

WEEKLY ECONOMIC BULLETIN



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FDI to reduce India's current account deficit: Moody's

Credit rating agency Moody's Investors Service said India's rising foreign direct investment (FDI) inflows reduces the current account deficit and also the external financing needs.

In a statement Moody's said it does not expect widening of India's current account deficit based on its assumptions that commodity prices will remain low in 2016 and 2017.

According to Moody's, FDI inflows are expected to climb due to central government's measures like liberalisation of foreign investment limits and 'Make in India' initiative.

"These trends are credit positive, as they lower India's susceptibility to external shocks at a time when capital flows to emerging markets are volatile and weak economic conditions globally, particularly in the Gulf states, may dampen remittances," said the Moody's statement, quoting Marie Diron, senior vice president for the Sovereign Risk Group.



According to Moody's, a lower energy import bill and policy measures to contain gold imports are contributing to keeping the trade deficit at moderate levels.

Going forward, the announcement in the latest budget of the imposition of an excise tax on gold is likely to dampen overall gold imports.

Additionally, the value of oil imports decreased by 37.5 percent - or Rs. three trillion (US\$44.3 billion) - in the 12 months to February 2016 compared with the previous year, despite a 10 percent increase in the volume of petroleum imports, Moody's said.

However, the prospect of subdued global economic activity - in particular in the Gulf states where more than half of remittances to India originate - may lead to a significant and prolonged weakening of remittance inflows.

This development is likely to prevent India's current account from returning to balance and could lead to its renewed widening.

The rapid rise in FDI inflows mitigates the risks related to a possible widening of the current account deficit from weaker remittances by diminishing India's external financing needs from other inflows in the form of credit and equity inflows.

Net FDI inflows into India hit an all-time high in January 2016, at \$3 billion on a 12-month moving average basis.

India's current account deficit is now more than covered by its FDI inflows. The rise in FDI points to stronger investor interest in India on the back of robust economic growth.

Source: Indo-Asian News Service

India close to achieving 8% GDP growth: Panagariya

Banking reforms and job creation are the two biggest current challenges, said Arvind Panagariya, vice-chairman of the NITI Aayog.

The country is close to achieving eight per cent annual growth in gross domestic product (GDP), on the back of good infrastructure development, he added.

"The advance estimate for 2015-16 pegs GDP growth at 7.6 per cent and the fourth quarter is expected to clock 7.8 per cent, quite close to the target of eight per cent," he said, at the annual session of CII.

Amitabh Kant, chief executive officer at the government's think tank, said there was a need for more reliance on the domestic market.

"We're creating jobs but there is gross under-employment. To counter this, we need big manufacturing firms," said Panagariya. Wages were rising in China and India needs to capitalise on this. "The Centre is working on this through its skill development initiatives and in two years, the numbers of seats in industrial training institutes has risen by 20 per cent," he added.

On the government's retreat regarding a tax on the employees provident fund, he said taking half a step backward after taking two-three steps forward was okay as long as one was walking. "Reforms will happen under the present government but we need to be patient," he said.

Kant felt India needed to look at manufacturing for export. "The challenge is to look at the right size and scale, and think of global markets to drive growth, as was done by China."

Jamshyd N Godrej, chairman, Godrej & Boyce Manufacturing, said the two biggest deficits the country needed to bridge were in physical and social infrastructure.



Source: Business Standard

Saudi Aramco looking to invest in India

Saudi Aramco, the world's leading oil producing company with around 10 million barrels per day output, is looking at India as its number one target for investment. This was conveyed to Prime Minister Narendra Modi by Saudi Aramco head Khalid Al Falih during their meeting here.

"Minister Al Falih to PM: @Saudi_Aramco looks to India as its No. 1 target for investment," tweeted Ministry of External Affairs spokesperson Vikas Swarup with a picture of their meeting on Sunday.

The Dhahran-based company, which owns a stake in a refinery in China's Fujian province along with Exxon Mobil Corp. and China Petroleum & Chemical Corp, was reported to be planning to establish a \$2 trillion sovereign wealth fund by off-loading a stake of less than 5 percent in the company.

The \$2 trillion fund, estimated to be more than double Norway's wealth fund, is reported to be used for investments in strategic financial and industrial assets abroad.

Saudi Arabia has been badly hit by a plunge in oil prices - from \$114 a barrel in June 2014 to currently around \$38 a barrel - over the last few years, which has pummeled its economy heavily dependent on oil.



