Europe India Chamber of Commerce

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EICC signs EU's Transparency Register

European Commission has accepted EICC as a registered organisation in its Transparency Register. The transparency register is a database that lists organisations that try to influence the law-making and policy implementation process of the EU institutions. The register makes visible what interests are being pursued, by whom and with what budgets. The registration allows participation in the consultations, registers of interest representatives, comitology committees and advisory expert groups, access to documents, and beneficiaries of EU funding. EICC started the process and on 16 June it was informed that the Chamber has been confirmed its registration in the Transparency Register of the EC. EICC has been given a Code and ID number which it shall need to use when communicating with the EU institutions, for example when applying for European Parliament accreditation or when participating in consultations organised by the European Commission. The Commission regularly publishes number of roadmaps concerning some of the policy areas and EICC has shown interest in the following:

- International co-operation and development
- Trade
- Digital economy and society
- Business and Industry

EICC shall keep its members informed of the policy roadmaps.

Indian economy to grow at 9.5 per cent in next fiscal: Fitch Ratings

After a contraction in the current financial year, India's economy is forecast to bounce back with a sharp growth rate of 9.5 per cent next year provided it avoids further deterioration in financial sector health, Fitch Ratings said on Wednesday.

The coronavirus pandemic will lead to shrinking of the already slowing economy in 2020-21 that started in April. Fitch Ratings forecast a 5 per cent contraction in the GDP in the ongoing financial year.

"The pandemic has drastically weakened India's growth outlook and laid bare the challenges caused by a high public-debt burden," Fitch Ratings said in its APAC Sovereign Credit Overview released on Wednesday.

"After the global crisis, India's GDP growth is likely to return to higher levels than 'BBB' category peers, provided it avoids further deterioration in financial sector health as a result of the pandemic," it said forecasting a 9.5 per cent real GDP growth next year.

India on March 25 instituted the world's largest lockdown to combat the novel coronavirus, halting almost all economic activities.

The lockdown has been repeatedly extended, although some restrictions have been eased from May 4 in zones with fewer infections. "However, new cases have continued to rise," it said.

To support the economy, the Reserve Bank of India (RBI) has eased monetary policy by cutting policy rates and providing liquidity through long-term repo operations.

Prudential requirements for banks have also been eased to free up liquidity for lending. "The government has announced stimulus measures amounting to 10 per cent of GDP, of which the fiscal component of about 1 per cent of GDP is significantly less than many of India's peers," the rating agency said.

General government debt already stood at 70 per cent of GDP in 2019-20, well above the 'BBB' rating median of 42 per cent.

India's ratio of public debt/GDP is expected to rise to 84 per cent of GDP in 2020-21 – up from a forecast of 71 per cent when Fitch Ratings affirmed the 'BBB-' rating in December 2019.

"This is based on our expectation of slower economic growth in FY21 and wider fiscal deficits, assuming that the government's fiscal response remains restrained," it said.

"The credit profile is strengthened by relative external resilience stemming from solid foreign-reserve buffers, but weakened by some lagging structural factors, including governance indicators and GDP per capita."

Listing positives for India, Fitch Ratings said there was greater confidence in a sustained reduction in general government debt over the medium term to a level closer to the 'BBB' peer median.

Also, there is a possibility of higher sustained investment and growth rates without the creation of macroeconomic imbalances, such as from successful structural reform implementation.

Among the negatives was a material increase in the fiscal deficit, causing the gross general government debt/GDP ratio to be placed on a sustained upward trajectory.

Other negative was loose macroeconomic policy settings that cause a return of persistently high inflation and widening current-account deficits, which would increase the risk of external funding stress, it said

(Fitch, 10/6/2020)

India 9th largest recipient of FDI in 2019, will continue to attract investments: UN

The UN Conference on Trade and Development (UNCTAD) said in a report on Monday that a lower but positive economic growth in India in the post-COVID19 pandemic period and India's large market will continue to attract market-seeking investments to the country.

India, FDI in 2019, UNCTAD, UN trade body, post-COVID19 pandemic, economy news

India received USD 51 billion in foreign investment in 2019 and was the world's 9th largest recipient of foreign direct investments (FDI) in 2019, according to a report by the UN's trade body.

