

India to grow at 9.50 per cent in 2010: IMF

India's growth will accelerate to about 9.50 percent in 2010 as robust corporate profits and favourable financing conditions fuel investment, and then settle to 8.50 percent in 2011, according to International Monetary Fund projections.

Strong corporate tax collections, that grew by 21.7 per cent in the first quarter of the current fiscal, substantiated IMF's assumptions of robust corporate profits. Majority of the country's manufacturing industries registered double-digit growth in the first quarter of this fiscal, a survey conducted by the Confederation of Indian Industry (CII) and ASCON said

The improvement in the monsoon after a dull start will also help the economy achieve better growth. The 16 per cent deficit for June has dropped to 10 per cent following good rains last week.

Large domestic demand bases in India, China, and Indonesia, which contribute substantially to Asia's growth, could also provide the region a cushion in the event of external demand shocks, the IMF said Thursday.

As Asia's strong recovery from the global financial crisis continues, despite renewed tension in global financial markets, world growth is projected at about 4.50 percent in 2010 and 4.25 percent in 2011, according to the July update of IMF's World Economic Outlook (WEO).

Relative to the April 2010 WEO, this represents an upward revision of about 0.50 percentage point in 2010, reflecting stronger activity during the first half of the year, the IMF said, keeping its forecast for 2011 unchanged.

At the same time, downside risks have risen sharply amid renewed financial turbulence, it said, suggesting that policy efforts in advanced economies should focus on credible fiscal consolidation, notably measures that enhance medium-run growth prospects such as reforms to entitlement and tax systems.

Noting that economic activity in Asia has been sustained by continued buoyancy in exports and strong private domestic demand, the IMF has revised gross domestic product (GDP) growth forecasts for the region upward for 2010, from about 7 percent in the April WEO to about 7.50 percent.

For 2011, when the inventory cycle will have run its full course and the stimulus is withdrawn in several countries, Asia's GDP growth is expected to settle to a more moderate but also more sustainable rate of about 6.75 percent.

In China, given the strong rebound in exports and resilient domestic demand so far this year, the economy is now forecast to grow by 10.50 percent in 2010, before slowing to about 9.50 percent in 2011, when further measures are taken to slow credit growth and maintain financial stability, the IMF said

Both Newly Industrialised Asian Economies and Association of South East Asian Nations (ASEAN) economies are expected to grow by about 6.50 percent in 2010 as a result of surging exports and private domestic demand, before moderating to 4.75 percent and 5.50 percent, respectively, in 2011, it said.

In a separate Global Financial Stability Report Update, the Fund noted that despite generally improved economic conditions and a long period of healing after the failure of Lehman Brothers, progress toward global financial stability has recently experienced a setback.

Sovereign risks in parts of the euro area have materialised and spread to the financial sector there, threatening to spill over to other regions and re—establish an adverse feedback loop with the economy, it said.

Further decisive follow—up is needed to the significant national and supranational policy responses that have been taken in order to strengthen confidence in the financial system and ensure continuation of the economic recovery, the IMF said.

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