Source: Indo-Asian News Service

India, Saudi Arabia ink pacts to tackle terror, boost investment

India sought to revitalise ties and deepen cooperation with key Gulf partner Saudi Arabia.

Prime Minister Narendra Modi discussed investment options and ways to deepen collaboration in counter-terrorism with Saudi King Salman bin Abdulaziz Al Saud on Sunday.

This came even as Indian officials were preparing for a visit by oil minister Dharmendra Pradhan to Saudi Arabia's regional rival Shia majority Iran in what appears to be a diplomatic tightrope walk by India between the two.

Modi, who arrived in Riyadh on Saturday, witnessed the signing of five pacts between India and Saudi Arabia after talks with King Salman. Significant among them was one between the Financial Intelligence Unit of India and its Saudi counterpart on cooperation in the exchange of information on money laundering, terrorism financing and related crimes and another on investment promotion.

A joint statement issued at the end of the two-day visit said Modi and King Salman "expressed strong condemnation of the phenomenon of terrorism in all its forms and manifestations, irrespective of who the perpetrators were and of their motivations."

The two countries agreed that the "menace of extremism and terrorism threatens all nations and societies," and "the two leaders rejected totally any attempt to link this universal phenomenon to any particular race, religion or culture," the statement said.

"They called on all states to reject the use of terrorism against other countries; dismantle terrorism infrastructures where they happen to exist and to cut off any kind of support and financing to the terrorists operating and perpetrating terrorism from their territories against other states; and bring perpetrators of acts of terrorism to justice.

The two leaders agreed to further strengthen cooperation in combating terrorism, both at the bilateral level and within the multilateral system of the UN. The two leaders called upon the international community to strengthen multilateral regimes to effectively address the challenges posed by terrorism. The two sides agreed to work together towards the adoption of India's proposed Comprehensive Convention on International Terrorism in the United Nations. The Prime Minister lauded Kingdom's efforts at fighting terrorism in all its aspects and its active participation in international efforts towards this end," it said in a reference to an effort by Saudi Arabia in December to forge a coalition of 34 nations against the rise of the Islamic State (IS)."

Former foreign secretary Kanwal Sibal described the references to terrorism as "good" but noted that there was no mention of cross-border terrorism that India was concerned about vis-a-vis Pakistan.

"This is positive but there was no reference to cross-border terrorism, something that could have pointed a finger at Pakistan," Sibal said.

Saudi Arabia is seen as a close ally and partner of Pakistan that India accuses of fomenting and supporting an Islamist insurgency in Kashmir, the region that both South Asian countries claim but administer in parts. But cooperation between India and Saudi Arabia on counter-terrorism issues has shown an increase, with Saudi Arabia handing over key terror suspects wanted by India in 2012, 2015 and 2016, according to Indian officials.

The joint statement said that Modi invited Saudi Arabia to be a "partner in India's growth story," and encouraged investments in the infrastructure sector.

"The Saudi side expressed its interest in investing in infrastructure development in India, especially in priority areas such as railways, roads, ports, and shipping," the statement said.

Before sitting down for talks with the Saudi monarch, Modi met Saudi business representatives and promised a relaxed business environment with a stable tax regime.

The controversial retrospective tax, introduced in 2012 that had unnerved foreign investors, Modi assured, was a thing of the past.

"Now, retrospective tax in India has become a thing of past. It will not happen going ahead," Modi said. "If someone plans to come to India after 10 years, he should be able to predict the tax structure. So I'm in favour of a long-term predictable tax system and we have implemented it," he said.

Inviting Saudi businesses to invest in railways, defence and energy, Modi said the Goods and Services Tax or GST, which aims to remove barriers across states and unite the country into a common market, would be in place soon.

"You are worried about GST. Do not worry about GST. GST will happen. I cannot give a timeframe, but it will happen. It was our commitment, and it is about to happen," Modi said.

Saudi investment in fertilisers, warehousing, cold chain facilities and agriculture would be a win-win partnership as it would ensure good quality food products for Saudi Arabia," he said.

Modi's visit to Saudi Arabia is the second to a major Gulf country. In August, he visited the United Arab Emirates (UAE). India has more than 7 million expatriates working in the Gulf region, sending back foreign remittance. Among the Gulf countries, Saudi Arabia is India's largest supplier of oil and the fourth largest trading partner.

