Planning Commission
Government of India

PART A: News pertaining to Planning Commission

15.10.2014

Compiled by:

S. Wadhawan, ALIO and **Communication, IT & Information Division**
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Planning Commission Library

आज का विचार (महात्मा गांधी के मूल्यवान वचन)

“निरपराधियो की मुसीबते सहने की वजह से ही दुनिया ऊपर उठती हें और बेहतर बनती हें।“

1. **Economists ask PM Modi not to dilute NREGS; Gadkari says focus on backward areas**

   Indian Express: 15.10.2014

"We will have a different thought for exceptions and will use the Planning Commission data on such areas."

As leading economists urged the Prime Minister not to dilute the Mahatma Gandhi National Rural Employment Guarantee Scheme saying it provides economic security to millions, Union Minister for Rural Development Nitin Gadkari justified the Centre's decision to restrict the focus of the job scheme to the "most backward and needy" districts and reduce the labour-material ratio from 60:40 to 51:49.

Denying any move to reduce compensation for lack of job availability or any delay in payment of wages, Gadkari told The Indian Express: "In many irrigated states like Punjab and Haryana, lack of labourers for farming operations has become a major problem. They have to get labourers from Bihar. In Uttar Pradesh, they don't have labourers to work on cane farms. So, we have thought of implementing the scheme more intensively where people have no jobs available."

On the strategy for ‘non-focus’ districts, Gadkari said: “We will have a different thought for exceptions and will use the **Planning Commission** data on such areas.”

On the issue of labour-material ratio, he said: “It (the decision) has been taken keeping Parliament in confidence and all parties have supported it. We wish to spend the money constructively and we need to do some value addition. After all, it’s government money.”

Citing an example, he said: “In east Vidarbha, there are over 7,000 old reservoirs called Malgujari talaos. We need to desilt these. So, we have to reduce the ratio there.”

He made these remarks after 28 economists wrote to Prime Minister Narendra Modi. “We are writing to express our deep concern about the future of India’s NREGA,” their letter stated.

Signatories included Jean Dreze, a member of the erstwhile National Advisory Council; Abhijit Sen, former member of the Planning Commission; Dilip Abreu, professor of economics, Princeton University; Pranab Bardhan, emeritus professor of economics, University of California, Berkeley; Anirban Kar, associate professor, Delhi School of Economics; and, Jayati Ghosh, professor of economics, Jawaharlal Nehru University.

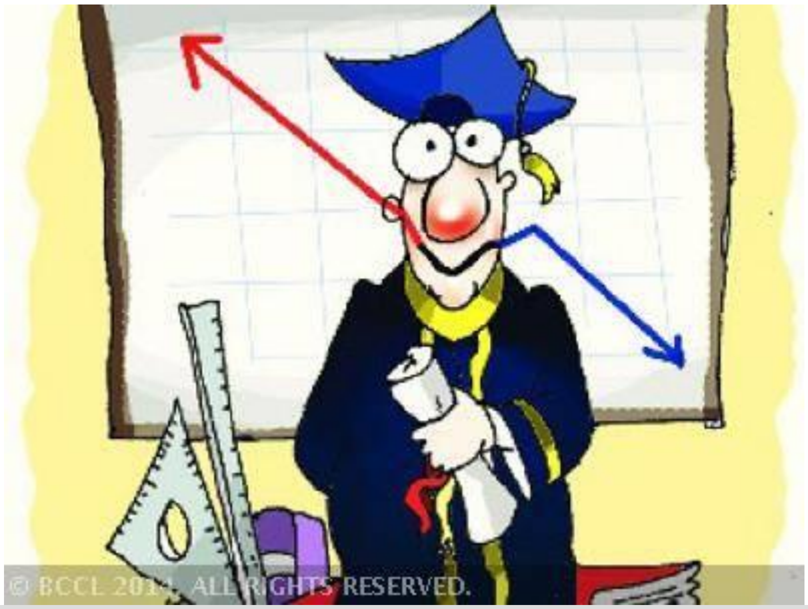
The letter argued that capping the job scheme to 200 districts, restricting state spend and revising the labour-material ratio would dilute its benefits.
Pointing out that the scheme, started in 2005 by the UPA with cross-party support, had achieved significant results, the economists said: “At a relatively small cost (currently 0.3 per cent of India’s GDP), about 50 million households are getting some employment at NREGA work sites every year. A majority of NREGA workers are women, and close to half are Dalits or Adivasis. A large body of research shows that the NREGA has wide-ranging social benefits, including the creation of productive assets.”

The economists expressed concern over plans to restrict the ambit of the scheme to just 200 districts, arguing that it goes against the basic premise of the Act.

They argued that wages under the scheme have been frozen in real terms while delay in payments have further depleted their real value.

"The Act's initial provisions for compensation in the event of delayed payments have been removed. The labour-material ratio is sought to be reduced from 60:40 to 51:49 without any evidence that this would raise the productivity of NREGA works," the letter stated. They also noted that by imposing caps on NREGA expenditure on state governments, the Centre is undermining the principle of work on demand.

2. **Indian employers see overseas graduates as more job-ready: Rob Lynes, British Council**
   The Economic Times: 14.10.2010

- 

(Students with overseas…)

Employers in India believe foreign university graduates have better technical skills for jobs, according to the India Employability report unveiled by The British Council.

The research surveyed 200 foreign and Indian companies on ascertaining the attractiveness of Indian and foreign university graduates for jobs on parameters such as skill-sets, availability and quality of talent pool. It revealed that 39 per cent of the respondents deemed far more graduates from foreign universities as better prepared for the job than those from Indian universities, perceiving them to require lesser extensive training, according to 14 per cent of employers.

Please explain the key findings.

This report is looking at employability of Indians in general. It is about what young people need to do to get jobs. The report looked at particularly those who studied in India or overseas and tried to assess whether the latter have an added advantage. With 200 respondents, it's not a huge corpus to look at, but what the report does say is that some employers feel those who have studied overseas are better prepared for the job market. And this could be attributed to exposure, critical thinking abilities and better understanding of business concepts. These were employers who hired students with overseas experience. I guess it doesn't make them better employees but gives them something extra. Even in the UK, we encourage people to get some exposure overseas. This is the first time we have looked at elements like employability in context of the Indian market.

What are the concerns regarding overseas education?

Higher education is becoming more transactional in nature. There are various courses and campuses education programmes and we hope that in future, there are more opportunities for such programmes for UK universities in India, so students don't have to go overseas for foreign education. At the moment, it's difficult in India. Massive Open Online Courses is another area if institutions have to reach out to large numbers. But, the catch there is quality. How do institutions accredit and certify certain courses? These are challenges institutions are going to face.

How are training interventions for institutions and companies panning out in India?

