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No demonetisation effect: GDP grows at 7 pc in Q3; full year growth retained at 7.1 pc

India's economy expanded by 7 per cent in the third quarter of this financial year, belying fears that note ban would have severely impacted economic activity.

The Central Statistics Office (CSO) has retained the growth projection for the current fiscal at 7.1 per cent, as projected in the first advance estimate in January.

Meanwhile, the CSO has also marginally revised upwards the GDP estimates for the first and the second quarters to 7.2 per cent and 7.4 per cent.

It was feared that demonetisation effected in the middle of the third quarter (November 9, 2016) would have adverse bearing on various segments of the economy.

The Reserve Bank of India and other agencies like IMF and OECD had lowered GDP projections arguing that the note ban would have short-term impact on the Indian economy.

In a statement, the CSO said Real GDP or Gross Domestic Product (GDP) at constant (2011 12) prices in 2016-17 is likely to attain a level of Rs 121.65 lakh crore, as against the first revised estimate of GDP for 2015-16 of Rs 113.58 lakh crore, released in January 2017.

"The growth in GDP during 2016-17 is estimated at 7.1 per cent as compared to the growth rate of 7.9 per cent in 2015-16," it said.

Real GVA (Gross Value Added) is anticipated to increase from Rs 104.70 lakh crore in 2015-16 to Rs 111.68 lakh crore in 2016-17.

"Anticipated growth of real GVA at basic prices in 2016-17 is 6.7 per cent against 7.8 per cent in 2015-16," the release said.

The 'agriculture, forestry and fishing' sector is likely to show 4.4 per cent growth in its GVA during 2016-17, as against the previous year's growth of 0.8 per cent.

The second advance estimates of National Income, 2016-17, revealed that the growth in the GVA from 'manufacturing' sector is estimated to be 7.7 per cent compared to 10.6 per cent in 2015-16.

Commenting on the data, Economic Affairs Secretary Shaktikanta Das said this year growth figures are on a high base of last fiscal and numbers "do not show much negative impact of demonetisation".

The per capita net national income (current price) during 2016-17 is estimated to be Rs 1,03,818 showing a rise of 10.2 per cent compared to Rs 94,178 during 2015-16 with the growth rate of 8.9 per cent.

FDI into India rose 18% to $46.4 bn in 2016: DIPP

Foreign direct investment (FDI) inflows into India in 2016 calendar year jumped 18 per cent to a record $46.4 billion as foreign funds looking for lucrative investment opportunities flocked to this country. Data released by the Department of Industrial Policy and Promotion (DIPP) showed FDI inflows in 2016 were strongest in October with $6.2 billion inflows followed by $5.1 billion in September.

Overall global investment flows fell 13 per cent in 2016 to an estimated $1.52 trillion as economic growth remained weak and world trade volumes posted anaemic gains, according to the latest UNCTAD Global Investment Trends Monitor.

''FDI recovery continues along a bumpy road. Particularly of concern is the sharp drop-off in manufacturing investment projects, which play such an important role in generating badly needed productivity improvements in developing economies,'' UNCTAD secretary-general Mukhisa Kituyi said in a statement on 1 February.

UNCTAD said India also emerged the tenth most attractive investment destination for foreign capital in 2016.

In comparison, China and Brazil received $139 billion and $50 billion FDI inflows respectively during 2016.

The US remained the top source of FDI inflows in 2016 at $385 billion.