Modi's visit to the Gulf country comes at a time of flux in the region not least due to the rise of the terrorist Islamic State (IS) group in parts of Iraq and Syria.

A factor complicating issues for India, however, is the rivalry between Shia majority Iran that has just emerged from international sanctions over its suspect nuclear programme and Sunni-dominated Saudi Arabia.

With the nuclear sanctions being lifted, India has been trying to forge a stronger partnership with Iran, not least because India sees Iran as a gateway to landlocked Afghanistan and Central Asia given its fractious ties with Pakistan.

India is currently working out a visit by oil minister Pradhan to Tehran this month, with India keen to get development rights for the Farzad-B gas field, where an Indian consortium of ONGC Videsh, Indian Oil Corp. and Oil India Ltd has discovered oil.

"India has to maintain a close relationship with Iran and Saudi Arabia. But there is no need for India to get involved in their conflict," Sibal said.

Given that Modi has visited the UAE and now Saudi Arabia, "there is a case to be made for a prime ministerial visit to Iran," before long, Sibal said, pointing to the need for India to maintain a political balance between Iran and Saudi Arabia due to the different interests India has in the region.

Source: Livemint

Oracle invests US\$ 400 million in Bengaluru hub

'Oracle Cloud at Customer' in India ahead of Oracle Cloud World Summit in Mumbai.

This is the first-of-a-kind service in the country that allows the cloud platform to function right inside customers' own data centers.

According to the company, the service removes the challenges that organizations face when transiting to the cloud platform. This new technology operates on the premises and behind the firewall of the client allowing the chief information officers (CIOs) to move their business critical applications from on-premise data centers to the cloud platform.

"While organisations in India are eager to move their enterprise workloads to the public cloud, many have been constrained by business and regulatory requirements. Verticals such as telecommunications, government administration, banking, financial services and insurance (BFSI) are usually tightly controlled by such limits". Oracle's senior vice president of Cloud, Shawn Price said in a statement.

"With today's launch, the company addresses these challenges so that organizations across industries can reap the performance, cost and innovation benefits of Oracle Public Cloud and run it wherever they want with Oracle technology, in their own datacenters." Price added.

According to Shailender Kumar, managing director, Oracle India, companies, especially those bound by the regulatory guidelines can now leverage the cloud and speed up their business transformation. Oracle Cloud at Customer supports control over data, while facilitating data sovereignty and data residency requirements."

Lauding PM Modi's Digital India initiative, Shawn Price said that Oracle sees enormous opportunity in creating digital services in India. Price added that this is the best time invest in India as it has the highest percentage of youth under the age of 30 and can lead the world in cloud services in the near future.

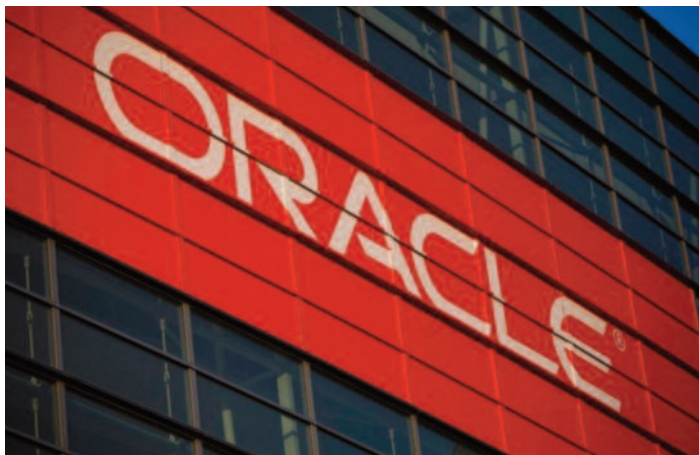
"Oracle sees India as the number one market in the world because of the influence that Oracle exerts through its partners, evolved cross mobile internet activity and also because more than 25 per cent of India's population is engaged in e-commerce transactions in the last quarter." Price said.

Shawn Price also mentioned Oracle's \$400 million investment in setting up a technology hub in Bengaluru. The company will also open nine incubation centers to support startups in India.

Talking about Startup India, the government programme, Kumar said, "Oracle will dedicate parts of nine development centres to mentor startup companies on technology and direction towards success."

Shailender Kumar highlighted that many customers such as Fiat Automobiles, Hi-Tech Textile Automation, IndusInd Bank, L&T Finance, Safexpres, Sun Edison, Schneider Electric and Toyota Kirloskar Motor have been purchasing more than one Oracle cloud service.

