Issue No 671 | April 12-18, 2016

WEEKLY ECONOMIC BULLETIN

ITP Division
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India retains top spot in Credit Suisse emerging markets consumer survey

India has retained its top spot in a Credit Suisse consumer confidence survey in emerging markets with Indian participants expressing higher confidence about their current and future finances and relatively lower inflation expectations.

India, which topped the scorecard in 2015 as well, is followed by China and Saudi Arabia, a Credit Suisse report said.

"Weak currencies, political risk and commodity exposures all contributed to the wide range of consumer sentiment expressed in this year's report," said Giles Keating, deputy global chief investment officer at Credit Suisse.

"The negativity of consumers in Russia, South Africa and Brazil contrasted sharply with the relative optimism apparent in India, China and Saudi Arabia," Keating said.

While Indian consumers expressed a degree of disappointment over follow-through action of some policy initiatives of the NDA government, the relative strength of the country's economy reflected in their increasing incomes.

The average Indian respondent's income increased by double-digits compared with a decline for the overall emerging markets average, although income expectations going forward have moderated.

The survey also highlighted fast growth in demand for product categories with low penetration in the country. Female hygiene products, for example, showed 14% improvement in one year, while smartphones grew 12%. Categories such as beer and perfumes are also showing fast-improving longer-term trends, it said.

While penetration levels in India will continue to improve, another overarching trend will be premiumisation as affluent Indians look to acquire better products.

The explosive growth in smartphones in India is seen in 32% of respondents having bought one in the last 12 months, versus only 20% the previous year. Willingness to make discretionary spends on fashion, jewellery, apparel, leather goods and watches showed muted trends over last year, but the base was high after significant improvement in 2014.

The survey said other low penetrated categories like perfumes and sportswear are also improving.

Another point the survey highlighted is the sharp divergence between rural and urban India that has been a feature of recent surveys.

The latest results confirm a reversal from earlier surveys where the rural areas were more positive. This year's survey shows slower growth rates or higher declines in spending categories in rural areas. However, the report said a normal monsoon season, after two consecutive years of poor rainfall, will help revive rural fortunes.

The Credit Suisse survey was conducted in nine emerging economies, namely, India, China, Brazil, Saudi Arabia, Indonesia, Turkey, Mexico, South Africa and Russia.

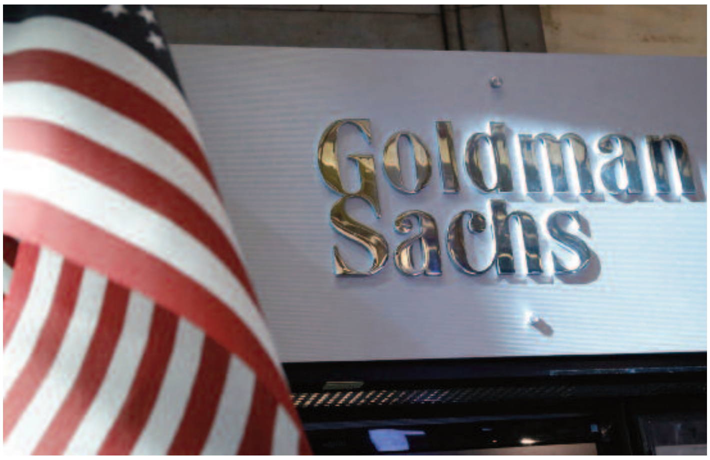
Source: The Economic Times

Goldman Sachs arm looks to invest in fine-tech start-ups

Wall Street bank Goldman Sachs Group Inc. is looking to invest in early-stage financial technology, or fintech, start-ups through strategic partnerships in India.

The investment bank's move comes at a time when venture capital funding for start-ups is ebbing.

The investments will be made by Goldman's Principal Strategic Investments (PSI) Group that makes long-term investments, said a senior executive at the firm, adding it will start investing in companies in Bengaluru and then expand to the rest of the country.



"We have a significant presence in Bengaluru, and when we think about what we can do, we think of Bengaluru as the starting point for our innovation," said Alokik Advani, managing director and head of PSI Group at Goldman Sachs.

PSI Group has already met some companies and is assessing investments, said Advani.

The average investment size would be $2-10 million. The investments bank is open to tie-ups with other venture capital funds operating in India to invest in series A rounds.

Most investments would be strategic partnerships which will be used by Goldman Sachs.