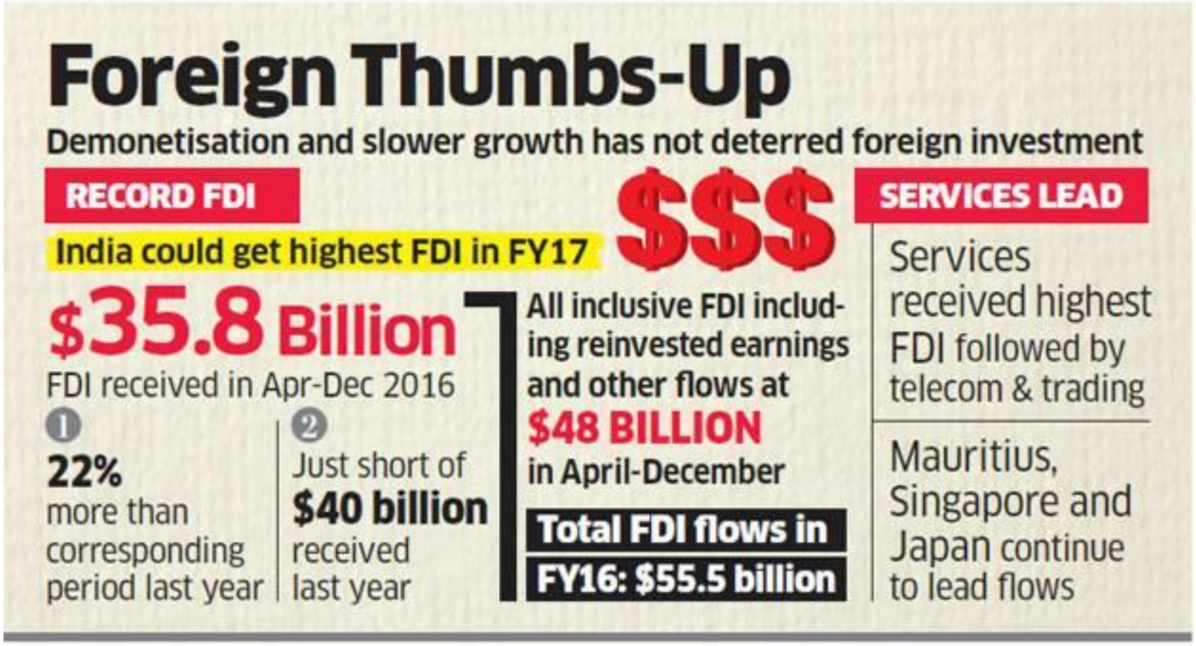
''Looking ahead, economic fundamentals point to a potential increase in FDI flows by around 10 per cent in 2017,'' Dr. Kituyi said. ''However, significant uncertainties about the shape of future economic policy developments could hamper FDI in the short-term.''

Mauritius remained India's top source of FDI inflows at $12.8 billion followed by Singapore at $7.1 billion during April-December period. Services sector continued to attract highest investment of $7.5 billion followed by telecommunications sector which attracted $5.5 billion inflows during the first nine months of the financial year 2016-17.

''Over 90 per cent of FDI is coming in through the automatic route, which has expanded in its scope over the last two years.'' According to data released by DIPP on Friday, Mauritius, Singapore, Japan, the UK and US were the top five contributors to FDI inflows.

The surge comes even as the government expects growth to slip to 6.5-6.75 per cent in the current fiscal year from 7.9 per cent in FY16 due to global factors and demonetisation.

In the union budget presented in parliament on 1 February, finance minister Arun Jaitley had announced the government's decision to abolish Foreign Investment Promotion Board (FIPB) and promised more reforms to make it easier for overseas investors.



With $36 billion in nine months, FDI may deliver a record

Overseas investment in India is likely to surge to a record in the year ending March despite temporary growth hiccups ascribed to the currency swap programme.

This underscores India's status as an island of economic stability, especially as foreign direct investment (FDI) flows worldwide slumped 13% last year amid uncertainty thanks in part to a backlash against globalisation.

India's FDI in the April-December period rose 22% to $35.8 billion from the year earlier. With three months to go for the fiscal year end, the government expects fresh inflows into equity to top the $40 billion India got in FY16.

Total FDI — which includes inflows into unincorporated bodies, reinvested earnings and other capital — in the nine months to December is pegged at $48 billion against $55.5 billion for the whole of the last fiscal year.

Services topped the list, accounting for 18% of total FDI in the nine-month period, followed by construction development, telecommunications, computer hardware and automobiles.

The government has liberalised the country's FDI policy in the last two years to bring several sectors under the automatic approval route as part of efforts to encourage overseas investment.

"Foreign investor interest is continuing to grow in India. We have a lot more queries from them than ever before," said Ramesh Abhishek, secretary, Department of Industrial Policy and Promotion (DIPP).

Invest India, the government's official investment promotion and facilitation agency, is shepherding proposals worth $62 billion spanning 295 deals, of which $3 billion has already come in.

"The investor has shown confidence in the Indian economy," said Devraj Singh, executive director, tax and regulatory services, EY.

"Over 90% of FDI is coming in through the automatic route, which has expanded in its scope over the last two years." According to data released by DIPP on Friday, Mauritius, Singapore, Japan, the UK and US were the top five contributors to FDI inflows.

The surge comes even as the government expects growth to slip to 6.5-6.75% in the current fiscal year from 7.9% in FY16 due to global factors and demonetisation. In the February 1 Budget, the Centre announced its decision to abolish Foreign Investment Promotion Board (FIPB) and promised more reforms to make things easier for overseas investors.

"Increased FDI inflows to India is also a function of the economic situation and spare capacity available in other countries," said Madan Sabnavis, chief economist, Credit Analysis and Research Ltd.

"There are more opportunities in India and now a lot more effort to ease processes here." Experts said that investors are waiting for a turnaround in the fortunes of sectors such as infrastructure and pharmaceuticals, which could encourage a further surge in overseas interest.