Globally, Oracle cloud has shown high rates of adoption by customers, supporting 70 plus million users and more than 34 billion transactions each day, It runs in 19 data centers around the world.



Toshiba to set up rail systems equipment facility in Hyderabad

Toshiba Corporation announced that it would establish a new production facility of electrical equipment for railway systems in Hyderabad to expand its commitment to India and its ability to supply international markets.

The new unit would manufacture power conversion systems and train control systems that provide overall operation management. It will be built by Toshiba Transmission & Distribution Systems (India)(TTDI), which would establish a new, dedicated railway systems division to promote the business. Production is planned to start in April 2017, and would be expanded to match demand.

TTDI expects the plant to have over 100 employees by 2020, according to a Toshiba statement.

Locating production in India would allow Toshiba and TTDI to better understand and meet local market requirements, improve parts supply and maintenance capabilities, and also win cost benefits that would increase competitiveness, both in India and wider markets, it said.

Looking to the future, TTDI expects the new facility to grow as a manufacturing base that also meets demand in the Middle East and African markets.

TTDI CMD Katsutoshi Toda said: "India is an exciting, growing market that is committed to robust, long-term investment, especially in electricity and transportation infrastructure, and we are strongly committed to the country across our business lines.

"We will grow the new manufacturing base with investments that, I hope, will provide employment and contribute to 'Make in India' for India's industrial development. We will also endeavour to enhance our global competitiveness," he said.

By establishing a new manufacturing base, Toshiba considers India as one of the important markets with significant growth potential, the statement said, adding that the company looks forward to accelerating global expansion of its railway systems business through its highly reliable technology and service offerings.



Source: Press Trust of India

India's electric vehicle sales grow 37.5% to 22,000 units

Sales of electric vehicles in India grew by 37.5% to 22,000 units in the year ended 31 March, according to industry lobby group Society of Manufacturers of Electric Vehicles (SMEV).

Of these, only 2,000 units were four-wheelers. The lobby group said that industry sold 16,000 units in 2014-15.

At these levels, India remains miles away from its objective of selling 6 million electric vehicles by 2020, a vision stated by the government through the National Electric Mobility Mission Plan (NEMMP) 2020 and FAME (Faster Adoption and Manufacturing of Electric Vehicles).

"It would be tough to achieve (the target) unless ground level infrastructural deficiencies were removed and credit facilities eased for buying green vehicles," SMEV said in a statement.

However, SMEV took solace from increased awareness among commuters about electric vehicles "and the fact that people are seeing a good value proposition in EVs," said Sohinder Gill, director of corporate affairs at SMEV.

"Intentions at policy level abound but government at every level, be it Centre, State or Municipal, now has to go the extra mile to facilitate mass migration to green mobility," he said.

Lack of basic infrastructure facilities like charging stations and difficulties in availing credit from banks for buying such vehicles are impediments to the growth of the sector.



Source: Livemint

Focus is on SEZ revival, export credit: Nirmala Sitharaman

Commerce and industry minister Nirmala Sitharaman has said the government is open to handhold export sectors desperately in need of help, especially the revival of special economic zones (SEZs) and making it easier for industry to do business in them.

At the first meeting of the reconstituted Board of Trade, the minister also stated the importance of the external affairs ministry in negotiating India's free-trade agreements.

The commerce department has also identified four measures to boost exports, which have declined for the past 15 months due to lacklustre global demand. These steps are according priority sector status for export credit, boosting shipments from micro, small and medium enterprises, promoting organic produce and removing hurdles faced by EXIM Bank and the Export Credit Guarantee Corporation.

"I agree there are sectors facing severe difficulty... We are open to handhold sectors desperately in need of help. We are putting SMEs on top of what

we are doing," Sitharaman said after the meeting of the 70-member Board of Trade that was attended by ICICI Bank managing director Chanda Kochhar, Biocon MD Kiran Mazumdar-Shaw, Dr Reddy's Laboratories chairman Satish Reddy and TVS Motor Company chairman Venu Srinivasan.

The minister said the government will work on improving the potential of SEZs and make it easier to do business in these zones as they are sitting on huge land banks.

While pushing for export credit to qualify as priority sector lending, the minister said she would take up the matter with finance ministry. The department will discuss with the RBI and the finance ministry issues being faced by EXIM Bank and the Export Credit Guarantee Corporation regarding financial flexibility.



