

President's Message

Friends,

We are witness to history in the making as India emerges as an important player in the global economic landscape, showcasing resilience and higher growth trends. Experts forecast that we will continue to be the world's fastest booming economy, ahead of China and the next decade would be one of expansion powered by growing consumption and upswing in investment. We have already seen a significant improvement in India's ranking in ease of doing business fundamentals and a preferred investment destination, as a result of strategic trade and structural reforms, targeting a large attractive market of more than 129 million urban mass consumers. Recovering from the twin shocks of demonetization and GST, growth is expected to rebound from its low base to reach 7.5 percent in 2019, due to good monsoon, reduction in GST-related glitches and extra funding to the rural sector.

I am concerned as the complexity of the recent global shocks such as high oil prices, U.S. interest rates and trade wars between the US and China have been rising in recent months. Emerging markets have seen larger capital outflows. In India too, the rupee depreciated sharply by 6.9 percent against the dollar since January 2018 amid increased outflows of foreign portfolio investment. India's foreign exchange reserves had peaked at about US\$ 426 billion in mid April 2018. Since then it has come down to US\$ 405 billion. Our current account deficit has been hit by high oil prices, escalating to 2.6 percent of GDP in fiscal 2019 from 0.9 percent in fiscal 2018. However, I am optimistic that the emerging markets are showing signs of stabilizing, having a spillover effect to India.

The slowing down of industrial production in May to 3.2 percent from 4.8 percent in April and the rise in consumer price inflation in June to 5 percent, compounded by increasing interest rates are worrisome pressure points. Rising non-performing assets of public sector banks are roadblocks for generating private investments. But I assure you that these should not be seen as risks as the government is committed to take measures to keep them under control. The Reserve Bank of India hiked its repo rate by 25 basis points to 6.50 percent on August 1, 2018, the second time in the last two months on the back of high crude oil prices and fear of inflation.



An 8 percent growth needs to be sustained over the next few years and efforts need to be made to improve the slowing investment ratio that demands a broad-based pick up in private investment with newer funding channels. Currently, the private sector is constrained by low capacity utilization and political uncertainty due to elections next year. Growth in employment has also dropped over the last four years. And thus, the government needs to encourage the private sector to invest and expand further and also encourage labour markets to function efficiently.

India has an investment requirement equivalent of Rs. 50 trillion (US\$ 777.73 billion) in the infrastructure sector, to achieve sustainable development by 2022. The sector enjoys intense focus from the government for initiating policies that would ensure time-bound creation of world class infrastructure in the country. Also, the sector has the potential to absorb much of the skilled, semiskilled and unskilled work force.

I applaud the recent liberalization of FDI norms in sectors such as defence, PSUs, oil refineries, telecom, retail, power exchanges, medical devices, civil aviation and stock exchanges that have opened gateways for overseas investors making headway into India. During the four years of the Modi government, FDI inflows jumped to US\$ 222.75 billion from US\$ 152 billion in the previous four-year period. FDI equity inflows during FY 2017-18 amounted to US\$ 44.86 billion with the services sector attracting the highest equity inflow of US\$ 6.8 billion, followed by telecom and computer software & hardware.

The government's pulsating initiatives of making major investments to develop infrastructure in the country through projects

such as 'Bharatmala' & NHDP, railways, port development, airport connectivity and Smart City are indeed laudable. Investments have also been made for Clean India mission.

I acknowledge the government's move to offer greater tax sops and an improved investment climate to Micro, Small and Medium enterprises to make them more competitive vis-à-vis their larger competitors. Keeping in sync with the Chamber's thrust to MSMEs, the Chamber launched two state chapters, one in Bihar and the other one in Rajasthan and are also starting operations in Kerala. Further, a good example of this is inflow of 100 percent FDI in single brand retail through the automatic route. I welcome MSMEs of different countries to invest in India, either through FDI or through joint ventures and collaborations with Indian partners. To fulfill this objective, we have recently signed a number of MoUs with foreign and national Chambers of Commerce and organizations.

Working towards the Chamber's mission, we mounted a high level business delegation to Kigali, Rwanda and Kampala, Uganda, in July 2018 coinciding with the visit of the Hon'ble Prime Minister. The delegation participated in highly successful business events in these countries paving the way for investment opportunities for the Indian industry.

The Chamber for the first time also participated as 'co-organizer' to an international event -the Annual Horasis Meeting with the objective to provide business opportunities to the Indian MSMEs.

Finally, I suggest that India should work on her development and business models to synergize the economic wealth, increase production, expand more industries, evolve the services sector, reduce the cost of doing business and make available the resources business needs to compete and thrive in today's global economy.

As rightly quoted by Swami Vivekananda, "Each nation has a destiny to fulfill, each nation has a message to deliver, each nation has a mission to accomplish," so let's work with dedication, innovative and collective strength in order to achieve horizons of excellence to serve our society better, providing food, water, energy, education, homes, health care and above all jobs to all in the process of building a 'New India' by 2022.

