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Newsletter

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News from India

2015: A year when India became fastest growing big economy



Notwithstanding a sharp cut in the government's growth forecast at the fag end, 2015 will go down as the year when India emerged as the fastest-growing large economy, despite setbacks such as 12 months of negative export growth, another bad monsoon and roadblocks to the far-reaching goods and services tax regime.

India's real GDP in the first half of the current fiscal grew at 7.2 per cent as per official data, which was slightly lower in comparison to the GDP growth of 7.5 per cent in the previous fiscal.

India's external position improved at the same time. Forex reserves are a little above \$350 billion in November 2015 as compared to a little over \$270 billion in July 2013. Net foreign direct investment (FDI) inflows have increased to \$17 billion in the first half of 2015-16 in comparison to \$15.8 in the same period last year. The second quarter's current account deficit logged at a level of 1.6 per cent of GDP.

However, the global slowdown continued to weigh on exports, which have declined for 12 straight months. The government said this was also pulling down growth but felt the situation would improve in the coming months. On the fall

in the value of the Indian rupee, the finance ministry's mid-term economic review attributed it considerably to the major devaluation of the Chinese yuan. The changes overall, however, led many global institutions like the World Bank, International Monetary Fund, Asian Development Bank and some UN institutions to upgrade India's growth forecast to some 7.5-8 per cent, calling it the fastest expanding globally, surpassing China.

Highlights

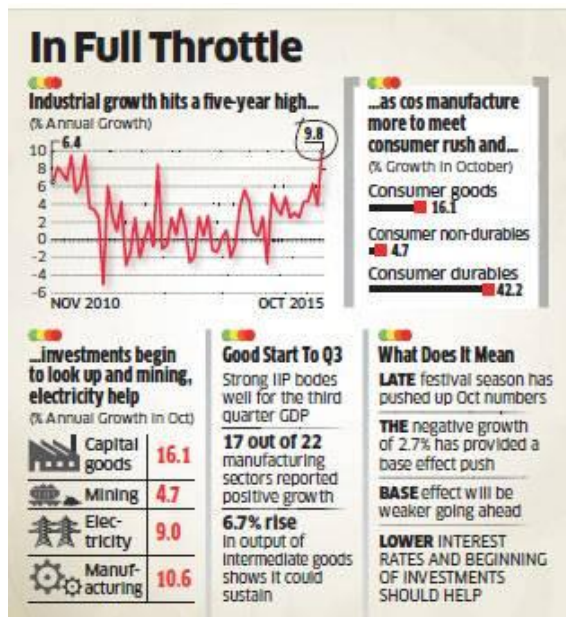
- * Real GDP in first half of fiscal grew at 7.2 per cent
- * India emerges as fastest-growing large economy
- * Forex reserves of over \$352 billion as on the first week of December.
- * FDI inflows increased to \$17 billion in the first half of 2015-16
- * Indian basket of crude oils fell below \$40 a barrel
- * Foreign investment limits raised in defence, real estate and insurance, foreign equity in railways
- * Retail and wholesale inflation rates rose in November to 5.41 per cent and (-)1.9 per cent respectively, largely due to an increase in food prices
- * Infrastructure sectors grew at 2.3 per cent in the first half of fiscal

India's annual industrial output growth hits 5-year high of 9.8%

Industrial growth rocketed to a five-year high in October, riding a festive season-led boom in purchases of consumer goods, providing evidence that the economy may finally be picking up pace, although part of the spurt is due to a favourable base effect.

As measured by the Index of Industrial Production (IIP), output surged 9.8 per cent in October, data released by the statistics office, the fastest since October 2010 and much higher than the upwardly revised 3.8 per cent in

September and the expectation of around 7.5 per cent. The high industrial growth marks a strong start to the third quarter after data released last month showed the economy expanded 7.4 per cent in the July-September period, an improvement over 7 per cent reported in the first quarter. The favourable base effect, negative growth of 2.7 per cent last October, also magnified this year's number.



Car sales rose 10.4 per cent in November, indicating some demand support in the coming months as well.

Experts concurred that the situation was not as good as the data showed, but things were certainly getting better.

