- **RBI MONETARY POLICY**

Commenting on the bi monthly Monetary Policy Statement announced by the Reserve Bank of India, FICCI said that the policy is on expected lines as a rate cut was not on the cards. The Governor had made the RBI's position clear with regard to policy rates. Although the upside risks to inflation have eased, the RBI has chosen to take a cautious stance given the geo-political risks that could have a bearing on oil prices and the lagged full impact of skewed rainfall which could impact food prices going ahead. Another element adding uncertainty to the future trajectory of inflation is the possible revision in administered prices which thus far has been held back.

On the growth performance, FICCI feels that it is time for us to build on the good start seen in this year and firm up the performance of the industrial sector. Our surveys show that capacity utilization levels across sectors has not changed much over last six months. There will have to be a substantial improvement in demand for companies to undertake fresh investments. We feel that the de-bottlenecking process for projects initiated by the government has started yielding results and the full impact should be seen in the next six to twelve months.

As projects come on-stream and the industrial economy starts moving, there will hopefully be greater demand for credit. While we fully appreciate the measures taken by RBI in maintaining adequate liquidity in the system, the viability of fresh investments is impacted by many factors including the cost of credit.

- **WPI DATA**

The WPI based inflation rate for August 2014 released recently stood at 3.74 per cent and marks a decline of 1.45 percentage points from the July number. With prices softening across all major sub segments, this is the lowest headline inflation rate seen in almost five years.

FICCI stated that the WPI inflation rate is gradually softening with food and fuel prices – the two key pressure points – showing signs of easing. This is definitely a good sign. The CPI inflation data released last week and which now is the guide post for RBI stood at 7.8 per cent for August 2014. While there are no imminent risks towards meeting the indicative inflation target set for January 2015, the next task would be to achieve 6.0 per cent retail inflation rate in the year after that. It is imperative to continue working on the structural bottlenecks. Some announcements have already been made by the government on this front and we hope that the implementation part will get greater traction now. Prices of food items at the retail end continue to be a cause for concern and call for some deft supply and distribution management.

- **FICCI'S LATEST ECONOMIC OUTLOOK SURVEY**

The results of FICCI's latest Economic Outlook Survey put across a GDP growth estimate of 5.6 percent for FY15, an improvement over the 5.3 percent growth estimate that was indicated in the previous round. The minimum and maximum range for GDP growth in the current fiscal was indicated at 5.3 percent and 6.0 percent respectively. This reflects a clear return in optimism and the economic activity is expected to continue with this momentum in the second half of the current fiscal year as well.

While the agricultural growth is expected to remain steady despite a delay in the monsoons, the outlook for the industrial sector seems to have improved considerably. The latter is expected to grow by 4.7 percent in FY15, which is 1.6 percentage points more than the growth estimate in the previous survey round (conducted in the month of June 2014). The growth in the services sector is expected to remain pretty much at similar levels as was reported last time. The sector is likely to grow by 6.9 percent in FY15.

The new government guided by the objective of restoring growth and governance has given very positive policy signals in its first 100 days. We see the confidence amongst investors slowly returning and hope that going ahead the momentum on implementation front will build up. Inflation is expected to ease somewhat compared to last year and the annual average CPI inflation rate is projected at 7.8 percent in FY15. This is in sync with target indicated by the Reserve Bank of India earlier this year. However upside pressures on inflation may still arise.

Some of the priority areas identified included- developing a world class infrastructure, provision of uninterrupted and quality power supply, labor issues, cost and duration of land, minimizing procedural hassles and fast tracking approvals, development of cluster and innovation hubs with world class amenities including lab and testing facilities, enhance credit to Small and Medium Enterprises, simplify the taxation policies and introduce GST at the earliest.

- **IIP DATA**

FICCI stated that while we were hoping that slowdown in manufacturing had bottomed out, it appears from July numbers that manufacturing may not be out of the woods. It is worrying that deceleration in July is somewhat broad based extending to consumer durables and capital goods. FICCI look forward to the positive investment and infrastructure driven environment, and a robust decision making mechanism to improve ease of doing business, as also indicated by Hon. Prime Minister, to fully carry forward the policy of "Make in India" and boost manufacturing

- **NEW SET OF GUIDELINES FOR PSUS TO ADOPT SUSTAINABLE BUSINESS MODELS**

A new set of guidelines for Public Sector Undertakings will be released this week in the public domain to support the CSR and Sustainability Guidelines already in place.

Life Cycle Thinking is playing an increasingly important role in guiding and shaping business operations worldwide. Indian Life Cycle Management is the only forum in India that focuses exclusively on Life Cycle related work of academicians, industry, policy makers and relevant stakeholders.

By integrating the life cycle perspective in overall management and bringing product and process development in a more sustainable direction, an organisation can harvest the benefits of environmental, occupational health and safety, risk and quality management, as well as developing and applying cleaner process and product options.

