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## **FM REVIEWS ECONOMIC SITUATION WITH RBI GOVERNOR AND CHAIRMAN, PMEAC**

New Delhi, Sharavana 28, 1933  
August 19, 2011

The Union Finance Minister, Shri. Pranab Mukherjee today reviewed the global economic situation with RBI Governor, Dr. Subba Rao, and the Chairman of the Prime Minister's Economic Advisory Council, Dr.C. Rangarajan. The discussions focused on the slow economic growth in the US and debt worries in the Euro zone. Europe's debt problem and worries about the world economy had resulted in sharp fall in the US and European markets. Stocks that were particularly affected in the US were those of companies that have global presence.

In comparison to the sharp fall in the indices in US and Europe yesterday, the Indian indices have weathered any contagion effect. Today, Indian markets contracted by 1.9 % which is only around 1/3<sup>rd</sup> of the fall

seen in the US and European markets. In comparison to Asian markets also, our performance has been better. Some of the major Asian markets saw 4-6 % losses.

The effect of the market sentiments in the US and Europe has a bearing on our markets as well in the short-term. As the advanced economies grapple with their problems, India is better positioned than most other nations to meet its problems. India has already been upgraded to market weight by some global investment banks from underweight and this is a testimony to the strength of the Indian economy. The present crisis can, however, be expected to encourage increase in the equity exposure by foreign pension funds and other long-term institutional investors. India is well positioned to capture this flow.

The Union Finance Minister expressed the view that India's economy is robust and its growth story, intact. Its fundamentals are strong and they look more attractive in a world confronting problems. The Union Finance Minister Shri Pranab Mukherjee sees this present challenge as one which would in the long run give India greater opportunities for growth. He also expressed confidence in India's ability to emerge stronger from the present situation.

**DSM/SS**