FICCI'S VOICE

Federation of Indian Chambers of Commerce and Industry

"SECRETARY GENERAL'S DESK" JUNE 2017

- **FICCI COMMENTS ON WPI DATA**
  (12th May 2017)

Commenting on the WPI data**,** FICCI welcomes the release of the new WPI series. This revision in the base year was long pending and brings the WPI numbers in consonance with other key macro parameters. The new series is more contemporary as it broadens the scope of commodities covered under the main sub segments. Further, FICCI feels that setting up of a Technical Review Committee is a step in the right direction as the group will capture the technical changes in data on a regular basis making the series more robust and reliable.

As for the inflation numbers released, both wholesale index based inflation rate and retail prices reported moderation in April 2017. Moreover, the moderation in prices has been broad based. The latest monsoon forecast by IMD reports normal rainfall this year, which is expected to provide further reprieve. Also, the pressure on commodity prices seems to have cooled off somewhat.

While RBI has changed its monetary policy stance from accommodative to neutral, FICCI feels that a downward revision in the policy rate would be a trigger to boost demand as the capacity utilisation rate of companies is still sub optimal and the same has been reported in FICCI's latest Business Confidence Survey as well.

- **FICCI COMMENTS ON IIP DATA**
  (12th May 2017)

Welcoming the base revision of IIP series, FICCI said that the new base year was highly desirable to have a more representative and contemporary assessment of the industrial growth. The growth in the manufacturing sector has seen a marked improvement under the new series which only raises the hope of having a high growth of the sector in coming months as measures taken by the Government yields results. Investment, particularly private investments remain sluggish as evident from the muted growth of the capital good sector which implies that public investment is going to be an important factor.

FICCI's Voice – SG's Desk is a service to all our members and also shared with key policy makers and thought leaders. The document is a compilation of major topical issues that we take up with the Central, State governments and other concerned authorities. These issues come to us directly from members, or through deliberations in conferences, seminars etc. on sectoral issues, as also through Government notifications.

<u>** This issue of FICCI's Voice is a compilation of issues taken up by FICCI in the month of May 2017</u>

- **<u>FICCI COMMENTS ON GDP DATA</u>**
  (31st May 2017)

Commenting on GDP numbers, FICCI said that even though the GDP growth for 2016-17 is in line with the estimate put out earlier this year; the quarter four numbers do point towards moderation which can be attributed to the ban of high denomination currency notes last year. However, the process of remonetisation is almost complete and growth impulse is gradually gaining momentum.

The Government has completed three years in office and the spate of reforms being undertaken is laying a solid foundation for future. Despite persistent global headwinds, India's economy has been able to move on to a steady growth trajectory. We look forward to the roll out of Goods and Services Tax in July - which will be a game changer. Also, the NPA ordinance has been cleared and should help speed up the process of resolution. The bank balance sheets are expected to improve and private investments are likely to get a push going ahead. India's economic performance is expected to gather pace in the latter part of the current year. According to FICCI's latest Economic Outlook Survey, GDP growth is expected at 7.4% in 2017-18. At this juncture, when the inflation pressures are largely in control, we hope the RBI looks at reviewing downwards the policy rate and signalling to the banking sector to make the cost of capital more affordable for industry and consumers alike.

- **<u>FICCI'S ECONOMIC OUTLOOK SURVEY</u>**
  (15th May 2017)

The latest round of FICCI's Economic Outlook Survey, conducted during March and April 2017, puts forth a median GDP growth forecast of 7.4% for the fiscal year 2017-18, with a minimum and maximum level of 7.0% and 7.6% respectively. While agricultural sector is estimated to clock 3.5% growth in 2017-18; the pick-up in overall GDP growth will also be supported by an improvement in industry and services sector growth. The industry and services sector are expected to grow by 6.9% and 8.4% respectively in 2017-18.