Source: The Economic Times

Govt eases oil PSUs' crude oil import norms

The Union Cabinet, chaired by Prime Minister Narendra Modi, approved a new regime for crude oil imports allowing state-owned oil firms to evolve their own import policies.

Post Wednesday's decision, oil public sector undertakings (PSUs) would enjoy the freedom to choose source companies and pricing for their crude oil imports. "In the current system, companies have to seek the oil ministry's approval for deciding on the seller and prices. That requirement has been done away with. But the PSUs would have to evolve their policies consistent with Central Vigilance Commission (CVC) guidelines," said a senior oil ministry official.

Also, the new policy adopts the current market practice for crude purchase on spot basis, allowing firms to compete in the market effectively. A senior executive from Indian Oil Corporation, the nation's largest fuel retailer, said the firm is still studying the Cabinet's decision.

With the changing geopolitical environment, the crude import policy needs to be modified, says a government statement. "The Cabinet has approved that the oil PSUs shall be empowered to evolve their own policies for import of crude oil, consistent with CVC guidelines and get them approved by the respective boards."

While the statement did not mention what kind of changes were being made in the policy, it noted the measure would improve the operational and commercial flexibility of oil companies and enable them to adopt the most effective procurement practices for crude oil import.



Source: Business Standard

India ranked 6th in top 10 largest manufacturers list: UN report

A UNIDO report ranked India sixth among the world's 10 largest manufacturing countries, up by three positions.

India previously held the 9th rank.

The Yearbook, published by the United Nations Industrial Development Organization (UNIDO), found that in India, the Manufacturing Value Added (MVA) grew by 7.6% in 2015 compared to the previous year.

It also said that the quarterly index of industrial production (IIP) shows 1% growth of manufacturing output in the fourth quarter of 2015 compared to the same period of the previous year.

"India is now the sixth largest manufacturer in the world," the report said.

The report also said the global growth rate of manufacturing production has slowed to 2.8% in 2015.

"This slowdown could be due to reduced manufacturing growth rates recorded by major developing and emerging economies," the report said.

China tops the list of 10-top industrial producers followed by the US, Japan, Germany and Korea. Indonesia was placed at the bottom of the list.

Source: Press Trust of India

E-commerce norms to provide level playing field, clarity: Sitharaman

Commerce and industry minister Nirmala Sitharaman has said that the new guidelines for e-commerce will provide a level playing field to both online and offline stores by bringing in greater clarity.

Stating that the market is free and the government does not believe in interfering in it, the minister on April 4 said, "Somewhere we have to ensure Indian players and Indian market situation does not get unnecessarily skewed to distort any free trade practices."

She was speaking on the sidelines of the CII Global Exhibition on Services.

Her statement comes a week after the government allowed 100% foreign direct investment in online retail of goods and services under the 'marketplace model' through the automatic route.

"The clarification which we have issued has only resulted in bringing in level playing field (to) those in the bricks and mortar bracket of the commerce. E-commerce has been encouraged but obviously it's not going to restrict the consumer," she said.

As per new rules notified by the government, marketplaces are prohibited from offering discounts and capping total sales originating from a group company or one vendor at 25% so as to put an end to discount wars among e-tailers.

Source: The Times of India



Indian IT industry to grow at 12-14% in 2016-17: Nasscom

Software industry body National Association of Software and Services Companies (Nasscom) expects the country's information technology (IT) industry to grow at 12-14% during 2016-17 even as a stormy debate on job outsourcing rages on in the run-up to presidential elections in the US, the biggest market for the \$108 billion industry.

"In terms of growth, Nasscom, based on its study and collective inputs from the members, is projecting a growth of 12 to 14%," said C.P. Gurnani, chairman of Nasscom and managing director and chief executive of Tech Mahindra Ltd.

All our businesses, we are happy to report, are showing a fair amount of growth," Gurnani added, referring to traditional outsourcing firms, product companies and some Internet-based start-ups.

Gurnani was appointed chairman of the industry body, one of the most powerful lobby groups in the country, on Wednesday. Raman Roy, chairman and managing director of business process management firm Quattro Global Services Pvt. Ltd, was appointed vice chairman for 2016-17.

Gurnani takes over as chairman from B.V.R. Mohan Reddy, chairman emeritus of Hyderabad-based engineering services company Cyient Ltd. Mohan Reddy will head the skills council of Nasscom.