To be sure, PSI Group, which invests from Goldman's balance sheet, has made about 75 investments globally and 12 in the Asia Pacific region. But it is yet to invest in the Indian start-up ecosystem. In India, the PSI team looks after its vintage investment in National Stock Exchange Ltd. Globally, the PSI Group has invested in firms such as financial communication firm Symphony Communications Services Llc, UK-based data provider Markit Ltd, Kensho Technologies Inc. and trading platforms like AG Delta Pte Ltd, BATS Global Markets Inc., among others.

"Our strategic plan is to mentor and participate with local start-ups, make strategic investments for minority stake and create partnership. If we think we can add value we can take a board seat," Advani said.

The PSI Group will focus on investments in enterprise solutions, cloud-computing, security and data management, operations,data analytics,trading platforms, payments and crowdfunding, among other things.

"In fintech, large part of our focus is on data analytics and machine-learning,regulatory & compliance technology, which have gained traction in the last 4-5 years," he added. The investment banking firm, which employs nearly 35,000 engineers globally and has been projecting itself as a tech firm, is looking to do the same thing in India. "Globally, a third of our work force is technologists; so, the focus is the same as globally. There are a lot of technology projects, and we are engaging with them deeper and working with start-ups," Advani said.

According to VCCEdge, the financial research platform of VCCircle, venture capital funding, which hit a peak during January-March 2015, fell in the same period this year.

Between January and March this year, start-ups managed to raise just $334 million across 88 deals whereas during the same period in 2015, companies managed to raise $1.8 billion across 138 deals. The share of venture capital funding, by value, dipped by about half to 14.6% so far this year.

Source: Livemint

Huawei says ready to kick off Smart City projects in India

Huawei said that it is all set to kick off a number of Smart City projects in the country in collaboration with its partners, targeting areas like Public safety, even as the Chinese telecom gear maker reckons that larger Smart Cities deployments would not happen too quickly.

"I think smart city as a concept rather than a solution. In Huawei if you look at all the Indian smart cities, it's not going to happen too quick, based on my experience with China, Dubai, and Singapore," Joe So, CTO of Industry Solutions Enterprise Business Group at Huawei, told ET, in a recent interaction.

"We are initiating a lot of projects with our partners in India. However our strategy is to be focused on certain areas rather than doing everything," he said, suggesting that the initial focus would be on public safety.

The executive also emphasized that the company is actively engaging with the Indian government to build trust and inform the authorities that the company can provide the best equipment at reasonable prices.

"Just a company doing business, we want to earn the trust, because it's not an easy with a lot of issues ahead. We want to tell you can partner with us trust us," he added.

Huawei works an infrastructure provider for ICT solutions of Smart Cities, and it will offer an open platform which will hold all the applications in vertical layers.

The gear maker is also looking to collaborate with system integrators, software developers, and other partners to form a Smart Cities platform, which can be deployed across the identified cities in the country. "Our [Smart City] ecosystem is open we do not have a lot of preference. We assess the partners on their competence, suitability, and enthusiasm and willingness to invest in the solutions," he added.

The Indian government recently shortlisted a list of 20 cities, which it plans to make 'smart' by providing efficient physical, social, institutional and economic infrastructure. The government has defined a smart city in the Indian context as a city that provides a decent quality of life to its citizens, a clean and sustainable environment, and supports the application of smart solutions.

Players like Ericsson, ZTE and Cisco are also betting big on the Smart Cities project in the country.

Ericsson expects that by the year 2020, 20% of India revenue will come from its Industry and Society unit, which focuses on smart cities. Cisco, on the other hand, already closed four project proposals in Navi Mumbai, Pune, Jaipur and Lucknow, while ZTE recently signed agreements with the governments of Haryana, Gujarat and Andhra Pradesh.

On competition from these players, Joe said, "It's good to have competition. I welcome the joining of companies in competition with us. I think it's only through competition, you can prove that you have the best price for the Indian market. We are the only company on earth who are providing the complete solution on ICT infrastructure."

The executive also said that the company is continuously investing its resources in India, and considers it as one of the important markets for the enterprise business.

"It's almost the same size as China. We see there is a tremendous opportunities in India. It's very competitive as well. This is a year of growing our enterprise business," Joe said, adding that verticals like BFSI and Education are going to be an area of growth for Huawei this year.

The company also reckons that telecom operators' increasing investment in networks will play a crucial role and help the Smart City projects.

