

**The following is the statement of the Finance Minister,  
Mr P. Chidambaram made on Monday, October 13, 2008**

“This is a time of uncertainty. Yet, even in a time of uncertainty there are some facts that cannot be – and ought not to be – ignored.

The Indian economy continues to grow at a satisfactory rate. As recently as last week, the IMF’s research department (Mr. Oliver Blanchard) noted that “the Indian economy would continue to do well despite the impact of the global liquidity crunch.” As per projections made by the IMF, India is expected to post a GDP growth of 7.9 per cent during the current fiscal year.

The stock market indices are important indicators, but they are not the only indicators of the health of the Indian economy. The ratio of investment to GDP remains high at over 35 per cent at the end of the first quarter of 2008-09. The monsoon has been normal; the Kharif crop (especially rice and cotton) has been good; farmers are sowing their fields; and the prospects for the Rabi crop are bright. Factories continue to produce goods and the services sector is growing at a brisk rate.

Crude oil and commodity prices have declined sharply. This is expected to have a beneficial effect on inflation.

The root cause of the present uncertainty is liquidity and not any dramatic change in the fundamentals of the economy. According to RBI figures, as on 26th September, 2008, non-food credit increased, year-on-year, by 24.8 per cent. Between April and 26th September, non-food credit grew by 7.8 per cent. Time and demand deposits with banks grew, year-on-year, by 18.8 per cent and, between April and 26th September by 7.2 per cent. I am happy that depositors continue to repose their confidence in the health of our banking system.

Nevertheless, liquidity was found to be inadequate and, consequently, lenders were unwilling to take risks. Some lenders and investors faced redemption pressures leading to a sale of assets, especially stocks. The markets that are bearing the brunt of the problem are the capital market and the money market and, to an extent, the foreign exchange market. These problems can be overcome if adequate liquidity is infused into the system.

Accordingly, RBI has taken measures that have infused an additional Rs.60,000 crore into the financial system. The LAF also provides liquidity and, as on 10th October, 2008, Rs.91,500 crore had been accessed by banks through the LAF window. We believe that these steps should ease the liquidity situation and the flow of credit should become smoother, relieving the pressures that had built up in the last two weeks.

Government, RBI and SEBI have been in close consultation with each other during the weekend. I have spoken to the Governor, RBI and Chairman, SEBI several times in the last two days. We are coordinating our actions. We are watching the situation carefully and we will respond swiftly according to the needs of the situation. **We are working on more measures that will infuse liquidity, make credit intermediation smoother, and increase the confidence of depositors and investors. We hope to be able to announce them shortly.**

Our banks are ready and willing to provide credit. Suitable advisories are being issued to the banks.

Over the weekend, the US, UK, Euro zone and Australian authorities have announced a number of measures to stabilize the financial system. The Australian capital market and three of the East Asian capital markets have opened on a bright note this morning. I expect that our capital market will also take its cue from these positive developments.

We must remain confident and respond to the situation in a cool and mature manner. We must banish fear. Especially, depositors have nothing to fear because their deposits in banks are safe. Investors must take informed decisions. Before you sell, you must remember that for every seller there is a buyer. You must ask yourself why the buyer is buying in these times of perceived uncertainty and, therefore, ask yourself the further question whether there is a need to act in haste or in panic. In my view, there is no reason at all to act in haste or to give room for panic.

If all the players in the economy remain confident and take informed decisions, I have no doubt that the Indian economy will weather the current storm and emerge stronger.

If necessary, I shall make a further statement later today.”