

## US crisis may hit export & capital flows: C Rangarajan

Prime Minister's Economic Advisory Council Chairman C Rangarajan today said the downgrade of the US sovereign rating will negatively impact exports and moderate capital flows into the country.

"More than the downgrade, what will be the impact for the rest of the world will be the slow pace of recovery in the US," he said in a statement.

"In the first half of the current calendar year, the growth rate in the USA was 1.5 per cent. Perhaps for the year as a whole, other growth rates may not be much higher than that. That's a very, very slow pace of recovery and that has implications for the world in terms of capital flows, in terms of trade flow," he said.

Even Finance Minister Pranab Mukherjee said the downgrade of the US sovereign rating will have some implications on India, but added there was no need to press the panic button as the fundamentals of the economy remain strong.

"The recent developments in the US and the eurozone have injected certain uncertainty in global markets. These developments could have some impact on India. But as India's growth story is intact and its fundamentals strong, we are in a better position than many other nations to manage the challenge," Mukherjee told reporters outside Parliament House.

Mukherjee said there could be "some impact" on capital and trade flows, "but as India's growth story is strong, we could see FII's viewing India as an attractive investment destination even if there is any temporary outflow".

Ratings agency Standard and Poor's on Friday lowered the sovereign credit rating of the US to AA+ from AAA, a development which raises concerns that investors will lose confidence in the American economy.

Justifying its rating, S&P said that predictability about US policymaking and political institutions has weakened at a time of fiscal challenge. A US Treasury official, however, said the decision of S&P was flawed. (Economic Times)