Soft skills are critical communication presentation skills, and these are essential for any job. Students may be academically brilliant but if you cannot communicate and engage you'll find it difficult to survive. The British Council works broadly with 12 states in India. We train the trainers to teach language. We've had tie-ups with companies and higher institutions looking at soft skills training. There is a demand for that in India.

3. Minister releases report on poor education scenario
The Times of India: 13.10.2014

PATNA: Approximately 30% fathers and 63.41% of mothers in Gaya district never went to school. The situation in Katihar district is even worst with 51.58% fathers and 73.44% of mothers did not go to school. This was revealed in a report on 'social diversity and learning achievement: the status of primary education in rural Bihar' prepared by Deshkal society. The report was released by education minister Brishen Patel here on Monday.

Speaking on the occasion, he said it is difficult to teach children with lower level of parental education as they do not appreciate the value of education properly.

The report was prepared after a survey on over 4,000 children in Gaya and over 5,000 children in Katihar districts. It also attributed language barrier as a factor that can increase the number of dropouts. It has mentioned private tuition centres as a single entrepreneurship in the absence of financial resource and said people accept them as centres of learning.

4. India’s hunger situation alarming, says report

Business Line: 14.10.2014

NEW DELHI, OCT. 14:

Hunger is decreasing globally, but the largest number of people going hungry is in South Asia, with the situation in India ‘alarming’ despite it having made some progress.

Overall, the hunger situation in 19 out 120 countries is alarming or seriously alarming, says a report released on Monday by the International Food Policy Research Institute, Welthungerhilfe and Concern Worldwide.

The 2013 Global Hunger Index (GHI) has fallen by 34 per cent from the 1990 score, but South Asia has the highest regional score of 20.7, followed by

Africa (south of the Sahara) while Burundi, Eritrea and Comoros have the highest levels of hunger, says the report.

The report, which calls for building coping mechanisms to boost food and nutrition security, terms the situation in India as alarming, even as its hunger score improved from 32.6 in 1990 to 24 in 2005 and 21.3 in 2013. Pakistan has a score of 19.3, Bangladesh 19.4 and China 5.5.

It says South Asia's record of reducing hunger has been uneven, as the region reduced its score markedly between 1990 and 1995, but the decrease slowed down, despite strong economic growth.

India, which recently passed a food security law, and Timor-Leste have the highest prevalence of underweight in children under five — more than 40 per cent in both countries. The report cites social inequality and low nutritional, educational, and social status of women as the major causes of child under-nutrition in South Asia.

"2.6 billion people have to live on less than two dollars a day. For them a sick family member, a singledrought or the job loss of someone working abroad is a major crisis…. These people have simply no coping mechanisms left to react to a crisis," said Welthungerhilfe's Chairlady Bärbel Dieckmann.

Pointing out that the developing world is more vulnerable to shocks and stress from extreme weatherevents, macroeconomic crises, poor governance and conflicts, among others, the report calls for policy focus on building people's resilience.

It suggests silos between the relief and development communities to be broken down and developing high-frequency surveillance systems for the most vulnerable regions, focusing on community as well as individual and household resilience, i.e. their capacity to absorb shocks.

Among the countries that achieved noteworthy progress in improving their GHI scores are Bangladesh, Cambodia, Thailand and Vietnam, with decreases in their scores ranging between 15 and 23 points.

The index identified hunger levels and hot spots across 120 developing countries and countries in transition, and ranked countries on three equally weighted indicators - the proportion of undernourished people, the proportion of underweight children under five, and the mortality rate of children under five.

5. Uttarakhand floods result of climate change: Report

Indian Express: 15.10.2014

The 2013 Uttarakhand floods were most probably a consequence of “human-induced” climate change, a new report by the American Meteorological Society has suggested.

The extraordinary rainfall in Uttarakhand in June last year has found a place in a list of 16 extreme weather events that the report says were most likely a direct result of climate change.

This is probably the first time that any individual weather event in India has been attributed to climate change. Scientists are generally wary of blaming climate change for any single event, mainly because of the difficulty in establishing the causality, although there is a near unanimity that climate change is responsible for an increase in the frequency and intensity of extreme weather events.

The report ‘Explaining Extreme Events of 2013: From a Climate Perspective’, published in the September issue of Bulletin of the American Meteorological Society, does not directly say that climate change caused the floods but comes very close to that.

Based on statistical analysis, the paper on the Indian case says that the high rainfall in June 2013 (the entire month, not just four days of excessive rainfall in the middle of the month) was “at least a century-scale event”, meaning such precipitation can be expected only once in a century at the most. It then says that the analysis provides evidence that climate change can be held responsible for increased likelihood of such extreme events. “…our analyses of the observed and simulated June precipitation provide evidence that anthropogenic (human-induced) forcing of the climate system has increased the likelihood of such an event,” the report says. The Uttarakhand floods had caused a large-scale devastation in the region, killing thousands of people.

Several earlier studies have captured the increasing trend of extreme rainfall cases in India and sought to link it with climate change. But it is extremely difficult to establish whether any individual event is a result of seasonal weather variations or an effect of climate change.

The report acknowledges the limitations that science has in attributing individual events to climate change but says if wherever it is possible, such attributions need to be made.

“It is clear that extreme events capture the public’s attention… And, with or without the availability of a robust scientific analysis, the public often associates extreme events such as these with climate change. Scientific event attribution can help inform the public’s understanding of our changing environment… Observed events, such as those analysed in this report, demonstrate the vulnerabilities of societies to extremes of weather and climate. Enhancing scientific knowledge through attributions helps build environmental intelligence.”

PART B

NEWS AND VIEWS

Wednesday, 15th October 2014

Polity	: PM Visits cyclone-ravaged Vizag; AP gets Rs 1,000-cr aid
Economy	: Drop in retail inflation may spark early rate cut
Planning	: Labour Min to Share Half of Stipend Cost in Training Scheme
Editorial	: Rebuilding Vasakhapatnam

Communication, IT & Information Division
Phone # 2525

The Tribune

Date: 15/10/2014
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PM visits cyclone-ravaged Vizag, AP gets ₹1,000-cr aid

SURESH DHARUR
TRIBUNE NEWS SERVICE

HYDERABAD, OCTOBER 14

After undertaking an aerial survey of the cyclone-battered coastal Andhra Pradesh, Prime Minister Narendra Modi today announced an interim assistance of Rs 1,000 crore to the state government to take up immediate relief and rehabilitation measures.

Modi, who arrived in Visakhapatnam this afternoon to take stock of the situation and review the rescue and relief operations in the aftermath of the cyclone Hudhud, also announced an ex gratia of Rs two lakh to the kith and kin of the cyclone victims.

