



GDP jumps 7.9% in January-March 2016, beats analysts' estimates

India retained its position as the world's fastest-growing economy, registering a GDP rate of 7.9% for the January-March 2016 quarter, up from 7.3% the previous quarter, according to data released by the government on 31 May 2016.

By comparison, the world's number two economy, China, saw growth slowing to 6.7% for the 2016 January-March quarter, the slowest posted by the world's second largest economy in seven years. India's numbers were better than analysts' estimates. A Reuters survey of economists expected India's GDP to have grown 7.5 per cent between January and March.

For the 2015/16 fiscal year ending in March, growth came in at 7.6%, in line with the official estimate. Growth was 7.2% in 2014/15.

Economy finally grew 7.5% in the first quarter of 2015-16, as against 7.6% projected in advance estimates, while the second quarter saw the growth again falling to 7.6% as compared to 7.7%, and the third quarter at 7.2% as against 7.3%.

"Momentum is building up faster than anticipated, and there is demand pick-up in the horizon. This definitely spells out a positive story that there will soon be a recovery in private sector capex," said Shubhada Rao, chief economist, YES Bank.

"Agriculture, no doubt, will have some positive impact from the third quarter onward. Agriculture will be driving it on the expectation of better rainfall after two consecutive years of sub-par monsoon. That will revive demand both in industry as well as services," said Devendra Kumar Pant, chief economist, India Ratings.

India's upbeat outlook contrasts with neighbouring China, where growth slipped to 6.7% in the first quarter - the slowest posted by the world's second largest economy in seven years.

Given the dim prospects for a boost from exports, Moody's Investors Service said a recovery in private investment would be needed if India's upturn was going to last.

"Combined with the fact that external demand is likely to remain lacklustre, a sustained improvement in domestic private investment would be required for the growth momentum to be sustained," the rating agency's analysts wrote in a note.

Meantime, the Reserve Bank of India (RBI) is widely expected to keep its policy interest rate on hold at a scheduled policy review on June 7 as it waits for banks to fully pass on the previous the benefits of earlier cuts to borrowers.

Consumers, particularly in urban areas, have been encouraged by the lower rates.

Sales of passenger cars and two-wheelers are growing at a double-digit pace. Sales of new residential units recovered in the last quarter, snapping a falling trend.

Personal loans that include loans for durable goods, housing and education are growing at a rate of 19% year-on-year, while credit card loans are growing at a 24% clip.

With good rains forecast this summer, the farm sector is set to get a fillip after two successive years of drought. That bodes well for depressed rural demand.

Impending increases in wages and pensions of government employees are also expected to underpin consumer spending.

India's GDP rate for 2015-1016 was 7.6%.

Speaking about the analysts' estimates earlier, Finance Minister Arun Jaitley said that such growth, in a global slowdown environment, "has a potential to pick up even more."

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India unveils intellectual property rights policy

The government has announced a new intellectual property policy that will help speed up online registration of patents and trademarks, but resisted western pressure to amend its patent laws to suit the interests of multinational corporations seeking to conquer emerging markets.

The union cabinet recently approved the National Intellectual Property Rights (IPR) Policy that will lay the future roadmap for intellectual property in India. The policy recognises the abundance of creative and innovative energies that flow in India, and the need to tap into and channelise these energies towards a better and brighter future for all.

The Department of Industrial Promotion and Policy (DIPP) under the ministry of commerce will be the agency in charge of regulating intellectual property rights in the country.

The National IPR Policy is a vision document that aims to create and exploit synergies between all forms of intellectual property (IP), concerned statutes and agencies. It sets in place an institutional mechanism for implementation, monitoring and review. It aims to incorporate and adapt global best practices to the Indian scenario.

"This policy shall weave in the strengths of the Government, research and development organizations, educational institutions, corporate entities, including MSMEs, start-ups and other stakeholders in the creation of an innovation-conducive environment, which stimulates creativity and innovation across sectors, as also facilitates a stable, transparent and service-oriented IPR administration in the country," a DIPP release stated.

