

2017



Weekly E-Bulletin

Indian Institute of Export Management



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SMALL CARDAMOM MAINTAINS STEADY AROMA

Small cardamom prices remained unchanged last week at auctions held in Kerala and Tamil Nadu. The matching demand and supply during the week has been attributed to the steady market trend. Harvesting is almost over and hence the supply is unlikely to increase in the coming days, PC Punnoose, General Manager, CPMC, told *BusinessLine*. He said buyers were active and were covering apprehending short supplies in the coming weeks. Exporters were also covering and they have bought and estimated 60-70 tonnes of exportable variety capsules last week, he said. Total arrivals during the season from August 1 up to January 13 were at 10,897 tonnes and sales were at 10,330 tonnes. The individual auction average for the season as on January 13 stood at Rs. 1,092.50 a kg.

B/L-16/1/2017

INDIA SHOULD START SHIPPING SERVICE TO CHABAHAR, SAY EXPERTS

Logistics experts and think-tanks feel India should speed up \$500-million Chabahar Port in Iran and, start a regular shipping service to the Iranian port from India. In May 2016, Prime Minister Narendra Modi signed pacts with Iranian President Hassan Rouhani for developing the Chabahar port as India's gateway to Afghanistan, Russia and parts of Europe by land, bypassing Pakistan. Located in the Gulf of Oman, Chabahar is in the Sistan and Baluchestan province in the South Western tip of Iran; close to the China-controlled Gwadar port in Balochistan of Pakistan. While Gwadar is a deep sea port, Chabahar needs to be developed to accommodate bigger ships. Indian Ports Global, a joint venture between the Jawaharlal Nehru Port Trust and the Kandla Port is slated to develop two terminals and five multi-cargo berth in Phase-1 of the project.

B/L-17/1/2017

COTTON SET TO MAKE COMEBACK AS PULSES DISAPPOINT GROWERS

After losing out about 20 per cent area to pulses, cotton is set to regain the lost ground in the upcoming kharif season. With prices of pulses crashing, farmers are expected to go back for cotton next season. The seed industry expects a growth of 20 per cent in sales next season over the 3.6 crore packets it sold last year, or an increase of 60-65 lakh packets. Dramatic increase in cotton prices this year too is likely to make farmers to come back to the crop. After a disastrous season the previous year, cotton prices touched Rs. 6,100 a quintal at the peak in September 2016, as against Rs. 1,500-2,000 in September 2015. Those who grew cotton this season reaped good returns.

B/L-18/1/2017

RISING PRICES BRING CHEER TO COFFEE GROWERS

A projected drop in Brazilian coffee output and tight supplies from other growing regions is

seen bringing cheers to the Indian growers as prices of the bean have been on an upward trend over the past few weeks. As a result, growers are seen holding back their produce on expectations that prices were likely to move up further. Farm gate prices in India, tracking the New York and London terminals, have moved up by at least a tenth since early December on tight supplies. Arabica parchment prices are now being quoted around Rs. 9,400 per 50 kg bag as against the Rs. 8,100 levels in early December. Similarly, the Robusta parchment has also moved up to around Rs. 7,000 levels and robusta cherry prices are hovering around Rs. 4,000 per bag levels, growers said. Compared to last year, the prices of both the varieties are up by around Rs. 1,000 per 50 kg bag this year, trade sources said. Conab, the Brazilian government agency, forecast on Tuesday that the coffee output in the world's largest producer and exporter of the bean would drop as much as 15 per cent in 2017 over last year's record output of 51.4 million bags. Conab has pegged Brazil's 2017 output at between 43.7 million and 47.5 million bags of 60 kg.

B/L-19/1/2017

SOYMEAL EXPORTS LIKELY TO TOUCH 2 MT ON HIGHER OUTPUT, Demand

Supported by the record high crop of about 11 million tonnes (mt), soymeal exports from India is likely to touch 2 mt on strong overseas demand and favourable pricing situation, experts noted. In a latest estimates, the Solvent Extractors Association of India (SEA) has put India's soymeal production at 11 mt reflected in the increased crushing activities. Atul Chaturvedi, President of SEA stated, "soymeal crop, which was struggling for the past two years has re-bounded with vengeance and most likely to touch the magical figure of 11 mt. Exports of Soymeal are also looking up. We should not be too surprised if our exports cross 2 mt in Soymeal during the current oil year."

