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WEEKLY ECONOMIC BULLETIN

ITP Division
Ministry of
External Affairs
Government of India

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'Sustainable Development is our priority': Prime Minister

The Prime Minister, Shri Narendra Modi, has emphasized that sustainable development is our priority.

Delivering the inaugural address at the International Conference on Rule of Law For Supporting the 2030 Development agenda/Sustainable development goals here today, the Prime Minister said that the ideals of 'Bahujan hitay, Bahujan sukhay' (well being and happiness of the maximum number of people) cannot happen unless the development process is inclusive and sustainable.

He said that the government aims to encourage education, skill development, digital connectivity and entrepreneurship in a sustainable manner. He also said that anything which is not sustainable, cannot be called development.

The Prime Minister said that poverty is the biggest challenge for environment and eradication of poverty is one of the fundamental goals of the government. Shri Modi said that the poor, vulnerable and marginalized groups have fewer resources to cope with climate disasters. He underscored the need to look within to make a meaningful impact on environment.

Reiterating the need for Climate Justice, the Prime Minister stated that rules, laws, practices and principles of one country cannot be applied to another uniformly. The Prime Minister said that India's commitments at COP-21 underline the Indian ethos, which aim at changing human lifestyle along with changes in the manner in which economic activity is undertaken.

Addressing the gathering, Minister of State (Independent Charge) of Environment, Forest and Climate Change, Shri Javadekar said that the Prime Minister convinced the world at Paris about Climate Justice and sustainable lifestyle.

The Minister said that Climate Justice is about justice to the 3 billion poor people of the world. Shri Javadekar said that both the concepts of Climate Justice and Sustainable Lifestyle have been mentioned in the Preamble of Paris agreement.

Shri Javadekar said that the Finance Minister has presented a Green Budget. Highlighting the green features of the Union Budget 2016-17, he said that coal has been taxed to the tune of Rs. 400 per tonne, i.e about $ 6. He emphasized that no country in the world is taxing coal for $6 per tonne.

Shri Javadekar added that if the developed world follows India's example in taxing coal at $ 6 per tonne, $ 100 billion to be generated by the developed world to meet the mitigation and adaptation needs of the developing world will be collected through this $ 6 tax.

The Minister said that some of the other green features of the Budget include the benefit of LPG being extended to 50 million BPL families, which is not just a health benefit, but also saves cutting of trees. Shri Javadekar emphasized the commitment of the government by preponing the migration to Euro VI by 2020, by investing Rs. 60, 000 crore in refineries to have cleaner fuel.

Speaking on the occasion, Union Finance Minister, Shri Arun Jaitley pointed out that the proposals presented in Budget 2016-17 pertain not only to coal and fossil fuels, but also towards hydrocarbons.

The Finance Minister said that two important programmes on environment are Swachh Bharat and Clean Ganga campaigns. He pointed out that the 0.5% cess on all services will go only towards Swachh Bharat campaign. He also added that adequate money for Clean Ganga campaign has been provided. Shri Jaitley also said that as part of the Clean Ganga campaign, the most polluted stretch from Kanpur to Varanasi is being taken up for cleaning River Ganga.

The Finance Minister emphasized that the decision to provide LPG connections to mitigate the adverse impact of 'chulha' is not only a social sector scheme, but also an environmental programme. He also stated that while hybrid and electric vehicles have been encouraged, more polluting vehicles have been discouraged.

The Prime Minister released the National Green Tribunal International Journal on the occasion.

Chief Justice of India, Shri Justice T.S Thakur delivered the keynote address, while National Green Tribunal Chairperson, Shri Justice Swatanter Kumar gave the welcome address. Attorney General of India, Shri Mukul Rohtagi also addressed the gathering. Director, Division of Environmental Law and Conventions, UNEP, Ms. Elizabeth Maruma Mrema gave the Vote of thanks.

The three-day Conference has been organized by National Green Tribunal NGT), Ministry of Environment, Forest & Climate Change, Ministry of Water Resources and United Nations Environment Programme (UNEP).