"This growth has come on the back of a low base effect and increase in spending and production due to festive season and it can't be replicated going ahead because there is no major pickup in corporate sector activity," said CARE Ratings chief economist Madan Sabnavis. "However, this is a sign of recovery and not really surprising."

Following the strong growth, CARE has revised the full-year IIP growth guidance to 4-5 per cent from the earlier outlook of 3-4 per cent though it is still sticking to its GDP forecast of 7.5-7.6 per

cent growth. Ratings agency Crisil is also sticking to its GDP forecast of 7.4 per cent for FY16 for now.

Prime Minister Narendra Modi described the landmark climate change deal reached in Paris as the victory of "climate justice" and said there were no winners or losers in the outcome, commenting on the legally-binding pact which seeks to limit global warming to "well below" 2 degrees Celsius and making developed nations commit USD 100 billion a year from 2020 to help developing countries.

News in Russia

- Russia's pharmaceutical production rose by about 12% and the chemical industry increased by 7%, as per Industry & Trade Minister Denis Manturov. The share of national producers on the pharmaceuticals market increased 4 percentage points to 27% in the period. "As for vital essential and necessary drugs, about 71% is produced by our, Russian producers. About 20 medicines received registration certificates of the Healthcare Ministry for sale of these products, primarily by state procurement. And we expect that this trend will continue in the future with the help of new innovative drug production," the minister said. Presently, the list of vital essential and necessary drugs includes 608 medicines, 282 of which are produced by two or more Russian companies.

- The 2015 plan of support to the Russian industry amid the crisis is fulfilled, Industry & Trade Minister Denis Manturov stated. "As for the measures under the anti-crisis plan, for implementation of which the Industry and Trade Ministry is responsible, everything is fulfilled. This plan was aimed at supporting the producing economy, the national industry, its branches," he said. Many companies had a chance to boost working capital by taking loans at subsidized rates, Manturov said, adding that the plan also

envisaged a ban on state procurement of imported products, which was also adopted. The prolongation of anti-Russian sanctions by the EU will not put the industry under additional pressure. "Our industry has adapted. As for the remaining difficulties, of course, it is access to financial markets. But in line with this we have to get used to lending in rubles.

- Moscow plans to raise a 20 billion ruble investment in construction of social infrastructure in 2016–2018, the local department for urban development policy and construction said on its official Website. Investment in development of social infrastructure stood at 20 billion rubles in 2010–2015 and the authority expects it to stand at this level in the next three years.

- Russian President Vladimir Putin signed a decree on 31st December 2015, to cut the number of employees at ministries, including the Emergency and Defense Ministries, from 2016, and his spokesman Dmitry Peskov said that the decree continues a general policy of staff cuts. "In fact, the decree continues the policy of cutting bureaucrats' numbers at ministries... and agencies, including the Investigative Committee and the General Prosecutor's Office," Peskov said. "We are talking about cutting the number of bureaucrats by 10%."

- Russia's balance of payments remained stable in the first half of 2015 despite lower commodity prices and elevated capital outflows. The current-account surplus continued to improve, nearly doubling from 4.1 percent of GDP (US\$37.9 billion) in 2014 to 8 percent of GDP (US\$48.1 billion) in the first half of 2015. A favorable investment income balance and declining remittance outflows bolstered the current account.

- Russia witnessed a persistent decrease in capital outflow in 2015 as compared to 2014. According to data from the Russian Central Bank, in 2015 net capital outflows from the private sector slowed to US\$52.5 billion in the first half of 2015, down from

US\$69.4 billion a year earlier, due to a massive decrease in the net acquisition of foreign assets.. Most of the outflow happened in the first half of 2014, as Russian companies were actively repaying debts.

- In the first six months of 2015 real wages fell across all sectors of the economy dropping by an average of 8.5 percent. This contraction followed a growth rate of 3.4 percent in the first half of 2014. The Rosstat manufacturing index averaged -6.3 in the first half of 2015, down from -3.3 in the first half of 2014. By the end of June 2015, foreign exchange reserves stood at US\$361.6 billion (14.8 months of imports), well below the US\$478.3 billion (13.4 months of imports) observed in June 2014 . External debt amounted US\$ 521,61billion in third quarters of 2015 (dropped by 6.13%).

