

- **FICCI COMMENTS ON INFLATION DATA, DECEMBER 2013**

The inflation numbers released today moved southwards on the back of an evident decline in vegetable prices. The wholesale price index for the month of December 2013 witnessed a growth of 6.16%, a decline by over one percentage point from 7.52% growth seen in November 2013.

The prices of vegetables clocked a growth of 57.33% in December 2013 (vis-à-vis 95.25% growth in November 2013). Although this is still very high, a moderating in inflation has come about on the back of improved supply of the winter crop in the market. This has had a bearing on primary articles inflation that receded to 10.78% in December 2013 from 15.92 % in the previous month. Increase in fuel prices also saw some moderation in the month of December 2013.

Just like the WPI numbers, the CPI data for December 2013 also indicated moderation on account of easing food prices. Food inflation is largely determined by supply side factors and we hope the government pursues policies that would help address the shortages so that food inflation further softens in the months ahead. As for manufactured goods inflation, this is certainly on the lower side and with industrial production limping, we hope the RBI will consider a downward revision in policy rates later this month.

- **FICCI's REACTION TO IIP DATA FOR NOVEMBER 2013**

Sequential negative growth in IIP in October and November 2013 is disturbing. This reinforces the belief that fall in manufacturing growth has not yet bottomed out. Urgent measures and fresh thoughts are required to boost manufacturing, without which the jobs potential here will remain depressed.

Stronger systemic steps for enhancing competitiveness are also critical for the the sector, added Mr Birla. Consumer goods de-growth of 8.7% in November 2013 is the sharpest since March 2009 with steep decline in consumer durables demand, where consumer interest rates could also be a key factor.

Manufacturing growth is significantly affected by low growth in mining since sectors like metals that depend on minerals and have substantive weight in the index have pulled down the growth. Capital goods remain a cause for concern as growth of this sector was a meager 0.3% over a negative base of 8.5% in November 2012.

- **FICCI COMMENTS ON RBI MONETARY POLICY REVIEW**

RBI's decision to keep the repo rate unchanged after two successive increases comes as a welcome breather. FICCI has been urging RBI as well as the Government to bring the focus back on growth which has taken a serious beating. This is clearly reflected in the negative industrial growth witnessed in the recent past. Not only that, a discernible slowdown has been witnessed in the services sector as well. At this juncture we certainly need to push all buttons to safeguard growth and revive investor sentiment.

Several of FICCI's recent studies and surveys have pointed out that high interest rates are a dampener and have been a major impediment to new investments and overall growth. We are happy that RBI has

taken cognisance of the weak state of the industrial economy and hope that the next move will be in the direction of lowering of policy rates. Keeping interest rates in check will also support the equity markets at a time when we need disinvestments to accelerate to help achieve a fiscal deficit of 4.8percent.

While inflation understandably is a huge concern, the pressure is largely on account of stubbornly high food prices which cannot be dealt with by monetary policy alone. We hope that with the new crop cycle reaching markets high onion and potato prices are likely to ease further. If the government can use the buffer stocks to bring down food grain prices, overall inflationary expectations could be reined in. This would give more space to the central bank to move ahead to loosen the monetary policy and incentivize banks to take a relook at their interest rate structure.

FICCI's view is the government needs to address food prices on a war footing reviewing procurement, warehousing and logistics strategies. The time has come to review our entire food chain policies from price support, to what we grow and how this produce moves across the country. We need to remove impediments to movement of food, to ensure government stockpiling is not contributing to food inflation and to act strongly against hoarding.

- **FICCI COMMENTS ON TRADE DATA**

Welcoming the continued rise in exports for the fifth month in a row, FICCI said that the continued rise in exports for the fifth month in a row is noteworthy. Even though the growth in exports has decelerated in November, the good news is the narrowing of the trade deficit by over 46%. In fact, the first eight months of this fiscal has witnessed a nearly 23% decline in the cumulative trade deficit, which will considerably ease the pressure on the current account deficit and in turn make the Rupee more stable.

