

NEWSBYTES

INFLATION EATS INTO AUTOMOBILE SALES

Indian automobile industry on Monday reported a slump in July sales, caused mainly by the rising interest rates and fuel prices. The passenger car major Maruti Suzuki reported a 25.33 per cent dip in its July sales at 75,300 vehicles compared to July of 2010, as a result of sluggish demand and two scheduled production cuts. The domestic sales for July also were down 26.2 per cent at 66,504 units. >PAGE06

WORKING WITH CAIRN TO SATISFY TAKEOVER

London-listed mining group Vedanta Resources on Monday said it is working with Cairn Energy to "satisfy" preconditions that the government has set for its takeover of Cairn India. The billionaire Anil Agarwal-led group in a press statement said it has now received a formal notification from the government providing conditional approval for its acquisition of Cairn Energy stake in Cairn India. PAGE 07

APPLE SEEKS TO BLOCK SAMSUNG SALES IN OZ

Apple Inc escalated its legal dispute against Samsung Electronics Co by requesting an Australian court to block the South Korean company from selling the newest version of its tablet computer in the country. The Samsung Galaxy Tab 10.1 infringes 10 Apple patents, including the "look and feel," and touchscreen technology of the iPad, Steven Burley, a lawyer for Apple, told the Federal Court in Sydney. >PAGE07

GDP forecast lowered

THE CURRENT INTERNATIONAL ENVIRONMENT IS NOT CONDUCIVE FOR RAPID GROWTH: RANGARAJAN



Chair of Economic Advisory Council to Prime Minister, C Rangarajan, addressing a press conference on Economic Outlook - 2011-12, in New Delhi on Monday

INDIA GROWTH PROSPECTS DOWNGRADED

- Country's growth pegged at 8.2% for 2011-12
- Inflation to ease to 6.5% only by the end of this fiscal
- Important role for fiscal policy to contain demand pressure
- RBI will follow tight monetary policy till inflation shows definite signs of decline
- Industry to expand by 7%, slower than the rate of 7.9% last year
- Services to grow at a faster rate of 10%
- Agriculture to grow at 3% as monsoon to remain more or less normal
- Global economic and financial situation unlikely to improve
- Important to increase investments if economy is to grow at 9%
- Investment rate projected to rise to 36.7% in 2011-12
- Current account deficit projected at \$54 billion or 2.7% of GDP
- Foreign direct investment set to rise to \$35 billion in current fiscal

“International situation has not improved since February 2011”

C RANGARAJAN, PMEAC Chair



STATE OF ECONOMY

- US India's exports to be hit if US recovery bumps: PMEAC P03
- Factory growth expands at snail's pace in 20 months P03

NEW DELHI: Amid a difficult global economic scenario, India's GDP growth will slow down to 8.2 per cent in the current fiscal and the inflation rate is expected to remain high at 9 per cent till October, the Prime Minister's Economic Advisory Council (PMEAC) said on Monday.

In its report on the state of economy, the PMEAC said: "The projected growth rate of 8.2 per cent, though lower than the previous year, must be treated as high and respectable given the current world situation."

It further said that the global economic and financial situation was unlikely to improve (in the foreseeable future) and this could impact the domestic economy. The Indian economy grew by 8.5 per cent in the last fiscal, ended March 31, 2011.

The PMEAC's projection for 2011-12 is higher than the 8 per cent growth forecast made by the Reserve Bank in its annual monetary policy, but it is lower than the government's target of 8.5 per cent.

On inflation, the PMEAC said that it was likely to come down to 6.5 per cent by March, 2012, but would remain high at 9 per cent till October. "There will be some relief starting from November and (inflation) will decline to 6.5 per cent by March, 2012," it said.

Hinting at further interest rate hikes, the PMEAC also said the RBI would

have to continue with its monetary tightening policy measures to contain inflation. The RBI has already hiked benchmark rates 11 times since March, 2010, as part of efforts to tame inflation. Headline inflation has been above 9 per cent since December, 2010.

Explaining the reasons for the downward revision of the growth forecast, Rangarajan said: "We have looked at what is happening in the US and Europe, which have an impact on Indian economy...International situation has not improved since February, 2011. It has rather deteriorated...the current international environment is not conducive for rapid growth."

In February this year, the PMEAC had projected that the Indian economy would grow at 9 per cent this fiscal.

Rangarajan said: "To keep the economy growing at 9 per cent, it is important to increase the fixed investment rate."

The economy was growing at over 9 per cent before the global economic crisis pulled down the rate to 6.8 per cent in 2008-09. After recovering from the slowdown, it recorded a growth rate of 8.5 per cent in the 2010-11 fiscal.

The PMEAC's projection for 2011-12 is higher than the 8 per cent growth forecast made by RBI in its annual monetary policy, but it is lower than the Centre's target of 8.5 per cent. P2