The UN Conference on Trade and Development (UNCTAD) said in a report on Monday that a lower but positive economic growth in India in the post-COVID19 pandemic period and India's large market will continue to attract market-seeking investments to the country.

The World Investment Report 2020 by the UNCTAD said that India was the 9th largest recipient of FDI in 2019, with 51 billion dollars of inflows during the year, an increase from the 42 billion dollars of FDI received in 2018, when India ranked 12 among the top 20 host economies in the world.

In the developing Asia region, India was among the top five host economies for FDI. The report said that global FDI flows are forecast to decrease by up to 40 per cent in 2020, from their 2019 value of USD 1.54 trillion. This would be for the first time since 2005 that global FDI falls below the USD 1 trillion mark.

Foreign direct investment to developing economies in Asia, hit hard by the economic downturn caused by the coronavirus pandemic, are projected to decline by up to 45 per cent in 2020.

In South Asia, FDI is also expected to contract sharply in 2020. In India, the biggest FDI host in the subregion, with more than 70 per cent of inward stock, the number of greenfield investment announcements declined by four per cent in the first quarter, and Merger & Acquisitions contracted by 58.

"However, the country's economy could prove the most resilient in the region. FDI to India has been on a long-term growth trend. Positive, albeit lower, economic growth in the post-pandemic period and India's large market will continue to attract market-seeking investments to the country," the report said.

It added that the magnitude of the logistical challenges during both the lockdown and the recovery remain a big downside risk for FDI in the medium term for India.

"The digital economy and real estate and property development, two industries that attracted growing FDI before the pandemic, could evolve in different directions," the report said adding that the digital economy will likely see continued investments, real estate and property development will face "significant pressures" from slowing demand and financing constraints.

"India's most sought-after industries, which include professional services and the digital economy, could see a faster rebound as global venture capital firms and technology companies continue to show interest in India's market through acquisitions," the report said.

The report noted that investors concluded deals worth over $650 million in the first quarter of 2020, mostly in the digital sector in India.

Large deals in energy were also concluded, such as the acquisition by Total (France) of Adani Gas (India), valued at $800 million.

FDI flows to South Asia increased by 10 per cent to USD 57 billion in 2019, the growth driven largely by a rise in investment in India, which further relaxed investment barriers in mid-2019 (including in retail, insurance and downstream coal processing).

FDI to India, the largest South Asian recipient, increased 20 per cent to USD 51 billion, sustaining the country's upward FDI trend, the report said.

Most of the investments were in the information and communication technology and the construction industry.

ICT investments into India have evolved from information technology services for global companies to the rapidly growing local digital ecosystem, with many local and regional digital champions, particularly in e-commerce (such as Flipkart and Zomato), attracting international investment, the report said.

A number of mega deals also contributed to M&A activity. These included investments in internet companies, which amounted to USD 2.7 billion,14 as well as the USD 7 billion acquisition of Essar Steel (India) by a Japanese-Indian joint venture.

Outflows from South Asia grew 6 per cent, driven by investment from India. Yet they remained small, representing only one per cent of global outflows.

Companies in India are the subregion's largest investors, with more than 90 per cent of outflows in 2019.Investments from India are expected to decline in 2020, with the largest MNEs revising their earnings down by 25 per cent in early 2020 due to the impact of the pandemic, it added.

The report said that flows to developing Asia will be severely affected due to their vulnerability to supply chain disruptions, the weight of global value chains-intensive FDI in the region and global pressures to diversify production locations.

In 2019, FDI flows to the region declined by 5 per cent, to USD 474 billion, despite gains in South- East Asia, China and India. The report stressed that global FDI flows will be under severe pressure this year as a result of the COVID-19 pandemic, dropping well below the trough reached during the global financial crisis and undoing the already lackluster growth in international investment over the past decade.

Flows to developing countries will be hit especially hard, as export-oriented and commodity-linked investments are among the most seriously affected.

"The outlook is highly uncertain. Prospects depend on the duration of the health crisis and on the effectiveness of policies mitigating the pandemic's economic effects," said UNCTAD Secretary-General Mukhisa Kituyi.