The government is yet to announce the modalities of the new system of processing applications that fall under the approval route.

Strong growth has raised incomes and reduced poverty, but challenges remain, says OECD

The Indian economy is expanding at a fast pace, boosting living standards and reducing poverty nationwide. Further reforms are now necessary to maintain strong growth and ensure that all Indians benefit from it, according to a new report from the OECD.

The latest OECD Economic Survey of India finds that the acceleration of structural reforms and the move toward a rule-based macroeconomic policy framework are sustaining the country's longstanding rapid economic expansion.

The Survey, presented in New Delhi by OECD Secretary-General Angel Gurría and India's Secretary Economic Affairs Shaktikanta Das, hails India's recent growth rates of more than 7 percent annually as the strongest among G20 countries. It identifies priority areas for future action, including continuing plans to maintain macroeconomic stability and further reduce poverty, additional comprehensive tax reforms and new efforts to boost productivity and reduce disparities between India's various regions.

"India provides a welcome counter-point to a global economy that has been under-performing for years", Mr Gurría said. "Reforms are historic and are bearing fruit, growth is strong and other macroeconomic indicators are improving. Maintaining the reform momentum will be critical to boosting investment and creating the quality jobs needed to ensure strong and inclusive growth for future generations, with all segments of society benefitting from it." (Read his speech)

The implementation of the landmark GST (Goods and Services Tax) reform will contribute to making India a more integrated market. By reducing tax cascading, it will boost competitiveness, investment and job creation. The GST reform - designed to be initially revenue-neutral - should be complemented by a reform of income and property taxes, the Survey said.

The Survey points out the need to make income and property taxes more growth-friendly and redistributive. A comprehensive tax reform could help raise revenue to finance much-needed social and physical infrastructure, promote corporate investment, enable more effective redistribution and strengthen the ability of states and municipalities to better respond to local needs, according to the Survey.

The OECD points out that achieving strong and balanced regional development will also be key to promoting inclusive growth. Inequality in income and in access to core public services between states and between rural and urban areas is currently large across India, while rural poverty is pervasive. Continuing efforts to improve universal access to core public services is essential.

Recent changes in India's federalism model have given states more freedom and incentives to modernise regulations and tailor public policies to local circumstances. Ranking states on the ease of doing business is opening a new era of structural reforms at the state level and will help unleash India's growth potential. Further benchmarking among states and strengthening the sharing of best practices, particularly on labour regulations and land laws, could add to the reform momentum.

Raising living standards in poorer states will require increasing productivity in the agricultural sector. With employment expected to gradually shift away from the agricultural sector, urbanisation will gather pace. Thus, better urban infrastructure will be needed to fully exploit cities' potential for job creation, productivity gains and improving the quality of life.

An Overview of the Economic Survey, with the main conclusions, is accessible at:
www.oecd.org/india/economic-survey-india.htm

The Paris-based OECD is an international organisation that promotes policies to improve the economic and social well-being of people worldwide. It provides a forum in which governments can work together to share experiences and seek solutions to the economic, social and governance challenges they face. The OECD's 35 members are: Austria, Australia, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Korea, Latvia, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.
Three countries – Colombia, Costa Rica and Lithuania – have been formally invited to become members of the Organisation, and are currently in the process of accession.

India is one of the OECD's five Key Partners, with Brazil, China, Indonesia and South Africa. Key Partners contribute to the OECD's work in a sustained and comprehensive manner. A central element of the Key Partners programme is the promotion of direct and active participation in the work of the substantive bodies of the Organisation. This includes partnerships in OECD Bodies, adherence to OECD instruments and integration into OECD statistical reporting and information systems.

Working with over 100 countries, the OECD is a global policy forum that promotes policies to improve the economic and social well-being of people around the world.

WTO's Trade Facilitation Agreement comes into force: All you need to know

The World Trade Organization's (WTO's) landmark Trade Facilitation Agreement (TFA), which came into force on 23 February, is expected to provide a much-needed boost to beleaguered global growth. However, its success will depend on the rising tide of trade protectionism across the globe and stronger voices against trade liberalisation like US President Donald Trump.

Ratified by 112 nations, more than two-thirds of all member nations, the deal will ease trade processes, bring down barriers to trade and enhance the capacity of the developing world to better engage with the global trading network.

The 164 member nations of the WTO account for more than 97 per cent of global gross domestic product (GDP) and 96.8 per cent of global trade. Therefore, the TFA is expected to significantly change the global trade scenario with international customs practices becoming streamlined and easier trade movement being enforced.

Part of the Bali Package of decisions agreed upon in 2013, the deal is a watershed moment in the organisation's history. This represents the first time that a comprehensive decision has been arrived at through consensus among nations cutting across the major geographical and political blocs.

