

# FM resets growth target



Pranab Mukherjee, Vinita Singhania, managing director of JK Lakshmi Cement, and Hero Honda chairman Brijmohan Munjal in New Delhi on Wednesday. Picture by Prem Singh

## OUR SPECIAL CORRESPONDENT

**New Delhi, Dec. 23:** A strong rebound in manufacturing can see the economy overcome the impact of global recession and bad rain to grow 8 per cent in this fiscal, finance minister Pranab Mukherjee said here today.

Less than a week ago, the finance ministry, in its mid-year review, had projected a growth rate of around 7.75 per cent.

"The mid-year review had forecast a GDP (gross domestic product) growth of 7.25-7.75 per cent, but it would be more appropriate to say growth for the whole (fiscal) year would be between 7.5 per cent and 8 per cent," Mukherjee told the PHD Chamber of Commerce and Industry.

The government's optimism stems from the fact that industry grew 10.4 per cent in October and the economy jumped 7.9 per cent in the second quarter, its strongest in 18 months.

However, Mukherjee was noncommittal on whether the government would continue with the tax cuts given to industry to shield it from the global financial crisis. "You have to wait till the budget," he said in response to a query on the sops.

Industry associations are demanding status quo because the sops are necessary to sustain the economic recovery. Following the financial crisis, the government had announced Rs 40,000 crore of tax giveaways to spur demand.

Car sales in the wake of the crisis had contracted nearly 20 per cent in December last year. Manufacturing, which had enjoyed near 10 per cent growth rate for months in 2008, contracted 0.2 per cent in October-December 2008. House prices crashed up to 30 per cent.

The stimulus measures are widely accepted as saving India from recession.

However, many policy makers feel the sops will eat into development budgets and may not be justifiable as the economy is already on the path to recovery.

Besides, shortfall in indirect tax collections in this fiscal is seen at a massive Rs 22,000 crore, lending weight to the case against giveaways.

The fiscal deficit for the year has been estimated at Rs