

‘India on course for 11% growth this fiscal, to meet deficit goal’

CEA says capex will boost construction, but warns of ‘irrational exuberance’

SPECIAL CORRESPONDENT
NEW DELHI

Playing down concerns about high inflation and rising commodity prices, Chief Economic Adviser (CEA) Krishnamurthy Subramanian said on Monday that India was on course to grow at about 11% and meet the fiscal deficit target of 6.8% of gross domestic product this year.

Asserting that the Union Budget’s plan to scale up capital spending by 35% in FY22 would boost construction activity and create jobs in the informal sector, Mr. Subramanian said this would boost demand and enable the country to get growth without high inflation.

“I don’t foresee a problem



Urging restraint: We must not repeat the mistakes of bank-led infra funding which led to the NPA problem, says the CEA. ■ AP

at all in meeting those estimates for infrastructure spending,” the CEA said in an interaction with the Indian Construction Equipment Manufacturers Association, before warning

them against a potential risk of ‘irrational exuberance’ over the coming few years.

“We should not repeat the mistakes of bank-led infra funding which led to this entire bad assets’ problem. The

main lesson for all of you should be not to repeat the mistakes we had after the global financial crisis,” he said, asserting that a limited focus on revenue expenditure after the 2008 crisis had led to runaway inflation.

Inflation, he contended, was a ‘touch higher’ due to temporary supply-side effects from recent economic restrictions. “I don’t anticipate inflation to be a problem when you create growth by working on the supply side,” he said, arguing that India’s failure to undertake supply-side reforms after the 2008 crisis led to a triple whammy of high fiscal and current account deficits with runaway inflation.