Modi was accompanied by Andhra Pradesh Chief Minister N Chandrababu Naidu and Union Ministers M Venkaiah Naidu and Ashok Gajapathiraju on aerial survey. Soon after his arrival, the Prime Minister inspected Visakhapatnam Airport which was badly damaged in the cyclone with its passenger terminals being ravaged and the roof being blown away. Visakhapatnam, the coastal city of 20 lakh population

CONTINUED ON P11

Army personnel unload a boat for relief work at a village near Vizag on Tuesday. PTI

Central teams to take stock of damage

- The PM conducted an aerial survey of the cyclone-battered areas. He also announced an ex gratia of ₹2 lakh to the kin of deceased
- Modi announced that the Centre would constitute teams of officials to visit the cyclone-hit areas and submit a report on the damage incurred by each sector

AP gets ₹1,000-crore package

FROM PAGE 1

and headquarters of Eastern Naval Command, bore the brunt as cyclone Hudhud made a landfall near the city on Sunday. It left a trail of death and destruction in three coastal districts of Visakhapatnam, Vizianagaram and Srikakulam, claiming 24 lives, damaging crops and snapping communication and power lines in the region.

The Prime Minister reviewed the situation with Naidu and top officials of the state government. Naidu urged the Centre to declare cyclone Hudhud as a national calamity and sought an immediate assistance of Rs 2,000 crore to take up relief and rehabilitation works.

After the review meeting, Modi announced that the Centre would constitute teams of officials to visit the cyclone-hit areas and submit a report on the damage incurred by each sector. Allotment of funds would be done based on these reports, he said, adding: "During my US trip, I had said that Visakhapatnam will be developed as a smart city but unfortunately the city has incurred huge losses. We stand by the Andhra Pradesh government in this hour of crisis."

Business Standard

Date 15/10/2014
Page No. 06

Drop in retail inflation may spark early rate cut

RBI's inflation target likely to be met much before January 2016 deadline

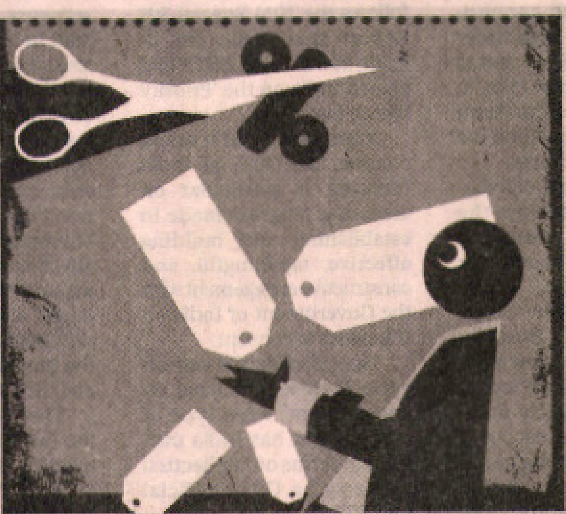
MANOJIT SAHA
Mumbai, 14 October

With retail inflation dropping more than expected in September and the likelihood that it may drop further in the next two months, observers have advanced their projections on a policy rate cut by the Reserve Bank of India (RBI).

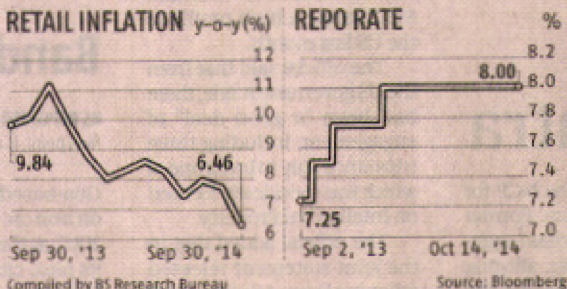
There is a drop in momentum on food price rise, apart from a cut expected in diesel prices.

RBI Governor Raghuram Rajan had set a target of eight per cent inflation in the consumer price index (CPI) for January 2015 and six per cent for January 2016. As a result, many weren't expecting any rate cut for quite a while. However, after the lower-than-expected CPI data, yields on government bonds opened lower by seven basis points (bps) on Tuesday, though these corrected later to close the day at 8.4 per cent as compared to Monday's closing at 8.42 per cent.

After raising interest rates thrice between September 2013 and January 2014, RBI kept it unchanged in the past four policy reviews. While this pause is likely to continue in December, many believe that in the February 2015 review, the sixth and last bi-monthly one of this financial year, the central bank will start reducing policy rates.



THE SCISSOR WILL BE OUT SOON?



Compiled by BS Research Bureau
Source: Bloomberg

"We grow more confident that Rajan will cut policy rates from February, after September CPI-based inflation eased to a lower than expected 6.46 per cent from 7.8 per cent last month," said Bank of America Merrill Lynch (BofAML), in a report to its clients. September CPI-based inflation was the lowest since the government started releasing the data in January 2012.

The prices of vegetables and some other foods, a worry for policymakers, have actually declined on a monthly basis and could stay flat during the winter, if not fall further, experts said. If food prices stay flat, a further decline in energy prices will have a favourable impact on headline inflation.

"We expect retail inflation to moderate sharply over the next two months to five-six per cent y-o-y, and rise again in the first quarter of 2015 (as base effects wane). CPI is tracking around 6.5 per cent by January 2015, compared with our forecast of seven per cent," said economists at Nomura. There is agreement among market watchers that Rajan will meet his January 2015 target comfortably and the six per cent target will be met much before the deadline. "Even after the base effects reverse, it should comfortably meet RBI's eight per cent January 2015 target," said BofAML.

"We see a higher probability of CPI reaching the six per cent target (set for January 2016 by RBI) in mid-2015, versus our earlier expectation of Q1 2016," Nomura said. It gave a 20 per cent probability of a rate cut in the second half of 2015, though it kept its baseline projection of a pause in 2015 and rate cuts in 2016.

One factor that could go against a rate cut is that the decline in vegetable prices might not be sustained. In addition, there is concern that if the US Federal Reserve starts raising rates, this could impact inflows into India. Also, as growth starts picking up, any process of disinflation could be slower.

The Economic Times

Date: 15/10/2014
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Labour Min to Share Half of Stipend Cost in Training Scheme

Helping Hand

PM Narendra Modi to unveil Apprentices Protsahan Yojana on Oct 16

Scheme in line with the govt's aim to train youths under Skill India initiative

It is likely to cost govt ₹346 cr

There are four lakh apprentices at present

Low stipend discouraged youths to go for vocational training

WHAT WILL HAPPEN UNDER THE SCHEME?

