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WEEKLY ECONOMIC BULLETIN

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India to contribute 4.9% of world GDP by middle of next decade: HSBC

India may struggle to achieve the pace of economic growth rates that China achieved during the peak of its past boom, but that doesn't mean investors ignore India.

Given the fact that the demography is in its favour, and will account for the same world share as China did in 2005, the year when the Mainland really started to make itself felt globally, says HSBC.

India is expected to equal China's 4.9% share of world GDP in 2005 by the middle of next decade and if the country grows faster, the date can be advanced. For example, if India continues to grow at around 7%, it would have the same global punch as China about a decade ago only in 2029. Faster growth, of course, would bring the date forward.

India's economy grew a stronger-than-expected 7.9% in the March quarter, making it the fastest growing major economy.

HSBC said that if India grows at 8% rate, it would achieve the 4.9% share by 2027.

A pulling back factor may be the country's slower investment, which has always been lower than that of China's. HSBC said that India would have to boost its investment rate by 10% or so of GDP, to achieve China's growth rate of the last decade.

"A tall order - though, mind you, not impossible," SBC Economist Frederic Neumann said in the report. He added that it looked tough for India to pick up steam and match China's boom-time growth rates in the coming years.

He ranks India as the obvious candidate for pushing global growth since West is not bouncing back to its lost glory anytime soon. "After all, it's the only other country with over a billion people and its economy, according to official data, has increased a tad faster than China's of late," ," the economist said.

However, India's economy isn't currently large enough to make up for China's slowdown.

"Still, don't count the country out just yet: assuming things keep ticking as long as they have, by the middle of the next decade India's economy will account for the same world share as China did in 2005, the year when the mainland really started to make itself felt globally," he said.

Source: The Economic Times

India plans to be energy surplus nation by FY'17

The government is planning to make the country an energy surplus nation, with a target of generating 1,178 billion units, leading to a 1.1 % overall electricity surplus this fiscal.

According to the Load Generation Balance Report (LGBR) for 2016-17, the Centre has set a target of generating 1,178 billion units with overall surplus of 1.1 % and peak surplus of 2.6 %.

The government used to plan generation with deficit of power in the past in its LGBRs, which are brought out every year to project electricity demand and supply situation.

The report covers the month-wise anticipated energy requirement and availability as well as peak demand and availability for the year against an all India annual generation target.

The LGBR is finalised by the Central Electricity Authority and approved by the Power Ministry after detailed discussions with the states/utilities and Central/State/Private generation companies.

Imports from power projects in Bhutan and availability from non-conventional and renewable energy sources in the country are also factored into the report.

With the commissioning of these transmission lines, the inter-state and intra-state capabilities of power transfer in the country enhanced considerably. Rigorous monitoring is being done to add capacity in the 12th plan period.

A generating capacity above 16,654.5 mw has been considered in the LGBR for 2016-17. These measures are expected to help the deficit states reduce their shortfall.

Surplus energy is anticipated at 3.3 % and 6.9% in the southern and western regions, respectively.

Northern, eastern and north-eastern regions are likely to face energy shortage of 1.8 %, 10.3 % and 8.3 per cent, respectively.

The peaking shortages are likely to prevail mainly in the northern, southern and north-eastern regions to the tune of 1.6 %, 10.0 % and 3.8 %, respectively.

Power shortage was at 2.1 % - the lowest level in a single year - during the last financial year.

Among the states where power surplus is anticipated in the current fiscal are: Delhi at 18.6 %, Madhya Pradesh at 11.9 %, Maharashtra 7.4 % and Tamil Nadu at 11.2 %, among others.

The states where electricity deficit is anticipated are Jammu & Kashmir, Uttar Pradesh, Uttarakhand, Bihar and Jharkhand, among others.

Source: Press Trust of India

Foxconn looks at Odisha's Gopalpur for setting up unit

Foxconn Technology Group, the world's largest contract electronics manufacturing company, is considering Odisha, among others, to set up its manufacturing facility.

In 2015, Foxconn had announced it would set up 12 factories in India, creating one million jobs.

A team from Foxconn has already visited the industrial park at Gopalpur where Tata Steel is the anchor tenant. The industrial park spreads over 3,500 acres of land.

