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NCAER cuts India FY10 growth f'cast to 6.9 pct

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NEW DELHI, Nov 4 (Reuters) - The Indian economy is expected to grow 6.9 percent in FY10, despite a possible contraction in farm output, a think-tank said on Wednesday, revising downwards its earlier forecast in the backdrop of a bad monsoon.

While easy monetary and fiscal policy stance were needed to sustain growth momentum, inflationary pressures are now a concern, the National Council for Applied Economic Research (NCAER) said in a report.

"Some of the recovery in economic growth observed in the current financial year can be attributed to the fiscal and monetary policy measures, which provided stability to demand conditions and stability to the financial system," it said.

"In this sense, continuation of the supportive policies is necessary until a broad based growth momentum is established."

NCAER said economic growth could be 6.9 percent in FY10, lower than its July forecast of 7.1 percent.

Industrial output may rise by 6.9 percent in FY10, while services sector could grow 9.5 percent, both faster than earlier predicted.

Farm output is expected to contract 1.5 percent in FY10, instead of an earlier forecast of 1 percent growth, as the worst dry spell in nearly four decades and floods hurt crops.

Last week, the central bank forecast the economy to grow by 6 percent, while a prime minister's panel pegged it at 6.5 percent for FY10. The economy grew 6.7 percent in 2008/09, slower than 9 percent or more in the previous three years.

NCAER said fiscal deficit could be 6.3 percent of gross domestic product in FY10, lower than government's estimate of 6.8 percent.

(Reporting by Rajkumar Ray; Editing by Prem Udayabhanu)

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