(Financial Express, 16/6/2020)

India's forex reserves cross half-a-trillion-dollar mark for the first time
While foreign fund flows into the country, via direct investments, have boosted dollar supply, imports have been slowing reining in demand for the greenback.

India's forex reserves have crossed the half-a-trillion-dollar mark for the first time with the Reserve Bank of India (RBI) having bought more than $30 billion between mid-March and the first week of June. The country's forex reserves stood at a record high of $501.70 billion as on June 5, an increase of $8.22 billion over the week before.

While foreign fund flows into the country, via direct investments, have boosted dollar supply, imports have been slowing reining in demand for the greenback. Moreover, some big-ticket equity transactions have also attracted foreign portfolio flows.

Experts observe that had the central bank not accumulated dollars, the rupee would have strengthened significantly. Ananth Narayan, professor-finance at SPJIMR, said that India's current account will likely be in surplus this quarter, as a collapse in consumption through the lockdown has hit imports more than exports.

"In addition, prospects of FDI flows remain robust, with large deals being announced. These flows across the current account and FDI are making their way into RBI reserves now. In fact, if the RBI were not buying dollars, the rupee would have strengthened much more than the current levels," Narayan said.

Economists at BofA pointed out the RBI is expected to buy forex at every opportunity. "In a sense, the RBI's forex policy has reverted to the Jalan-Reddy policy of building high forex reserves to insure against contagion. Experience suggests that higher forex reserves paradoxically lead to higher FPI inflows by comforting investors. We estimate that the RBI should 'conservatively' build up $550 billion of forex reserves using various parameters. The import cover is now a high 13.8 months 1-year forward," they wrote.

Manish Wadhawan , founder and managing partner at Serenity Macro Partners, said that over the last two months the RBI has been continuously shoring up forex reserves supported by the dollar inflows on account of transactions like Kotak QIP and RIL deals and also some reversal of FPI outflows.

"Despite the US dollar weakening against majors and the EM currencies, the rupee has remained relatively stable. The central bank has not let rupee appreciate beyond 75.50. In the backdrop of the recent sovereign downgrade by Moody's, the RBI's strategy of shoring up reserves seems to be an insurance from a macro point of view creating a war chest for the future in case the fundamentals get disturbed and also provide a stimulus to the domestic economy by not letting currency appreciate," Wadhawan said.

Foreign currency assets (FCA), which form a key component of reserves, rose by $8.422 billion to $463.630 billion. FCAs are maintained in major currencies like the US dollar, euro, pound sterling and Japanese yen. Movement in the FCA occurs mainly on account of purchase or sale of foreign exchange by the RBI, income arising out of the deployment of foreign exchange reserves, external aid receipts of the government and revaluation of assets.

(Financial Express, 12/6/2020)

Guardians of the world economy stagger from rescue to recovery

The world's governments and central banks are shifting from rescue to recovery mode as the deepest slump since the Great Depression shows signs of bottoming out.

After rolling out trillions of dollars worth of measures to prevent their economies and markets from collapsing, they are now doubling down with even more spending to backstop a recovery as coronavirus lockdowns ease. In what counts for good news these days, Bloomberg Economics' global GDP growth tracker showed economies contracted at an annualized rate of 2.3% in May, less than the 4.8% slump in April.

“Policy makers are moving from triage to recovery,” said Deutsche Bank Securities Chief Economist Torsten Slok. “They are realizing that more fiscal support will be needed to households and small businesses to prevent this liquidity crisis from turning into a solvency crisis.”

The new wave of stimulus has both governments and central banks moving in sync to continue flooding lenders, markets and companies with cheap credit at an unprecedented pace.

The European Central Bank last week expanded its asset purchases by 600 billion euros ($677 billion) to 1.35 trillion euros, and extended them until at least the end of June 2021. And Germany’s government agreed another 130 billion-euro fiscal stimulus push and said it will back a proposed new 750 billion-euro European Union recovery fund.

“Action had to be taken,” ECB President Christine Lagarde said in a press conference.

It’s a similar story in Asia.