Skills will be imparted to workers in manufacturing sector

Centre will contribute 50% of the total cost incurred on stipend in training one lakh apprentices by 2017 in first 2 years

Move to reduce financial burden on small units during vocational training

Yogima.Sharma
@timesgroup.com

New Delhi: To boost vocational training in the manufacturing sector, the Narendra Singh Tomar-led labour ministry has decided to part-finance the cost of stipend in training one lakh youths by 2017 under a new scheme called the Apprentices Protsahan Yojana, which will be unveiled shortly.

The first of its kind initiative by the ministry is in line with the BJP-led NDA government's aim to train millions of youths under its Skill India initiative, officials said, adding that Prime Minister Narendra Modi will unveil the details of the scheme along with other significant initiatives of the labour ministry on October 16 through a nationwide programme called Shramev Jayate.

"The Centre will contribute 50% of the total cost incurred on stipend in training one lakh apprentices by 2017 in the first two years under this new scheme. This will reduce the financial burden on smaller units as well as encourage more youths to take up vocational training," a senior labour ministry official told ET.

Sharing half of the total cost of the stipend with the employer in the first two years of the scheme will entail an outgo of ₹346 crore for the government. There are four lakh apprentices in the country at present.

Although the scheme will apply to all semi-skilled workers, the focus will be on imparting skills related to the manufacturing sector, in sync with the government's 'Make in India' campaign, the official said.

"This will ensure that global players who are setting up their manufacturing units in the country do not face a dearth of skilled manpower and the growing number of skilled workers are suitably absorbed," he added.

The human resource development ministry is already running a similar scheme in which it contributes to the stipend cost of graduates, technicians and diploma holders. However, through this initiative of the labour ministry a significant proportion of semi-skilled workers will get decent stipend as they aspire to join the skilled workforce.

HRD ministry runs a similar scheme in which it contributes to the stipend cost of graduates, technicians and diploma holders

In 2013-14, just 2.11 lakh apprentices were appointed in industry out of a potential identified capacity of four lakh seats, mainly because not many youngsters are willing to go for vocational training due to low stipend amount.

However, even the total capacity is minuscule considering that the country's young workforce is growing at 1.2 crore a year, with a majority of them having no employable skills.

The other significant initiatives of the labour ministry to be unveiled by the PM include the launch of Universal Account Number (UAN) facility for Employees Provident Fund Organisation (EPFO) subscribers, a new inspection scheme.

UNDER CONTROL

Inflation at 5-yr low

FM praises PM, says will achieve stable inflation rate

AGE CORRESPONDENT
NEW DELHI, OCT. 14

Inflation based on wholesale price index (WPI) fell to near five years low at 2.38 per cent in September due to cheaper food prices. Inflation was at 3.74 per cent in August.

Reacting to sharp fall in inflation, finance minister Arun Jaitley said that it is heartening to note that BJP-led NDA government has been able to bring food inflation under control. "We are confident that soon we will be achieving a low and stable inflation rate," said Mr Jaitley.

The inability of UPA II regime to reign in high inflation was seen as one of the reasons for the loss of Congress in the Lok Sabha elections as along with a slow economic growth increased people's hardship.

Mr Jaitley said that the growth in vegetable and protein prices that have been contributing to the recent increase in inflation rates have shrunk "thanks to the steps taken by the government."

"We are committed to continuing reforms in food markets that will improve supply responses and keep inflation low and stable," said Mr Jaitley.

At the same time, fiscal consolidation and a new monetary policy framework will help bring down inflationary expectations, he added.

According to the inflation data, the food inflation fell to a nearly 33-month low of 3.52 per cent. Vegetables inflation contracted by 15 per cent in September against an increase of 91 per cent witnessed in the same month last year. Onion prices fell by 58.12 per cent as compared to rise of 355 per cent in September 2013.

However, potato inflation increased by 90 per cent in September. Inflation of meat, egg and milk shrank by 4 per cent.

Fuel inflation came off to 1.3 per cent but has yet to reflect the full extent of the drop in international crude prices.

The core WPI inflation fell to 2.8 per cent in September from 3.5 per cent in August.

"If diesel prices are reduced, it would add a further softening bias to the inflation readings," said ICRA's senior economist Aditi Nayar.

INDUSTRY REVIVES ITS CALL FOR LOWER INTEREST RATES

New Delhi, Oct. 14: Buoyed by the drop in inflation which fell to a five-year low of 2.38 per cent in September, India Inc on Tuesday said it provides much-needed headroom to the RBI to cut interest rate, key to revive industrial growth.

"With these inflation numbers, we hope growth considerations will be brought to forefront and the interest regime softened," Ficci secretary general A. Didar Singh said.

"With global commodity prices subdued and exchange rate range bound, the prices are expected to remain moderate. CPI inflation is moving in consonance with RBI's target rate and this should bring in some breathing space," he added.

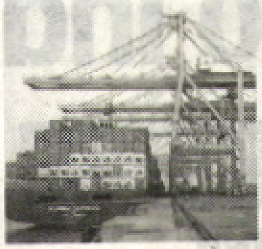
"Decline in WPI inflation would pave the way for growth and make ground for RBI to soften interest rates in future," PHD chamber president Sharad Jaipuria said. — *PTI*

ANALYSTS DON'T EXPECT RBI TO SLASH RATES THIS FISCAL

Mumbai, Oct. 14: Even though the headline retail inflation has eased to a five-year low of 6.5 per cent in September, analysts said the Reserve Bank is unlikely to cut its key rates in the remaining period this fiscal.

"We believe that the RBI will remain on hold for the rest of this fiscal," ratings agency Crisil said in a note, citing factors like the continuing upward risks to the 6 per cent target for January 2016 that will make a rate reduction difficult. Another restricting factor will be the implementation of a new monetary policy.

Singaporean brokerage DBS said the pressure is likely to build on RBI for a cut, "but the central bank is unlikely to shed its cautious stance as yet" and will "look through these swings" in the inflation numbers. — *PTI*



Trade gap widens to $14.2bn

New Delhi, Oct. 14: India's exports grew marginally by 2.73 per cent in September, but a surge in gold imports pushed the trade deficit to about 18-months high of $14.2 billion. Overall, imports jumped by about 26 per cent, the highest increase in about last three-and-a-half-years, to $43.15 billion in September, 2014.

Gold imports in the month under review increased manifold to $3.75 billion compared to $682.5 million in same month last year. "Exports (growth) is disappointing. It is primarily due to global factors. WTO has downwardly revised global trade forecast for 2014 to 3.1 per cent as against 4.7 per cent predicted earlier. Moreover, softening of crude prices, which is good for Indian economy, has also contributed to decline in petroleum exports," FIEO president Rafeeq Ahmed said.