Source: The Economic Times

PureCircle to make India a regional export hub for Stevia

Malaysia-based PureCircle is planning to make India its regional production and export hub for 'Stevia', a sweetener extracted from the leaves of a plant called Stevia rebaudiana, in the next five years.

The company will invest Rs 1,300 crore ($200 million) in the country to set up a manufacturing plant and procure raw material locally, Magomet Malsagov, chief executive of PureCircle, told Business Standard.

PureCircle, the largest producer of the zero-calorie sweetener globally, is currently undertaking field studies.

PureCircle supplies to nearly 300 food and beverage manufacturers in around 100 countries. It also supplies to fast-moving consumer goods majors such as Nestle, Coca-Cola, and Pepsi.

The recently-launched 7UP Revive from PepsiCo is the first stevia-based drink in India. The launch came months after India's apex food regulator Food Safety and Standards Authority of India had allowed the use of stevia into processed foods and beverages in November 2015.

"We'll procure 15,000 tonnes of dry stevia leaves locally, for which farming has to be done in 5,000 hectares of land. This will benefit 15,000 farmers directly," said Malsagov.

The proposed Indian plant will cater to the south-Asia region, he added.

Globally, stevia has a Rs 1,300-crore market. After entering India, PureCircle aims to replace 20 per cent of the 20-million tonnes of sugar consumption in India.

"We are in talks with all major Indian companies to cut deals," said Ajay Chandran, senior director (south Asia), PureCircle. The company has identified six states including Uttar Pradesh, Tamil Nadu, Jharkhand and Punjab for farming of stevia plants.

Source: Business Standard

India ready to invest $20 bn in Iran: Petroleum minister

India is willing to invest as much as $20 billion in setting up new petrochemicals, fertiliser and liquefied natural gas (LNG) facilities in Iran but requires land and cheaper natural gas for this, Petroleum Minister Dharmendra Pradhan has said.

The minister, who is currently in Iran along with key officials of his ministry and a delegation of industry representatives, discussed with his counterpart many outstanding issues related to the petroleum sector.

"Pradhan conveyed to the Iranian side that Indian companies could invest up to $20 billion and were interested in setting up petrochemical and fertiliser plants, including in the Chabahar special economic zone (SEZ), either through joint venture between Indian and Iranian public sector companies or with private sector partners," the oil ministry stated.

"In this regard, he requested Iran to allocate appropriate and adequate land in the SEZ. He also requested the Iranian side for favourable treatment in the pricing of gas for India and also supply of rich gas at a competitive price and on a long-term basis for the life of the joint venture projects that Indian companies are interested in setting up," the statement added.

Pradhan expressed India's interest in setting up an LNG plant and a gas cracker unit in the Chabahar port.

He said the country is keen to import liquefied petroleum gas from Iran. The two sides discussed the award of rights to develop Farzad-B gas fields to Indian firms as well as the pending payment by Indian refiners toward oil purchases from Iran.

The ministry said the two nations are trying to cement ties, following the lifting of some sanctions in January. Iran wants India to ramp up crude import from Iran, while India is seeking attractive terms of purchase to continue.

Source: Business Standard

Export of coconut and coconut products touch a peak of Rs 1,450 crore

The export of coconut and coconut products (excluding coir and coir products) have touched a new high of Rs 1450.24 crore in 2015-16.

The shipments have shown a rise of around 11 per cent from a year earlier. The past few years have seen significant growth in the exports of coconut and coconut products.

The volume and value in the export of coconut oil, desiccated coconut and activated carbon have shown a significant increase. While desiccated coconut exports went up 63 per cent, the increase was 23 per cent in the case of coconut oil over the previous year.

Activated carbon export showed a lesser growth of 13 per cent. Last year shortage of coconuts had hit the activated carbon exports.

The export of virgin coconut oil could not maintain the growth in the first half in spite of the demand for organic virgin coconut oil. The export targets could not be met due to limited production of certified organic virgin coconut oil, according to a press statement from Coconut Development Board.

The board feels there are greater prospects for export of coconut oil, virgin coconut oil and desiccated coconut in the year 2016 - 17 considering the fact that the prevailing domestic price is comparatively less than the international price of coconut, copra and coconut oil.

Source: The Economic Times

India-Iran sign agreements on crude oil imports, gas field development

Eyeing to step up energy partnership in the post-sanctions period India and Iran have signed an agreement that involves crude oil imports, petrochemical complexes and gas fields development besides Delhi making an announcement of $20 billion for strategic Chabahar Port complex during ongoing two-day visit of Oil Minister Dharmendra Pradhan to Tehran.