B/L-20/1/2017

TEA GETS STRONG TAKERS IN KOCHI AUCTIONS

Support from leading blenders coupled with a strong demand lifted prices of almost all tea varieties at Kochi auctions this week. The market for CTC dust was opened **Rs. 2-4** dearer and 96

per cent of the tea on offer getting sold. The quantity on offer in sale no 3 was 8,89,500 kg. There was a better interest from exporters while the upcountry demand was fair, the auctioneers Forbes, Ewart & Figgis said. In orthodox dust grades, the market was firm to dearer by **Rs. 2-3** and the quantity on offer was 15,000 kg. Exporters continued to be the mainstay of the market. In Cochin CTC dust quotation, good varieties fetched **Rs. 115-157**, mediums quoted **Rs. 109-126** and plain grades stood at **Rs. 105-111**. There was good demand for CTC leaf varieties with 99 per cent getting sold. The quantity on offer was 53,500 kg and the market was firm to dearer by **Rs. 2- Rs. 3**.

B/L-21/1/2017



EXPORTS RISE FOR FOURTH STRAIGHT MONTH

Exports of goods grew for the fourth consecutive month in December 2016, posting a year-on-year increase of 5.72 per cent to \$23.88 billion. The growth, despite the inconveniences caused to small enterprises due to demonetisation, signals a possible revival in global sentiments, say exporters. Imports during the month increased marginally by 0.46 per cent to \$34.25 billion resulting in narrowing of trade deficit to \$10.36 billion against a deficit of \$11.5 billion in the same month last year. "Global sentiments have started showing positive signs and the US Fed rate hike and demonetisation have had very limited impact on exports. Labour-intensive sectors like gems and jewellery, handicraft, marine and engineering have shown impressive growth," said President, Federation of Indian Export Organisations (FIEO). Overall exports in the April-December 2016 period grew 0.75 per cent to \$198.80 billion while imports declined 7.42 per cent to \$275.35 billion. Trade deficit shrunk to \$76.54 billion in

April-December 2016 compared with \$100.07 billion in the same period last year. Exports have grown across 18 out of 30 major product groups in December, led by petroleum, iron ore, engineering goods, jute manufacturing, oil meals, oil seeds, coffee, marine products, organic & inorganic chemicals, drugs & pharmaceuticals and gems & jewellery. "FIEO is on course to achieve exports of about \$270 billion to \$280 billion during the current fiscal," FIEO, Chief said. Exports declined 15.85 per cent in the previous fiscal to \$261 billion. Non-petroleum exports in December 2016 valued at \$21.11 billion were 5.4 per cent higher compared to December 2015. Oil imports during December 2016 were at \$7.64 billion, a 14.61 per cent jump over that in the same month last year while non-oil imports during the month at \$26.60 billion were 2.98 per cent lower.

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COMMERCE MINISTRY STARTS REVIEW OF FOREIGN TRADE POLICY: COMMERCE MINISTER

The commerce ministry has started the review of the foreign trade policy by consulting all stakeholders to see whether any support is required for certain sectors to further boost exports. Commerce and Industry Minister said the foreign trade policy (FTP) is in the process of a review. "When it (FTP) was announced in 2015, Govt had said Ministry will go in for a mid-term review so that if there is any tweaking that has to be done, it will be done," Minister said at the Vibrant Gujarat summit. Commerce Minister said that the exercise of consulting people and taking stakeholders into confidence is on. The ministry is doing this "to see as to where and which sectors need that kind of tweaking in the policy". Since December 2014, exports fell for 18 months on the trot till May, due to weak global demand. Shipments witnessed growth only in June this year, thereafter again entered the negative zone in July and August. The outbound shipments are growing from September. But the global situation is still uncertain. In April 2015, the government unveiled its first five-year Foreign Trade Policy (FTP), aiming to double exports of goods and

services to USD 900 billion by 2020. In the FTP (2015-20), the government replaced multiple schemes with Merchandise Exports from India Scheme and Services Exports from India Scheme. Minister also said that the ministry had requested the states to appoint export commissioners and formulate a policy. "The strategy behind that is that the states must have, in line with the FTP, but highlighting their own states' strengths," Commerce Minister added.

