

INDIAN ECONOMY TO GROW 7.7 PER CENT THIS YEAR, SAYS OECD

NEW DELHI: Days after IMF chief Christine Lagarde described India as a "bright spot" on cloudy global horizon, the Organisation for Economic Cooperation and Development (OECD) has said the country is expected to become the fastest-growing major economy over the next two years. In its 'Interim Economic Assessment', the OECD has forecast Indian economy will grow 7.7% in 2015 and 8% in 2016. China is pegged to grow at 7% in both these years, even as the world economy is forecast to do moderately better than expected a few months ago. "The Indian economy is set to perform strongly, if key challenges can be overcome," the Paris-based think tank said on Wednesday. "India is now expected to be the fastest-growing major economy in 2015-16, overtaking China," it said, even as it warned that obstacles are emerging to reforms in the country. In its previous assessment, in November 2014, the OECD had forecast 6.4% growth in 2015 and 6.6% in 2016. Part of the upward revision is due to revamp in India's GDP numbers that has bumped up growth from what was earlier estimated under the factor cost method. The new numbers follow the internationally accepted market prices based system of estimating GDP and showed that the economy expanded 6.9% in 2013-14, compared to 4.7% estimated under the earlier method. "Part of this relative improvement reflects significant revisions to past GDP data, which raise the base growth rate through 2014," the OECD said. India's own assessment is that the economy will grow between 8.1% and 8.5% in 2015-16. The statistics office has pegged the rate of growth in the current year at 7.5%. The OECD said that the recovery is actually slower than anticipated earlier. "The projected acceleration in growth this year is actually smaller than foreseen in the November 2014 Economic Outlook, reflecting sluggish growth of investment and exports," it said. The report also carried a warning on the pace of reforms, echoing frustration voiced by some business leaders over the lack of progress on the ground. "With obstacles emerging to the adoption of growth-friendly structural reforms, maintaining rapid growth will pose a difficult challenge, notwithstanding the strong current momentum," it said. The low oil prices and monetary easing are providing support to global growth, the OECD said. "Lower oil prices and widespread monetary easing have brought the world economy to a turning point, with the potential for the acceleration of growth that has been needed in many countries," said OECD chief economist Catherine L Mann. Strong domestic demand in the United States is also benefiting other countries. The OECD projects the US will grow 3.1% in the current year and 3% in 2016. The report warned that excessive reliance on monetary policy to prop up growth is creating financial risks without yet reviving business investment. "A more balanced policy approach is needed, making full use of fiscal and structural reforms, as well as monetary policy, to ensure sustainable growth and public finances over the longer term," it said.