Into the details of the agreement

The agreement, in effect, is a broad series of trade facilitation reforms spread out over a gamut of trade issues across the areas of transparency and predictability of trading across borders. It aims to create a less discriminatory business environment. It also includes faster clearance procedures, enhanced conditions for freedom of transit for goods improvements, improved appeal rights for traders as well as reduced fees and formalities connected with the import and export of goods.

However, these reforms will only follow after countries independently notify various provisions which might extend beyond the next three years. The basic set of provisions will be implemented by least-developed countries (LDC) within one year from now. Also, many countries, including India, will receive more time to set in motion a further set of provisions.

Critics have argued that the deal favoured developed nations since developing and LDC nations will face tougher challenges in bringing up their regulatory and customs practises as well as modernise necessary trade infrastructure to reap the benefit of TFA. A Trade Facilitation Agreement Facility has been created to channel assistance from richer nations needed to plug these holes.

Greater trade for India?

"The TFA rationalises prices and provides for consultations before new trade rules are notified, making trade smoother. Based on current trade figures, an additional trade of $15-20 billion can be expected," Ajay Sahai, director general of Federation of Indian Exports Organizations, said.

According to a WTO study, the full implementation of the TFA is forecast to decrease the trade costs of member nations by an average of 14.3 per cent, with developing countries having the most to gain. The TFA is also likely to reduce the time needed to import goods by over a day and a half and to export goods by almost two days, representing a reduction of 47 per cent and 91 per cent, respectively, over the current average.

Moreover, once the TFA is fully implemented, developing countries such as India are predicted to increase the number of new products exported by as much as 20 per cent, with least developed countries likely to see an increase of up to 35 per cent, according to the study.

More fight ahead

However, this should not deflect public attention away from the more crucial matter at stake in front of the multilateral platform, that of facilitating development in poorer nations. "The primary aim of the WTO while being formed was not trade liberalisation but development," Biswajit Dhar, trade expert and professor at the Jawaharlal Nehru University, said.

In this regard, the negotiations on the Doha Development Round, launched in 2001, serve as a microcosm of the WTO itself and the way it has functioned. While developmental issues, primarily regarding agriculture, have continued to be opposed by the developed nations, they have in turn kept the thrust on the introduction of newer issues like e-commerce.

This was seen as recently as earlier this month when WTO Director-General Roberto Azevedo had visited India and held discussions on the issue with leading private companies.

For India, a permanent solution to the issue of public stockholding of foodgrain and discussions on a special safeguard mechanism will remain of primary importance at the upcoming ministerial conference in Argentina, later this year.

India is also pushing for the inclusion of discussions on a TFA on services at Argentina. It aims to ease movement of skilled professionals across borders as well as reducing transaction costs. India's services sector accounts for more than 60 per cent of its GDP and 28 per cent of employment.

Indian economy to reach $5 trillion by 2025: Morgan Stanley

Indian economy is likely to reach $5 trillion by 2025, as India's millennials continue to drive growth in massive disruptive developments, supported by the government, and add to the country's economic prowess, says a report.

India, currently the world's seventh-largest economy with a size of $2.2-trillion in terms of nominal GDP (and the third-largest in PPP terms), however, lags in per capita income.

With a per capita income of $1,700, India ranks well behind some of the key emerging markets, like China, Russia, Brazil, Indonesia, the Philippines, Mexico, and Turkey.

"We expect a confluence of supportive factors, led by demographics, government policy action, and globalisation, to lead to a sustained period of productive growth in the medium term," Morgan Stanley said in a research note, adding, "in our base case, we expect the Indian economy to reach $5 trillion by FY2025.''

By financial year 2024-25, Morgan Stanley expects India's per capita income to rise 125 per cent to $3,650.

India's millennial population of 400 million is the largest in the world and is armed with around $180 billion in spending power and with high smartphone adoption and widespread availability of mobile broadband infrastructure, it will become a disruptive force faster than most businesses expect, says the report.

According to Morgan Stanley, the population dynamics will be a key force in shaping India's overall growth trajectory and also in shaping how product markets will develop as the preferences of the population evolve.

The report, however, noted that the demographics factor alone is not sufficient for an acceleration in GDP growth.

It is important that the working age population is adequately skilled to participate in a globalised competitive environment.

"The next leg of harnessing this young and better skilled population would require creation of adequate employment opportunities, which is an opportunity and a challenge for India," it said.

EU says open to accommodate more Indian skilled professionals

The European Union said it is ready to accommodate more Indian IT professionals and denounced any form of protectionism in global trade, amid anxiety in India over the Trump administration's possible clampdown on H1B visa.

