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GOVERNMENT OF INDIA**

FM SAYS GOVERNMENT IS FULLY SEIZED OF THE CURRENT SITUATION AND THERE WILL BE A TURNAROUND IN OUR GROWTH PROSPECTS IN THE COMING MONTHS; REJECTS S&P REPORT THAT INDIA COULD BE THE FIRST BRIC COUNTRY TO FALTER

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The Union Finance Minister Shri Pranab Mukherjee said that the Government is fully seized of the current situation and he is confident that there will be a turnaround in our growth prospects in the coming months. The Finance Minister Shri Mukherjee was reacting to the S&P recent report suggesting that India could be the first BRIC country to falter. The Finance Minister Shri Mukherjee said that this is not based on a fresh rating action. S&P had issued India's sovereign credit rating on April 25, 2012 reaffirming India's long-term sovereign credit rating at BBB(-). It had, however, revised India's outlook to negative from stable.

The Union Finance Minister Shri Pranab Mukherjee said that between April 2012 and now, there are no significant events to indicate that the economy's vulnerability to shocks has increased, though growth numbers for the fourth quarter 2011-12 have come below the expectations. He said that S&P's recent report suggests that the main factor that would determine India's investment grade

credit rating is the “government's reaction to potentially slower growth and greater vulnerability to economic shocks.”

The Union Finance Minister Shri Pranab Mukherjee further said that there are several positives for the Indian economy as we go forward. He said that RBI has reversed the interest rate cycle by announcing a cut of 50 basis points at its last review of monetary policy; mining sector growth has turned around, progress has been made on fuel linkage for coal based power projects; there is a turnaround in the quarterly investment growth rate, which had been negative in the third quarter of 2011-12; a normal south west monsoon has been predicted for 2012-13 and there has been a decline in international oil prices in recent weeks.

The Union Finance Minister Shri Pranab Mukherjee said that the Foreign Institutional Investors (FII) have Reposed faith in the Indian economy and had already poured in net USD 12 billion in the first five months of the current calendar year (upto June 9, 2012) as against an FII inflow of USD 8.3 billion in the full calendar year 2011. The Finance Minister said that this is the highest net FII inflows in the last five years for the corresponding period. Similarly, the fiscal year 2011-12 has witnessed gross FDI flows of USD 46.8 billion, as against USD 34.8 billion in the fiscal year 2010-11, the Minister added. Further, Shri Mukherjee said that there are no major adverse results on corporate performance in the last quarter of 2011-12. All these factors should help in the recovery of domestic growth momentum, the Finance Minister Shri Mukherjee concluded.

DSM