The objective of the Conference is to bring together Chief Justices, judges, environmentalists, scientists, lawyers, academicians, executives in the field of environment to exchange ideas on environmental issues such as climate change and disaster management, threat to marine environment, waste management and air pollution.

Some of the other issues to be deliberated include – global warming, marine environment, rule of law, remedies and judicial mechanism, increasing pollution and the impact on forest, wildlife and environment.

Source: Press Information Bureau

GDP growth expected in the range of 7 to 7.75 per cent in coming year

As per the Advanced Estimates released by Central Statistics Office (CSO), the growth of Gross Domestic Product (GDP) at constant (2011-12) market prices is estimated at 7.6 per cent in 2015-16.

This indicates that despite uncertainties in the global economy, Indian economy stands out as a haven of macroeconomic stability, resilience and optimism and can be expected to register GDP growth that could be in the range of 7 to 7.75 per cent in the coming year.

International Monetary Fund, in their World Economic Outlook Update (January 2016) has indicated that India is projected to continue growing at a robust pace.

As per the Budget 2016-17, the fiscal deficit as a ratio of GDP at current market prices is estimated at 3.9 per cent for the year 2015-16 (revised estimates). As per the Advanced Estimates released by Central Statistics Office (CSO), the growth of GDP at constant (2011-12) market prices is estimated at 7.6 per cent in 2015-16. This estimation has been done in accordance with the international best practices.

The fixed investment (measured by Gross Fixed Capital Formation) by the private corporate sector increased from 11.7 per cent of the GDP at current market prices in 2013-14 to 12.3 per cent in 2014-15 (the latest year for which data is available), despite indications of constraints like stressed assets.

Investment depends on various factors that, interalia, include: expectations of demand viz-a-vis the available capacity, expected profit, business climate and interest rate.

The Government has taken a number of steps to improve the business climate and boost investment n the economy which, among other, include: the “Make in India” initiative along with the attendant facilitatory measures for a more conducive environment for investment; Start-up India initiative to boost entrepreneurship and creation of jobs; opening up of specified sectors for foreign direct investment; and investment-augmenting tax measures.

The Reserve Bank of India reduced the policy repo rates by 125 basis points during 2015.

This was stated by Shri Jayant Sinha, Minister of State in the Ministry of Finance in written reply to a question in Lok Sabha today.

Source: Press Information Bureau

Airbus eyes $2 billion worth procurement from India by 2020

Global aerospace major Airbus group plans to procure components and sub-systems worth $2 billion per annum by 2020 for its civil and defence projects, up from $500 million in 2015, the French consortium said.

"We have set our sight to exceed $2 billion in cumulative procurement annually by 2020 from over $500 million worth aerospace goods in 2015 for civil and defence projects," the Indian arm of the Airbus said in a statement here.

Procurement value increased 15 percent in 2015 over that of 2014.

About 6,000 skilled people at 45 state-run and private suppliers side across the country provide engineering and IT services, aero-structures, detail parts and systems, materials and cabins to the group for many of its leading platforms, including A380, A350 XWB, A320 family, A330, C295W, A400M, Eurofighter, Tiger and NH90.

Claiming every Airbus commercial aircraft was partly 'made in India', Airbus chief procurement officer Klaus Richter said Indian suppliers were a cornerstone of its globalisation strategy.

"As many projects with our Indian partners have been successful, we aim to strengthen these relationships in the future," Richter said on the occasion.

According to Airbus Group India president and managing director Pierre de Bausset, the company is ready to set up system integration and final assembly lines if its proposal of producing C295W military transporters in India with Tata and military helicopters with Mahindra fructify.

Further elaborating on its Indian procurement collaborations, Airbus said Hindustan Aeronautics Limited (HAL) manufactures half of A320 family forward passenger doors while Dynamite Technologies makes flap track beams.

Mahindra Aerospace has a contract with Airbus Group company Premium Aerotec to supply more than one million aero-components per annum while Wipro received technology transfer to produce 8,000 aerospace actuators per year.