Pushing for deeper trade ties with India, a delegation of European Parliament's Committee on Foreign Affairs also expressed "regret" over failure by both sides to resume the stalled dialogue to firm the long-pending EU-India trade and investment pact.

Criticising the new US government's protectionist rhetoric which triggered fears in Europe as well, head of the delegation David McAllister said Europe is "open" for allowing more Indian professionals who are high on demand.

"Europe is open for people with high demand. Indian people are highly skilled. Our IT sector would not have been successful if we did not have skilled professionals from India," he said.

Soon after taking over last month, Trump had decided to overhaul the work visa programmes like the H-1B and L1, a move that will adversely hit the lifeline of Indian tech firms and professionals in the US.

Pressing for early resumption of negotiations for the EU -India Broad-based Trade and Investment Agreement (BTIA), McAllister said the delegation urged the Indian leaders to resume the talks as the pact will significantly boost two-way trade.

"We deeply regret that we are not being able to move ahead. We will use the visit to call for resumption of talks for the agreement," he told reporters.

The EU delegation, the second one here, will hold talks with a number of Union Ministers, National Security Adviser Ajit Doval, the Vice Chairman of NITI Ayog Arvind Panagariya and Lok Sabha Speaker Sumitra Mahajan among others.

An European Parliament Delegation for relations with India is also in the country and it had strongly sought resumption of talks for the trade pact during its meetings with Finance Minister Arun Jaitley and Commerce Minister Nirmala Sitharaman.

The BTIA talks have been stalled since May 2013, when both sides failed to bridge substantial gaps on crucial issues, including data security status for IT sector.

Launched in June 2007, negotiations for the proposed agreement have witnessed many hurdles as both the sides have major differences on crucial issues.

Delegation member Urmas Paet said the EU would like to have the trade pact with India on the lines of the recently concluded EU-Canada trade deal, which features a new mechanism on investment protection and dispute settlement.

India has already made it clear that it will not allow investment to become part of any global agreement that allows investors to challenge governments in an international tribunal.

In the EU-India Summit in Brussels last year, the two sides had failed to make any announcement on resumption of the negotiations as many bottlenecks still remain. The two sides are yet to iron out issues related to tariff and movement of professionals but the EU has shown an inclination to restart talks.

Besides demanding significant duty cuts in automobiles, the EU wants tax reduction in wines, spirits and dairy products, and a strong intellectual property regime.

Now, Saab offers to make fighter jets in India

Swedish defence giant Saab on Friday pitched for a contract for the supply of single-engine fighter jets with promise of setting up one of the most advanced aircraft production facilities in India if it wins the deal.

Top Saab officials said the company has already finalised a blueprint for setting up the hub which will manufacture Gripen E for India and the global market besides having separate facilities to design, develop, modify and enhance new fighters for the future.

The government has already issued request for information (RFI) to procure a fleet of single-engine fighters for IAF and US defence firm Lockheed Martin will be a major competitor for Saab for the deal.

Lockheed Martin has offered to completely shift F-16 production line to India for manufacture of the fighters, but it is an older version compared to the F-35s that US Air Force now acquires.

Saab is pushing its Gripen E as the best multi-role fighter jet for IAF, and, according to Kent-Ake Molin, director of sales and marketing of Gripen, Saab's proposed aircraft manufacturing hub in India will be the most modern facility in the world with a major focus on technology transfer.

Saab is also looking at supplying the Indian Navy a naval version of Gripen with advanced features and capability to take off from aircraft carriers.

He also ruled out any possible hitch in technology transfer although Gripen jet engine has components developed by US defence majors, particularly under Donald Trump's presidency. Molin said there was no reason to worry and concerns regarding the issue are misplaced.

He said India's light combat aircraft has US components and any such issues will be resolved.

Saab had offered Gripen for the Medium Multi-role Combat Aircraft deal which was eventually awarded to French Dassault's Rafale.

Molin said the proposed facility would include a dedicated Gripen Design Centre, a major production facility equipped with the latest manufacturing technologies and robotics systems, a radar and sensor centre, final assembly plus test and verification centres, among others.

It will also have repair and overhaul and design services, he said, adding the fighter technology ecosystem would support the full spectrum of production capabilities for India, including parts manufacturing and subassembly.

The Swedish defence giant also has designs to transform the proposed India hub into a global manufacturing export hub as per the defence ministry's requirements.

Saab is already producing camouflage equipment in Gurugram and has set up a research and development (R&D) centre in Hyderabad. It also has a joint venture with Tech Mahindra in Belgaum for providing parts to Airbus and Boeing.

''Saab is actually planning to go beyond Make in India. We want to make India a net exporter and provide indigenous capability to the Indian Air Force,'' Molin said.