PLANS IN THE STATE

- A team from Odisha govt visited Taiwan in Oct 2015, Foxconn evinced interest
- Foxconn has sought 1,000 acres for Odisha unit
- Odisha has rolled out incentives for electronics investors

It's giving additional incentives on capital investment subsidy, human capital investment subsidy, power, water and interest subsidy "Foxconn has visited the industrial park at Gopalpur and has shown interest to put up a facility. The company has asked for 1,000 acres of land. The location has surplus land and it can be offered to Foxconn," said Pranab Prakash Das, Odisha's minister for electronics and information technology.

It needs to be mentioned that Foxconn's engagement with the Odisha government is still nascent and the company is yet to spell out the scale of investment or the range of products it intends to manufacture in the state.

The state government considers Gopalpur as an ideal port-based location for Foxconn's manufacturing unit.

It will also offer it the advantage of proximity to the Visakhapatnam port. "Foxconn officials had evinced interest in visiting Odisha and explore the opportunities during a state delegation visit to Taiwan to attract investments in the electronic system design and manufacturing sector in October 2015," said an industry source.

Foxconn had started negotiations towards the middle of 2015 for making Apple's iPhones in India.

In August 2015, the Taiwanese electronics major signed a memorandum of understanding (MoU) with the Maharashtra government to set up an electronics manufacturing plant at an investment of $5 billion for five years.

Foxconn is keen to invest on manufacturing, energy and e-commerce sectors in the country. It has kicked off local production of mobile handsets for Chinese brands Gionee and OnePlus at Sri City, 575 km from Hyderabad.

The Odisha government, meanwhile, has been making frenzied efforts to lure investors in the electronics manufacturing space. The state government has already declared a special incentive package scheme to lure investments in electronics by giving additional incentives on capital investment subsidy, human capital investment subsidy, power incentives, water incentives and interest subsidy over and above the promises made in the Information and Communications Technology Policy-2014.

Investors with investment exceeding Rs 200 crore and offering employment potential of 500 would be entitled to 25 per cent investment subsidy on capital investment, subject to a ceiling of Rs 50 crore. Further, if their project is financed by public sector banks, the state government would offer an interest subvention of five per cent. The state information technology department has also been renamed as the department of electronics and information technology.

Source: Business Standard

French luxury label Longchamp to debut in India

French luxury leather goods brand Longchamp has announced its India entry and will open its first store in New Delhi this week.

DOIT Retail Brands has bagged the master franchise rights for Longchamp in India.

Leather goods major Longchamp was founded in Paris in 1948 by Jean Cassegrain and is still owned and run by the Cassegrain family. "We wanted to partner with a global fashion brand and were looking for synergies.

Longchamp already has a loyal clientele in India and was scouting for an Indian partner. Its products are universal, simple and sophisticated and cater to a wide audience. The brand has maintained its luxury values of craftsmanship, creativity and quality. We are delighted to bring the brand to India," said Radha Kapoor, founder and director of DOIT Retail Brands.

Longchamp owns more than 300 exclusive stores globally and retails from another 1500 points of sales. It is famous for its iconic leather handbags, luggage, shoes, and other fashion accessories sold at retail stores like Selfridges and Bloomingdale's besides its own stores. Kapoor said the company is scouting for a second location in Mumbai and is keen on Palladium.

"Real estate costs are high and there is a dearth of quality real estate. We would like to take it slow with Delhi and Mumbai and we may look at other locations like Chennai and Bengaluru going forward. The brand is in the affordable luxury space and considering the footfalls, malls make more sense than high street," she said. Kapoor said the brand could be positioned somewhere between Louis Vuitton and Michael Kors.

The 1,000 square feet store at The Emporio mall in New Delhi will retail Longchamp's bestselling products like Le Pliage Heritage, Penelope, Roaseau and Le Pliage Cuir bags along with other accessories.

Longchamp announced annual sales of 566 million in 2015. It stated its revenue grew 15% in Asia, and the Asian market contributed 25% to overall sales.

Source: The Economic Times

Interlinking of highways on anvil

In an ambitious plan, the government has prepared a roadmap to connect some of the major national highways in the country.

The proposal aims at inter-linking the highways from North to South and East to West in the pattern of a grid, allowing smooth and uninterrupted access from one region to another.

According to an official, grid formation or connecting the national highways in the form of a grid is one of the basic practices of highway planning. As per the current proposal the distance connecting the two highways would be reduced from 70-80 km earlier.

Jaideep Ghosh, partner, KPMG India, said whenever the proposal fructifies it would give a fillip to the overall economy by providing better connectivity. Even today about 65% of the cargo moves by roads. The National Highways Authority of India has prepared a grid of 27 vertical and horizontal highways for connection.

