

## PM: To Beat Inflation, India Must Produce More

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MUMBAI, India: India's economy will grow 9 percent a year, but the fight against inflation, which is hovering near 13-year highs, will require increased production in agriculture, services, and manufacturing, Prime Minister Manmohan Singh said Friday.

"To ensure that this growth process is not inflationary, we must step up productivity and increase output," Singh said, speaking at a steel plant in Tamil Nadu, an industrial hub.

India's economic growth skidded to 7.9 percent in the April-June quarter, down from 9.2 percent in the same period last year, amid a slump in manufacturing. Growth has averaged 8.8 percent over the past five years. Inflation has moderated over the last two weeks, but Indian policy-makers — like many across Asia — are struggling to battle rising prices, which they say have largely been imported in the form of high fuel and commodities costs.

India's benchmark wholesale price index gained 12.34 percent in the week ended Aug. 23, slightly lower than the prior week, the government said Thursday. This time last year, annual inflation was just 3.94 percent. The Reserve Bank of India has hiked the nation's key interest rate, which now stands at 9 percent, by 125 basis points since April. The bank has given no indication that it will reverse its tight monetary policy, and some business groups have begun to fear economic growth could take a hit.

Duvvuri Subbarao, who took over Friday as the new governor of India's central bank, said Friday that his top priority is inflation control.

"My immediate priority will be to manage inflation and anchor inflation expectations," Subbarao told reporters. "The priority in the short- to medium-term will be to pursue financial sector reforms in the context of financial stability, price stability."

Many expect the bank to raise rates again when it meets in October.

Subbarao, who will serve a three-year term, takes over from Yaga Venugopal Reddy, who retired today. Subbarao comes to the bank from the Ministry of Finance, where he was Finance Secretary. He also has done stints on the Prime Minister's Economic Advisory Council and as a lead economist at the World Bank. He has a master's degree in economics from Ohio State University.

**Source: Economy Watch**