Japan is planning another $1.1 trillion worth of spending in its biggest splurge yet and the central bank in May called an emergency meeting to roll out 30 trillion yen ($274 billion) of loan support for small businesses.

China last week unveiled another 3.6 trillion yuan ($508 billion) in spending and South Korea’s 76 trillion won ($63 billion) ‘New Deal’ fiscal package is its largest to date.

In the U.S., lawmakers continue to debate extra fiscal stimulus and the Federal Reserve, which meets on June 10, has just launched a new Main Street Lending Program, the latest in trillions of support it has already poured into the economy and markets.

While the Fed is unlikely to signal any moves when its officials gather this week, many economists expect it to harden its commitment to easy monetary policy later in the year and perhaps even start pursing a Japan-style campaign to control long-term borrowing rates.

The latest U.S. jobs numbers give some hope that the stimulus unleashed so far is beginning to kick in. A record 2.5 million workers were added by employers during May while unemployment declined to 13.3%, wrong footing economists who had forecast widespread job losses.

To be sure, there’s far from consensus that the latest wave of support will be enough to get growth back to where it was at the start of the year. Some of the steps being taken are merely to replace existing policies as they start to expire.

“It seems clear already approved packages are perceived to be not enough,” said Alicia Garcia Herrero, chief Asia-Pacific economist at Natixis SA.

There are other concerns that monetary policy can only do so much to revive growth before it loses its potency.

“How does the Fed actually get money to millions and millions of households and small businesses, that is difficult to do operationally,” former New York Federal Reserve Bank President William Dudley told Bloomberg Television.

“It’s much easier to intervene in the capital markets where the Fed can rely on counterparties, primary dealers and others,” Dudley said. “It is much more difficult to lend one by one to millions of different entities.”

Another risk is a return to austerity, even if it seems unlikely now. JPMorgan recently predicted a fiscal thrust of 3.3% of GDP this year and 1.5% drag next year.

U.S. senators have put the brakes on a $3 trillion fiscal package that was approved by lower house lawmakers. China’s government has ruled out a return to the kind of large scale stimulus it rolled out after the global financial crisis, preferring to keep a lid on rising debt.

Still, because the crisis meant economies were forced into shutdown, much of the emergency response so far has been less about driving growth and more about avoiding total collapse. It’s that dynamic which is leaving governments with little option but to borrow harder.

“We shouldn’t look at the positive immediate growth impact of the opening up process as being the rate of growth that may last,” said David Mann, chief economist for Standard Chartered Plc.

Creating jobs will be mission critical to cementing any upswing. That will need support for firms to retrain employees, incentives to hire older workers and for governments to continue with wage subsidies. More than one in six people have stopped working since the onset of the crisis, according to the International Labour Organization, which in April estimated more than 1 billion workers were at high risk of a pay cut or losing their job.

“A faster job market recovery will speed up the economic healing and reduce the risk from widening income inequality and social stress,” said Chua Hak Bin, senior economist at Maybank Kim Eng Research Pte.

(Times of India, 7/6/2020)

World economy to contract at least 6% in 2020: OECD

The global economy will contract at least six percent this year, with the unprecedented loss of income and "extraordinary uncertainty" caused by measures to contain the coronavirus outbreak, the OECD said Wednesday.

In the case of a second wave of contagion later in the year, economic output could shrink by as much as 7.6%, it warned.

In both scenarios, recovery will be "slow and uncertain".

GDP growth should resume in 2021, by 5.2% if the virus is contained, and 2.8% if there is another infection wave, the Organisation for Economic Co-operation and Development said in its latest outlook, entitled "World Economy on a Tightrope".

It warned that by the end of next year, "the loss of income exceeds that of any previous recession over the last 100 years outside wartime, with dire and long-lasting consequences for people, firms and governments."

World economy to contract at least 6% in 2020: OECD

Latin America logs 70,000 deaths

Coronavirus plunges world economy into brutal recession

As unemployment rises, private debt levels in some countries are "uncomfortably high," said the report, "and business failure and bankruptcy risks loom large."

In its previous outlook in March, by when the outbreak had hit China but not yet the world's other large economies, the OECD slashed its global growth forecast by half a percentage point to 2.4%, which would have been the worst performance since the 2008 financial crisis.