These are positive developments for the economy as we have already seen the current account deficit (CAD) reducing sharply to 1.2% of GDP in Q2 primarily on account of a decline in the merchandise trade gap. This reduction from 4.8percent should mean we will see below 3percent for the year.

Sustained improvements in our trade balance and effective management of the external sector risks will depend on continuation of policy interventions to curb non-essential imports, greater domestic production of commodities like coal, steady recovery in our trading partners' economies, and our ability to finance CAD through long-term capital inflows, among others. There is no room for complacency as we continue to work on improving the quality of the CAD.

- **FICCI COMMENTS ON THE PASSAGE OF LOKPAL BILL IN THE RAJYA SABHA**

FICCI welcomes the passage of the Lokpal Bill in the Rajya Sabha. The endeavour towards enhancing transparency and bringing greater probity in public life would help in the countries overall growth and development. FICCI and E and Y jointly conducted a Survey on "Bribery and Corruption: Ground Reality in India" and one of the major highlights of the survey is the negative impact corruption has on FDI inflows and the investment climate in the country. While FICCI is still studying the Bill, the Lokpal Bill could well play a positive role in improving confidence across various sections of society and industry.

FICCI and E&Y jointly conducted a survey on "Ground Reality of Bribery and Corruption in India", and one of the major findings of the survey is the negative impact corruption has on FDI inflows and investment climate in the country. While we are still studying the details of the Lokpal Bill, it could play a positive role in improving confidence across various sections of industry and society.

- **FICCI'S REACTION ON US FED'S ANNOUNCEMENT OF QE TAPERING**

The Fed's announcement to cut monthly bond purchases by US\$ 10 billion in January amid improved economic outlook in the US, finally puts an end to the speculation surrounding the timing of tapering. India is now definitely in a better position to manage its balance of payments as the Government and RBI has taken effective steps to build up forex reserves and render stability to the foreign exchange market, stated FICCI.

The recent trends in our trade and current account data clearly indicate that CAD for this fiscal would narrow down to less than US\$ 50 billion, well within sustainable limits. Regular policy interventions are in-fact required for curbing imports of indigenously available resources and economizing imports of oil through conservation plans and push to domestic production to improve our trade balance over the long term.

Further, we cannot disregard the possibility of turbulence in the FIIs market as seen earlier this year. The need for strengthening our domestic financial institutions has to be re-emphasized. The capital markets have to be made more deep and efficient to attract long-term investments and reduce the risk of volatility in capital flows.

- **FICCI SUGGEST STEPS TO EMPOWER DELHI'S INDUSTRIAL ECONOMY; STRESSES QUALITY OF PUBLIC SERVICE DELIVERY**

FICCI has suggested a slew of initiatives that could empower the industrial economy of Delhi through the implementation of best practices adopted by other States, particularly the initiatives on single window clearance mechanism, labour reforms, taxation and property registration.

FICCI has suggested a seven-point package of measures to catalyse industrial investments in Delhi and help the state to maintain its industrial leadership position in the country. The suggested measures are:

- A platform should be provided by the State Government to file Common Application Form (CAF) online and the applicant should be able to track the status of the application online.
- Approvals should be granted in time bound manner.
- Focus on carbon credit and green technologies.
- Equipment used for acquiring technology for reducing carbon emission should be exempted from VAT.
- Dedicated annualized fund adequate amount could be created for cluster development and Common Facility Centres.
- PPP should be pursued vigorously.
- Tourism is a very important area. Theme parks, boating and other such activities could be undertaken to promote tourism

FICCI has been actively playing the role of a 'Skill Development Aggregator' engaging all major stakeholders – the industry, academia, and the skill service providers into skill development activities and helping solve issues pertaining to skill shortages in a mutually inclusive manner.