"Infosys provides SAP development and maintenance services while Geometric supports on product lifecycle management (PLM) applications and CAD services. Tech Mahindra provides consulting services on Quality and Business Support," said the statement.

Source: Indo-Asian News Service

Ford, GM to operate India factories round the clock

Three global automobile powerhouses either have started operating their India factories round the clock or are in the process of doing so to meet increasing export demand, in a resounding endorsement of the Prime Minister's call to make in India.

For the past six months, Ford Motor's manufacturing facility in Tamil Nadu is running three shifts a day, which is uncommon in the American carmaker's global operations.

Europe's largest carmaker, Volkswagen, is set to start a third shift starting next week, while the US No. 1, General Motors, is expected to add another shift from the beginning of next year.

Interestingly, these companies aren't doing so well in the Indian market, and the incremental output is to cater to markets in Latin America, Europe and Africa.

ET spoke to several vendors who supply parts to these carmakers and they said while the domestic market is expected to grow by a single digit, the likes of Ford India, General Motors India and Volkswagen India are targeting 20-60% jump in 2016 production, clearly indicating their export plans. While these carmakers have a market share of less than 3-4% in India, experts say high export volume is helping them make local operations viable.

Automakers have committed to invest billions of dollars in India, enticed by the local market opportunity in the long term as well as its frugal manufacturing capabilities and abundant skilled manpower, which offer a cost-effective environment to make small cars and sell them at competitive prices internationally.

In fact, even before Narendra Modi made the call to make in India a year and half ago, making in India for the world had already become part of global carmakers' strategy and boardroom discussions. Hyundai Motor and Maruti Suzuki have long been shipping India-made cars to foreign markets, even as they ruled the domestic market as well.

Companies such as Nissan and Renault, too, target foreign markets with compact vehicles produced in India.

But now, with the government's new push to promote manufacturing in India, companies are further expanding production and exporting more, even though the domestic market remains stuck in the slow lane.

"We are committed to position India as a global centre of excellence for manufacturing small cars and low-displacement engines," said a spokesperson for Ford India, which is churning out the EcoSport compact SUV for the global markets from its plant near Chennai.

"Our unflinching commitment to India is reflected in the aggressive implementation of our growth plans, including more than $2 billion we have invested here so far," he said.

Volkswagen and GM are witnessing strong demand for their India-made cars in Mexico - for the Vento and Beat, respectively. The Vento is already the segment leader in the Latin American country, where it sells double the number compared with India.

Volkswagen India Managing Director Andreas Lauermann said going past the capacity of the two-shift system due to higher demand is an important milestone for the company.

"Volkswagen Pune plant will start off with the third shift soon and will ramp up the production over the year. This step is necessary due to the rising demand from exports as well as domestic market, especially through the new Ameo. Exports have helped VW to create a natural hedging against the weak Indian rupee and fluctuating domestic demand," Lauermann said.

Volkswagen India sees exports contributing equally with domestic sales to its total production in the coming few years.

GM, as part of global manufacturing realignment, has given responsibility to India to focus on growth markets. "India will focus mostly on growth markets, as part of GM's global growth strategy and Korea will focus mostly on mature markets," said the company spokeswoman.

The Ford India spokesperson said, with the recently inaugurated manufacturing facility at Sanand in Gujarat and the Chennai factory, the company is well on course to triple its exports from India and sell made-in-India products in nearly 50 markets over next five years.

With demands of Indian customers also aligning to global markets, it is becoming easier for carmakers to serve global markets of Europe and other developed markets out of India.

The quality of cars produced out of India has also improved to such a level that Maruti Suzuki will be exporting India-made Baleno hatchback to Japan and Ford will be shipping the EcoSport to North America starting 2017.

Source: The Times of India

Japan commits 30 billion dollars investment in Haryana

Global aerospace major Airbus group plans to procure components and sub-systems worth $2 billion per annum by 2020 for its civil and defence projects, up from $500 million in 2015, the French consortium said.

