



DOHA DATELINE
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Customers shop inside a food superstore in Ahmedabad. India's wholesale inflation fell to 4.89 per cent in April 2013 as against 5.96 per cent in March 2013. — Reuters

Emerging nations may balance global growth

India-GCC bilateral trade reaches \$145 billion in 2011-12

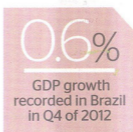
THE EMERGING ECONOMIES continue to witness challenging times recently. In the fourth quarter of 2012, India's economy grew only 4.5 per cent due to the widespread weakness in farm, mining and manufacturing output. The wholesale inflation in India was at 4.89 per cent in April 2013 as against 5.96 per cent in March 2013. The recent fall in commodity prices resulted in a 25 basis points rate cuts by Reserve Bank of India (RBI) in May 2013. With further fall in inflation it is expected RBI can bring down rates in its June 2013 meeting. According to recent IMF (International Monetary Fund) outlook India is expected to grow at 5.7 per cent for 2013.

Brazil's gross domestic product grew 0.6 per cent in the fourth quarter of 2012. Brazil Central Bank's IBC-Br economic activity index increased 1.05 per cent in the first three months of the year, compared with the final quarter of last year, up from an expansion of 0.63 per cent in the previous quarter. This indicates that a recovery is expected in 2013. According to recent IMF outlook Brazil is expected to grow at three per cent in 2013. In April 2013 Brazil's inflation reached 6.49 per cent, which is just below the government up-

per limit target of 6.5 per cent. In April 2013 Brazil central bank increased rates as inflation was high. The inflation spike has been driven by a sharp rise in the price of food and other consumer items.

Russia's gross domestic product rose 1.6 per cent in the first quarter of 2013. Weak exports and structural factors are the key elements for the slowdown in GDP. According to recent IMF outlook Russia is expected to grow at 3.4 per cent in 2013. Inflation in Russia was at 7.2 per cent in 2013. China's economic growth has slowed to 7.7 per cent in the first quarter of 2013. Economic growth in China's key markets such as the US and Europe has slowed, and its exports have weakened. According to recent IMF outlook China's economic growth is expected to be 8.2 per cent in 2013. Emerging economies are expected to balance global economic growth.

India's current account deficit (CAD) has hit a historic high of 6.7 per cent in the December quarter of the fiscal 2012-13 and the full fiscal year is going to end with a CAD of over five per cent. India's trade deficit in April 2013 widened more than 70 per cent from March to \$17.8 billion. The large increase can give concerns of pressure on the country's current-account deficit. It is expected CAD can fall by around five per cent in 2012-13.



The fiscal deficit for 2012-13 is expected to be lower than 5.2 per cent of gross domestic product. India's fiscal deficit for 2013-14 is expected to be below 4.8 per cent of gross domestic product. The slowdown in economic growth has had an impact across Bric capital markets. Indian capital market has recovered on rate cuts and falling inflation in recent times.

India has come up with various economic reforms in the last nine months. The prices of diesel and petrol have been completely deregulated hence they will go up or down on basis of international fuel prices. Government has approved 51 per cent foreign direct investment (FDI) in multi-brand retail and 49 per cent FDI in aviation. In 2013, Etihad bought 24 per cent stake in Jet Airways India for \$379 million. The bilateral trade between India and the GCC was at

\$145 billion in 2011-12 and the GCC-India free trade agreement is under discussion. With the bilateral trade expected to increase between the two blocs GCC players have started looking for more investment opportunities in India in various sectors. In 2013, Qatar Foundation also invested \$1.26 billion in the Indian telecommunication giant Bharti-Airtel. These trends can improve FDI in India, strengthen the rupee and thereby improve current account deficit and hence keep inflation under control.

The Banking Laws (Amendment) Bill was finally passed in December 2012. More powers to RBI given under this act such as issuing new bank licences and greater supervisory oversight, power to inspect and prior approval for acquisition of shares and voting rights. This act has also made amendments in areas such as voting rights of banks, issue of bonus shares by public sector banks and spelt out criteria for private sector groups to set up banks. Some of the economic reforms in pipeline in India include pension and insurance bills, direct tax code bill and land acquisition bill.

The writer is the group chief executive officer at Doha Bank. Views expressed are his own and do not reflect the newspaper's policy