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IMPLEMENTATION OF INDO-JAPAN FREE TRADE AGREEMENT NEEDS TO BE EXPEDITED: COMMERCE MINISTER

The pace of implementation of Indo-Japan free trade agreement needs to be further enhanced in order to exploit the huge potential of the pact, Commerce and Industry Minister said. The issue among others was discussed during the meeting between Indian Commerce Minister and Japan's Economy Trade and Industry Minister. Indian Commerce Minister stated that the pace of implementation of India-Japan Comprehensive Economic Partnership Agreement (CEPA) has been rather steady and

needed to be enhanced with faster pace to tap the huge potential of India- Japan bilateral trade, an official statement said. Japan's Economy Trade and Industry Minister said that there is a huge potential for IndoJapanese Cooperation and mentioned that 25 Japanese companies are participating in Vibrant Gujarat Summit with great enthusiasm. The Japanese side requested that the issue of Transfer Pricing assessment and other ones as raised by Japan Chambers of Commerce and Industry in India (JCCII) from time to time need to be resolved for attracting greater Japanese investments in India, the statement said. The Japanese business delegates briefed about their business presence in India and intimated that they wanted to diversify their business in India in Sectors such as Agriculture, Power, Electronics, Railways, Logistics Sectors, manufacturing of ATMs etc and wanted to contribute to the development of India. The Japanese side expressed interest in enhancing cooperation in the area of Intellectual Property Rights (IPR) between India and Japan and intended to train Indian IPR examiners in Japan. They expressed the need for a high level meeting between India and Japan on IPR cooperation. Indian Commerce Minister requested the Japanese side to take steps to increase Indian Exports to Japan in Sesame seeds, Surimi fish and

Indian generic drugs. Minister said that the Japanese Industrial Townships (JITs) in India would be transformational and will bring in significant Japanese investments and further strengthen India- Japan Economic Cooperation. On the logistics front, Indian Minister mentioned that India plans to build Logistics University wherein the cooperation from Japan would be needed.

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INDIA'S TRADE DEFICIT WITH CHINA CLIMBS TO \$46.56 BILLION

India's trade deficit with China mounted to a whopping \$46.56 billion last year as Indian exports continued to decline while the bilateral trade marginally slowed down by 2.1 per cent to nearly \$71 billion. The total India-China bilateral trade in 2016 amounted to \$70.8 billion, a decline of 2.1 per cent as per the trade figures released by General Administration of Customs (GAC). China exports totaled to \$58.33 billion, registering an increase of 0.2 per cent compared to \$58.25 billion in 2015, as GAC data accessed by PTI. While it is not clear yet the areas of decline in India's exports as detailed data is not released yet, officials say it reflected on the continuing

declining trend in the last few years. The exports from India to China pegged down at \$11.76 billion, about 12 per cent decline compared to 2015. The Indian exports showed the declining trend for a while as they totaled to \$13.38 billion in 2015 and \$16.4 billion in 2014. In 2016, the trade deficit was \$12.46 billion. The overall trade between the two countries in 2015 touched \$71.64 registering a marginal increase compared to \$70.59 in 2014. The trade deficit has mounted to \$46.56 billion in 2016 from \$44.87 billion in 2015 as per the data from Chinese customs.

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UK SHOULD INVEST TIME INTO FTA WITH INDIA: REPORT

Britain should prioritise free trade agreements with key Commonwealth nations like India following Brexit, says a new report released. The report by the UK's Free Enterprise Group suggests a five-step plan for the UK as it gets ready to leave the EU, which begins with striking pacts with the Commonwealth's open economies of Australia, Canada, Singapore and New Zealand to secure Free Trade Agreements (FTAs) in time for Brexit. As a second step, the UK should pursue an FTA with India. "The UK's largest Commonwealth export destination [India] is a prize worth pursuing. Significant

time should be invested by the UK into a trade-only deal. However, this will take time. Australia, Canada and New Zealand are all in the process of FTAs with India that have already taken five to six years," the report notes. 'Reconnecting with the Commonwealth: The UK's free trade opportunities' co-authored by Conservative party MP and executive director of Commonwealth Exchange, highlights the importance of shared language, common law tradition, diaspora networks, and historic cultural links with countries like India as a key to forming new ties following Britain's exit from the 28-member economic bloc. "The best way to ensure that free trade has few losers, even in the short term, is to begin with much freer trade between likeminded countries with comparable standards of living. Free trade agreements with economically advanced Commonwealth countries are the obvious place for Britain to start," says former Australian Prime Minister in his foreword to the report. "The government must publish a plan to utilise the 'Commonwealth Advantage' and build our trade links with the Commonwealth. A market of 2.3 billion people and some of the fastest growing economies in the world is too big an opportunity to ignore," it said. The report says the UK is the largest EU goods

export destination for numerous Commonwealth countries such as India, Australia, Canada, New Zealand and South Africa. It is also the second largest for Bangladesh, Kenya, and Papua New Guinea, providing a strong motive for Commonwealth countries to form trade deals with the