The policy recognises that India has a well-established TRIPS-compliant legislative, administrative and judicial framework to safeguard IPRs, which meets its international obligations while utilising the flexibilities provided in the international regime to address its developmental concerns.

At the same time, it reiterates India's commitment to the Doha Development Agenda and the TRIPS agreement.

"We hope it will lead to an interpretation of the Indian Patent Act that respects innovation, encourages research and facilitates effective enforcement mechanisms," said Ranjana Smetacek, director general, Organisation of Pharmaceutical Producers of India, a body of multinational drugmakers in India.

"While IPRs are becoming increasingly important in the global arena, there is a need to increase awareness on IPRs in India, be it regarding the IPRs owned by oneself or in respect for others' IPRs. The importance of IPRs as a marketable financial asset and economic tool also needs to be recognised. For this, domestic IP filings, as also commercialization of patents granted, need to increase. Innovation and sub-optimal spending on R&D too are issues to be addressed," the release stated.

Commerce and industry minister Nirmala Sitharaman told lawmakers last month that over 237,000 applications were pending in India's four patent offices.

The policy also aims to spread awareness among public about trademarks, copyrights and patents to promote innovation within the country, as finance minister Arun Jaitley told reporters.

The new policy will try to safeguard the interests of rights owners with the wider public interest, while combating infringements of intellectual property rights.

The broad contours of the National IPR Policy are as follows:

The IPR policy envisions " An India where creativity and innovation are stimulated by intellectual property for the benefit of all; an India where intellectual property promotes advancement in science and technology, arts and culture, traditional knowledge and biodiversity resources; an India where knowledge is the main driver of development, and knowledge owned is transformed into knowledge shared."

The IPR policy mission is to "Stimulate a dynamic, vibrant and balanced intellectual property rights system in India to: foster creativity and innovation and thereby, promote entrepreneurship and enhance socio-economic and cultural development; and too focus on enhancing access to healthcare, food security and environmental protection, among other sectors of vital social, economic and technological importance.

The IPR policy lays down the following seven objectives:

- IPR awareness: outreach and promotion - To create public awareness about the economic, social and cultural benefits of IPRs among all sections of society;
- Generation of IPRs - To stimulate the generation of IPRs;
- Legal and legislative framework - To have strong and effective IPR laws, which balance the interests of rights owners with larger public interest;

- Administration and management - To modernise and strengthen service-oriented IPR administration;
- Commercialisation of IPRs - Get value for IPRs through commercialisation;
- Enforcement and adjudication - To strengthen the enforcement and adjudicatory mechanisms for combating IPR infringements; and
- Human capital development - To strengthen and expand human resources, institutions and capacities for teaching, training, research and skill building in IPRs.

These objectives are sought to be achieved through detailed action points. The action by different ministries/ departments will be monitored by DIPP, which will be the nodal department to coordinate, guide and oversee implementation and future development of IPRs in India

EU wants 'misunderstandings' out before resuming FTA talks

It has been learnt that the European Union wants to sort out some "misunderstandings" before resuming the talks on the long-stalled proposed Free Trade Agreement with India, Commerce and Industry Minister Nirmala Sitharaman said on 30 May 2016. She also said that the two sides are yet to finalise the dates to resume the negotiations.

Speaking to reporters here, Sitharaman said the EU Trade Commissioner Cecilia Malmstrom has responded to her communication that had sought a meeting of chief negotiators of the two sides on the agreement.

"She has written to me and that there are no pre- conditions and that EU would want to have some of the misunderstandings sorted out much before the talks can resume. This is sum and substance of what she has written to me," Sitharaman said.

She, however, did not specify what those 'misunderstandings' were.

"Those of the kinds of things on which the Ministry will definitely move forward. We want to work with the EU. We want to sign that agreement. We shall move forward and talk. Off course, the dates have still not given," she added.

The Minister said one has to be mindful of the fact that EU is going through a time when they are waiting for the outcome of Brexit.