The survey was conducted amongst economists belonging to the industry, banking and financial services sector and the participants feel that with the process of re-monetisation almost complete, consumption activity has witnessed an uptick and will further build up going ahead. Also, Indian Meteorological Department's latest forecast of monsoon arriving on time and being sufficient provides some reprieve amidst earlier reports of El Nino having a dampening effect this year.

Moreover, the outlook of economists with regard to prices remains benign and is in line with RBI's projection put out in the monetary policy statement announced in April this year. According to the Economic Outlook Survey results, Consumer Price Index has a median forecast of 4.8% for 2017-18 with a minimum and maximum level of 4.0% and 5.3% respectively. RBI in its latest policy statement estimated CPI inflation to average 4.5% in the first half of the year and 5% in the second half.

- **<u>FICCI COMMENTS ON CABINET APPROVAL OF POLICY FOR PREFERENCE IN PUBLIC PROCUREMENT</u>**
  (24th May 2017)

FICCI welcomed the approval of policy for preference in public procurement by the cabinet. FICCI said that this was the long-standing demand of Indian industry and is essential to promote domestic manufacturing growth. This is a legitimate tool under the multilateral commitments and with a number of major government initiatives this can be leveraged to promote value addition, create employment and give a much needed boost to manufacturing.

- **URGENT NEED TO RECOGNIZE RETAIL E-COMMERCE EXPORTS AS AN INDUSTRY**
  (30th May 2017)

FICCI stated that there is no way we can undermine the contribution of MSMEs to our economy and it is in fact very important that we continue to explore synergies to integrate this very important sector with the latest emerging trends. E-commerce is one such trend which is massively changing the mechanism of global businesses. Online retail segment has seen tremendous growth globally over the past couple of decades. Even though this trend has caught up recently in India but the exponential growth has certainly been striking.

The e-Commerce spend in India still accounts for less than 2 per cent of the total retail spending (compared to 10-13 per cent in developed countries), nonetheless the segment has become a key driver to create new markets in erstwhile unreachable geographies. The online international trade is flourishing and given the increasing accessibility to internet and the focus of the Government on Digital drive, our MSMEs can benefit directly from this opportunity. It is important that the Government recognised retail e-commerce exports as an industry.

- **DIFFERENT MATRIX OF REWARD STRATEGY NEEDED**
  (26th May 2017)

The biggest challenge for human resource professionals is to motivate, engage and encourage employees to deliver their best as the intellectual capital of an organization is the differentiating factor. FICCI said that with the advent of Industry 4.0, artificial intelligence and 3D printing, skills, people and human resource had been affected greatly. With increased automation, human interface was reducing resulting in loss of jobs. Therefore, the need was to develop a creative human resource which was productive and competitive. The workforce needed multiple skills and creativity to survive the advancement of technology and this called for a different matrix of reward strategy, which could remain sustainable in the changing scenario.

- **GOVERNMENT & POLICE NEED TO TRUST BUSINESS TO CREATE AN ENVIRONMENT OF SECURITY**
  (24th May 2017)

FICCI stated that to ensure that procurement for police modernisation of Central Armed Police Forces and State Police Forces is conducted in an efficient and transparent manner, a comprehensive set of guidelines, principles and policies should be available. Additionally, the technological advancements should be utilized in changing the existing public procurement model in internal security.

To address the requirements of various police modernisation projects, the present public procurement framework adopted for generic public sector projects may not be adequate. It is therefore essential to examine the procurement framework for police modernisation projects and suggest ways to circumvent the challenges faced in the procurement and execution.

There is need for the government, police and industry to work in tandem for economic growth of the country. FICCI added that the government and police needed to trust business to create an environment of security and for business to flourish. It is a disruptive age and rapid advancements in technology demanded upgrading of skills of the police at a faster pace. Earlier, the skills became obsolete in 15-20 years but now the time has come down to 3-5 years; thus there was a need to re-invent the processes continuously.

