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Commerce and Industry & Textiles Minister Anand Sharma (left) with International Monetary Fund Managing Director Christine Lagarde at an IMF-supported conference on sustaining high-quality growth in India and China, in New Delhi on Tuesday. PHOTO: PTI

IMF pegs India's GDP growth for 2012-13 at 7%

BS REPORTER
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International Monetary Fund (IMF) Managing Director Christine Lagarde today said India was poised to grow at seven per cent in 2012-2013, while China would grow 8.5 per cent.

She lauded India's efforts towards taking fiscal consolidation measures and reforming the tax code. "Our forecast for growth in China are very significant percentages applied to expanding economies," Lagarde, who is visiting India for the first time as IMF chief, told reporters here.

"Clearly, developing economies are growing at a fast pace. It is a little less than what we were used to but it is plenty, given that the demand in a country like China has clearly reduced.... In India, the fact that there will be support for capital investments, there will be an asset into developing infrastructure, is critical in our view to unleash the potential for growth that this country has."

During her two-day visit that concluded today, Lagarde met Prime Minister Manmohan Singh, Finance Minister Pranab Mukherjee and Commerce and Industry and Textiles Minister Anand Sharma. "We are encouraged to see a continued path towards fiscal consolidation, that there is determination to reform the tax code and to cap subsidies at two per cent. All of those are good and I am confident the finance minister would pursue and be delivering on those commitments," she said, while lauding the measures proposed in Budget 2012-2013 unveiled last week.

On the global scenario, Lagarde said prices of crude oil could rise 20-30 per cent in the backdrop of the sanctions on Iran. "If there was a major shortage of export of oil out of Iran, it would certainly drive prices up, at least for a period of time. We believe it could be 20-30 per cent while other countries adjust to supply the shortage in order to mitigate the problem. So, it is necessary

that rebalancing takes place rapidly. But our hope is that the geopolitical tensions can be addressed properly," she said.

Addressing a round-table on India and China earlier in the day, Lagarde reiterated the IMF was eager to implement the required quota reforms ratified by India and China, which will give more voice to countries not properly represented in the fund.

"Quota reforms (are something) we want to implement in the IMF. Both India and China have ratified the formal proposal for quota reforms. Change is in the air," she said.

The quota for a country at the IMF refers to its voting rights. India has a voting share of 2.34 per cent.

On the euro zone crisis, Lagarde said the global economic situation was gradually improving and was much better now than three months earlier. "The situation is not as grim or as dire (as it used to be) We are really away from the abyss," she said.