Things have got considerably worse since then, with commerce and travel shut down as governments scrambled to rein in the pandemic by keeping people at home.

The outbreak has nevertheless killed more than 400,000 people worldwide to date.

Economic activity in the OECD's 37 developed member countries has collapsed, the report said, by as much as 20 or 30% in some cases in what it called "an extraordinary shock".

- Trade not protectionism -

As long as there is no vaccine or treatment against the coronavirus, physical distancing to prevent contagion, testing people for the virus, and tracing and isolating those infected, will remain key to fighting the pandemic.

But under such conditions, sectors affected by border closures and those requiring close personal contact, such as tourism, travel, entertainment, restaurants and accommodation, "will not resume as before."

And even these steps may not even be enough to prevent a second outbreak.

"Global cooperation to tackle the virus with a treatment and vaccine and a broader resumption of multilateral dialogue will be key for reducing doubt and unlocking economic momentum," the OECD said.

"The international community should ensure that when a vaccine or treatment is available it can be distributed rapidly worldwide. Otherwise the threat will stay.

"Likewise, resuming a constructive dialogue on trade would lift business confidence and the appetite for investment."

- Fairer economy needed -

Governments and central banks have taken extraordinary steps to protect businesses and employees from the outbreak's economic fallout.

But this too has consequences, said the report, with gross public debt rising fast.

"Governments can provide the safety nets that allow people and firms to adjust, but cannot uphold private sector activity employment and wages for a prolonged period."

Governments will need to adjust their support, allowing fast restructuring processes for firms, providing income for workers between jobs, training for those laid off, and social protection for the most vulnerable, said the OECD.

The economic downturn has exacerbated inequality between workers, it added, with those able to work from home generally highly qualified, while many younger and lesser qualified people unable to work, or simply laid off.

The hardship was further compounded by unequal access to social protection.

"Governments must seize this opportunity to engineer a fairer and more sustainable economy, making competition and regulation smarter, modernising government taxes, spending and social protection," it said.

(OECD, 10/6/2020)

FIEO for fastening process of engagement with EU to seal free-trade pact expeditiously

India and the EU are negotiating a comprehensive FTA, officially dubbed as the Bilateral Trade and Investment Agreement, but the talks are stalled since May 2013 due to differences on several matters. Federation of Indian Export Organisations President S K Saraf said Vietnam, a strong competitor of India, has already signed a similar agreement with the EU, which is likely to be operational by July-August 2020.

Exporters' body FIEO has urged Commerce and Industry Minister Piyush Goyal to fast-track the process of engagement with the European Union on the long-pending free-trade agreement (FTA) with India and conclude it in an expeditious manner.

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Federation of Indian Export Organisations (FIEO) President S K Saraf said Vietnam, a strong competitor of India, has already signed a similar agreement with the EU, which is likely to be operational by July-August 2020.

'The EU is the largest market of our exports accounting for 18 per cent of our exports. Vietnam is a close competitor of India in the market as our exports to the EU stood at USD 58.4 billion, while Vietnam exports were USD 52.2 billion in 2019,' Saraf said in a letter to the commerce minister.

With the signing of the agreement, Vietnamese products will get further edge in the EU markets as the landed price of their products would become cheaper as compared to Indian products, he said.

'This does not augur well for many Indian products, particularly apparels, footwear, leather goods, furniture, tea, coffee and marine products. Since India is gaining traction in electrical and electronics goods, concession to goods manufactured in Vietnam will pose a challenge to our products,' Saraf said.

He said the EU-Vietnam Investment Protection Agreement has also been signed and, due to this, Vietnam will be attracting a lot of investments moving out of China particularly those with the EU as their market.

He added that due to these developments, Indian exporters are quite concerned and would request for acceleration in the process of completion of a similar agreement with the EU.

'We request you to kindly hasten the process of engagement with the EU to close India EU BTIA expeditiously,' the FIEO president said.

Citing certain data, he said that in 2019, India exported apparels worth USD 7 billion to the EU, while Vietnam shipped worth USD 7.10 billion. Similarly, India exported electrical and electronics worth USD 4.9 billion in the same year, Vietnam shipped USD 22 billion.