- **SELF-REPORTING, SELF-REGULATION AND SELF-DISCLOSURE NECESSARY FOR GOOD GOVERNANCE AND GROWTH**

To promote good governance, FICCI has constituted an Inclusive Governance Council, which will act as an umbrella body to address issues of governance across industry and the economy with a view to promoting integrity, creating shared value, strengthening the regulatory mechanism in India and familiarizing and raising awareness on laws such as the U.S. Foreign Corrupt Practices Act, UK Bribery Act and their possible implication on Indian businesses. A Task Force on Electoral Reforms has been set up

under the umbrella of the Inclusive Governance Council chaired by former Chief Election Commissioner Dr. S.Y. Quraishi. There is also need to create an atmosphere where the industry is able to function with ease. On governance, implementation of laws needs to be stricter.

- **AMRITSAR-DELHI-KOLKATA INDUSTRIAL CORRIDOR PROJECT TO BE POSED FOR CABINET APPROVAL SOON: FICCI SPELLS OUT PRIORITIES TO PUT GROWTH BACK ON TRACK**

FICCI spelt out the priorities that must be taken on board to put economic growth back on track.

First, dealing with food inflation calls for a quantum jump in food productivity, straightening kinks in agri-supply and distribution and reducing wastages. Second, for reducing the cost of doing business in India, there is an imperative need for a comprehensive Goods and Services Tax. Third, speedier implementation of large infrastructure projects calls for action on many fronts. Fourth, the administration of taxation system of the country requires a mind-set change. As long as actions are driven by a single point agenda of maximising revenues, we will always be drawn towards litigation. Fifth, on the issue of energy security, there is need to follow a diversification strategy in terms of sources of energy as well as geographies from where we will source these. Sixth, land is essential for industrial expansion and our land related policies should ensure that this resource is available to industry on a long term basis and with certainty. Seventh, the process of allocation of natural resources should be transparent and predictable and that there should be a justifiable balance between revenue optimization and socio-economic development objectives. Eighth, businesses require an environment of predictability that can only be ensured if there is sanctity of contract, stability in the tax regime and applicability of legislations prospectively.

- **FICCI-CONFEDERATION OF MICRO, SMALL & MEDIUM ENTERPRISES TO FOCUS ON FAVOURABLE POLICY ECOSYSTEM FOR MSME'S**

FICCI-Confederation of Micro, Small & Medium Enterprises (CMSME) has been launched as an umbrella organization to promote the growth of the MSME sector which contributes significantly to GDP, exports and employment.

The focus areas of FICCI-CMSME include policy consultations with government, legal & taxation, finance, marketing & quality standards, procurement, environment, technology & innovation, and start-up & entrepreneurship. These will help in addressing MSME issues comprehensively and take forward the mission to accelerate FICCI-CMSME growth and diversification.

FICCI has undertaken deep research over the years to understand issues that have constrained the MSME sector. Across MSMEs, many firms do not have the requisite organizational capacity to meet the challenges of marketing or technological up-gradation. For CMSME therefore the mission is to develop MSME capabilities to meet the challenge of establishing themselves in the global value chain and to accelerate the ICT culture so that they become equipped with faster technology and gain a competitive edge in world markets.

The Government has devised special schemes for the sector, yet one of the most common issues faced by MSME sector is non-availability of adequate and timely credit at cost effective rates. High input costs along with varied rules and regulations across states further create obstacles to their operations. Our dedicated body, 'FICCI-CMSME' will address these issues and work closely with the Government to enhance the uptake of schemes both at the Centre and states.

CMSME will work towards strengthening policy consultations with the Government and address plethora of concerns from taxation, marketing to quality standards to procurement, as well as assist MSME sector to adhere to environment norms and other compliances.

- **INDIA NEEDS TO EDUCATE AND EMPOWER WOMEN, ENLIGHTEN MEN TO CHANGE SOCIETY'S MINDSET TOWARDS WOMEN**

FICCI informed that FICCI and FLO have for the first time set up a Task Force on Safety of Women. The 20-member Task Force, chaired by Mr. Sidharth Birla, President FICCI, has made detailed recommendations on four aspects – physical, environmental, organisational and educational.

