

Domestic Demand Cushions India from Crisis Despite Negative Perceptions

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- India's economy grew by 8% in the last financial year
- Standard & Poor's rates India as investment grade BBB- and stable
- Negative perceptions about the Indian economy could damage investment
- The theme of the 42nd World Economic Forum [Annual Meeting](#) is *The Great Transformation: Shaping New Models*. For more information, visit <http://wef.ch/Davos>

Davos-Klosters, Switzerland, 28 January 2012 – “The macroeconomics of India are fundamentally strong. Those who have these alarm bells ringing should look inwards,” said Anand Sharma, Minister of Commerce and Industry, Textiles of India. Speaking today at the 42nd World Economic Forum Annual Meeting, Sharma vigorously defended the reforms made by his government and the economic prospects of India. “India can take care of itself, I can assure you,” he said.

When questioned on India's growing current account deficit, he told participants: “We need to spend to empower and educate our people.”

Supachai Panitchpakdi, Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), echoed Sharma's optimism. “India is not immune, but it has its own cushion with the size of domestic demand,” he said. He praised India's open market policies, saying the country has one of the least interventionist exchange rate policies among emerging economies.

India's investment grade rating of BBB- is more likely to improve than deteriorate, said Douglas L. Peterson, President of Standard & Poor's. He cited India's strong domestic demand and domestic growth as reasons for optimism. “There are development challenges,” Peterson said, “such as the need in the agricultural sector for modernization.”

“There are two or three things which need to be fixed,” said Baba N. Kalyani, Chairman and Managing Director of Bharat Forge, “such as education and inflation.” He said he believes any negative perceptions of India's business environment are groundless, and that 75% of Indian companies are enjoying record growth in revenues and profits. “We need to be a little more self-assertive about what we are doing,” he said.

Nik Gowing, Main Presenter at BBC World News, told participants that he believes the business community's perception of India has become more negative. “It's the first time India has been downgraded in their minds as a safe place to do business,” he said. Incidents like the 2G Telecom scandal have damaged business confidence, he added. Nonetheless, Gowing drew positive examples of India business also. “In the United Kingdom, India is saving a lot of businesses that were in doubt,” he said, citing examples such as the Stanlow Oil Refinery and Jaguar Land Rover.

Barry Eichengreen, Professor of Economics and Political Science at the University of California, Berkeley, predicted solid ongoing growth for India of as much as 8%. “However, 2012 could be worse because [India] didn't keep its powder dry,” he said, “People are more worried about India than other emerging economies because India has less scope for doing anything. China can roll out

infrastructure spending because it doesn't have the same deficit."

With record participation of over 2,600 leaders from government, academia, business and civil society, the theme of this year's Annual Meeting is *The Great Transformation: Shaping New Models*.

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Notes to Editors

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