India's exports stood at $28.9 billion in September. Trade deficit in September, 2013, was $6.12 billion. — *PTI*

The Indian Express

Date: 15/10/2014
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FinMin to back insurers' demand for more time to settle claims

GEORGE MATHEW
MUMBAI, OCTOBER 14

THE finance ministry has backed the demand of insurance companies to file a review petition in the Jammu & Kashmir High Court against its order directing insurers to pay immediate interim relief before conducting the mandatory surveys in J&K floods.

As per the court order, insurers will have to pay 50 per cent of the insured amount for policies above Rs 25 lakh and 95 per cent for policies below Rs 25 lakh as interim relief to people of J&K State who were affected by the recent floods. Although Supreme Court earlier refused to interfere with the J&K High Court order and rejected their plea seeking one month to carry out the survey before settling the claims, insurers have moved the J&K HC on Tuesday to review its earlier order.

The finance ministry is generally supportive of the demand of insurers. "The matter is referred for seeking comments of all the general insurance companies on the appeal made by GIC, if so desired by them, with a request to submit the same to this department within a fortnight hereof, in the event comments are being provided, to enable orders to be passed in the appeal," the Department of Financial Services said in a letter to the CEOs in a case taken up by the insurers last month.

Top officials of four public sector general insurers and some private players met in New Delhi over the last two days to assess the situation. With insurers reluctant to pay up without a proper survey of the damage, the finance ministry has agreed to support their demand for a review petition, said a source. Insurers have argued that the contractual pact between the insurers and the insured must prevail.

"The unprecedented situation created as a result of decisions of J&K High Court and Supreme Court refusing to interfere on settlement of claims needs to be urgently deliberated in view of its impact on current claims as well as future precedent it could set," New India Assurance CMD G Srinivasan said in a mail to the General Insurance Council and CEOs of other insurance firms.

"Insurance industry wants us to go once again to J&K High Court,. The actual payment of claim can be made only after assessment of losses by the surveyors appointed by the insurers in such cases," said a senior industry source.

Meanwhile, cyclone Hudhud had damaged properties worth hundreds of crores in Andhra Pradesh and Orissa, adding to the worries of insurance companies. "Some of the industrial units have been affected... some plants have closed down. The bill for the damage will come to the insurance companies. Will the SC order be applicable in Andhra Pradesh and Orissa as well?" asked an official.

Insurance companies will have to shell out around Rs 900-1,000 crore in J&K.

ASKING FOR REVIEW

- As per a J&K High Court order insurers will have to pay 50 per cent of the insured amount for policies above Rs 25 lakh and 95 per cent for policies below Rs 25 lakh to people of the state who were affected by the recent floods
- The finance ministry has backed the demand of insurance companies to file a review petition against the order

The Pioneer

Date: 15/10/2014
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Plan afoot for lasting peace in North-East

Centre to rope in CMs to develop region, to prod ultras to surrender

DEEPAK K UPRETI ■ NEW DELHI

The Centre is working on a 'time-bound peace plan' focussing on comprehensive surrender of militants in the North-East and may summon a conference of NE Chief Ministers here to discuss and finalise the fine print of the strategy.

Sources said the Government was determined to end the circle of violence in the region to usher in all-round development and build necessary infrastructure to address the issue of connectivity.

Pursuing this objective, the Centre is serious about giving definite shape to several negotiations and dialogues that have been going on for years with militant outfits in the region.

> **Dialogue process is underway with different outfits and aim is to reach the targets and not to continue dialogue endlessly**

It is understood that the Centre's 17-year-old dialogue process with Naga insurgency group NSCN-IM is in the final stage "and may deliver a positive outcome in about four months time.

"Dialogue process is underway with different outfits and aim is to reach the targets and not to continue dialogue endlessly," sources said, suggesting that "surrender of arms" was central to bringing lasting peace in the North-East.

Source said long-term incentives for rehabilitation would be extended to the militants who "genuinely" intend to make a "homecoming".

With a view to speeding up the pace of development in the North-East, the Government plans to set up skill development centres, distribute citizen cards to identify illegal migrants in the region and raise more service battalions to absorb militants joining "the mainstream".

"The process of absorption is already going on, depending on the background and nature of cases against surrendered militants," they said.

Continued on Page 4

Plan afoot for lasting...

From Page 1

Prime Minister Narendra Modi's decision to appoint Kiren Rijiju, an MP from Arunachal Pradesh, Minister of State for Home specifically dealing with the N-E, is seen as clear signal that the Centre was serious about bringing lasting peace in the region. Among the insurgent groups that have been in dialogue with the Government of India for years are: NSCN-IM, pro-talk faction of ULFA of Arabinda Rajkhowa, two factions of National Democratic Front of Bodoland (NDFB), one tribal militant group from Meghalaya ANVC, while some insurgent groups from Manipur are in ceasefire with the security forces.The dialogues with factions of the ULFA and NDFB in Assam have not made much headway. The likely extradition of ULFA founder general secretary Anup Chetia to India from Bangladesh where he has completed his jail term is being read as a positive development that may pave the way for peace after Rajkhowa, the former head of ULFA, joined talks with the Centre. Even though Bangladesh Home Secretary Mozammel Haque had in September maintained that Chetia would be returned to India soon, officials in the Modi Government have remained tightlipped on the much-delayed extradition. It is suggested that once Cheita is in India like Rajkhowa, he could be invited for peace talks with the Government. The Government is seemingly anxious to expedite peace process in the N-E to destroy possibility of terror groups from across the borders, particularly Bangladesh, fishing in the troubled water. The recent arrest of some terrorists belonging to Jama'atul Mujahideen Bangladesh from Assam has raised eyebrows in the security circles. JMB, the terror group from Bangladesh, was allegedly linked to the October 2 blast in Burdwan district.

Business Line

Date 15/10/2014
Page No. 01

Sept trade deficit more than doubles to $14 b

Exports inched up 2.73% while imports shot up by 26%; gold imports surge 450% to $3.7 b

OUR BUREAU

New Delhi, October 14

Exports of goods rose a mere 2.73 per cent in September to $28.9 billion, as petroleum products, electronics, iron ore, handicrafts, coal and minerals and most agri produce registered a fall in outbound shipments.

A surge in gold imports by 450 per cent to $3.75 billion during the month widened the trade deficit to $14.24 billion, more than double the $6.12 billion registered in September last year.

There was a spike in gold imports, partly because of the low base, as imports in September 2013 were low due to restrictions imposed by the Government. With the Government now allowing private jewellery exporters to import again and high demand arising from the festival season, imports are rising.

Imports of goods increased 25.96 per cent to $43.15 billion in September year-on-year.

"A fall in petroleum prices, downturn in major economies in Europe, policy uncertainty and low manufacturing growth in the country are all adversely affecting the country's exports," said Ajay Sahai from the Federation of Indian Export Organisations.

Sahai said the Government should outline its Foreign Trade Policy and announce continuation of the interest subvention scheme without delay as this is impacting exporters' pricing decisions and ability to accept orders.