Launched in June 2007, the negotiations for the proposed Broad-based Trade and Investment Agreement (BTIA) have seen many hurdles with both sides having major differences on crucial issues like intellectual property rights, duty cut in automobile and spirits, and liberal visa regime.

Senior officials from both the sides met have twice so far this year to resolve the contentious issues.

The pact is aimed at reducing or significantly eliminating tariffs on goods, facilitate trade in services and boost investments between the two sides. The two-way commerce in goods between India and the EU stood at USD 98.5 billion in 2014-15.

On other FTAs, Sitharaman said a framework is being drafted for the proposed India-Iran preferential trade agreement.

She said India is actively moving forward on other free trade pacts including the Regional Comprehensive Economic Partnership (RCEP), Australia, Israel and Gulf Cooperation Council (GCC).

A joint study group have been set up for the India and Eurasian Customs Union – Russia, Belarus and Kazakhstan – pact and the first draft report is ready.

With the South American country Peru also, a joint study group have been established to explore the possibility of entering into an FTA, she added.

EU-India could explore 'less ambitious' FTA, says top Member of European Parliament

With the India-EU FTA negotiations deadlocked, a top European Parliament member has said the two sides could explore the option of a "less ambitious" trade pact and indicated that there could be a separate negotiator for the crucial talks.

"May be some of the riders (in the proposed free trade agreement) are a bit too ambitious in certain areas," Geoffrey Van Orden, a Member of the European Parliament (MEP) and the Chair of the European Parliament's Delegation for relations with India, told a visiting group of Indian journalists here.

He said the two sides could look at "exploring something slightly less ambitious" but asserted that first it is important to ascertain that why is there this "great holdup" and why there is a "lack of enthusiasm" for the pact.

Asked if it was Brexit or the ongoing talks on the Transatlantic Trade and Investment Partnership (TTIP) between the EU and the US holding the Broad-based Trade and Investment Agreement (BTIA), Van Orden said, "there is a certain validity" to the notion that TTIP was having an impact on the progress of the BTIA.

"I think because a lot of effort is going into TTIP and for a long time we have the same negotiator responsible for all of these agreements and we called upon the commission to appoint a separate negotiator for the BTIA. So I do think the capacity to deal with several major free trade agreements may be is lacking," the British Conservative Party politician and a former Army officer said.

Asked if there will now be a separate negotiator for the BTIA talks, Van Orden did not give a direct answer saying, "I understand that now the arrangements are slightly different."

Van Orden said that there was expectation that trade representatives from the two sides would be meeting on the sidelines of the G20 meeting in China in September.

"One of the things we hoped would come out of that summit (India-EU) would be a real new impulse to the negotiations on the free trade agreement. Formally it doesn't seem to have been that great impulse on either side," the MEP said.

"There is some very weak language in the communique and the expectation is that there would be further meetings on the margins of the G20 Summit that is to take place in China in early September," Van Orden said.

He said as a member of the European Parliament, he has put in a question to the European Commission to know when will the next round of FTA talks take place. "I have not yet had a response to my question," he said.

Asked if a watered down agreement would be good, Cora van Nieuwenhuizen, vice chair of the Delegation for Relations with India, also answered in the affirmative.

Asked if it would be prudent to go for a less ambitious deal considering the progress on the FTA is sluggish, she said, "I would prefer that".

"Opening up of some of the service sectors, these sorts of things, it goes on. Everything just doesn't stop because of the BTIA. There are a lot of other things that are going on," Van Orden said.

Asked if the FTA was a make or break agreement, he said, "It's one of the number of arrangements".

Describing him as an "excellent" Prime Minister, Van Orden lauded Modi's vision and schemes.

"I am a great fan of Mr Narendra Modi. I think he is just what India needs at this moment. That might be controversial to some of you for me to say that and I know he can be controversial at home but he has got the energy and vitality that is needed to arouse India from a certain sort of a stupor it was in some recent years and get it moving," Van Orden said.