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UK. CHINESE ENVOY MOOTS 'FRIENDSHIP TREATY', FTA WITH INDIA

Seeking closer ties with India, China suggested a bilateral "Friendship and Cooperation Treaty" along with a Free Trade Agreement to comprehensively boost relations between the two Asian giants who are locked in a longstanding border dispute. China's Ambassador to India, while mooted the "Friendship and Cooperation Treaty" and FTA proposals, termed differences between New Delhi and Beijing over certain issues as matters "within a family", and sounded optimistic about the future of bilateral ties. Describing the twin proposals as "ambitious", China's Ambassador to India said the time is ripe for the two countries to reap some "early harvest" benefits in resolving their decades-old vexed border issue. The envoy maintained India and China

should join hands in the latter's 'One Belt One Road' initiative aimed at building super-modern economic and infrastructural connectivities in South Asia. India's 'Act East' policy would get a fillip if New Delhi joined the ambitious initiative, the diplomat added. "Beyond connectivity projects, two countries should also cooperate to promote cultural exchanges, cooperation in education, and people-to-people contacts under the One Belt One Road framework." China's Ambassador to India described the current differences between India and China on certain issues as matters "within a family", adding, "Even members of a family have some differences sometimes. Ambassador is very optimistic about the future of two relations."

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GOVT MAY ANNOUNCE PACKAGE FOR LEATHER SECTOR IN BUDGET

The government is expected to announce an incentive package for labour intensive leather sector in the forthcoming Budget with a view to give a boost to the segment and generate jobs. The commerce and industry ministry has asked its finance counterpart to give financial assistance for the Indian Leather Development Programme (ILDPA) and for setting

up of mega leather clusters in the country, an official said. As the ILDP, which is a central sector scheme, has provided huge support to the sector, the finance ministry may consider extending it for three more fiscals. It will end by this fiscal. The commerce ministry has asked for about Rs 7,000 crore for this programme for three years. "The incentives are asked broadly on the lines of the package announced for the textiles sector. Presentations have already been given to Prime Minister's Office and the Finance Ministry," the official said. The industry has also demanded cut in excise duty to 6 per cent from 12 per cent for nonleather products like foot wears till the Goods and Service Tax comes into force. The commerce ministry is hopeful for the package in the Budget as the sector has huge potential to attract investment and generate jobs, the official added. Synthetic leather accounts for about 90 per cent of the total leather manufacturing in the country. The sector is important as it is a thrust segment under the 'Make in India' initiative. Chairman of Council for Leather Exports has time and again asked the government to extend financial support. As per industry experts, Rs one crore investment in the sector results in creation of jobs for about 250 people. Currently about 30 lakh people are directly employed in the sector. China is giving tough

competition to Indian leather manufacturers in terms of pricing. Support to the sector will also help boost shipments. Leather and leather goods are among the 25 focus sectors under the Make in India initiative. The government aims to increase the exports to USD 15 billion by 2020 from the current USD 7 billion.

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WILL SOON RESOLVE ISSUES OF HANDICRAFT EXPORTERS: GOVERNMENT

Ministries of environment and textiles will soon meet to find long-term as well as short-term solutions to the challenges being faced by domestic handicrafts exporters. The meeting, Minister said, will also seek to find "short-term as well as long-term solutions" to the challenges being faced by the domestic handicrafts exporters in accessing world markets. The minister was addressing an export award function organised by Export Promotion Council for Handicrafts (EPCH). 134 exporters (66 awards for 2013-14 and 68 awards for 2014-15) were awarded for outstanding performance in exports of handicrafts. Minister urged the exporting community to come forward for the education of the children of the craftsmen.