Exports in the first six months of the current fiscal year grew 6.47 per cent to $163.7 billion from $153.75 billion in the comparable period of the previous fiscal year.

While outbound shipments posted double-digit growth in May and June this year, growth started moderating in July and August due to uncertainty in the global market, especially Europe, and because of the crisis in West Asia.

The Financial Express

Date: 18/10/2014
Page No. 01

WPI inflation cools but rate cut seen a way off

■ Wholesale price rise slowest in 5 years; moderation across items

fe Bureau
New Delhi, Oct 14

INFLATION'S deceleration looked faster than the most optimistic of predictions on Tuesday with the headline WPI figure for September coming in at a heart-warming, near-five-year-low of 2.38%, prompting some to declare

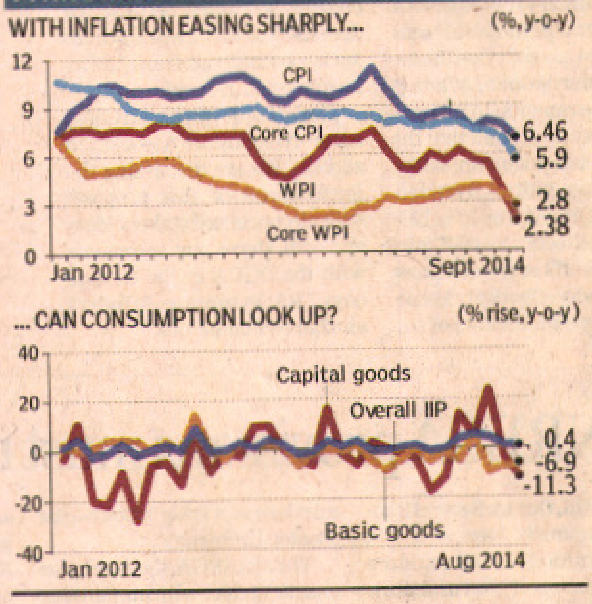
MSP AND CRUDE MATTERS

SEE EDIT: PAGE 6

the Reserve Bank of India has almost achieved its plan to put the genie back in the bottle.

However, although the central bank concedes that a decisive economic recovery was unlikely before the last quarter of this fiscal and many analysts argue that upside risk to its CPI inflation target of 6% for January 2016 has vanished, not all would yet bet on a rate cut before the latter half of 2015.

A fine line



Although helped by favourable bases, the rather sharp moderation in wholesale price inflation spanned almost evenly across major segments — from food and fuel to metals, chemicals and other manufactured products.

WPI food inflation moderated to an almost two-and-a-half-year trough of 3.5% last month on slow pace of rise in vegetable prices. The plunge in WPI inflation (it was 3.74% in August), on top of Consumer Price Index-based inflation slowing to a record low of 6.46% in September, offered much-needed relief to the Narendra Modi government that had made persistently high inflation during the previous UPA government a major poll plank. Despite the surge in sentiments aided by the new government, there isn't yet any hard evidence of a pick-up in investments or consumption, though.

Had a 90.2% jump in potato prices not been reckoned, food inflation would have looked even lower at 2.5% and headline WPI inflation at 2.2%. Fuel inflation hit a near-five-year low of 1.33% on softening (a 20% fall since June) of global crude prices.

Finance minister Arun Jaitley was quick to add that inflation in vegetable and protein-based food items that have been contributing to the recent increase in inflation rates have shrunk thanks to the steps taken by the government.

■ **Continued on Page 2**

The Financial Express

Date: 18/10/2014
Page No. 08

Non-food credit gets festive boost

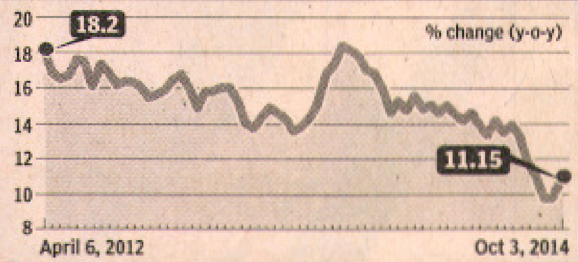
Grows 11% in Oct 3 fortnight after hitting near-decade lows; deposits grow 13%

fe Bureau
Mumbai, Oct 14

AFTER hitting near-decade lows, the non-food credit growth recovered to 11.15% y-o-y to Rs 61,70,021 crore in the fortnight ended October 3, latest data from Reserve Bank of India (RBI) showed on Tuesday.

Non-food credit growth has remained at sub-10% levels in the last two reporting fortnights. Bankers say the uptick in the credit could be attributed to the growth in retail loans on account of festive season.

CREDIT GROWTH



Indusind Bank managing director and CEO Romesh Sobti said there were signs that credit outlook could improve, however, it would not translate to disbursements on the ground.

"I would not say that there is a pick up in the working capital demand but in some of the sectors where we are present, we are seeing a normal demand. We have seen a good increase in our non-vehicle retail book. Our commercial vehicle finance book had been stagnant for about 12 months but saw an increase in September, an upturn fuelled by Siam data," said Sobti.

Deposits recorded a growth of 13.05% y-o-y to ₹82,89,310 crore. Time deposits grew 12.77% y-o-y and demand deposits grew 15.83% y-o-y

Corporates have been tapping other means of cheaper funds such as bond and commercial paper (CP) markets. Companies have sourced around Rs 3 lakh crore by privately placing bonds and another Rs 21,000 crore through public issuances in 2014 so far. Base rates of most public sector banks are in the 10.0-10.25% band, while an AAA-rated firm can raise 10-year bonds at a cost of 9.40-9.60%.

Meanwhile, deposits recorded a growth of 13.05% y-o-y to Rs 82,89,310 crore. Time deposits grew 12.77% y-o-y to Rs 75,07,668 crore and demand deposits grew 15.83% y-o-y to Rs 7,81,649 crore.

The Financial Express

Date: 15|10|2014
Page No. 02

WPI inflation...

"We are committed to continuing reforms in food markets that will improve supply responses and keep inflation low and stable. At the same time, fiscal consolidation and a new monetary policy framework will help bring down inflationary expectations," he said.

Analysts said easing prices of commodities globally, especially brent crude oil, a rebound in monsoon rains after initial dry spells, a modest hike in the minimum support prices of summer-grown crops and huge grain stocks in official granaries have added to the optimism of policymakers about slowing inflation rates. Since food and fuel items make up for around 60% weight in the CPI basket, they don't see any sharp rise in both the inflation gauges in the rest of the year. The monthly CPI inflation had risen in the range of 9.9-11.2% in the October-December quarter in the 2013-14 fiscal, providing a conducive base for calculation this fiscal.

