, the majority of which has to be implemented by the states.
- The fiscal deficit will be reduced from 6% to 3% of GDP by 2016.
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National Capital Region, Gurgaon, India, 8 November 2012 – There are signals of a turnaround in the Indian economy and the second half of this fiscal year will see stronger growth, said Montek Singh Ahluwalia, Deputy Chairman, Planning Commission, India, during the closing plenary session of the World Economic Forum on India. " Next fiscal year, it ' s not impossible to target a growth rate of 7%, " he added, during a session in which participants remained optimistic and upbeat about India ' s future prospects.

The recent reforms in foreign direct investment have signalled the government ' s intent to move forward even without political consensus, but they are just part of a huge agenda encapsulated in the latest five-year plan. Ahluwalia recognized the frustration expressed at the slow pace of implementation but said, " Reforms are not the kind of thing where if someone signed an order, it would get done. We are trying to create new institutions, as well as empower institutions that already exist. " He added that " almost two-thirds of what needs to be done is in the hands of state governments " , and that the variation across states is enormous.

Turning to the fiscal deficit, Ahluwalia said that the finance minister has made it plain the deficit is too high, and has formulated a programme to bring it down from 6% of GDP to 3% by 2016. He acknowledged, however, that when it comes to the implementation of large-scale projects, the government is struggling to put in place the necessary mechanisms to allow infrastructure projects to get the necessary clearances.

Taking a global perspective, Ahluwalia said the global economic situation is better now than five months ago. European leaders have taken actions to avoid the break-up of the euro, while the recent political changes in the US have removed some of the uncertainties of the impending fiscal cliff faced by the world ' s largest economy. Referring to the current round of multilateral trade talks, he asked: " Is the global economy going to simply let the Doha round fall by the wayside? " He said India has a very strong interest in Doha succeeding and called on global leaders to show the way forward.

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