Currently, India's total road network is about 33 lakh km, of which national highways constitute over 96,000 km and state highways about 1.32 lakh km.

The government plans to construct 70,000 km of new highways connecting the coastal and border areas under its ambitious Bharatmala project.

Initially, about Rs 50,000 crore would be spent on the construction of highways under this project. Contracts for construction of highways under Bharatmala have been awarded in the states of Gujarat, Rajasthan, Punjab and Bihar.

Minister of Road Transport and Highways Nitin Gadkari at the time of taking charge in May 2014 had said that ironing out hurdles in the road sector would top his agenda.

In January this year, Gadkari had said the government was hopeful of completing road projects worth Rs 7 lakh crore by the year 2019. The minister is aiming to increase the pace of road construction in the country to 100-km per day over the next two years from the current 30-km per day.

Source: Business Standard

Tamil Nadu to add 16,000 MW in five years: Governor

The Tamil Nadu government will add new thermal power generation capacity of 13,000 MW and 3,000 MW of solar power over the next five years while continuing with many of its freebie welfare schemes, Governor K. Rosaiah said.

He also said a new granite policy will be framed by the government and the sale of beach minerals will be undertaken directly by the government to further augment its resources.

Delivering the inaugural address at the first session of the Fifteenth Legislative Assembly, Rosaiah said: "This Government will ensure that the state continues to be free of power-cuts and provide uninterrupted quality power. In the next five years, new power generation capacity of 13,000 MW of thermal power and 3,000 MW of solar energy will be added."

He further said the ongoing power projects will be expeditiously commissioned to augment the state's power generation capacity.

Rosaiah said the government is committed to improving transparency in administration, and will establish the institution of Lokayukta in Tamil Nadu through appropriate enactment, once the proposed amendments to the Lokpal Act are enacted by the Parliament.

He said the state government while working with the central government for the overall development of the state, will continue to insist on fair and adequate sharing of financial resources between the centre and the states.

On the issue of securing the state's rights over the Cauvery river water he said the government will take action to obtain an order from the Supreme Court for the constitution of the Cauvery Management Board and the Cauvery Water Regulation Committee by the Government of India for effective implementation of the Final Order of the Cauvery Water Disputes Tribunal. He also said the state government is determined to raise the water level to its full reservoir level of 152 ft at Mullaperiyar Dam in Kerala and also implement effective water management measures in the state.

"This government will expeditiously prepare comprehensive flood protection plans for Chennai city and vulnerable coastal districts in the state to permanently mitigate the impact of floods," Rosaiah said.

On the roads sector Rosaiah said to improve the standard of roads, the 'Comprehensive Road Infrastructure Development Programme' (CRIDP) and the 'Performance Based Maintenance Contract' (PBMC) system will continue.

The World Bank assisted 'Tamil Nadu Road Sector Project-II' with an outlay of Rs 5,171 crore, which is under implementation, will give a further boost to the road infrastructure in the state, he said.

"The work for establishing two more desalination plants near Chennai, with a capacity of 150 million litres per day (MLD) at Nemmeli and 400 MLD at Perur will be expedited," he added.

According to him, the government will give priority to industrial corridor based development, particularly on the Chennai-Bengaluru Industrial Corridor and the Madurai-Thoothukudi Industrial Corridor. "As part of the Chennai-Bengaluru Industrial Corridor project, Ponneri will be developed as a vibrant industrial node," he said.

Source: Indo-Asian News Service

Govt plans to ease process for importers

To push its 'Make in India' drive, the government will soon be announcing a scheme to extend single port clearance, deferred duty payment and relief from routine checks for select importers.

The finance ministry is uniting and expanding the scope of two existing programmes for importers, the Accredited Clients Programme (ACP) and the Authorised Economic Operator (AEO) scheme. It will extend direct port transfers, allowing members to move their cargo as it arrives at a land or sea port to a warehouse without checks.

"The framework has been finalised, after consulting the industry. It is aimed to significantly cut time and cost for importers and boost domestic production," said a ministry official.

Only members of the revamped scheme will be eligible for deferred payment benefits. The new scheme will have a benefits matrix, extending most of the benefits, including assured clearance from ports, to direct manufacturers in India.

"We will divide a month into two. Importers in the revamped AEO scheme and bringing in shipments by the 15th of a month will get to make payments by a particular date of the second fortnight. Similarly, those bringing in consignments during the second fortnight will have to make payments by a specified date at the beginning of the second month," said an official, who did not wish to be named. "The move will significantly help importers with cash flows."