What augurs well for the economy is that electricity generation grew in double digits for a third straight month through August, suggesting that some projects have been taking off on the ground and more might be in the offing. Passenger vehicles have been growing since May after hitting a two-year low, while medium and heavy truck sales started rising since August after falling for 30 straight months.

However, risks remain. A near-collapse of private demand, as reflected in consumer goods output dropping in 14 out of the 17 months since the beginning of the last fiscal, coupled with persistent weakness in the capital goods segment have reinforced doubts if the economy has indeed turned the corner.

The RBI in a recent Working Paper attributed recent years' stubborn food inflation to "various factors, such as increasing demand—particularly that arising from higher rural wages, rising agricultural cost of production, changing consumption pattern favouring protein items, increase in minimum support prices and droughts in certain years". It added "the long-run impact of hikes in MSP of food crops, namely, rice and wheat, and input cost inflation (except wages) on food inflation were not as overbearing as was generally perceived". "While RBI maintains its view of an upside risk to its 6% CPI target, we believe that the upside risks have subsided materially given the benign outlook on global commodities, stable trends in the rupee, drop in core CPI momentum and continued supply-side efforts to contain food inflation. As a result, we reiterate our view that the window to ease rates could open up in 2015," said Rohini Malkani, an economist with Citi.

Importantly, core WPI inflation, price rise in non-food manufactured items, eased to 2.8% last month, compared with 3.5% a month before, a sharp upward revision in July core data by 40 basis points to 4% stoked concerns of similar revisions of the latest data as well. Core CPI, too, dropped to a record low of 5.9% in September, compared with 6.9% a month earlier. Sanjay Mathur, head of economics research for Asia Pacific at Royal Bank of Scotland, said the weak growth momentum and the attendant negative output gap helped drag down inflation. Low levels of demand, as reflected in suboptimal capacity utilisation, have diminished pricing power of Indian companies.

Analysts said easing inflation numbers may prompt the RBI to reconsider targets set by the Urjit Patel panel set for January 2015 and 2016. "As the world commodity prices remain low and the the US Fed tapers its stimulus programme even more next year, we shall see inflationary pressure easing. Of course there is a risk of food prices rising again, but on the positive side, deregulation of diesel prices can come any day now. So even the target of 6% can be achieved earlier," said NR Bhanumurthy of National Institute of Public Finance and Policy.

MNREGA provisions must not be diluted: Economists

New Delhi, Oct 14: Several leading economists have said PM Narendra Modi should not dilute the provisions of the rural work guarantee programme, MNREGA, which has provided economic security to millions of poor. The signatories to an open letter to the PM include Dilip Abreu (Princeton University), Pranab Bardhan (University of California Berkeley), V Bhaskar (University of Texas at Austin), Jean Drèze (Visiting Professor, Ranchi University), Abhijit Sen (former Member, Planning Commission) and Dilip Mookherjee (Boston University).

The MNREGA, they said, was enacted in 2005 with unanimous support from all political parties and it will have a "far reaching" impact on the much-needed economic security to the lives of millions of people who are on the margins of subsistence. "For the first time, the central government is imposing caps on MNREGA expenditure on state governments, undermining the principle of work on demand," they said in the letter. "The message seems to be that the new government is not committed to NREGA and hopes to restrict it as much as possible. We urge you to reverse this trend and ensure that the programme receives all the support it requires to survive and thrive," it added. MNREGA stands for Mahatma Gandhi National Rural Employment Guarantee Act.

The letter, signed by 28 economists, said the central government appears to be considering an amendment aimed at restricting MNREGA to the country's poorest 200 districts.

The economists have opined the programme could and should do even better but said the gains that have been achieved are substantial and amply justify further efforts to make it a success. "This runs against a fundamental premise of the Act: gainful employment that affords basic economic security is a human right. Even India's relatively prosperous districts are unlikely to be free from unemployment or poverty in the foreseeable future," the letter added. *PTI*

The Statesman

Date: 18/10/2014
Page No. 11

TRADE DEFICIT WIDENS

EXPORTS GROW BY 2.73 PER CENT TO $28.90 BILLION IN SEPTEMBER

STATESMAN NEWS SERVICE
New Delhi, 14 October

On the back of surging oil and gold imports, the country's trade deficit widened to $14.25 billion in September, according to official data released here today.

Exports during the month of September 2014 were valued at $28.90 billion, which was 2.73 per cent higher in dollar terms (1.92 per cent lower in rupee terms) than the level of $28.13 billion during the same month last year.

Cumulative value of exports during April-September period of financial year 2014-15 stood at $163.70 billion as against $153.75 billion in the corresponding period of the previous year, registering a growth of 6.47 per cent in dollar terms and growth of 8.20 per cent in rupee terms over the same period last year.

Source: Ministry of Commerce & Industry KBK Infographics

Imports during September 2014 were valued at $43.15 billion, representing a growth of 25.96 per cent in dollar terms and a growth of 20.25 per cent in rupee terms over the level of imports valued at $34.25 billion in September 2013.

Cumulative value of imports for April-September period of financial year 2014-15 was $234.09 billion as against $230.47 billion, registering a growth of 1.57 per cent in dollar terms and growth of 3.96 per cent in rupee terms over the corresponding period last year.

Crude oil and non-oil imports during September 2014 were valued at $ 14.49 billion, which was 9.7 per cent higher than oil imports valued at $13.21 billion in the corresponding period last year.

Oil imports during April-September period of fiscal 2014-15 were valued at $82.47 billion, which was 3.1 per cent higher than the oil imports of $80.01 billion in the corresponding period last year.

Non-oil imports during September 2014 were estimated at $28.65 billion which was 36.2 per cent higher than non-oil imports of $21.04 billion in September 2013.

Non-oil imports during April-September 2014-15 were valued at $151.62 billion which was 0.8 per cent higher than the level of such imports valued at $150.46 billion in April-September period of fiscal 2013-14.

RBI should review cautious stance on interest: Industry

STATESMAN NEWS SERVICE
New Delhi, 14 October

Corporate India today expressed happiness over the WPI inflation falling to a five-year low of 2.38 per cent and said it should make the Reserve Bank of India review its cautious stance on interest rates.

Major industry body CII attributed the fall to softening of food and fuel prices coupled with the decline in the prices of manufacturing goods. The favourable base effect of last year has also benefited the WPI, it said.

Going forward, the downslide in global commodity prices led by fuel together with improved monsoon conditions and favourable policy interventions should help contain inflation and prevent prices from resuming its inflationary tendency anytime soon, CII said.

The drop in the inflation print, it is hoped, would also help dampen inflationary expectations in the future and signal the onset of a low inflation cycle, providing space to the RBI to review its cautious stance on interest rates, said Mr Chandrajit Banerjee, director-general of CII.