Pradhan who met his Iranian counterpart Bijan Zanganeh in Tehran Saturday also discussed on increasing India's import of Iranian oil from its current 350,000 barrels a day. "We hope this number will increase now that sanctions have been lifted," Zanganeh told Iranian news agency Shana after his meeting with Pradhan.

A high-level delegation of Indian major oil and energy firms who accompanied the Minister, also evinced interest in Iran's oil, gas and petrochemical projects, government sources here said.

The two ministers signed a cooperation agreement encompassing oil exports, petrochemical operations and gas-field development on the occasion, sources said.

Pradhan addressing a joint press conference on Saturday with his Iranian counterpart said, "Iran and India's energy ties are no longer limited to crude oil imports," and that India was ready to invest $20 billion in the port of Chabahar in Southeastern Iran. He added that "energy sector can be determining in development of Tehran-New Delhi relations." India has already extended over $ 100 million Line of Credit for berths and jetties at Chabahar.

India's participation at Farzad-B gas field topped discussions between the two Ministers, sources informed. Last year ONGC submitted a proposal of $ 3 billion for development of Farzad-B field.

In fact the most important item in Zanganeh discussions with Pradhan was the investment to develop Farzad-B offshore gas field, sources said. "It was decided that Iranian and Indian sides agree on the schedule of implementing the project which is a demanding job and take time," sources quoting the Iranian Minister said.

Post sanction Iran wants to cultivate closer ties with countries in the East and India's close relationship with Iran is an added advantage, Iranian government sources said, adding the Minister also discussed pending oil payments issue by India with the banking authorities in Tehran.

Source: The Economic Times

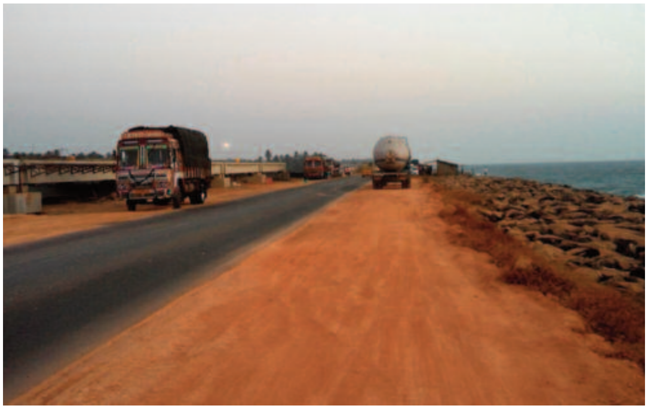
In 2015-16, record 6,029 km of highways constructed

The construction of highways touched an all-time high of 6,029km during 2015-16. Prior to this, a maximum of 5,732 km of national highway was constructed during 2012-13.

Officials said while NHAI reported construction of nearly 2,000 km, the rest came from works done by the road transport ministry through its agencies including state public works departments, Border Roads Organisation and ministry's entity NHIDCL for undertaking works in hill states.

TOI on January 10 had first reported how the total construction was set to cross 6,000-km mark.

Though surpassing 2012-13 record by merely constructing one extra km per day may not be that big achievement, sources said the increased pace of construction will now continue for the next few years.



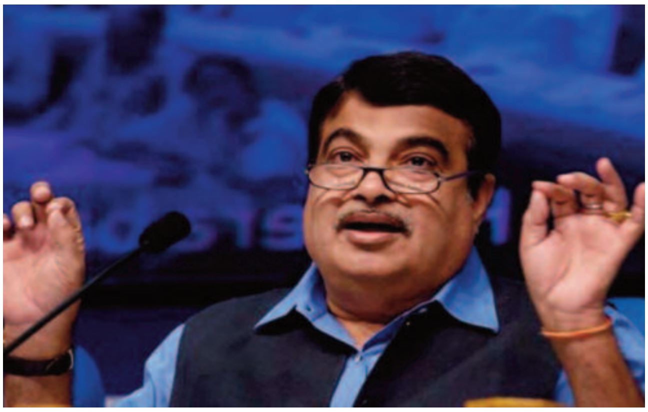
Source: The Times of India

Maritime Summit likely to attract investment contracts worth Rs 2 lakh crore: Nitin Gadkari

Investment contracts worth Rs 2 lakh crore are expected to be signed at the upcoming maritime India summit in Mumbai, shipping minister Nitin Gadkari said on Monday.

