News Release

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Global Economic Outlook: Recovery Is Gaining Pace and Confidence Is Growing

29 January 2011

- While emerging economies have recovered strongly, developed countries are also on the rebound
- With additional public sector stimulus unlikely, the private sector should fuel growth through investment
- The G20 agenda must be sensitive to the concerns of countries that are not members
- More information on the World Economic Forum Annual Meeting 2011: http://www.weforum.org

Davos, Switzerland, 29 January 2011 – The global economy is rebounding, led by developing economies including China and India, with developed countries growing much more slowly, government and banking leaders said in a plenary session on the global economic outlook at the World Economic Forum Annual Meeting 2011. While the recovery is gaining pace, however, there remain significant challenges for all economies.

On the panel were representatives of two large dynamic economies in Asia – India and China. India is predicting a GDP growth rate of 8.5% for the fiscal year ending on March 2011. According to Montek Singh Ahluwalia, Deputy Chairman of India's Planning Commission, thanks to the robust recovery, his country "remains an attractive destination for foreign investment. We expect that to pick up."

As for China, "in the short run, the economy is okay and will be okay," reckoned Yu Yongding, Senior Fellow at the Institute of World Economics and Politics in the Chinese Academy of Social Sciences (CASS). But "in the long run, I have doubts about the sustainability of growth if China fails to make adjustment of its growth model. The investment driven, export-promotion growth pattern has run out of steam and we have to make changes fast."

With the global economy running at two different speeds, some economists are again arguing that developing countries are decoupling from developed ones. That is not the case, Ahluwalia insisted. "We are not decoupled. What happens in the global economy affects us."

Europe, which was beset by debt crises last year, "is picking up a little bit more slowly in 2011 than at the end of 2010," Christine Lagarde, Minister of Economy, Finance and Industry of France, told participants. "But with massive restructuring taking place, we will restore the confidence needed for growth." European Union countries are addressing their fiscal deficits, she noted. "In terms of fiscal consolidation, we are all heading in the same direction."

Added Wolfgang Schäuble, Federal Minister of Finance of Germany: "Reducing the deficit is a precondition for sustainable growth."

Looking ahead this year, Schäuble predicted: "The euro will be stable and there will be no big shocks." His British counterpart, George Osborne, Chancellor of the Exchequer of the United Kingdom, argued that Europe must focus on boosting its overall competitiveness. "The proof is going to be in the pudding – can we actually make the EU a more competitive place in which to do business?" His government's main challenge "is to remove the supply side obstacles to stronger growth," he explained. United Kingdom corporations are sitting on a large amount of cash and "I

have to persuade them to start spending and investing that money."

Robert E. Diamond, Chief Executive, Barclays PLC, United Kingdom, agreed that the private sector must mobilize its capital. "We are not going to see additional stimulus from the public sector so it is time to shift the mantle of growth from the public sector to the private sector," he observed.

Diamond said: "Banks are operating in a safer and sounder financial system," thanks to swift concerted action by the international community in reaction to the crisis. "The G20 came together in a way that was very beneficial to the financial system." He expressed the thanks of the banking sector for the timely action by G20 governments.

Lagarde said that France, which is the G20 chair this year, has prepared an ambitious agenda for 2011. Some people think that the G20 has become a talk shop, she added. "We really want to demonstrate that the G20 is useful in times of recovery as well [as crisis]." Robert B. Zoellick, President, The World Bank Group, Washington DC, applauded the French government for setting an agenda that is not simply focused on the interests of G20 countries. "The G20 has to proceed in a way that recognizes the sensitivities of non-members," he concluded.

Notes to Editors

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