To ensure that the easing of food prices becomes a sustained phenomenon, CII called for critical distribution reforms which would bring about logistics efficiency through improvement in supply chain.

Decline in WPI inflation is encouraging and would pave the way for growth to pick up pace and make a ground for the RBI to soften its interest rates regime in coming times, said Mr Sharad Jaipuria, president, PHD Chamber of Commerce and Industry.

The recent developments, including stability in prices, focus on bolstering the manufacturing sector, successful launch of Jan Dhan Yojana and Digital India programme and significant developments in the international economic relations, among others would go a long way to enhance India's growth trajectory, said Mr Jaipuria.

Dr A Didar Singh, secretary-general of Ficci, said the decline in inflation is getting broad-based and indicates inflationary pressures waning as of now.

With global commodity prices subdued and exchange rate range bound, the prices are expected to remain moderate, the Ficci secretary-general said.

The Economic Times

Date: 15/10/2014
Page No. 17

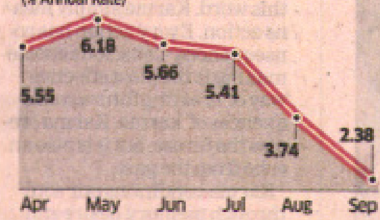
Sept Wholesale Inflation Falls to 5-yr Low as Food Prices Ease

WINDS OF CHANGE Declines to 2.38% compared to 3.74% in August, strengthens case for rate cuts

Is Time Ripe for Rate Cuts?

WHOLESALE INFLATION AT 5-YEAR LOW

(% Annual Rate)



VEGETABLES AND FUEL KEY DRIVERS

(Annual Inflation in %)

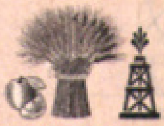
	AUG	SEPT
Food	5.15	3.52
Vegetables	-4.98	-14.98
Fuel & power	4.54	1.33
Manufactured products	3.45	2.84

Favourable Outlook

Softer global commodity prices | Monsoon has turned out better than feared

Crude oil at record lows | An adverse base effect from December could cause some increase

RBI May Not Oblige



RBI will like to see the actual impact of monsoon on the crop | Base effect could push up inflation

Monetary policy framework needs to be decided

FM BUOYED BY RESULTS

"It is heartening to note that we have been able to bring food inflation under control. Growth in vegetable and protein prices that have been contributing to the recent increase in inflation rates have shrunk thanks to the steps taken by the government."

ARUN JAITLEY

Our Bureau

New Delhi: Wholesale inflation fell to a near five-year low in September owing to a sharp decline in fuel and food prices, raising hopes following an equally steep fall in consumer inflation that the Reserve Bank of India may begin to cut interest rates sooner than expected to boost the faltering economic recovery.

Inflation based on Wholesale Price Index (WPI) eased to 2.38% in September, compared to a year ago, well below 3.74% in the previous month and lowest since 1.78% in October 2009, data released by the commerce and industry ministry on Tuesday showed.

The fall was sharper than 3.2% forecast by analysts. As per data released on Monday, consumer inflation fell to 6.46% in September, the lowest since government started tracking consumer price inflation in January 2012. The sharper than expected fall in both wholesale and retail inflation has raised hopes that monetary easing could begin as early as January-March quarter given that industrial recovery looks to be faltering. Industrial production rose only 0.4% each in July and August. "There is a strong case of a rate cut now. RBI will have one more data point to look at next month. The numbers have an advantage of both domestic and global prices moving downwards, strengthening the case for a rate cut," said Madan Sabnavis, chief economist at CARE Ratings. Experts say RBI's consumer inflation target of 6%, set to be achieved by January 2016, looks achievable now.

"While RBI maintains its view of an upside risk to its 6% CPI target (albeit lower in September policy), we believe that the upside risks have subsided materially," Citi economist Rohini Malkani said, adding that "the window to ease rates could open up in 2015". According to experts, one factor that could deter RBI from an immediate rate cut is the statistical base effect that has magnified the decline in inflation. This will peak in November and thereafter rates could rise for statistical reasons, other things being equal.

RBI will also keep an eye out on food inflation, which declined to its lowest in nearly three years but could rise if the anticipated decline in winter vegetables prices does not materialise because of poor monsoon.

Industry body CII said the decline in inflation "provides space to the RBI to review its cautious stance on interest rates", adding that inflation should soften going ahead.

The Hindu
Editorial

WEDNESDAY, OCTOBER 15, 2014

Rebuilding Visakhapatnam

The level of preparedness and the response by the Andhra Pradesh and Central governments, along with their agencies, in the face of the severe cyclonic storm Hudhud that ravaged Visakhapatnam on Sunday, have been commendable, and show that the lessons from previous natural calamities have indeed been learnt. Odisha was spared to a large extent, while the port city of Vizag bore the brunt of the cyclone. The airport, the naval establishments, roads, power lines, and the entire infrastructure of this garden city stand testimony to the massive scale of destruction. The disaster management teams, along with the Navy and other agencies, prepared the ground before the cyclone made landfall by evacuating about two lakh people living in vulnerable areas along the coast. And, after the storm crossed the coast, rescue and relief operations began. It is going to take a few weeks to get the basic infrastructure back in place. Chief Minister N. Chandrababu Naidu rushed to review the situation, and Prime Minister Narendra Modi made an aerial survey of both States on Tuesday. Mr. Naidu has asked for an ad hoc interim assistance of Rs.2,000 crore and Mr. Modi has offered Rs.1,000 crore for immediate relief. Ensuring the availability of essential commodities, provision of drinking water and milk, and early resumption of power supply must remain urgent priorities.

The Andhra Pradesh-Odisha coastline has always remained vulnerable to high-intensity cyclones and natural calamities. The Bay of Bengal itself has been among the most frequented areas for severe cyclones, and Hudhud is the 75th such to hit the Andhra coast since 1871. With the evolution of the National Policy on Disaster Management and the creation of special teams to manage such disasters, India has clearly succeeded in vastly reducing the number of casualties over the years. But there is no way the damage could have been minimised. Neighbouring States have offered relief to get the power lines back on track and the Prime Minister should provide much-needed relief to Andhra Pradesh to overcome the havoc. The newly bifurcated State has already been seeking special category status to be eligible for substantial grants from the Centre to build a new capital and infrastructure. Mr. Naidu will do well to get foreign investors and the private sector to build a new airport for Visakhapatnam, where the badly mauled airport is under the Navy's control and has not exactly been an asset to aid the development of this port city. The major National and State highways have suffered extensive damage and have to be relaid to their original standards. Given the massive number of trees felled by the cyclone, the authorities need to get the greenery back in place. It will be a major challenge to rebuild Visakhapatnam and its environs.