On the opening of the women's bank, it is felt that the banks are wary of lending money to women because of instances of non-repayment of dues. Hence women entrepreneurs and others seeking loans from banks to make timely repayment as it would open doors of the mainstream banks and many other women would be able to avail of these loans.

- **BY 2020, OUR VISION IS TO ENSURE ACCESS TO QUALITY HEALTHCARE FOR 1 BILLION PEOPLE**

Affordability of quality healthcare indeed has been a key concern in India, primarily because almost 61% of healthcare expenditure is through out of pocket. Hence, much needs to be done for people to accept health insurance more than a financial tool for medical emergencies. UHC, attained through a balanced and integrated approach that combines supply and demand side financing, building upon the existing health system in the country, shall ensure continuity of care at optimum cost and efficiency in a sustainable and feasible manner.

FICCI recipe to help health insurance sector realize full potential:

FICCI firmly believes that health insurance would be one of key solution for demand side healthcare financing. However, numerous interventions are needed both from the demand and supply side to realize its full potential. The key factors that would drive the growth of health insurance industry are:

- Regulations and guidelines will facilitate ethical and transparent processes adopted by the providers, payers and service intermediaries.
- Education and awareness amongst consumers would promote informed utilization of health insurance products.

Furthermore, tax related interventions would encourage penetration. Some suggestions are:

- o Mandate group health insurance of Rs.1Lakh and allow tax deduction on the premium paid by the employer.
- o Withdraw service tax on health insurance premiums which would lead to a lowering of cost/premium for the consumer
- o Exempt Health Insurance Companies from Minimum Alternate Tax. Finance Act 2012 has already exempted Life Insurance Companies from MAT; no reason why similar exemption should not be extended to health insurance providers.

- **FICCI ANNOUNCES ITS 3RD SAFETY SYSTEMS EXCELLENCE AWARDS FOR MANUFACTURING**

The focus of the third edition of FICCI Safety Systems Excellence Award was to encourage and build strong safety systems in manufacturing unit/organization. In all, seven awards were given with three each in large and medium size category and one in small size category. In terms of broad sectors, Cement, auto, chemical, engineering and oil sector Following are the awardees of FICCI Safety System Excellence Awards for 2013.

FICCI feels that there is a need to pay more attention to the occupational diseases which relate to workplace safety. Research and Development in the area of occupational diseases that can cause terminal illness needs to be supported by our government along with the industry.

According to ILO estimates out of 2.34 million occupational fatalities every year globally, only 3.2 lakhs or 14% are due to accidents. The remaining around 2 million deaths (86%) are caused by various types of work-related diseases, which correspond to a daily average of more than five thousand deaths. FICCI urges industry to adopt best practices for Safety of Women at the Workplace.

- **EVOLVE WAYS TO INCREASE INDIGENOUS PRODUCTION OF FARM EQUIPMENTS**

FICCI feels that agricultural productivity increases are critical for India and technology will play a key role in conserving scarce resources of land and water, and addressing shortages of farm labour by reducing the drudgery and enhancing the quality of life of the farmer.

We have seen how robust agriculture growth has helped our GDP growth this year and also how sticky and high food inflation has been this past year. Both agricultural growth and bringing food inflation down can be helped by a revolution in technological applications for agriculture.

Mechanization will play a key role in increasing the farm power which needs to be scaled up to 2.0 kilowatt per hectare. Concerted efforts of the government and industry have seen greater adoption of mechanization in the country with benefits of farm mechanization spreading among all strata of farmers especially small and marginal farmers and to the regions where availability of farm power is low.

- **INVESTORS OF STABLE AND ENABLING POLICY ENVIRONMENT FOR EXPLORATION OF NEW ENERGY SOURCES**

The natural gas sector has undergone a sea change in recent years in the global context as well. Rapid growth in the production of Shale gas in the United States has opened possibilities of similar success in other parts of the world. The technological and economic possibilities that the Shale gas revolution has opened up are likely to further change the global energy landscape in the years to come. There will be new producers, new consumers and new trading arrangements that will come into place. We too are hopeful that we will be fortunate in discovering Shale gas reserves in our country as well.