Japan has committed about 30 billion dollars in investments and aid for development in Haryana where as many as 305 Japanese companies are operating -- the highest in the country, Japanese Ambassador to India Kenji Hiramatsu said.

Gujarat comes at number two with a total of 203 Japanese companies operating.

"Our auto sector and other investments have been inspired by the untiring efforts of and support by the Haryana government," Hiramatsu said in his address at the two-day 'Happening Haryana Global Investor Summit' here.

He said Japan had committed about 30 billion dollars in investments and aid for development. Jhajjar has been identified for setting up a Japanese integrated industrial township.

Keita Muramatsu, president and CEO of Honda Scooters and Motorcycles India, said: "Since last year, we have witnessed unprecedented improvement in the ease of doing business in Haryana due to the state's new industrial policy. The progress made in Manesar bears testimony to it."

Source: Indo-Asian News Service

Govt eyes Australia, Africa to boost textile exports

The Union textiles ministry is looking at Australia, the Commonwealth of Independent States and Africa to boost exports through bilateral agreements as free trade agreements (FTAs) with the European Union and the US are delayed.

The ministry is chasing a target of doubling textile exports in 10 years and is working on a new textiles policy to promote value-addition.

Guidelines had been finalised for a revised Textile Upgradation Fund Scheme and these would be placed before the Cabinet, Textiles Secretary Rashmi Verma said on the sidelines of the India International Handwoven Fair in Chennai.

Textile exports are unlikely to reach their 2015-16 target of $47.5 billion (Rs 3.17 lakh crore) because the figure was $32 billion (Rs 2.14 lakh crore) till December. Last year, India's textile exports were $42 billion (Rs 2.81 lakh crore), which was in large part cotton and yarn.

"We might be a little short of target, but by and large we will achieve it," Verma said and added since India did not have FTAs with the US and the EU, the sector was at a big disadvantage compared to Bangladesh and Vietnam. These countries export textiles to the West at zero duty while Indian exporters face duties of 10-14 per cent.

The ministry has proposed relaxation in labour laws to allow women to work at night.

"The simplified textile policy is also ready. We are in the process of sending it to Cabinet. We should be able to bring it out in two months' time," Verma said. The policy focuses on increasing the contribution of value-added products from the current 25 per cent.

We are trying to balance the value chain so that value addition can take place within the country. The share of raw material will come down when the overall exports grow," she added.

Verma said most incentives or subsidies offered by the ministry were related to production. Those related to processing and skilling would be continued, she added.

A meeting of all stakeholders would be held next month to take stock of India's commitments to the World Trade Organization, Verma said. It will review the subsidies that can be phased out.

Source: Business Standard

India, Bangladesh sign agreement on oil pipeline

India and Bangladesh have signed a memorandum of understanding to construct a pipeline for supply of high speed diesel, it was announced.

"Numaligarh Refinery Limited (NRL) and Bangladesh Petroleum Corporation (BPC) are working on details for the envisaged project of supply of high speed diesel (HSD) from Numaligarh (in Assam) to Parbatipur in Bangladesh for a period of 20 years under a JV project between NRL and BPC," external affairs ministry spokesman Vikas Swarup said at a media briefing here.

The product will be transported through a pipeline of approximately 135 km of which 130 km will be in Bangladesh and five km in India," he said.

The pipeline will run from Siliguri in West Bengal to Parbatipur in Bangladesh.

Swarup said, as a goodwill gesture, an initial consignment of 2,200 tonnes of diesel would be transported from Siliguri to Parbatipur by 50 wagons of the Indian Railways.

"This train will be flagged off from Siliguri on March 17 by Minister of State for Petroleum and Natural Gas, Dharmendra Pradhan," he said.

The decision to construct the pipeline was taken during Prime Minister Narendra Modi's visit to Dhaka in June 2015.

Source: Indo-Asian News Service

Government to digitise 1.3 lakh rural post offices by March 2017

The government plans to digitise nearly 1.3 lakh rural post offices by March 2017, IT and telecom minister Ravi Shankar Prasad told Parliament.

