“The India growth story is still credible, but not inevitable” – Dr Duvvuri Subbarao

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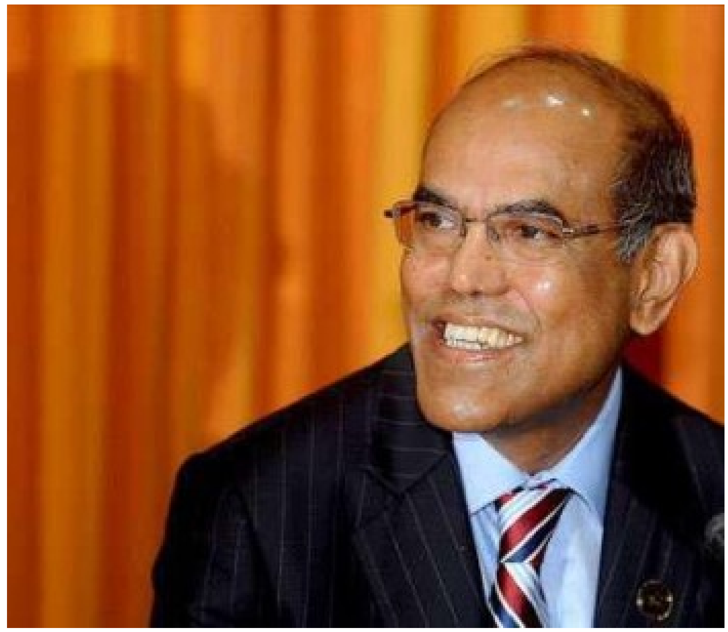
Last week, Dr Duvvuri Subbarao, the twenty-second governor of the Reserve Bank of India, delivered the I.G. Patel lecture at LSE in which he examined some of the macroeconomic challenges facing India.



Over the five years through 2003-08 leading up to the global financial crisis, India clocked an average annual growth of 8.7 per cent on the back of wide ranging structural and policy reforms and growing integration with the global economy. By the year 2008, India was the fourth largest economy in the world in purchasing power parity terms. For a nation that once believed that the ‘Hindu rate of growth’ was its destiny, this remarkable growth performance triggered aspirations for double-digit growth.

Those aspirations have been significantly checked with growth moderating below trend in the post-crisis period owing to the impact of the global downturn as well as a host of domestic policy and operational bottlenecks. The post-crisis period has also been characterised by a large fiscal deficit, historically high current account deficit and inflation persisting above the comfort level. In this talk, Dr Subbarao explains that macroeconomic management during this period has had to contend with balancing between stimulating growth and reining in inflation, dealing with the short-term pressures in the external sector without compromising long-term sustainability and returning to a path of fiscal responsibility.

Click here for an audio recording of the event.

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