The theme of the summit 'Asian Gas Market: Challenges & Opportunities in the Changing Paradigm' organized by FICCI and the Gas Authority of India Ltd. (GAIL) and supported by the International Gas Union (IGU) and Natural Gas Society, is of great importance given the huge demand for natural gas in Asia, and the rapid developments which have recently taken place in the oil and gas sector. Despite having a huge demand for natural gas, countries like India are not able to secure adequate volumes owing to differences in price expectations between buyers and sellers.

- **FICCI CAUTIONS MOD AGAINST ROLL-BACK OF REQUEST FOR PROPOSALS (RFP) TO REPLACE IAF'S AGEING AVRO FLEET**

FICCI has stated that the proposal envisaging buying 16 transport aircraft in flyaway condition to meet the immediate operational requirements of the IAF and setting up a production facility for producing the remaining fleet of 40 aircraft in the country is commendable as it would create a second line of aircraft production. This innovative model is seen by Indian industry as a farsighted measure to build capabilities in Indian industry that would act as a force multiplier and pave the way for domestic capability creation to address the growing needs of the Indian defence as well as civilian aerospace sectors.

FICCI has commended the change in thinking of the MoD and collective wisdom that prevailed to

support a second line of production of Aircrafts. The benefits of this strategy are unique as it is envisaged that the indigenous content in this second line of production will increase gradually from 30%

to 60% over the life of the programme. Also capabilities acquired through the Maintenance ToT will reduce cost to the exchequer over the life period. There exist further opportunities for industry with possible civilian spinoffs and export opportunities.

According to FICCI this golden opportunity to the private sector should not be frittered away since it will not only enhance India's strategic capability in the Aerospace sector but have multiple spinoffs in ancillary industry development, job creation and export opportunities.

FICCI fully supports initiatives to create a second line of aircraft building and has sought early intervention of the Raksha Mantri to dispel all doubts and accord expeditious clearance to this project of national importance which could be a game changer for our Military and Civilian Aerospace industry. The Chamber has, therefore, advised against retraction of the RFP which will slow down the development of capabilities in the Indian aerospace sector.

- **INDIA URGING ASEAN TO EXPLORE OPPORTUNITIES IN NORTH EAST REGION**

With the Free Trade Agreement (FTA) between India and ASEAN in place, the two sides expect bilateral trade to increase to \$100 billion by 2015 and \$200 billion within a decade. The FTA will help in developing the North East region and the Government of India is urging the ASEAN to make concentrated efforts to explore the opportunities in the region.

The trilateral highway connecting India, Myanmar, Thailand and the proposed Trans Asian Railway will greatly enhance the region's connectivity with South East Asia. Significant progress has already been made on both these projects. This enhanced connectivity will open up many opportunities for the region. However to be able to truly benefit from this, the region must upgrade its infrastructure, develop its human resources, put in place policies to attract investments and design mechanisms to facilitate trade.

It is estimated that roughly one-third of India's hydro power potential lies in the North East, apart from significant reserves of coal and gas. Despite the acknowledged potential the region is deficient in power. Critical projects that could create a surplus are delayed due to various reasons. It is estimated that the region will generate surplus power to the tune of over 10,000 MW by the end of the 14th plan period. We must build necessary transmission networks to evacuate this power, the possibility of sharing power with Myanmar in exchange of Gas, for example could be looked into. We have to look at the North East potential to be like Switzerland surrounded by many countries, landlocked yet using that to its advantage. The North East must be allowed to benefit from its advantageous location with ASEAN thus bringing India into the ASEAN fold.