The government has approved Rs 4,909 crore for modernisation of 1.55 lakh post offices including 1.29 lakh post offices in rural areas, called Gramin Dak Sewak post offices. The modernisation process will include setting up centralised data centres and disaster recovery centres, networking of all post offices.

The budget also includes training postmen who will be given solar powered hand held devices, connected to data centers via SIMs, which will give rural consumers access to financial remittances and saving accounts through biometric scanning apart from other identification tools.

Telecommunication Consultant India Limited (TCIL) will provide the handheld devices alongside RICOH India Limited, and also ensure connectivity, while Infosys will be the Rural System Integrator, the minister said in Parliament.

The devices will also offer core banking solution through a mobile app, which ties into the Postal Department's future plan of introducing payment bank services. Core banking solution has been rolled out in 18,231 Post Offices, which is now the largest, surpassing State Bank of India.

About 23.81 crores postal saving bank accounts have been digitised, including 80,000 in rural areas. All the 25,297 departmental post offices in the country have been computerized while data centre was started in Navi Mumbai in April 2013, and disaster recovery centre has been functioning in Mysuru since May last year.

Source: The Times of India

90 percent of FDI inflows in 9 months through automatic route

Over 90 percent of the total foreign direct investment (FDI) received during the first nine months (April-December) of this fiscal came through the automatic route, parliament was informed.

"FDI equity inflow received through automatic route and approval route during the current financial year (up to December 2015) is 90.24 percent and 9.76 percent respectively," Commerce Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

She said the government had put in place a liberal and transparent policy under which most sectors have been opened to FDI under the automatic route.

In reply to a separate question, Sitharaman said: "The demand for electronics in the Indian market is expected to reach $400 billion by 2020."

"Without intervention, at the current rate of growth, domestic production can cater to a demand of about $100 billion by 2020," she said.

"While the future is difficult to predict, the value of imports of electronics goods during April-December 2015 was $31.06 billion, which is less than the value of imports of petroleum products during the same period, which were $68.2 billion during the period," she added.

Source: Indo-Asian News Service

India a bright spot for growth and investment, says EY's Mark Weinberger

With a presence in 152 countries across the globe, Mark Weinberger, EY's global chairman, has a better feel of the pulse of the global economy than most CEOs.

So when the 54-year old Weinberger says that global CEOs are looking at India along with US as the world's top investment destinations, his voice carries heft.

During his annual visit to the country, Weinberger spoke in an interview to ET about India's tax reforms, the budget and audit rotation. Edited excerpts:

Many experts see India as a shining spot in a tumultuous global economy. What's your take?

I think relative to the rest of the world, India is a bright spot from the point of investment and growth. Now I see that from many vantage points. We did a survey around the world and India was number one for attractiveness for investments for the next three years. So that is a general assessment.

We are in 152 countries and we have got 2,000 clients who talk to our people. They are thinking about where they want to invest and India and the US occupy the top two spots. Why is India the place where people would look at? First of all, the political security India offers relative to other emerging markets, then there is non-reliance on commodities, the fiscal discipline which was shown in this budget... Maybe we will see an interest rate reduction here in India which would be a growth opportunity.

The fiscal discipline coupled with some good policies, like Make in India, help attract investments. And Prime Minister Modi's trips around the world have brought a lot of commitments back to India for direct investment. Foreign direct investment (FDI) has gone up when it is going down in rest of the world.

Do you think the budget will move the needle in terms of attracting investments and fostering growth?

The budget which until now was just looking at urban and getting the demand up has now been focusing on rural. This could really help create jobs and it can really help provide consumers. Some of the things that they did in the budget for FDI like having automatic approvals for agriculture marketing companies will be positive for the investment.

The commitment to infrastructure, we are really waiting for it to kick in, but there has been a significant uptake. On the tax side, they did not lay out a specific goal or timeline for reducing the rate for corporate tax to 25%, which would put it best amongst the world.

Getting some of the deductions could take away some of the uncertainties in the taxation.