Earlier, Apparel Export Promotion Council (AEPC) Chairman A Sakthivel also urged the government for early conclusion of the proposed FTAs of India with countries such as EU and Australia to boost exports.

'There is an urgent need to have a level-playing field in terms of market access and margin of preference in the biggest global market for Indian apparel that is the EU,' Sakthivel has said.

(Economic Times, 15/6/2020)

New partnership launched to boost trade, investment between West Midlands, India
The West Midlands India Partnership will bring together some of the best talent and capabilities to not only stimulate cross-market trade, but to help address shared social and economic challenges faced by the UK and India, said Andy Street, Mayor of the West Midlands.

A new initiative aimed at boosting tourism, trade and investment between the West Midlands region of England and India was launched on Friday in the UK. The West Midlands India Partnership (WMIP), launched virtually due to the coronavirus lockdown restrictions, will focus on supporting long-term economic growth plans for the region in the heart of England by developing stronger links and opportunities for collaboration as part of a five-year programme of activity with the Indian market.

Led by the West Midlands Growth Company and supported by partners such as Tata Jaguar Land Rover (JLR), State Bank of India (SBI) and Birmingham City University, the new initiative has been developed in partnership with Invest India, the Confederation of Indian Industry (CII) and the Consulate General of India in Birmingham. Through the partnership's long-term strategy, we aim to identify opportunities for both Indian and local businesses to trade, innovate and grow, said WMIP Chair Jason Wouhra.

By strengthening networks, collaboration in academia and airline connectivity, we want to build on our shared history to forge new opportunities for a confident future, said Wouhra, the Indian-origin former co-owner and director of West Midlands based East End Foods.

The West Midlands covers the cities of Birmingham, Coventry and Wolverhampton, among others, and has a strong Indian diaspora base of around 200,000. The five-pronged strategy set for the new partnership includes driving Indian trade and investment from and into the West Midlands; strengthening tourism working with the West Midlands Board of Tourism and also facilitating direct links between the region's key cities and Indian cities of Mumbai and Delhi; promoting the bilateral education partnership through academic and research collaborations; creating civic partnerships through city twinning models; and mobilising the region's Indian diaspora.

The West Midlands Growth Company CEO, Neil Rami, said the WMIP will build on India's track record of foreign direct investment (FDI) in the West Midlands, acting as a "single point-of-contact" for potential new investors.

After the US, India is the leading source of FDI and FDI employment in the region, creating 13,000 new jobs in the West Midlands over the last 10 years.

This initiative offers both British and Indian companies a fantastic new platform to collaborate on a wide range of established and emerging technologies. For SMEs (small and medium partnerships) in particular, it presents a real opportunity to develop more connected supply chains and scale through new commercial partnerships, said Aman Puri, Consul General of India, Birmingham.

According to official figures, the region welcomed more than 38,000 visitors from India in 2018 and has seen a 16 per cent increase in leisure visits in the last five years. Meanwhile, West Midlands universities have seen a 33 per cent increase in their Indian student intake over the same period.

The West Midlands India Partnership will bring together some of the best talent and capabilities to not only stimulate cross-market trade, but to help address shared social and economic challenges faced by the UK and India, said Andy Street, Mayor of the West Midlands.

The West Midlands' innovation-led Industrial Strategy alongside the scale and ambition of India's manufacturing, life sciences and technology sectors presents a major opportunity for world-class industry collaboration, helping to attract significant investment and create new, local jobs, he said. The WMIP said it will also support a dedicated, UK government matched-funded Birmingham 2022 Commonwealth Games Tourism, Trade and Investment Programme, designed to maximise the economic benefits of the global spectacle.

The West Midlands is a melting pot of cultures, diversity and business excellence the region is important for Indian industry as a hub of innovation and research, said Lakshmi Kaul, CII's UK Head & Representative. The WMIP will be governed by an Advisory Board as well as Executive Board made up of a range of British and Indian stakeholders, including CII, the Federation of Indian Chambers of Commerce and Industry (FICCI), West Midlands Combined Authority and the Consul General of India in Birmingham.

(Financial Express, 26/6/2020)