FICCI will focus on case studies on incorporating LCA/M in Corporate Sustainability Policy/Strategy; Regional approaches on inclusion of Life Cycle Thinking into business/policy decisions and using social LCA as a catalyst for Inclusive growth and development.

- **GOVERNMENT'S POLICY DECISION REGARDING LOCAL LABELING OF MEDICAL DEVICES, A BIG RELIEF TO THE SECTOR**

FICCI Medical Device Forum welcomes the Government of India's Gazette notification GSR 690 (E) comprehensively deals with a range of concerns long sought by Medical Device Industry. FICCI Medical Device Forum along with others particularly took up the issue of India specific labelling with the urgency for addressing the sector's needs comprehensively with MOH&FW as well as with DCG(I) which supported the current amendment of the Drug & Cosmetic Rules, to allow India specific labelling after imports of Medical Devices into India.

FICCI comprises both Indian and multinational manufacturers of global repute, who, for many years, worked in close collaboration with the Indian regulatory agencies. The Indian drugs and medical devices regulatory agencies have ensured that the medical devices and in-vitro diagnostic products which are manufactured or imported and sold in the country, continue to benefit the patients who need them and are used in the most appropriate, effective and safe way.

- **FICCI OUTLINES FOCUS AREAS FOR CREATING AN ENABLING ENVIRONMENT FOR BUSINESSES TO FLOURISH**

The 'Make in India' campaign launched by the Prime Minister, Mr. Narendra Modi can become the trigger in transforming Indian manufacturing, with its share in GDP languishing at 15-16 per cent for several years.

The FICCI document states that India is unarguably an attractive investment destination given its rich demographics that feed into the intrinsic demand and supply elements of businesses. The potential however has remained mostly untapped for want of a truly enabling environment required for businesses to flourish.

It emphasizes that the focus must now be on:

- Improving Business Environment through ease of doing business and an encouraging fiscal framework
- Enabling Manufacturing Set-up by providing a conducive eco-system that supports factor advantage, nurtures innovation and strengthens inter-linkages with other industries and institutions
- Attracting Greater Capital through further liberalisation of foreign direct investment in key sectors

- **FICCI CALLS FOR QUICK REVIEW OF COAL BLOCKS ALLOTMENT POLICY**

FICCI hopes that Hon'ble Supreme Court's decision of cancellation of coal blocks allocation is quickly followed by the Government action of constituting a framework to reallocate these blocks on the principles of transparent allocation and competitive bidding to restore investor confidence in India's coal industry.

FICCI is hopeful that this decision would act as a precursor to review of coal sector policy paving way for full-fledged coal reforms starting with amendment in Coal Mines Nationalization Act, 1973 and Mine Minerals (Development and Regulation) Act, 1957 to facilitate entry of private entities in coal exploration and mining. The cancellation of coal blocks involves significant investments and will obviously impact the economy and investment climate, therefore a quick response from Government will help allay the apprehensions.

- **CALL FOR RATIONAL TOLLING POLICY WHICH IS FAIR TO ROAD**

The infrastructure situation in the country is dismal; the pace of investment is sub-optimal and unless we come out of the subsidy regime and inject substantially more funds into capital expenditure for asset creation, the situation will not look up. The need of the hour is for a rational tolling policy so that the user is not charged arbitrarily, especially where the charge is disproportionately higher in relation to the distance actually travelled.

A Knowledge Paper by FICCI & EY on 'India's Transport Sector: Convergence & Connectivity' suggests that to avoid long delays relating to project related clearances, single window clearances for all the critical transport projects is required (subject to a project cost threshold). There is a need to develop long-term source of funding through pension and insurance funds and support it with secondary bond market to access long term capital for transport projects. It suggest developing a strategic roadmap for all the future development of ports (major or non-major) in the country in an organized manner. The strategy should clearly lay out the norms based on which locations will be identified and capacity shall be planned.

- **75M HOUSEHOLDS TO BE EMPOWERED THROUGH FINANCIAL INCLUSION**

The Pradhan Mantri's Jan Dhan Yojana (PMJDY), is a direct transfer scheme with no scope for misuse. Seventy five million families will be empowered through bank accounts; and the RuPay card will move the country towards a 'less cash' economy. However, the scheme has to be properly targeted or else it will not have the desired impact.

FICCI said that our visionary leadership has set an ambitious target for development across wide ranging social and economic areas. Dedicated programmes and campaigns to implement these plans are being launched. This gives us a positive sense for the 'Make in India' launch due in a few days.

- **FICCI CALLS FOR PROGRESSIVE STEPS TOWARDS ACHIEVING $ 6 BILLION INDIA-PAKISTAN TRADE TARGET**

FICCI called for proactive measures towards achieving India-Pakistan bilateral trade target of US $ 6 billion by bringing huge volumes of third country trade and informal trade into the mainstream, opening up of important trade routes and opening of bank branches in each other's countries.