Source: Livemint

Modi launches Stand Up India, says tribals can perform as well as others

To boost entrepreneurship among the Scheduled Castes, Scheduled Tribes and women by facilitating loans in the range of Rs.10 lakh to Rs.1 crore, Prime Minister Narendra Modi launched the Stand Up India initiative and said it will transform the lives of Dalits and Adivasis.

Modi said people from the Scheduled Castes and the Scheduled Tribes can perform as well as others if given the opportunity.

"Our tribal brethren and those belonging to Scheduled Castes will perform equally well as us if they are provided with the opportunities. How long will they wait for jobs and to which extent the government can give them jobs? God has given equal power and strength to Dalits as to us," Modi said.

He said the scheme will convert "job-seekers into job-creators" and will also change their lives.

"We got the opportunity but they were denied it. If we can perform on getting an opportunity, they can also perform," Modi said, advocating equal opportunities for people belonging to the Scheduled Castes.

Referring to Dalits, he said "they should not depend on someone's mercy".

"Dalit youths should aspire to become entrepreneurs and businessmen. They can easily avail loans from the Mudra Bank now," Modi said.

"Our poor have rich hearts. We asked them to open bank accounts with zero balance but they said they will contribute something or the other. The poor deposited Rs.50, Rs.100 in these accounts and the government got Rs.35,000 crore through the Jan Dhan Yojana."

He said Stand Up India will help in creating 2.5 lakh entrepreneurs as every bank branch will provide two such loans without collateral for setting up a new enterprise.

Paying tributes to former deputy prime minister and defence minister Babu Jagjivan Ram, Modi said the government was launching the Stand Up India campaign on his birth anniversary.

"Babu Jagjivan Ram was the defence minister of our country at the time of the 1971 war. He was the agriculture minister at the time of the Green Revolution but his contributions were forgotten over a period of time," Modi said.

"He (Jagjivan Ram) has always been an inspirational and respected leader for us," the prime minister said, adding that the Stand Up India campaign announced by him in his Independence Day address will strengthen the Dalit households.

Urging the gathering to educate their children, Modi said India's development journey will be stronger when it is scripted by the poor.

On the occasion, Modi also handed over keys of 5,100 e-rickshaws to the beneficiaries under the Pradhan Mantri Mudra Yojna.

Modi interacted with the families of some of the beneficiaries, over a cup of tea. The beneficiaries explained how e-rickshaws would change their lives for the better.

Commuters can also call the e-rickshaws through the Ola app. Modi booked an e-rickshaw through the app and took a



brief e-rickshaw ride towards the stage, making the payment for the ride through a cellphone.

The e-rickshaws were given to those who had to rent them for a livelihood.

"Earlier, manual rickshaw-pullers had to toil hard and earned much less. Now they can earn more with less labour by running e-rickshaws. Also, they would not have to pay anything as rent of the rickshaw. Instead, by paying a small amount daily, they would become the owners of their e-rickshaw," the prime minister said.

The drivers who were given the e-rickshaws on Tuesday have been trained in driving and using the app to transact with commuters.

"Energy banks have also been established for these e-rickshaw drivers where they can charge batteries with solar energy. The entire initiative is environment friendly," he said.

Source: Indo-Asian News Service

CII president pegs India's GDP growth rate for 2016-17 at 7.75- 8.25%

The CII president Naushad Forbes pegged India's GDP growth rate for 2016-17 at 7.75 - 8.25 percent and outlined six pronged strategy for building national competitiveness.

He said, "Strong macroeconomic fundamentals, favorable business sentiments, and downward trend in interest rates are significant positives for the economy. CII estimates that government infrastructure investments and increased investments from the private sector will boost GDP growth to the 8 percent range."

Noting risk factors, Forbes added that the external demand situation would have to be closely watched. A flat corporate performance, fiscal pressure from the Seventh Pay Commission and potential increase in oil prices in the coming year would be further risk factors, he asserted.

With this mix of positive and risk factors, Forbes announced the CII Theme for 2016-17 as 'Building National Competitiveness'.

Giving the example of countries such as Japan and Korea, he emphasized that no country has grown without rapid increases in productivity at all levels, including human resources, capital and innovation. He said, "India must accelerate its productivity attainments through strategic interventions on building human talent, quality, and technology."

Employment generation and entrepreneurship are imperatives to address inclusiveness of the growth process, said Forbes. He observed that initiatives such as Standup India launched by the PM would create new opportunities for inclusive growth.

Source: The Times of India

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