- **PRIMARILY GROWTH IN JOBS TO COME FROM SERVICES SECTOR**
  (11th May 2017)

India is amongst the bright spots in the world economy today, with the highest growth amongst all large economies. Yet, the pace of growth in jobs is nowhere near the overall economic growth. One of the obvious reasons is the rapid rise in the use of technology and machines, which have increased efficiency and lowered the reliance on manual work. Most of the organisations have started going lean and are reducing the non-productive job roles with the help of technology. FICCI while elaborating on the need for skills, said that a tremendous mismatch existed between skills, education, geography and jobs. Even the most educated youth are not adequately equipped with skills needed by the industry. Given the changing technological environment, the market is responding differently to the mismatch in skills and we must allow them to do so.

- **INDIA-AUSTRIA COLLABORATION ON CLEAN ENERGY**
  (11th May 2017)

FICCI stated that there couldn't be a better location than Vienna to talk about the expanding scope of renewables given Austria's remarkable strides in renewable energy – it met its entire energy demand in 2015 with renewable energy. Austria's experience in bringing renewable energy to mainstream and successfully addressing the challenges of integrating solar and wind energy with grid offers unique learning opportunities for Indian entities. Likewise India's renewable energy target of 175 GW and the scope of smart grid provide enormous opportunities for Austrian entities towards adapting their solutions to India's energy landscape and partnering with India towards evolving better energy technology and economic solutions.

Citing that an estimated of USD 160 billion is required to meet India's ambitious clean energy goals between now and 2022, FICCI, highlighted the immense potential of green bonds for channeling debt capital funds towards clean energy financing in both Austria and India. Internationally, India now ranks 7th with an issuance of USD 2.7 billion in 2016. FICCI collaborated with the Climate Bonds Initiative in launching the Indian Green Bonds Council in October 2016 with the objective to bring together issuers, investors and rating agencies to propose solutions towards the development of a green bonds market in India.

India can offer the advantages of scale and serve as an attractive clean energy investment destination premised on attractive rates of return and the supporting policy and regulatory push for the expanding the clean energy agenda. Austria on the other hand can help in bring in the expertise on the technology development and transfer on developing smart grid components, decentralized web-based solution for energy data management.

- **FICCI COMMENTS ON THE BANKING REGULATION (AMENDMENT) ORDINANCE, 2017**
  (5th May 2017)

FICCI welcomes the steps taken by the Government and the Reserve Bank of India to address the issue of rising NPAs which have plagued the banking sector thereby hampering its ability to extend credit for investments needed for creating jobs and supporting entrepreneurship in the economy.

While welcoming the Ordinance, FICCI said that it is fully supportive of the efforts of the government and has always maintained that in all cases where there is a clear indication of wilful default or malfeasance, the law of the land should prevail and firm action should be taken. However, it is also important to note that in many cases, the projects do get affected on account of changes in the policy environment, unforeseen global developments, or even slow pace of clearances. In all such cases where fundamentals of business models are secure, there is a need to take steps for quick revival of projects with support from the concerned management.

FICCI hopes that due consideration will be given to such cases and the nodal ministries of the government will look into some of the larger policy decisions that need to be acted on for imparting strength to the growth of the sectors where NPAs may have seen a quantum jump because of systemic factors.

- **RERA WOULD CREATE A PLAYING FIELD FOR STAKEHOLDERS**
  (4th May 2017)

FICCI said that the regulator should act as a facilitator who should protect the interest of the customers as well as developers. Highlighting the issues of the industry, FICCI said that a national portal should be in place for online clearances and the government must review some of the provisions such as providing refund in 45 days, which has practical implications so as to allow the industry to work effectively.

Maharashtra has been pro-active in working towards implementation of RERA; the regulator is in place and the online portal for registration of on-going projects is up and running. RERA would bring about transparency in the activities of both developers and the government. In the past real estate sector was facing several challenges and RERA would create a level playing field for the stakeholders.

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