

PRESS INFORMATION BUREAU  
GOVERNMENT OF INDIA

\*\*\*

**FURTHER UNDERSTANDING OF ISSUES REQUIRED TO SUSTAIN GROWTH AND  
CREATE INCLUSIVE OUTCOMES FOR THE PEOPLE : FM**

New Delhi, Agrahayana 23, 1933  
December 14, 2011

The Union Finance Minister Shri Pranab Mukherjee has said that we need to further our understanding of issues where greater and coordinated policy actions are needed to sustain growth and create inclusive outcomes for the people. He was delivering the inaugural address at the International Conference on “Economic Policies for Emerging Economies” here today. The International Conference has been organized jointly by the Ministry of Finance, Government of India and the National Institute of Public Finance and Policy. Today was the plenary day of the Conclave, which is a collaborative effort with seminars being hosted by the Delhi School of Economics, Confederation of Indian Industry and Indian Statistical Institute.

The Finance Minister said that he welcomed and supported this initiative. He said that he was sure this conference would contribute to the economic policy discourse of emerging nations including India. He said that the subject of today’s conference “Economic Policies for Emerging Economies” is very topical. The world economy is passing through turbulent times. Recovery from the global economic crisis has been staggered because of a complex mix of real and financial challenges facing many industrialized economies, he said. The Finance Minister said that the recovery has been two- paced, with emerging market economies like China and India leading the way followed by Latin America and Africa. Advanced economies have grown more slowly than before. Over the past months, deep and widespread economic problems have surfaced in Europe which is a further setback to the global economy, he stated.

Shri Mukherjee said that there is indication that even the tepid economic recovery that we have seen so far in the advanced economies is stalling and the relatively robust recovery in emerging market economies is also beginning to falter. The financial markets, which had never fully recovered from the earlier crisis, are under renewed stress, he said.

The Finance Minister said that the current build-up of concerns has been incremental in nature with a series of local intermittent shocks getting transferred to the global economy and all this has happened despite the aggressive use of both fiscal and monetary policy tools and our collective resolve to keep markets open which poses some serious problems for the policy makers. He said that the heart of the problem lies in sovereign debt.

Shri Mukherjee said that while new opportunities await us in the near future, we must recognize that sound economic policy-making is a must for realizing them. Our intellectual engagements in the field of economic policy analysis also need to increase. It is therefore imperative to deliberate on innovative ideas to address challenges faced by emerging economies, involving all stakeholders, he said.

The Finance Minister said that it is reassuring to note that in such a globalized environment the pause in India's growth story was brief and the Indian economy recovered with growth averaging over 8 per cent in the two years following the outbreak of the crisis in 2008. He said that we are presently faced with a rapidly evolving economic scenario. While the Indian economy faced excessive capital inflows in the aftermath of the global crisis leading to appreciation of the domestic currency, with the unfolding of the euro zone crisis, the matter of concern at present is reversal in such flows leading to increased currency volatility. Shri Mukherjee said that we have witnessed sharp depreciation of the Rupee vis-à-vis the US Dollar in the last few months. Slowdown in external demand has led to deceleration in the growth of exports in recent months with the current account deficit widening to around 3 per cent of GDP. He said that sustained high level of inflation that has been a major policy concern for us over the past two years is now beginning to moderate. Food inflation has seen a decline to 6.6 per cent for the week ending November 26, 2011. He said that growth however has slowed in 2011-12. The second quarter of the current fiscal has registered a GDP growth of 6.9 per cent following a growth of 7.7 per cent in the first quarter. Our monthly industrial growth has slowed down sharply for the month of October 2011, he said. This is partly a reflection of global trends, but our own fight against inflation has also taken a toll on investments by our corporations. We must turn our attention now to reviving growth as quickly as possible, he said.

The Finance Minister said that we also have our fiscal challenges but our problems, whether they are measured in terms of aggregate public debt or the size of the fiscal deficit, are nowhere nearly as large as the ones faced by many European nations. He said that he expected that the present downturn will be temporary and our economy will soon revert back to high growth.

The Finance Minister said that the Indian economy is, in some ways, better placed than many other nations to withstand a fresh round of global economic turmoil and India's resilience results from the fact that the bulk of India's GDP is domestic demand driven.

Shri Mukherjee stated that our growth story is now an accepted fact, but many people in this country are yet to receive the full benefits of our rapid economic expansion. Our commitment to 'inclusive growth' is an endeavour to include those at the margins into the mainstream of India's growth story through micro and macro level initiatives, he said. The Finance Minister stated that we are seeking to strengthen institutions and delivery mechanisms that take the benefits of high growth to the poor. Our emphasis on inclusive development in the 12<sup>th</sup> Five Year Plan that focuses on agriculture and crucial social sectors including education and health is in keeping with this objective.

Present on the occasion were Mr. Montek Ahluwalia, Deputy Chairman Planning Commission, Dr C. Rangarajan, Chairman EAC to Prime Minister, Nobel Laureate, Prof Amartya Sen, Minister of State for Finance, Mr. S. Palanimanickam, Prof Richard Freeman of Harvard University, Mr. R. Gopalan, Secretary Economic Affairs, Prof. Kaushik Basu, Chief Economic Adviser and Prof. Govinda Rao, Director NIPFP. The Finance Ministers of Israel and Trinidad and Tobago, well known policy makers, leading bankers, representatives from trade and industry, social activists and journalists participated in the Conference.

To mark the IES officers' Golden Jubilee Year, a calendar was also released on the occasion by the Union Finance Minister.

**DSM/SS/SL**