Finance minister Pranab Mukherjee’s statement that, for now, he was sticking to the 9% GDP growth projected in the budget in February, was probably meant to boost sagging sentiments. It may have ended up doing the reverse since it suggests the ministry is out of sync with the new reality, of investments on hold, of analysts putting out sub-8% numbers for GDP growth, of a government so under siege that conservative bankers like Deepak Parekh have gone on record to say Indian firms are preferring to invest overseas. That the FM should choose to stick to the 9% number (the note put out by his ministry talks of 8.6%) is all the more strange given the aggressive rate hikes by RBI that are aimed at slowing growth, the renewed fears of the Eurozone crisis spreading to its core and the stalemate in the US leading to rating agencies threatening a downgrade. While the FM spoke of the overall investment scenario picking up to reach at least the 2009-10 levels (investment slipped in 2010-11), the fact is that investments continue to slip—CMIE data shows while new investments announced added up to R2.63 trillion in the quarter ended March 2011, this was R2.92 trillion in the December 2010 quarter and R3.57 trillion in the September 2010 quarter. Projects abandoned rose to R516 billion in the March quarter or roughly double that in the previous few quarters.

But we’re clearing a large number of Bills, the FM said in response to the question about the policy paralysis. He mentioned the mining Bill and the one on food security that were ready for clearing and how others, like on insurance, were before the standing committee of Parliament. While the standoff between the government and the Opposition is a hurdle that needs to be dealt with when it comes to passing Bills, the larger problem is the Bills are not the solution, they’re part of the problem. The mining Bill which envisages a sharp hike in outgo from mining firms has hit sentiments, the food security Bill means higher expenditure and a mandatory 2% spending on CSR hits companies, apart from creating a larger role for the bureaucracy. The critical land acquisition Bill looks as if it may finally block out private sector acquisition of land. A nasty message of the government having no problems playing the heavy has already been sent out on the Cairn-Vedanta deal. A new environment minister is making the right sounds, but for now, the negative vibes are winning. Some real action is required to convince investors the government is serious.