India is thinking long term. You are looking at transformational and fundamental changes to really bring up the country... When I look at what India is trying to do, there is a real opportunity for achieving some real big wins. If something like GST (goods and services tax) is introduced, then these wins could be huge.

Are the budget's tax plans enough for investors to take note?

If they (Indian government) stay with their commitment on corporate tax or GST it would be a great positive. The other things in the budget, like clarifications on something like withholding tax and other changes are also positives and it takes away certain uncertainties.

The issues around the administration of the tax system where retrospective taxes, as you are well aware, are addressed in the budget but I don't think it's completely clarified... The issue would continue to be there but the good news is now you have some new processes to limit future retroactive tax proposals. There is more security now that the government is not interested in trying to do a retrospective tax increase which is a positive thing.

How has EY India done, compared with EY elsewhere?

India for the last two years has been the growth leader for our 29 regions around the world. So last year we grew about 20% and this year too we grew around same level. We have 27,000 people in India now. This is second highest number of people after the US. Of that, about 12,000 are serving India specifically and about 15,000 in the innovation centre and talent hub we have here which serves the region and the world. As recently as 2012, we only had 12,000 people here. So we have a huge growth rate and we are probably going to hire another 20% people this year.

The business is going extremely well. It is growing in all sectors. For us, the upcoming audit rotation is going to bring new opportunities. And you have something called Indian advisory standards, so that's going to be a new responsibility.

We are growing across the board--digital, cyber, advisory, risk, forensic, tax, all. Just the fact that Rajiv Memani (chairman, India region) sits on our global board should tell you a lot about India's importance in EY's scheme of things.

The European Union and the UK have experimented with audit rotation, which India is implementing. Do you think it can impact audit quality?

I don't think audit rotation is going to positively affect audit quality. Remember that we already have partner rotation and every country in Europe has its own rotation rules. Every country has subsidiaries in these countries and then you rotate auditors in different times, in addition to partner rotation.

There are two reasons for it. I don't think anything has been proven that the amount of time you are serving a client affects the findings of the audit. Second argument for audit rotation is concentration. Companies can choose whoever they want to but they can only choose only qualified auditors who can serve their companies in the 100 countries they operate in. There is a fallacy in audit rotation. They view the big four as the same. So in audit rotation you have four firms (to choose from). You can't choose your current auditor, so three are left. If you are doing advisory work with one of the remaining three, you can't do audit. Now you are down to two firms. You only have a choice of those firms that have the capability to serve you in 100 countries.

So rotation, to me, is not the right approach but the bottom line is that we have to make it work. We will figure it out, the industry will make it work.

Source: The Economic Times

Jaitley withdraws provident fund tax proposal

Finance Minister Arun Jaitley on Tuesday said the government was withdrawing one of the much-resisted budget proposals to partially tax withdrawals from the employees' provident fund accounts.

"A number of representations have been received from various sections of the society, including members of parliament, suggesting that this change will force people to invest in anuity products even if they are not willing to do so," Jaitley told the Lok Sabha.

"The main argument is that employees should have the choice of where to invest. Theoretically, such freedom is desirable, but it is important for the government to achieve policy objectives by instrumentality of taxation," he said.

"In the present reform, the policy objective is not to get more revenues but to encourage to join the pension scheme," Jaitley said, adding the proposal he listed in paragraph 138 and 139 of his budget speech was being "withdrawn" to enable a "comprehensive" review.

"The proposal for giving 40 percent exemption given to NPS (National Pension Scheme) subscribers at the time of withdrawal remains."

Para 138 of his speech said: "In case of superannuation funds and recognised provident funds, including EPF, the same norm of 40 percent of corpus to be tax free will apply in respect of corpus created out of contributions made after April 1, 2016."

Para 139 said: "Further, the annuity fund which goes to the legal heir after the death of pensioner will not be taxable in all three cases. Also, we are proposing a monetary limit for contribution of employer in recognized provident and superannuation Fund of Rs.1.5 lakh per annum for taking tax benefit."

Source: Indo-Asian News Service

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