Prime Minister Modi is the first to recognise he has a lot of difficulties but if you take some of these projects like "'Make in India' or the clean Ganges, the new generation sustainable energy, getting out to all the villages with the electricity and all these sorts of things, there are a lot of big infrastructure projects. There is a lot that we can offer and that free trade agreement is not going to be the answer to everything. I am not that naive but it would help get things moving," he said.

Nieuwenhuizen also praised Prime Minister Modi for his mantra of removing red tape and rolling out the red carpet for investors.

However, talking about the practical application of the mantra in India, she said, "For what I hear it is not a 100 per cent success but we know from our experiences here its an uphill battle. For what I hear, efforts are good but it is not finished."

Total bilateral trade between India and the EU, which is India's largest trading partner, stands at 78 billion euros in 2015.

"It is better to take small steps and move on than aiming for very high goal that is not achievable in the near future. So any progress is progress. I think we should try to take small steps if the big ones are not possible yet," she told the journalists at an interaction here.

"I would like it (the FTA) to be more ambitious but if that is not possible...I think we should relate more on other topics because if you are among friends you move faster on all the files and if you never meet, you never become friends," Nieuwenhuizen said.

She stressed that there should be meetings on other topics and if that is done probably the atmosphere will change and it could become easier to make progress on trade as well.

At the India-EU Summit in March, for which Prime Minister Narendra Modi travelled to Brussels, both sides failed to make the much-awaited announcement on resumption of long stalled negotiations for a free trade agreement as many bottlenecks still remain.

Van Orden criticised the "vague" reference to the BTIA in the communique issued after the summit.

"The trouble with those communiqués is that they are drafted in advance of summits. There might be a few odd changes here and there, another sentence, or something like that. The paragraph that was there about BTIA. You couldn't have found more vague language," he said.

Asked if Brexit, Britain's exit from the 28-nation bloc that was to be decided in a referendum on June 23, was holding BTIA, Van Orden said, "I don't think so at all. There is no reason why progress should not be made on this, meetings should not take place. We can't hold our breath waiting for one thing to happen."

Also last week, Daniel Rosario, Spokesperson Trade, Directorate-General Communication -- European Commission, had asserted that automobiles and wines continue to be the sticking points in the long-stalled negotiations for the proposed FTA with India.

He had said the two sides should restart talks only after they have "something meaningful" to deliberate upon.

India had deferred FTA talks with the bloc in August last year over the European Union (EU) banning sale of around 700 pharma products clinically tested by GVK Biosciences.

Speaking on the issue, Rosario had said India's decision to defer the talks was "not justified".

Talking about President of the European Parliament Martin Schulz's visit to India, Van Orden said, "My understanding is that he is visiting in December."

On reports that he could visit in June, Van Orden said, "so much the better"

He emphasised that the FTA was important for the EU-India relationship but pointed out that there are "a lot of other things" happening and were talked about in the joint communique in terms of strategic partnership, in terms of terrorism and in terms of European Investment Bank's investments.

"There were a whole range of issues that were covered in that communique. So there is a good strong relationship there on various fronts. Don't forget many things which have happened on a bilateral basis," Van Orden said.

Tata Group doubles published patents to 7,000 in 2 years

The Tata Group has said it has doubled its published patents in two years to about 7,000 at the end of 2015.

At the end of calendar year 2013, the conglomerate, which has presence spanning from salt to software, had 3,500 published patents.

"In the calendar year 2015 itself, Tata companies have filed over 2,000 published patents in India and international jurisdictions," the group said in a statement. These patents are as diverse as of

computation and data processing; materials, coating, casting and vehicle propulsion, communications, engines and hybrids, fuels and controls, it added.

Focussing on research and development, the group had invested 2.7 per cent of its turnover in R&D in 2014-15, amounting to Rs17,896 crore or \$2.9 billion, it added. The group implemented a new consortium model of delivering technology by harnessing synergies between Tata companies, spearheaded by the Group Technology & Innovation Office (GTIO).