The government will also sign an MoU with South Korea for development of port and shipping infrastructure in India. Gadkari said South Korean companies were looking for opportunity to invest in Indian shipyards.

"Samsung will manufacture 3 LNG ships in India. They have signed a contract with Cochin shipyard. Over 50 South Korean companies and 200 other global maritime companies will be present for the summit. We are showcasing all port led investment opportunities. Also, inland waterways projects would also be taken up for development," he said.



Gadkari said that port capacity has been increased by 4.3% in the last financial year and major ports increased their capacity by 1% beating the global decline.

"Ports have posted a profit of Rs 4000 crore and Jawahal Lal Nehru Port Trust (JNPT) in Mumbai has alone posted a profit of Rs 1000 crore," he said. He said that his ministry would award contracts worth Rs 60,000 crore in ports sector by May 26. Shipping ministry is also planning to to set up 14 coastal economic zones under its ambitious Sagarmala plan.

He said port and shipping sector has potential to create nearly 40 lakh direct jobs and 60 lakh indirect employment opportunities over the next 5 year.

"Currently, logistics costs in India is about 18%, while it is 10-12% in Europe. Our focus is on bringing down the logistics cost from 18% to 12% by developing coastal shipping and inland waterways," he added.

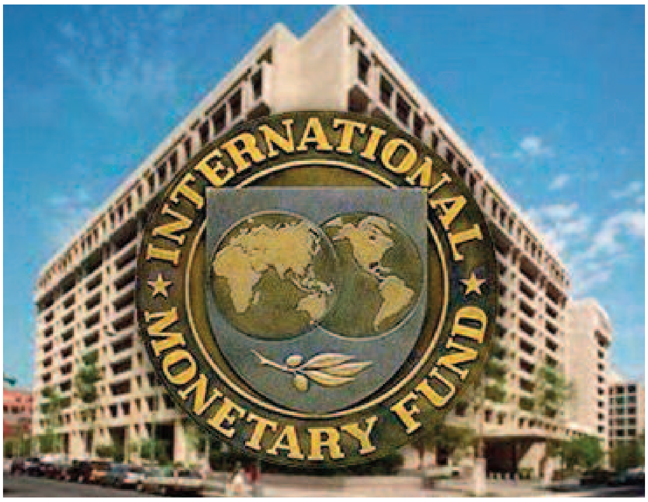
Gadkari said new green field ports will be coming up at Vadhavan, near Dahanu in Maharashtra, Colachal near Kanyakumari in Tamilnadu and Sagar Island in West Bengal, entailing an investment of Rs 20,157 crore.

The shipping ministry has also identified two marine clusters at Saurashtra in Gujarat and Ennore, Tamil Nadu for ship building, ship repair and recycling.

Source: The Economic Times

IMF retains India's growth forecast, cuts global projection

The International Monetary Fund (IMF) on Tuesday retained India's growth projections for 2016-17 at 7.5 per cent, while it cut global economic expansion by two percentage points to 3.2 per cent for 2016 and one percentage point to 3.5 per cent in 2017.



According to IMF, India's growth will continue to be driven by private consumption "which has benefited from lower energy prices and higher real incomes".

In its World Economic Outlook, IMF, however, cautioned India that sustaining growth would require labour reforms as well as reducing infrastructure bottlenecks.

In 2016-17, India's growth would be higher than China's by 1.3 percentage points. The country has overtaken China since 2014-15, becoming the fastest growing large economy in the world. For 2015-16, India's growth was pegged at 7.5 per cent, a shade lower than official estimate of 7.6 per cent.

Retaining its October 2015 forecast for India, IMF said, "With the revival of sentiment and pick-up in industrial activity, a recovery of private investment is expected to further strengthen growth."

The World Economic Outlook report noted that in India, monetary conditions remain consistent with achieving the inflation target of five per cent in the first half of 2017, although an unfavourable monsoon and an expected public-sector wage increase pose upside risks. However, India Meteorological Department has predicted the monsoon to be above normal this year.

In India, lower commodity prices and a relatively tight monetary stance have resulted in a faster-than-expected fall in inflation making room for nominal interest rate cuts, but upside risks to inflation could necessitate a tightening of monetary policy, the Fund said.

"Fiscal consolidation should continue, underpinned by revenue reforms and further reductions in subsidies. Sustaining strong growth over the medium-term will require labour market reforms and dismantling of infrastructure bottlenecks, especially in the power sector," said IMF.