Minister further said that education of the children of the craftsmen should be fully sponsored through the industry participation. Minister also asked the EPCH to start an award for entrepreneurs who are in innovation and packaging, physically challenged entrepreneurs and best award for tribal handicrafts.

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STEEL EXPORTS GROW 92% IN DECEMBER

India's steel exports rose by 92 per cent in December and the country shipped out 4.977 million tonnes of steel in April-December period of the current fiscal, up 57.8 per cent from the same period last year, a steel ministry report said. "Exports of total finished steel were up by 57.8 per cent in April-December 2016-17 at 4.977 mt over same period last year. Exports in December 2016 at 0.748 mt were up by 92 per cent over December 2015, and up by 13 per cent over November 2016," said the Joint Plant Committee report. Imports of total finished steel in the first nine months of the current fiscal declined by 37.4 per cent to 5.495 mt over the same period last year and in December imports were 0.761 mt, down by 23.2 per cent over same month last year. According to the report, India's consumption of total

finished steel at 61.517 mt saw a growth of 3.3 per cent in April-December period in 2016-17. Consumption in December at 7.225 mt was up by 5.2 per cent over corresponding month last year and by 17.1 per cent over November in 2016. "Production for sale of total finished steel at 73.771 mt registered a growth of 10.5 per cent during April-December in 2016-17 over same period of last year. Overall finished steel production for sale at 8.416 mt in December was up by 12.4 per cent over December 2015 and by 11 per cent over November 2016," the report added.

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INDIA'S OILMEAL EXPORTS JUMP 130 PER CENT IN DECEMBER

India's export of oil meals more than doubled in December 2016 mainly driven by high demand of non-genetically modified (GMO) soybean meal from France, said Solvent Extractors' Association of India. The country exported 1,94,309 tons in December 2016, an increase of 130% from 84,218 tons reported same period last year. France imported 1,06,708 tons of oilmeals as compared to 1,956 tons last year, consisting of 1,03,650 tons of soybean meal and 3,058 tons of castor meal. Japan

too recorded a significant jump in imports at 54,833 tons as compared to 6,500 tons last year, consisting of 50,632 tons of soybean meal, 3,773 tons of rapeseed meal and 428 tons of castor meal. On a month on month basis, the export of soyabean meal jumped to 1,60,949 tons from 51,805 in November 2016. However, the overall export of oilmeals during April to December 2016 was down 13% at 8,56,798 tons compared to 9,87,842 tons during the same period of last year. Among the major importers of oilmeals from India, South Korea's import during April-December period declined to 4,52,099 tons from 6,16,691 tons in the corresponding period last year. Similarly, other importing countries like Vietnam saw their imports dwindling to 1,20,294 tons from 2,14,028 tons last year.

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FOREX RESERVES DOWN BY MORE THAN \$1BN DUE TO REVALUATION OF GOLD RESERVES: RBI

India's foreign exchange reserves slipped \$1.1bn to stand at \$359bn as on January 6 of this year said the Reserve Bank of India. The major reason for the dip in reserves is because of revaluation of the gold reserves with the central bank which is done every month end. According to RBI, the climb in foreign currency assets was around \$241.8mn but the fall in the value of gold reserves was almost \$1.4bn. Further foreign investors have continued their exit from India with around Rs 3809 crore having left Indian equities market over the first few weeks of January according to data from

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NSDL. IMPORT COVER OF FOREX RESERVES RISES TO 12 MONTHS: RBI

The import cover of India's foreign exchange reserves has increased to 12 months as on September-end 2016 from 10.9 months as on March-end 2016, according to the Reserve Bank of India. Import cover of reserves is a traditional tradebased indicator of reserve adequacy. It is defined in terms of the number of months of import equivalent to reserves. After declining from seven months of imports as of March-end 2013 to 6.6 months of imports as of Septemberend 2013, the import cover of the country's reserves steadily climbed in each of the halfyear periods since then. The other components — ratio of short-term debt to reserves and ratio of volatile capital flows — that indicate adequacy of foreign exchange reserves have shown improvement in the reporting half year (April-September 2016). According to the RBI's half-yearly report on management of foreign exchange reserves, the ratio of short-term debt to foreign exchange reserves, which was 23.1 per cent at end-March 2016, declined to 21.8 per cent at endSeptember 2016. The Reserve Bank holds 557.77 tonnes of gold (unchanged from March-end 2016); of which, 265.49 tonnes

are held overseas in safe custody with the Bank of England and the Bank for International Settlements (BIS). Gold, as a share of the total foreign exchange reserves in value terms (US dollars), stood at about 5.75 per cent as of end-September, 2016, compared with about 5.6 per cent as of endMarch, 2016. As of end-September 2016, out of the total foreign currency assets of \$346.7 billion (\$336.1 billion), \$229 billion (\$225 billion) was invested in securities, \$95.7 billion (\$91.6 billion) was deposited with other central banks, the BIS and the IMF and the remaining \$22 billion (\$19.7 billion) comprised deposits with overseas branches of commercial banks.