In the meantime Lockheed has announced that that it will be prepared to shift F-16 production to India – if Trump permits.

US defence firm Lockheed Martin wants to push ahead with plans to move production of its F-16 combat jets to India, but understands President Donald Trump's administration may want to take a "fresh look" at the proposal, says a Reuters report.

With no more orders for the F-16 from the Pentagon, Lockheed plans to use its Fort Worth, Texas plant to instead produce the fifth generation F-35 Joint Strike Fighter to which the United States Air Force is transitioning.

Lockheed would switch F-16 production to India, as long as the Indian government agrees to order hundreds of the planes that its air force desperately needs, the report says.

Trump has criticized US companies that have moved manufacturing overseas and which then sell their products back to the US. In his first few weeks in office, he has pushed companies, from automakers to pharmaceutical firms, to produce more in the United States.

In Lockheed's case, however, the plan is to build the F-16 to equip the Indian Air Force, and not sell them back into the United States.

Lockheed said it has been talking to Trump's transition and governance teams as well as the US Congress for several months on its plans, including the proposed sale of F-16 planes to India, a spokesman told Reuters in Washington.

"We've briefed the Administration on the current proposal, which was supported by the Obama Administration as part of a broader cooperative dialogue with the government of India," the spokesman said.

"We understand that the Trump Administration will want to take a fresh look at some of these programmes, and we stand prepared to support that effort to ensure that any deal of this importance is properly aligned with US policy priorities."

India is expected to spend $250 billion on defence modernisation over the next decade, analysts say, and there is concern that a veto on making the F-16 in India would not only hit Lockheed, but also threaten other military contracts to come up in India for Boeing, Northrop and Raytheon.

The White House did not respond to requests for comment on the plan to build the plane in India.

A person close to Lockheed said company officials did not know what the Trump administration planned to do about the proposal to shift F-16 production to India.

"They're following it closely and talking with the White House. But if they don't move production to India, there's no way they'll get the India contract," the person said.

One argument to be made was that moving to India would preserve some component production in the United States. "Twenty-five per cent of something is better than zero per cent of nothing," the person said.

Lockheed has said that moving F-16 assembly to India would create 200 engineering jobs in the United States to help support the production line in India.

It has also said that about 800 workers in the United States making the non-Lockheed parts for the F-16 would keep their jobs if construction shifts to India.

"We are offering to make the F-16 Block-70 aircraft with a local partner in India. This is an offer exclusive to India," Randall L Howard, head of F-16 business development, told Reuters ahead of India's biggest air show, Aero India, beginning in Bengaluru next week.

In India, the F-16 is up against SAAB's Gripen combat aircraft, which the Swedish firm has also offered to make locally, as Prime Minister Narendra Modi drives a Make-in-India campaign to build a domestic aerospace industry and reduce costly imports.

The Indian government is expected to decide this year on which company will build a single-engine fighter plane, in collaboration with a local partner. A defense official said the process was at a very early stage.

The Indian Air Force alone needs 200-250 fighters over the next 10 years, its former chief Arup Raha said before he left office in December.

Negotiating arms contracts with India can take years, and industry officials said there was no guarantee Lockheed would win the contract even if it moves production to India.

Defence ties between India and the United States have grown rapidly, with US arms sales of more than $4 billion in 2012-15, mostly under government-to-government foreign military sales, upstaging long-term supplier Russia and even Israel.

Lockheed's executive director for international business development, Abhay Paranjape, said his team has met with representatives from 40 defence and aviation firms in India to help build the ancillary network for the aircraft assembly program.

"We want to be prepared, that's why we started the ground work," he said, adding Lockheed has also scouted possible factory sites in India.

Lockheed has a joint venture with India's Tata Advanced Systems Ltd to make airframe components for the C-130J Super Hercules transport plane and the S-92 helicopter.

"The capability for building components exists here, it's been proven with the C-130s. The challenge now is to pick the right partners," Paranjape said.

Resolving mobility issue is the key to UK-India free trade pact

Resolving the issue of workers mobility would be “key” to a post-Brexit free trade agreement, said YK Sinha, High Commissioner to the UK.

Speaking at an event on opportunities for post-Brexit collaboration between the two countries, he said that while negotiating a bilateral trade agreement would potentially be easier than one with an entire bloc, for India it was essential to ensure that its professionals particularly in the financial services sector and the IT services sector were able to visit and return freely.

“For India mobility is key,” he said. “The EU and India have been negotiating a free trade agreement since 1997, but we didn’t make headway for various reasons,” he said.

“When you are negotiating with a large grouping there are other interests you have to keep in mind however when you are negotiating a bilateral deal, it makes it easier,” he said pointing to a joint working group that had been set up last year, which he said could act as a “fulcrum” for the FTA when formal discussions begin once Brexit is completed.