In FY15, India's growth was 7.3 per cent, which would increase to 7.5 per cent each in the next two years of 2016-17 and 2017-18, the IMF said.

IMF said the global economy faced headwinds from weak growth and rising protectionism and warned of possible "severe" damage if Britain quit the European Union.

At the same time, the IMF report projected a decline in China's growth rate from 6.9 per cent in 2015 to 6.5 per cent in 2016 and 6.2 per cent in 2017.

"China, now the world's largest economy on a purchasing- power-parity basis, is navigating a momentous but complex transition toward more sustainable growth based on consumption and services," it said.

The report said given China's important role in global trade, "bumps along the way could have substantial spillover effects, especially on emerging market and developing economies". According to the report, the re-balancing process in China might be less smooth than assumed in the baseline scenario.

"A sharper slowdown in China than currently projected could have strong international spillovers through trade, commodity prices, and confidence, and lead to a more generalised slowdown in the global economy, especially if it further curtailed expectations of future income."

The global economy will grow at 3.2 per cent in 2016 and 3.5 per cent in 2017, IMF said, scaling down its earlier forecast of 3.4 per cent and 3.6 per cent, respectively.

"Global growth continues, but at an increasingly disappointing pace that leaves the world economy more exposed to negative risks. Growth has been too slow for too long," IMF Economic Counsellor Maurice Obstfeld told reporters at a news conference in Washington while releasing the report, according to PTI.

"The new World Economic Outlook anticipates a slight acceleration in growth this year, from 3.1 to 3.2 per cent, followed by 3.5 per cent growth in 2017. Our projections, however, continue to be progressively less optimistic over time," the news agency quoted Obstfeld as saying.

Source: Business Standard

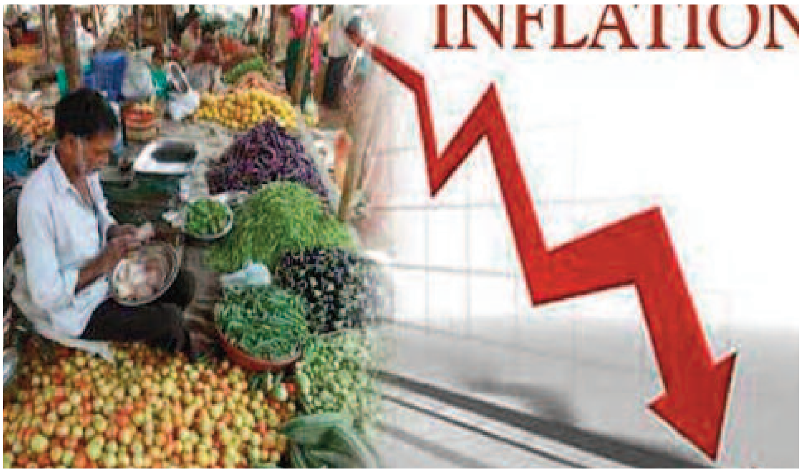
Vegetables and pulses cheaper, retail inflation down to 4.83% in March

Retail inflation in March fell to a six-month low of 4.83% on account of cheaper food articles such as vegetables and pulses.

The retail inflation, measured on Consumer Price Index (CPI), in February was revised upwards to 5.26% from 5.18.

Consumer inflation was seen below this level at 4.41% in September 2015.

Food inflation for March too softened at 5.21%, showed the data released by the Ministry of Statistics and Programme Implementation (MoSPI). In February, food inflation was at 5.30%.



The rate of price rise in vegetables was at 0.54%, oils and fats 4.85%, milk and products 3.33%, while fruit prices deflated further at (-)1.10% in March.

Pulses too turned cheaper, as the inflation print came in at 34.15% during the month.

However, inflation in sugar and confectionery shot up at 3.92% in March (from 0.51% in February). And for pan tobacco and intoxicants, the inflation stood at 8.51% (over 8.39%).

Retail price rise of cereals and products rose to 2.43% and that for meat and fish category, it moved up slightly with an inflation print of 7.74%.

Likewise, prices of eggs shot up further during the month with inflation standing at 6.68 per cent.

The inflation rate, based on CPI for rural areas, stood at 5.70 per cent, while that for urban areas was at 3.95 per cent.

The prices are collected by the government from selected towns by the Field Operations Division of National Sample Survey Organisation (NSSO) and from selected villages by the Department of Posts.

The monthly data is released by the Central Statistics Office, under the Ministry of Statistics and Programme Implementation.

Source: Press Trust of India

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