Tata Sons group executive council member and brand custodian Mukund Rajan said, "The global first solutions being developed collaboratively by Tata companies, and the doubling of published patents in two years, are clear indicators of the group's diverse competencies and cross-functional talent spread across its over 100 companies."

The new consortium model for technology development spearheaded by the GTIO is an example of how the group is using its parenting advantage to nurture, synergise and optimise these competencies towards creating competitive advantage and long-term sustainable profitable growth, he added.

Tata Sons group chief technology officer Gopichand Katragadda said Tata companies continue to mature on intellectual property creation with a significant uptick of patenting activity in the past two years.

Some of the new innovations that the group is currently working on include fuel cell systems that will enable applications in telecom, defence, small industry, and automotive sectors, it said.

"The group's effort aims to lower the cost of the catalyst, balance of plant, and control systems used in fuel cells to make them viable. The contributing companies are Tata Motors, Tata Chemicals, Tata Power SED, Tata Power, Tata Steel Ltd, The Titan Co and the GTIO," the statement said.

The Tata group has over 100 independent operating companies operating in more than 100 countries across six continents. In 2014-15, the revenue of Tata companies taken together was \$108.78 billion.

E-commerce sector to see \$120 bn revenue by 2020

The country's e-commerce sector is expected to see revenues of \$120 billion by 2020 from \$30 billion at the end of last fiscal, a report said.

The increase would be mainly on the back of young demographic profile, rising Internet penetration and relatively better economic performance, the Assocham-Forrester study said.

India's e-commerce sector saw revenues of \$30 billion at the end of the financial year 2015-16. It is expected to reach \$120 billion by 2020, it said.

"While in terms of base, India may be lower than China and other giants like Japan, the Indian rate of growth is way ahead of others. Against India's annual expansion of 51%, China's e-commerce is growing at 18%, Japan 11% and South Korea 10%," the study noted.

The report further said that India has an Internet user base of 400 million in 2016 whereas Brazil has 210 million Internet users and Russia 130 million, among the BRICS nations.

About 75% of the country's online users are in the age group of 15-34 years since India is one of the youngest demographics globally and one out of every 5 (online user) visits the Indian Railways site, the report said.

In India, about 60-65% of the total e-commerce sales are being generated through smart phones. Branded apparel, accessories, jewellery, gifts, footwear are among the major hits on the e-commerce platforms, it added.

A food price shock could shave \$49 billion off India's GDP, says UN report

A doubling of food prices caused by price volatility and rising populations could shave off \$49 billion from India's gross domestic product (GDP) in future, warns a new UN report, which said the world will likely suffer from more volatile food prices due to rising populations.

The UN Environment Programme-Global Footprint Network report, entitled ERISC Phase II: How food prices link environmental constraints to sovereign credit risk, features countries according to how badly they will be affected if global food commodity prices double.

If global food prices double then China could lose \$161 billion in GDP and India could lose \$49 billion, says the report.

"In the future, the world will likely suffer from higher and more volatile food prices as a result of a growing imbalance between the supply and demand of food. Rising populations and incomes will intensify the demand for food while climate change and resource scarcity will disrupt food production," it said.

The report, which studies the impact of a global food price shock on 110 countries to assess economic risks from this growing imbalance, states that five African countries - Benin, Nigeria, Cote d'Ivoire, Senegal and Ghana - will be worst hit if food commodity prices double.

But, in terms of money loss, the report said, China will see the most amount of money wiped from its GDP of any country - \$161 billion, equivalent to the total GDP of New Zealand.

India will see the second highest loss to GDP - \$49 billion, equivalent to the total GDP of Croatia.

It said the risk exposure of individual countries is largely determined by their net food trade and the share of average household spending on food commodities.

Countries such as Egypt, Morocco, and the Philippines that combine high food commodity imports and high household spending on these commodities see the worst effects in terms of reduction in absolute GDP, worsening of current account balances, and higher inflation.