Enabling free movement of workers would benefit both Britain and India, he said.

“They contribute immensely to the economy they live in and when they go back they contribute immensely to India.”

The event organised by FICCI and the University of East Anglia is a latest in a number of discussions taking place around the potential for the relationship. Britain is eager to negotiate a free trade agreement with India. During a visit to India last November, UK Prime Minister Theresa May stressed her eagerness to secure such a deal.

"We are confronted with an uncertain situation," Sinha said, "Whatever scenario emerges we need to be prepared and it's important for us to see how we can leverage the situation to our advantage. Of course trade is good but we haven't tapped its potential," he said.

He pointed to a Commonwealth study published last year that estimated a 25 per cent boost to UK-India trade should a post-Brexit FTA be implemented.

While bilateral trade could see a boost, in the short term, the Brexit uncertainty was likely to hit Indian investment into the UK, said Didar Singh, Secretary-General of FICCI.

While Britain had been India's main investment partner in Europe, that was when Britain was "part of a larger market. The uncertainty will cause a blip in the entire investment scenario… We have to understand that reality," he said. "I look to see where the markets are… I look to see where the profitability is."

Security issues

With uncertainty hovering over the economic partnership, security and defense cooperation has the potential for becoming the dominant aspect of the bilateral relationship, said Rahul Roy-Chaudhury, head of the South Asia programme at the International Institute for Strategic Studies.

He noted that cooperation in this area had increased in recent years, with counter terrorism initiatives helping prevent terror attacks in India, and joint efforts to disrupt the financial and tactical support to the Lashkar-e-Taiba, and the signing of a civil nuclear cooperation agreement.

That strategic relationship could be strengthened greatly, he said, if Britain made public commitments on sharing cutting-edge military technology that Britain shared with top partners, and if there were more "actionable" exchanges of intelligence on money laundering, terrorist financing and other crimes.

Strengthening this could help Britain return to be one of India's top five strategic partners, said Roy-Chaudhury, pointing to the US, Russia, France, Japan, Israel, Australia and the UAE as being the current top strategic partners. (Source: The Hindu)

Half of Indian IT workforce may become irrelevant in 3 years: McKinsey

Indian IT services players may have to re-skill significant chunks of their workforce to drive the digital technology transformation.

Global advisory firm McKinsey & Company says in a report, which was presented at the Nasscom India Leadership Forum on Friday, nearly half of the workforce in the IT services firms will be "irrelevant" over the next 3-4 years.

The report has suggested that IT services providers must turn around their businesses in five major ways such as explosion of new service lines and solutions, investment to build new capabilities, coexistence of digital transformation and traditional services, acquisitions and re-skilling employees with emerging technologies.

McKinsey India Managing Director Noshir Kaka says the bigger challenge ahead for the industry will be to retrain 50-60 per cent of the workforce as there will be a significant shift in technologies. The industry employs 3.9 million people and the majority of them have to be retrained.

Industry players such as TCS and Infosys have said they will look at re-skilling and leveraging the experienced workforce at the same time to drive the digital transformation.

The $150 billion IT services industry is passing through an uncertain time as the growth in digital technologies like cloud-based services is not yet adequate to offset the decline in the traditional technology business. Many industry players believe the change in technology service demand is happening at a "much faster" pace.

"One part of digital is about the technology. But the other part of digital is about the context and the environment, and other things like leveraging the experience of the people who know the industry. The kind of skills we are looking for today are different, it is important to learn some of the new technologies and re-skilling is important. It is a combination of things," said Pravin Rao, chief operating officer, Infosys.

"A lot of the workforce is re-skillable. I am not very pessimistic, but there a challenge," said Srinivas Kandula, Country Head, India, Capgemini.

Rao said Infosys had already taken initiatives to train its employees in digital technologies and had started platforms like Zero Distance to drive innovation.

"The talent gap is largely overemphasised and I do not think we should worry about it. The engineering skills, the analytical skills and the talent we have is world-class and recognised, and every single employee is performing in a highly competitive environment," said N Ganapathy Subramaniam, President, TCS Financial Solutions.

Subramaniam said the talent in India was capable enough to transform with the change and they need to be re-skilled.

UK creates maximum jobs in India via FDI: Report

The UK remains the largest job creator in India through foreign direct investment, accounting for every one out of 10 jobs created through FDI, with Japan closing in fast, creating one in ten jobs between April 2000 and September 2016, says a report.

"Between 2000 and 2016, British FDI created 371,000 jobs - 10 per cent of all jobs created by FDI. The total number of people employed by British companies in India currently stands at 788,000 representing 5.3 per cent, or one in twenty, of private sector jobs," according to the report.