- Russia's CPI (inflation) slowly declined from a peak of 16.9 percent in March to 15.8 percent in August 2015 while food-price inflation remained high at more than 18 percent. High inflation rates combined with negative growth presented a serious monetary policy challenge to the Russian economy. Persistently high core inflation rates of 16-17 percent led the central bank to slow the monetary easing cycle. Monetary easing in the first half of 2015 marginally accelerated the growth of credit to the private sector in the second quarter. The federal revenues fell from 20.8 percent of GDP in 2014 to 19.2 percent in 2015 (January-July). Low oil prices have exerted substantial downward pressure on federal revenues over the past seven months. The federal budget deficit widened to 2.8 percent in the first seven months of 2015, a sharp reversal from the 1.9 percent surplus recorded a year ago.

❖ Some of the other major economic/macroeconomic parameters at the end of year 2015 are as follows:

- Russia's inflation will slow down to 6-7% in 2016 from a little over 13% in 2015, Finance Minister Anton Siluanov stated to press.
- Russia's Federal Customs Service contributed 4.911 trillion rubles to the budget in 2015 as of Wednesday, up 0.6% from the planned amount for the year, the authority said in a statement.
- As per the IMF, Russia's GDP growth rate is expected to be -3.7% in 2015 as against 0.6% growth in 2014. It is likely to contract further in earlier part of 2016 with an estimated value of -4.1% in the first quarter of 2016. However, there is an indication of recovery in later part of 2016 with projected growth of 0.2% in 2016 and 1.7% in 2017.
- According to data from Russian Customs Statistics, trade surplus went down by 24.3 percent year-on-year to USD 148.4 billion in January-November 2015.
- Russia's global exports decreased by 31.6 percent year-on-year in January-November 2015 to USD 167.8 billion.
- Russia's global imports in January-November 2015 fell by 37.5 percent year-on-year to USD 167.8 billion.

Bilateral/ Multilateral

- The 16th Indo-Russian Annual Summit meeting between the Prime Minister of India and the President of the Russian Federation was held in Moscow during 23-24 December 2015. At the annual summit, India and Russia signed 17 agreements across various sectors including the manufacturing of nuclear reactors, solar energy plants, railways, heavy industries and partnership in defence manufacturing, namely:

- During the Annual Summit, India and Russia reconfirmed their commitment to realize the target set at the last Annual Summit, to increase annual bilateral trade and investment and emphasized the need for continued facilitation by both the governments based on regular consultations within the framework of institutional mechanisms as well as speedy implementation of decisions and liberalization of relevant rules and regulations. In this context, the Sides welcomed the agreement reached on liberalization of the travel regime for the businessmen of both States and called for its effective implementation.
- Russian state-run oil major Rosneft, Oil India Limited, and Indian Oil Corporation Limited have signed a memorandum of understanding in cooperation in onshore geological exploration and production of hydrocarbons, Rosneft announced. "The document lays a foundation for a long-term partnership between Rosneft, Oil India and Indian Oil Corporation. As a first step the parties have agreed to examine the possibility of cooperation within the Taas-Yuryakh Neftegazodobycha asset," the company said. "Implementation of the terms of the agreement will give additional impulse to the development of one of the largest green fields of East Siberia."

Visits/Events

- During the annual Summit held in Moscow on December 2015, Prime Minister Modi and President Putin addressed a group of Indian and Russian CEOs from prominent companies and reiterated the importance of trade and economic relations as a priority area for the bilateral relationship. It was decided to re-energize the business interactions through an India-Russia CEOs Forum, which is likely to be constituted soon.



- India - Russia Business Dialogue was held on 24 December 2015 in the Ministry of Economic Development of the Russian Federation in Moscow. First Deputy Minister of Economic Development of the Russian Federation A.E. Likhachev and Shri Shaktikanta Das, Secretary, Ministry of Finance, Department of Economic Affairs presided over the event. The event was attended by prominent businesspersons, government officials and media representatives from both the countries.