- **BID TO BOOST INDIA-IRAN BUSINESS RELATIONS THROUGH INDIA PRODUCT SHOW**

The Show comes at an opportune time when Iran is trying to open its market and undertaking wide-ranging economic reforms to attract trade and investment from overseas. The exhibition would thus provide an excellent opportunity to Iranian business houses to explore quality Indian products and services. This is bound to give a new and vigorous fillip to India-Iran business and cement business relations between the two countries.

The Iranian manufacturing sector should take note of the progress made by Indian industry in the manufacturing sector. Indian machinery, equipment and industrial products today match the best in the world and are cost competitive. Vast potential exists for industry – level cooperation in pharmaceuticals, textile machinery, automobile components, agricultural equipment, power plants and equipment,

telecommunications and railway equipment. A joint effort by industry and government is needed in raising awareness about each other. Frequent exchange of business delegations and participation in each other's trade fairs should be promoted. FICCI has been playing a pivotal role in ensuring that ties between India and Iran create new milestones.

- **FLEXIBILITY IN TAXATION CAN HELP REDUCE TRADE IMBALANCE BETWEEN INDIA AND TURKEY**

The key ingredient that is missing in the India and Turkey bilateral relationship is awareness. The two countries do not have adequate knowledge about each other's political, social and cultural backgrounds because of which trade and investment has not reached the desired levels.

FICCI said that the Indian furniture retail market is 14th largest furniture markets in the world due to the rising purchasing power of the Indian middle class population. This US\$ 8 billion industry has been growing at 30% compound annual growth rate. The bilateral trade that stood at US\$ 6 billion in 2012-13 with Indian exports accounting for US\$ 4 billion of the total trade and Indian imports registering a growth of 99% over last year. However, this is not even one per cent of either country's total trade with rest of the globe. The key to increase the flow lies in broad basing our economic engagement across sectors.

- **TURKEY STRENGTHENING ECONOMIC ENGAGEMENTS**

Turkey, with its strategic and deep business relations with CIS countries, is pivotal to Indian industry's objective of strengthening economic engagements with the region. To further this objective, FICCI, in partnership with MEA and TUSKON organised the India-Turkey-CIS Business Forum in Istanbul. This forum and the delegation was opportunely timed, given the upturn in India-Turkey trade and economic relations. It is expected that the next level of their enhanced engagement would be played out in the CIS countries. With investments of Turkish companies in excess of \$ 50 billion in the CIS region, cooperation and collaboration between India and Turkey is crucial for Indian companies eager to reach out to CIS countries. During the visit, over \$ 12 million of business agreements were signed between Indian, Turkish and CIS companies in the field of IT, real estate, construction, food processing, leather and garments.

- **AUSTRALIA & INDIA TO INCREASE BUSINESS TIES TO ENHANCE ECONOMIC & SOCIAL GROWTH**

Both Australia and India need to increase their level of business engagement for enhancing economic and social growth. NSW is the leading ICT centre in the Asia Pacific region and it would encourage more focused use of technology to leverage other sectors.

New South Wales contributes about one-third to Australia's GDP and offers a multi-skilled workforce. Besides, it has excellent connectivity with more than 1000 flights operating per week. There are now direct flights between India and Sydney, which would help in further strengthening trade relations between the two nations. Strategic partnership between India and Australia has grown both in strength and importance. The rapid growth of relations between the two countries is reflected in the trade and investment figures. But still there is enormous scope of increasing the level of bilateral trade.

- **LABELLING GUIDELINES FOR IMPORT OF SEA FOOD INTO INDIA**

One of the major issues highlighted by the Vietnam officials was the recently introduced labelling guidelines for import of sea food into India. Vietnam's frozen fish exports to India at \$ 7.69 million, makes up 73 per cent of India's total imports worth US\$10.503 million and unless the pending issues are resolved, trade between the two countries would be affected.

This meeting was in line with FICCI's endeavours to further engage comprehensively with CLMV countries as well as the Government of India's "Look East Policy" and it emerged from the meeting that agriculture and marine products have a lot to contribute toward this engagement

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