British investors are eyeing further progress to secure investor protection under the model Bilateral Investment Treaty, greater momentum in reducing corporate tax rates and further improvements in the ease of doing business, according to UK-based business organisation CBI's second Sterling Assets India report, supported by PwC and the UK India Business Council.

The UK is also the single largest G20 investor in India. Between 2000 and 2016, the UK invested $24.07 billion in India increasing its investment by $1.87 billion between 2015 and 2016, which represents 8 per cent of all foreign direct investment (FDI) into the country.

The UK remains the largest inbound foreign investor in India after Mauritius and Singapore.

In 2016, Japan emerged as a major competitor as Japanese firms invested $5.46 billion between April 2015 and September 2016, taking Japanese FDI in India during the 16-year period to $23.76 billion, just marginally short of the UK FDI figure.

"As new opportunities spring up in India from its rapid digitisation to more young people wanting to study at the UK's world leading universities our firms will be looking to take full advantage. Further reductions in India's corporate tax rates and improvements to the ease of doing business will see the relationship between India and the UK go from strength to strength," Carolyn Fairbairn, CBI director-general, said.

The chemicals sector receives the lion's share of British investment in India at $6.1 billion (25 per cent of UK FDI), followed by drugs and pharmaceuticals at $4.1 billion (17 per cent) and food processing at $3.2 billion (14 per cent).

UK companies, according to the report, are attracted by a growing market, easy talent availability, a stable political system, new business-friendly policies by state and central governments, use of English as the language of business, similar legal and education system and the saturation of western markets.

"India remains something of an investment magnet to British companies. As Asia's third largest economy, India has attracted FDI from the UK into both industry and services sectors between 2000 and 2016," it pointed out. In 18 months between April 2015 and September 2016, India received FDI from the UK to the tune of $1.87 billion while FDI from Mauritius and Singapore was $5.85 billion and $4.68 billion respectively. Roughly 38,000 jobs were created by UK FDI in the period.

Significantly, between April 2015 and September 2016, nearly a quarter (22.35 per cent) of British investments went to Delhi-National Capital Region. Maharashtra, with Mumbai as capital, attracted the largest share of British investment ($7.47 billion) between 2000 and 2016.

Brexit just a bump as UK to be fastest-growing G7 nation: PwC

Brexit will prove to be little more than a bump in the road for the UK economy in the long run and the country will successfully defend its spot as one of the world's fastest growing developed economies in decades to come, according to predictions published in a new study.

Professional services firm PricewaterhouseCoopers in a report published today projects that the UK will slide just one place - to 10th from 9th - in the global purchasing power parity (PPP) rankings by 2050.

PPP values a country's currency in relation to other currencies, based on the cost of a local market basket of goods.

PwC also predicts that the UK will slip from 5th to 9th in unadjusted GDP terms over that time period, but that it will be the fastest-growing of the ''Group of Seven'' economies over the whole period to 2050.

''After a year of major political shocks with the Brexit vote and the election of President Trump, it might seem brave to opine on economic prospects for 2017, let alone 2050,'' says John Hawksworth, the chief economist at PwC.

He adds, however, that he has ''a relatively positive long-term growth projection for the UK'' as a result of ''favourable demographic factors and a relatively flexible economy by European standards''.

PwC's forecasts come just days after the Bank of England dramatically lifted its 2017 GDP growth forecast to 2 per cent, from 1.4 per cent in November.

However, the Bank anticipates a slowdown in growth with GDP expected to expand by 1.6 per cent and 1.7 per cent in 2018 and 2019.

The Bank had previously projected that the economy would take a cumulative hit of 2.5 per cent of GDP by 2019 due to Brexit. It now forecasts a 1.5 per cent of GDP hit, equivalent to around £30 billion in today's money value.

Spanish firm to facilitate 2,500 MW renewable power in Andhra Pradesh

Spanish wind turbine-maker Gamesa will facilitate around Rs 17,500 crore investment in Andhra Pradesh in wind, solar and wind-solar hybrid power projects, said a top official of the company's Indian subsidiary.

"Gamesa will facilitate investors to set up wind, solar and wind-solar hybrid power projects in Andhra Pradesh. We will bring existing investors in the renewable energy space and also new investors," Ramesh Kymal, Chairman and Managing Director of the Indian subsidiary Gamesa Renewables told IANS on Friday.

Kymal said Gamesa will identify the land and take care of the other work.

"Around 2,500 MW renewal energy capacity comprising of wind, solar and wind-solar hybrid could be set up. We have signed a Memorandum of Understanding (MoU) to this effect with the Andhra Pradesh government," he added.