Forthcoming Exhibitions/Fairs in India

2ND EDITION OF GLOBAL EXHIBITION ON SERVICES (GES): The Government of India, Ministry of Commerce and Industry in association with Services Export Promotion Council (SEPC) and Confederation of Indian Industry (CII) is organising the second edition of the Global Exhibition on Services from 21 to 23 April 2016 at India Expo Centre and Mart, Greater Noida. The objective is to provide a platform to all the participants, delegates, business visitors and other key decision maker from the services industry and other related industry to interact with, and explore new business avenues. The Second GES will spotlight on the services sector of the world It is scheduled to be held at India Expo Centre and Mart, Greater Noida from 21 to 23 April 2016.

<http://www.gesdelhi.in/>

ACREX INDIA(25-27 FEBRUARY 2016):is South Asia's largest exhibition on Air Conditioning, Ventilation, Refrigeration & Building Services. For exhibitors in the HVAC space, this is an opportunity to showcase the offered products.

For further details, visit: <http://www.acrex.in/>, or write to: mansi.chawla@nm-india.com or mehak.mamtani@nm-india.com

INDIA ELECTRONICS EXPO 2016

17-18 March 2016, New Delhi: Electronics & Computer Software Export Promotion Council (ESC) will be organising the 2nd edition of INDIA ELECTRONICS EXPO in March, 2016 in New Delhi. The event will be an exclusive Buyer Seller Meet between Indian electronics manufacturing / EMS / product / components companies and buyers from various countries particularly Latin America, Africa, CIS, ASEAN and other parts of the world.

Venue: Eros Hotel, Nehru Place, New Delhi

<http://www.indiaelectronicsexpo.com/>

INDIASOFT: INDIA IT SHOW 2016-10-11 March 2016: This is aimed as a centre-point for innovations and exploring the avenues of sourcing the best of IT products & solutions for the growth of enterprises including Mobile Application Services, Cloud Computing, SAAS, Big Data Management, KPO, BPO, LPO, e-security, Banking, Finance, Insurance, Telecommunications, Media & Entertainment, Bio Informatics, Engineering Design, Travel, Hotel, Hospitality, Logistics, Transportation, Educational, Pharma, e Governance, etc., under one roof.

For more details, please visit: www.indiasoft.org

Forthcoming Exhibitions/Fairs in Russia

Venue: Expocentre

Site of the organizer: www.mitt.ru

IFFF Moscow 2016

Date: from 01-MAR-16 to 03-MAR-16

City: Moscow

Venue: Crocus Expo

From 1 to 3 March 2016 the the 6th international exhibition for the fast food industry IFFF Moscow 2016 will be held in Moscow. IFFF Moscow is an exhibition of equipment, food products and services for companies in the fast food industry.

Exhibition's site: <http://www.fastfoodexpo.ru/>

TechTextil Russia 2016

Date: 24-FEB-16 to 26-FEB-16

City: Moscow

International Trade Fair for Technical Textiles, Nonwovens and Protective Clothing "TechTextil Russia - 2016"

Venue: Expocentre

Site of the organizer:

www.techtextil.messefrankfurt.ru

Ingredients Russia 2016

Date: from 01-MAR-16 to 04-MAR-16

City: Moscow

The 19th Moscow international exhibition for food ingredients, additives and flavorings

Venue: All-Russian Exhibition Centre (VVC)

Organizer's site: <http://www.ingred.ru>

MITT 2016

Date: from 23-MAR-16 to 26-MAR-16

City: [Moscow](#)

The 23rd Moscow International Travel and Tourism Exhibition

MosBuild 2016

Date: 05-APR-16 to 08-APR-16

City: [Moscow](#)

22nd International Building and Interior Exhibition "MosBuild 2016. Building & Interiors"

Venue: Expocentre

Site of the organizer: www.mosbuild.com

Intourmarket (ITM) 2016

Date: from 19-MAR-16 to 22-MAR-16

City: Moscow

The 11th International Trade Fair for Travel & Tourism

Venue: Crocus Expo

Exhibition's site: <http://www.itmexpo.ru/>

Obuv. Mir kozhi 2016. Spring

Date: from 22-MAR-16 to 25-MAR-16

City: Moscow

44th International Exhibition for Shoes and Leather Products "Obuv. Mir kozhi 2016. Spring"

Venue: Expocentre

Site of the organizer: www.obuv-expo.ru