FICCI Chief presents Economic Action Agenda to PM's Economic Advisory Council Chairman

Bleak revival prospect of strong economic growth in the absence of tangible domestic policy reforms and liberal monetary policy, cautions FICCI

NEW DELHI, July 19, 2012: The Federation of Indian Chambers of Commerce and Industry (FICCI) is less than optimistic of a strong economic revival in the near term due to lack of tangible policy reforms such as ensuring fuel linkages for power plants, smoothening issues surrounding land acquisition for industrial purposes and Goods & Services Tax (GST), clearing of projects and extension of price decontrol mechanism to diesel along with a liberal RBI monetary policy stance.

This concern was expressed today by senior FICCI members led by **Mr. R V Kanoria, President, FICCI**, **and Chairman and MD, Kanoria Chemicals,** at their meeting with **Dr. C. Rangarajan, Chairman, Economic Advisory Council to the Prime Minister.**

The FICCI members who accompanied Mr. Kanoria included Ms. Naina Lal Kidwai, Senior Vice President, FICCI and Country Head HSBC India and Director HSBC Asia Pacific; Mr. Sidharth Birla, Vice President, FICCI and Chairman Xpro India Ltd; Mr. Rajan Mittal, Vice Chairman and MD Bharti Enterprises; Mr. Harsh Pati Singhania, MD, J K Papers Ltd; Mr. Y K Modi, Chairman and CEO, Great Eastern Energy Corporation Ltd; Mr. Waszyk A Helio, Chairman and Managing Director, Nestle India Ltd; Dr. Rajiv Kumar, Secretary General, FICCI and Dr. Arbind Prasad, Director General, FICCI.

Mr. Kanoria pointed out, "In the FY12, GDP growth of 6.5 per cent has come below the consensus figure of 6.7 per cent and the Advance Estimate of 6.9 per cent. The quarterly investment rate is visibly low and consumption is far from bouncing back. Soft investments, imports and consumption all points to aspects of soft domestic demand."

Expectations of subdued global growth and uncertainty out of Eurozone (risk of bank runs) is expected to lend little support either to exports or investment sentiments (reduced foreign flows) and growth undershooting expectations even at such low levels and softening domestic demand lends support to the need for further monetary accommodation sooner than later. "However, the impact on the economy is likely to be far more effective if it gets complemented by some strong government measures be it in improving the investment climate or reducing subsides to tackle burgeoning deficits. RBI communications so far seems to suggest that any rate call would be driven by the mix of both inflation and government efforts towards fiscal consolidation," Mr. Kanoria said.

May IIP growth is bouncing at the bottom with 2.4 per cent. April 2012 IIP growth estimate revised downward from 0.1 to -0.9 per cent, on account of the downward revisions to capital goods (revised: -19.6 per cent, prior: -16.3 per cent) and consumer non-durables (revised: 2.5

per cent, prior: 5.2 per cent). “There are risks of a downward revision to May’s reading as well,” warned Mr. Kanoria.

CMIE capex data shows project completion of just Rs. 730 million in FY12 Q1 which is down from Rs. 2.1 billion of project completion in March quarter. New project completions are also low at Rs. 1.9 billion in June quarter following an average of Rs. 2.6 billion in the previous four quarters.

The industrial credit growth which has typically led the industrial revival remains weak, even at a disaggregated level in sectors such as basic metals. The decline in the PMI new orders, in May, as well as in June, suggests at industrial growth remaining soft in near future.

Mr. Kanoria presented to Dr. Rangarajan, FICCI’s 12-point agenda for putting economic growth back on track. The agenda is:

- Government should eschew the temptations of a premature welfare state and announce an immediate moratorium on any additional expenses on doles
- Expedite the implementation of the Goods and Services Tax (GST)
- Ease the monetary policy
- •Do not pass the Land Acquisition Bill in its current form
- Provide fiscal stimulus for investments across sectors
- Push through with FDI policy reforms in areas where action is possible outside the ambit of Parliament – multi-brand retail, civil aviation etc
- Extend the price decontrol mechanism to diesel and other oil products
- Take steps to energize the coal sector by fostering competition
- Strengthen frameworks for raising funds for infrastructure financing in the economy through instruments like Municipal Bonds etc
- Pursue the objective of food security through productivity increase and agriculture marketing reforms
- Fast-track implementation of critical policies and projects like National Manufacturing Policy, National Electronics Policy, PCPIR etc
- Address the issue of repatriation of black money to immediately mitigate the BOP situation by entering into global revenue sharing agreements

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