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RBI GOVERNOR URGES GOVT TO BE MINDFUL OF DEBT LEVELS

Reserve Bank of India (RBI) Governor urged the government to make progress in reducing high federal and state government borrowing, just weeks before Prime Minister's administration is due to unveil its annual budget.

RBI Governor, in a speech at the Vibrant Gujarat summit, said the government debt to gross domestic product (GDP) ratio was also constraining the country's sovereign ratings. India's total fiscal deficit, which is targeted at 6.4 per cent of GDP in 2016/17 when combining the levels of the federal and state governments, is among the highest in G20 countries, Patel said, citing the International Monetary Fund data. "RBI has to take cognisance of these comparisons and facts as we go forward to make progress. Specifically this will help to better manage risks for ourselves and thereby mitigate financial volatility," RBI Governor said. RBI added that India needed to ensure its medium-term consumer-prices based inflation target of 4 per cent is "secured on a durable basis" while touting the importance of "low and stable inflation," hewing closely to his previous comments on the subject. The RBI Governor noted as well that the RBI would continue to press ahead with a "fluid transmission" of monetary policy, less than two weeks after lenders announced steep cuts in their lending rates.

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Economy

GOVT STRONGLY COMMITTED TO CONTINUING ECONOMIC REFORMS: PRIME MINISTER

Strongly committing to continuing economic reforms, Prime Minister promised to bring a paradigm shift in polity and economy by providing corruption-free regime and easing processes to make India the easiest place to do business. Addressing the biannual Vibrant Gujarat Global Summit, dubbed 'Davos of the East', that had Fortune 500 CEOs and global leaders in attendance, PM said creating an enabling environment for business and attracting investments is his top priority. "India has placed the highest emphasis on Ease of Doing Business," PM said. "Indian government is strongly committed to continue the reform of the Indian economy." Over the last two-and-a-half years, the government has worked relentlessly to realise India's potential and to set right the economy, PM said, adding the results have been encouraging in substantial improvement in key macro-economic indicators like GDP growth, inflation, fiscal deficit, current account deficit as

well as foreign investments. “India has become the fastest growing major economy in the world. Despite the global slowdown, we have registered excellent growth. Today, India is a bright spot in the global economy. India is seen as the engine of global growth,” Prime Minister said. Stating that highest emphasis has been placed on Ease of Doing Business, PM said decisive steps to ease licensing processes and rationalise provisions and procedures relating to clearances, returns, and inspections have been taken. “India is monitoring implementation of hundreds of action points across various sectors, aimed at improving the regulatory framework. This is part of our promise of Good Governance,” PM said. As India moves closer to global best practices, the government’s confidence has been boosted by the positive impact of our policies and practices. “This also gives us the motivation to further simplify India’s processes to become the easiest place to do business,” PM said. The Prime Minister said the total FDI inflows since May 2014 have touched USD 130 billion, reflecting confidence of foreign investors in Indian economy.

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INDIA’S FACTORY OUTPUT GROWS 5.7% IN NOVEMBER DESPITE NOTE BAN CONCERNS

Industrial growth rose more than expected by 5.7% in November 2016, the month demonetisation was announced, defying fears of a plunge because of cash crunch. The consensus expectation was for less than 1.5% rise. Consumer inflation fell in December 2016 to 3.41%, the lowest since November 2014, leaving room for the Reserve Bank of India to cut rates next month. CPI inflation was marginally higher at 3.63% in November 2016. Data released by the statistics office showed industrial production at a one-year high of 5.7% in November. The Index of Industrial Production (IIP) had contracted by 1.9% in October. The government junked Rs 500 and Rs 1,000 notes from November 9, sparking fears of severe disruption in economic activity due to cash crunch. “IIP growth is surprising, especially when industrial growth had fallen in October, which is pre-demonetisation,” said chief economist at ratings agency Crisil. Agency said this may not be sustainable as other indicators such as auto sales and manufacturing purchasing managers’ index (PMI) reflected a downturn. Manufacturing PMI for