Other large emerging market countries, including, Indonesia and Turkey, are also strongly impacted as they have high household spending levels on food commodities and moderate net imports of these commodities.

Countries expected to experience an increase in GDP include South American cash crop exporters such as Paraguay and Uruguay and agricultural powerhouses such as Brazil, Australia, Canada and the United States.

"Fluctuations in food prices are felt directly by consumers and reverberate throughout national economies. As environmental pressures mount, it is important to anticipate the economic impact of these stresses so that countries and investors can work on mitigating and minimising risk. And as the global population continues to rise, food prices can be a bellwether for how environmental risk translates to economic risk and vulnerability," UNEP executive director Achim Steiner said.

2 years of Modi: India Inc posts best earnings since 2014, clearest sign yet of economic recovery

Two years of Modi government: Going by India Inc's surge in profit growth in the first three months of the year, the outlook really does seem to be brightening.

Indian companies are posting their best earnings results since Prime Minister Narendra Modi swept to power two years ago, giving the clearest sign yet that India's fast, but patchy, economic growth is becoming more broad-based.

Though headline growth figures make India one of the world's fastest growing economies, weak private investment and low capacity utilisation rates have painted a less rosy picture.

Going by India Inc's surge in profit growth in the first three months of the year, however, the outlook really does seem to be brightening, as benefits feed through from lower interest rates and government spending in infrastructure and defence.

By the end of the month, gross domestic product (GDP) data for the January-March quarter will be released. Year-on-year growth of 7.5 per cent is forecast by a Reuters survey economists, slightly faster than the previous quarter's 7.3 per cent.

"Macro indicators are suggesting that at the ground level the economy is gaining momentum," said Dhiraj Sachdev, a fund manager at HSBC Asset Management in Mumbai.

"That has also been validated in terms of better corporate earnings in many of the sectors."

Operating profits for 289 companies that have reported results so far leapt 25.5 per cent year-on-year in the March quarter, compared with 1.7 per cent growth in the previous quarter, according to Thomson Reuters data.

It is Indian firms' best showing since the April-June quarter in 2014.

Put alongside the 6.8 per cent decline in earnings that data provider Factset reckons companies in the S&P 500 suffered during the same quarter, corporates have some things going in their favour.

National Stock Exchange share index has surged around 17 per cent from a near 2-year low on Feb. 29, outperforming a 7 per cent gain by the Asia-Pacific MSCI index excluding Japan.

This month, Morgan Stanley upgraded Indian equities to "overweight" from "equalweight" citing rising dividends, and prospects of a simpler country-wide sales tax, lower interest rates and benign monsoon among its reasons.

Sadly, corporate balance sheets remain stretched, making it hard to revive private investment, which has lagged for the past four years.

Yet, sectors tied to capital goods and infrastructure such as steel and cement are recovering. After five quarters of double-digit declines, operating profit in the materials sector rose 22 per cent in the March quarter.

Following droughts in the past two years, monsoon rains, due in coming weeks, are forecast to be better than average, which should underpin demand, particularly from the rural sector.

And while factories are running nearly 30 per cent below capacity, sales are increasing.

Consumption of long steel products, used mainly in construction, has averaged 10 per cent annual growth on a rolling three-month basis over the past six months. The cement and power sectors have also seen demand improve.

Commercial vehicle sales are growing at a double-digit pace on the back of a strong replacement demand, industry data shows.

Projects worth nearly \$31 billion were completed in the March quarter, according to think-tank CMIE, up from \$13 billion in the previous quarter. New investments in the same period more than doubled.

There are still plenty of less encouraging indicators.

A weak global economy hardly bodes well for exports, which have fallen for the last 17 months. Businesses are also finding it hard to borrow as a spike in stressed loans has made banks wary, and Thomson Reuters data shows Indian firms are taking longer than usual to pay or get paid.

“The economy is undergoing a slow and bumpy recovery after three years of tepid growth,” said Shilan Shah, an economist with Capital Economics. “But we have seen false dawns before.”