Members will be graded on compliance history. "Those in the business for long and dealing with non-sensitive countries will be rated a higher grade of low risk," said the official. "Importers can keep the transporter ready at the port ahead of the arrival of the cargo and plan their inventories better without a lag."

An AEO programme offers members reduced examination and inspection, higher facilitation than ACP clients, and acceptance of pre-arrival import declarations. Only about 18 entities so far have AEO status in India. The ACP Programme, begun in 2005, has about 300 members; 13 per cent of imports are through this route.

The government is aiming that at least 40 per cent of imports occur through the revamped programme, with at least 1,000 members. The US has 11,000 members as part of an AEO programme.

The government will probably do away with the eligibility criterion of Rs 10 crore of imports in the earlier financial year, to encourage medium and small enterprises to be a part of this scheme.

"Under the revamped scheme, there will be no value thresholds. Minimum documentation will be required," he said. While manufacturers will be given preference, traders will not be barred.

"Entry norms were tough under the earlier scheme and not many could qualify. We're easing the minimum import norms, without making the scheme weak. Those with doubtful credentials will not be allowed to join," said another official.

The Central Board of Excise and Customs is holding consultations with other government departments, to come on board and mutually recognise imports, and opt for only risk-based assessment for member-importers.

"Talks are also on with the service tax and excise duty departments to work out a process for mutual recognition," said an official.

IN THE OFFING

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Source: Business Standard

Comm Min for greater border trade with Myanmar

To scale up trade with Myanmar, the commerce department is pushing for greater trade through the shared land border between the two countries.

Launching a study on the matter by policy think tank RIS, and the department, Commerce Secretary Rita Teaotia on Wednesday said greater border trade will positively impact the economy of the North Eastern region, as well as people to people contact.

The ministry is keen to tap into the growth story of the South East Asian nation, which, according to the International Monetary Fund (IMF), is expected to witness 8.6 per cent gross domestic product (GDP) growth in 2016, making it the fastest growing economy.

India's trade with Myanmar reached over $2 billion in 2014, with exports from India accounting for more than half of the trade. Pharmaceuticals were the highest exported item, followed by agricultural residues like oil cakes and heavy machinery.

Last year, sugar and sugar confectioneries' exports have grown the highest.

India currently offers Myanmar duty-free trade along 96.4 per cent of all tariff lines under the Duty Free Tariff Preference scheme and the free trade agreement India has with the Asean region, of which Myanmar is a part.

High levels of security infrastructure in the North East, poor infrastructure, among other factors was cited by the department officials as responsible for impeding the growth of trade with neighboring Myanmar.

"India and Myanmar need to work together on a road map to facilitate trade not just between the two but among other ASEAN nations with a view to boosting growth." Teaotia said.

Source: Business Standard

Jaitley, 22 state finance ministers attend GST meet in Kolkata

Union Finance Minister Arun Jaitley is attending a meeting of Empowered Committee of State Finance Ministers to nudge the states to arrive at a consensus on the Goods and Services Tax (GST) Bill.

Twenty-two states are represented at the meeting, which began in the morning, by their finance ministers. West Bengal Finance Minister Amit Mitra is chairing the closed-door meeting, said a state government official.

Discussions on the draft Goods and Services Tax Bill, including the overall framework, and the Information Technology process of the GST are on the agenda of the two-day discussions, Mitra told IANS earlier.

The meeting would also deliberate upon finding ways and means to resolve issues between the states and the Centre on the GST.

However, the contentious issues of the GST rate, the dispute settlement mechanism and one per cent additional tax are not a part of the agenda.

The meeting here follows West Bengal Chief Minister Mamata Banerjee's declaration of support to the GST, which has come as a boost for the National Democratic Alliance (NDA) government's efforts to get the bill passed in the Rajya Sabha in the monsoon session starting next month.

The bill for a pan-India GST to thoroughly overhaul India's indirect tax regime, first mooted by the Congress-led United Progressive Alliance regime at the Centre, has been passed by the Lok Sabha, but is stalled in the Rajya Sabha where the ruling NDA lacks a majority.

The states will draft their own State GST (SGST) bill based on the draft model law with minor variations, incorporating state-specific exemptions.

The Centre and the states will also have to approve the integrated GST law or iGST, which will deal with inter-state movement of goods.

The Constitution amendment bill needs to be ratified by more than half of the states.

Source: Indo-Asian News Service

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