December 2016 had shown a contraction for the first time in 2016. The numbers also got a lift from the weak base of November 2015 that had a 3.4% contraction. All three components of IIP posted strong growth in November 2016. Electricity generation registered the fastest growth at 8.9% followed by a 5.5% jump in manufacturing output and 3.9% rise in mining production. According to the use-based classification of IIP, capital goods grew by a robust 15%, followed by 4.7% growth in basic goods and 2.7% increase in the output of intermediate goods in November 2016. \Consumer durables (an indicator of urban demand) and consumer non-durables (which reflect rural demand) grew by 9.8% and 2.9%, respectively, with 5.6% overall growth in consumer goods.

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Article

India to grow at 7.7% riding on strong consumption: UN

The United Nations on Wednesday pegged India's growth rate at 7.7 per cent in 2017 and 7.6 per cent in 2018 on expectation of strong private consumption.

"India has positioned itself as one of the most dynamic emerging economies ... Investment demand is expected to pick up slightly, supported by monetary easing, government efforts towards infrastructure investments and public-private partnerships, and domestic reforms," said the United Nations World Economic Situation and Prospects (WESP) 2017 report.

The UN report has, however, not taken into consideration the impact of demonetisation on the economy.

"It was prepared in late November, then finalised in December," said Economic Affairs Officer at UN ESCAP Matthew Hammil, adding that going forward the growth rate for India is expected to be slower than what is projected now, taking

into account the demonetisation factor.

The projection comes soon after the International Monetary Fund in its recent update to the World Economic Outlook cut India's growth projection to 6.6 per cent this fiscal and 7.2 per cent in 2017-18. It expects the economy to clock 7.7 per cent growth in 2018-19.

The UN report said India is expected to remain the fastest growing large developing economy, as it would benefit from strong private consumption and the gradual introduction of significant domestic reforms.

GST boost

It further described the proposed introduction of the Goods and Services Tax as a reform that would "constitute a major change by establishing a new uniform tax rate." In the medium term, GST would also promote investment through lower transaction and logistics costs and efficiency gains.

"Importantly, an effective GST implementation also requires

adequate capacity building of the tax administration," it said.

The report however, warned that low capacity utilisation and stressed balance sheets of banks and businesses will prevent a strong investment revival in the short term.

While expecting further monetary easing, it also noted that credit growth remains below trend in several countries, especially in industrial and infrastructure sectors in India.

Highlighting fragilities in the banking sector and stressed balance sheets of corporates as important challenges for some economies, the report pointed out that India has committed to a \$3.7-billion package to recapitalise state-owned banks.

It has also introduced various regulations to reduce banks' financial exposure and to encourage private participation in the banking sector.

Business line

US Food Export Associations organise trade awareness program in Kolkata

KOLKATA: The Food Export Association of the Midwest USA and Food Export USA-Northeast in association with the US Consulate General organised an intensive trade awareness programme for Indian importers and trade in Kolkata for the first time at the American Center on Wednesday.

These programmes are being organised with an aim to explore possible opportunities in building linkages with US food companies and the benefits that will grow for importers across India.

The programme included interactive sessions on US food availability in the Indian market.

Keith Sunderlal, India representative, Food Export Association of the Midwest BSE 0.00 % USA and Food Export USA-Northeast spoke on the USA Food market in India. He said, "Food Export USA has been proactive in looking to not only to tap into the ever-expanding demand for American food products, but also raise awareness about the many

unique avenues available to Indian importers."

Tim Hamilton, Executive Director, Food Export Association of the Midwest USA and Food Export USA-Northeast said: "I am looking forward to discussing the potential that Indian market holds for the American food business. The idea of these programs is to educate Indian importers about the exciting possibilities and learn how we can help them achieve common goals."

Economic Times

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Economic Times

Useful links ▶

<https://www.zauba.com/>

Zauba provides important latest information on India's import and export data. Zauba helps gain unparalleled insight into trade, access daily import and export shipment records, discover new markets and opportunities.

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Indian Institute of Export Management

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