FICCI said that trade between India and Pakistan is inextricably linked to political dynamics which have their ups and downs. What is laudable is that business has triumphed and in fact serves as a strong Track II channel to bring us closer.

- **NEED TO ALIGN MINIMUM WAGES NATION SKILLS QUALIFICATION FRAMEWORK**

FICCI pointed out that to achieve the PM's vision of developing skills for employability rather than certificates, "The fundamental requirement is creating an ecosystem which assigns dignity to vocational education. This would go a long way in addressing the 'aspirational mismatch' that majority of our students go through. Unlike the old times where a degree alone guaranteed job security, in this new generation ‘employability’ is the key for securing jobs. A massive campaign is thus required to ensure that our youth, especially women take up vocational education and technical training as a career choice and not a chance.”

- **FICCI ANNOUNCES THE IDEA OF VIRTUAL CSR FUND CALLED IISH-KOSH**

FICCI proposed to create a virtual pooling of industry CSR funds by creating IISH (Indian Industry in Solidarity for Health) Kosh to channelize funds into priority area in healthcare identified by the government. FICCI Health Services Committee is keen to work with the Health Ministry to develop a directory of healthcare activities based on the priorities of the government so that the CSR funds are channelized in the right direction to support National Health Assurance mandate of the government.

FICCI stated that one of the big drivers of change is the increased demand for effective and robust low-cost medical devices from emerging economies, notable China and India. With increased investments in health systems in China and India, there will be a market for such technologies. India's latest five-year plan includes a commitment to increasing the government's share of total healthcare expenditure by 2017 and, more importantly, it will move to a universal health assurance programme. Innovations in health (across all aspects) will definitely need to be a key feature to deliver on these initiatives.

- **FICCI COMMENTS ON THE SIGNING OF INDIA-ASEAN FTA IN SERVICES AND INVESTMENT**

Welcoming the signing of FTA in services and investment with ASEAN, FICCI said that it will supplement the India-ASEAN FTA in goods and help in getting greater market access for India’s professionals and service providers in the 10-member block. We are happy that an annexure on movement of natural persons has been included in the agreement, which will benefit our professionals.

ASEAN’s share of global services trade has been rising over the past decade or so, moving up from 4.6% in 2000 to around 8% in 2012. ASEAN import of services stood at over $306 billion in 2012 and from this perspective it offers substantial market opportunities for India in several sectors including health-care, accountancy, telecom and business services besides IT and ITeS.

- **FICCI WELCOMED STATEMENT ON AUSTRALIAN PM TONY ABBOTT’S ADDRESS**

FICCI welcomed Australian Prime Minister Tony Abbott’s statement “that there is an abundance of opportunities here in India and I want to make the most of them”. FICCI said that we foresee a significant elevation in the level of engagement between Australia and India. India-Australia ties rest on a strong edifice cemented by increasing points of convergence. Both are vibrant, secular and multi-cultural democracies and nurture the desire to have a symbiotic relationship encompassing wide ranging areas. We are in the process of initiating projects that will be the building blocks of India’s growth such as smart cities, transport systems, clean energy and skill development. We welcome Australia’s participation in creating a new India.

Besides economic and strategic connects, India and Australia have tremendous potential for enhancing people to people contact. Promoting tourism, youth exchanges, educational collaboration and cultural exchanges are integral to the growth of our relationship and we must work with determination to leverage these opportunities. FICCI’s agenda for cooperation between India and Australia also includes areas like mineral resources, infrastructure, energy and urban development planning.

- **<u>FICCI COMMENTS ON PRIME MINISTER NARENDRA MODI’S VISIT TO JAPAN & TOKYO DECLARATION FOR JAPAN-INDIA SPECIAL STRATEGIC AND GLOBAL PARTNERSHIP</u>**

FICCI said that Prime Minister Narendra Modi’s visit to Japan marks a defining moment in our relationship and will be registered in history as one that significantly elevated the level of engagement between India and Japan across areas. The agreements that have been signed and the understanding achieved under the guidance and leadership of Prime Minister Modi and Prime Minister Abe will bring the two countries closer in both strategic and economic spheres.

We are particularly enthused about the launch of the Japan India Investment Promotion Partnership under which the two sides have agreed to double the flow of FDI into India and the number of Japanese companies over the next five years. FICCI firmly believes that we must encourage greater export oriented FDI from Japan into India and this visit of PM has laid the groundwork for the same. Japan has committed to realise total financial flows of close to 3.5 trillion Yen into India over the next five years in projects that would form the building blocks of India’s growth such as smart cities, transport systems, clean energy, skill development and food processing.

Besides economic and strategic connects, the two sides have also laid great emphasis on promoting people to people contact. Promoting tourism, youth exchanges, educational collaboration and cultural exchanges are integral to the growth of our relationship and our leaders have expressed their determination to further enhance the same.

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