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WEEKLY ECONOMIC BULLETIN

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ITP Division
Ministry of
External Affairs
Government of India

In this issue...

India-Singapore urban management programme launched

With an eye on improving urbanisation process in the country with assistance from Singapore an urban management program organised by Temasek Foundation (TF) and Singapore Cooperation Enterprise (SCE) and NITI Aayog got underway.

This is in accordance with an MoU which was signed during PM Narendra Modis visit to Singapore last year.

Officials from 7 States (Tamil Nadu, Andhra Pradesh, Gujarat, Maharashtra, Delhi, Uttar Pradesh & Assam) are participating in this Programme that would cover areas of Urban Planning & Governance, Water, Waste Water & Solid Waste Management and Public Financing (PPP) of Urban Infrastructure. The best practices of Singapore in these areas are being shared by TF and SCE.

Vice Chairman of NITI Aayog, Dr Arvind Panagariya chaired the Launch Programme which was attended by the Member NITI Aayog, Dr Bibek Debroy, High Commissioner of Singapore to India, the CEO of SCE and the CEO of Temasek Foundation.

The state participation is at the level of Secretaries of Urban Development, Municipal Commissioners and other senior officials of State Government.

The Programme has been designed by NITI Aayog, Temasek Foundation and SCE under the platform of the Memorandum of Understanding signed between NITI Aayog and the SCE to tap the expertise of Singapore in urban sector to build capacities in State Governments and ULBs.

During the program, experts from Singapore would impart training in highly interactive workshops and share Singapore's and international experiences with the participants. The workshops and advisory sessions would focus on Urban Planning & Governance, Water and Wastewater Management, Solid Waste Management and bringing in private sector efficiencies in urban infrastructure.

Urbanisation level in India, which was around 31 per cent in census 2011 is estimated to increase and reach 40 per cent by 2030 in percentage terms, the urbanisation level may appear to be modest, however in absolute numbers it is very large.

Urban population of India is more than the entire population of United States of America or Brazil. The urban economy has also witnessed significant growth and is contributing to around 60 per cent of GDP. However, to reap the full benefits of urbanisation, it is important that it is efficient and sustainable.

Set up by Temasek, an investment company based in Singapore, Temasek Foundation is a Singapore philanthropic organisation that seeks to build a more prosperous, stable and connected Asia through building human and social capital.

SCE was set up by the Ministry of Trade and Industry and the Ministry of Foreign Affairs of Singapore in 2006 to respond effectively to the multitude of foreign requests interested in Singapore's development experience.

SCE works closely with Singapore's 15 ministries and over 60 statutory boards to scope out and tailor possible solutions to match the needs of foreign governments, and help meet their development objectives. SCE also serves as the focal point of access to expertise from Singapore across its public agencies.

SCE is now an integrated arm of International Enterprise Singapore, the government agency driving Singapore's external economy.

Source: The Economic Times

India is seen as bright performer and a driver of growth: Shaktikanta Das

Back from the spring meetings of the IMF and World Bank and at least three investor conferences, economic affairs secretary Shaktikanta Das that the government's decision-making speed and measures to improve tax administration came in for praise.

Edited excerpts:

What is the sentiment on India? At the IMF and World Bank meetings, sentiment about India continues to be very positive because amidst global headwinds, India is seen as a bright performer. The Indian economy has not just managed to remain afloat but also performed well at 7.6 per cent. The expectation is that it is only a few countries such as India that will be drivers of global growth in coming years.

There is an increasing acceptance of the fact that current weightage given to voice of countries does not reflect today's global reality and it needs to be modified. There seems to be growing acceptance of our contention that higher weightage should be given to PPP (purchasing power parity) based GDP calculation.

Are we putting in place measures to take growth to a higger trajectory? Finance minister Arun Jaitley has said growth could rise to 8.5 per cent in the event of a good monsoon. Our focus is to maintain growth and try and improve and reach 8 per cent and then exceed it. This year, if we get a good monsoon our growth would be towards the upper band of 7-7.75 per cent, projected in the Economic Survey, and exceed the current year's growth. Our policies would be designed to keep our economy strong, to build on our resilience and to build firewalls to insulate it from global headwinds. Main focus of our policy will be the domestic segment to maintain growth and move to higher trajectory. India would also like to have a greater share in world GDP and trade and all policies would be designed in that fashion.

The Niti Aayog has recently drawn up a plan to achieve 10 per cent growth. We are at present looking to reach 8 per cent and then exceed it. So it can be done in a gradual manner. Over the medium term we can try to reach to 10 per cent.

Last year we had a massive capital spending push from the very start of the financial year. Are you looking to maintain that tempo? Focus is now on implementation of budget announcements. We, from the department of economic affairs, have written to all ministries for speedy implementation of budget announcements, part of which is capital expenditure especially in railways, highways and agriculture, largely the spending ministries. Besides, public sector enterprises would have their own capex plans. Last year, the revised estimates for Plan expenditure were higher than the budget estimates. So this year our focus will be to ensure that Plan expenditures are incurred and with adequate quality.

On the policy front, how is the government gearing up? Are we likely to see continuance of the reform push? One is with regard to investment climate. FDI (foreign direct investment) emerged as a major source of investment in the country. Domestic investors are hit by the twin balance sheet problem. We have sufficiently liberalised FDI norms and the effort would be to liberalise further in whichever sectors possible. The idea is to put more sectors under the automatic route and effort would be to make it more and more process driven.

In parallel, we will continue to hold FIPB (Foreign Investment Promotion Board) meetings twice a month. For the next FIPB meeting, there are only 14 items on the agenda as compared to 30-35 earlier.

Focus would be on to fast track FIPB process further and liberalisation of the FDI policy and putting more items on the automatic route. Secondly, a capital expenditure plan has been put in place to achieve that kind of growth in railways, highways, irrigation and other spending departments for developmental expenses

Third is to push all the other reforms spelt out in the budget. The goods and service tax bill and the bankruptcy code are already in Parliament. The government will try to push both of them. There are a number of other bills that are in the works — public utilities dispute resolution bill, amendments to Sarfaesi (Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002) and DRT (debt recovery tribunal) and for transport sector. The amendments aimed at the transport sector would catalyse lot of investments in regional and local transport facilities.

The budget this year is very tight and there is little room for revenue shortfall. India has never met disinvestment targets while the telecom department has questioned budget estimates on spectrum. The industry has also said there may not be big demand. Given these two risks, how confident are you of being able to push through the capital spending? Disinvestment targets would be achieved. There are two components to it — strategic and non-strategic. List of CPSUs (central public sector units) has been finalised by the department of disinvestment. With regard to strategic, the Niti Aayog is in the process of identifying ones that would be taken forward. Now, the capital market conditions are also looking good. If you see globally the liquidity that is available where would that go? Indian market has been one of the best performing market among emerging markets so India should be able to attract capital both through FDI as well as capital markets.

As far as spectrum is concerned, this debate goes on within ministries. There are three components of proceeds from telecom. One is licence fee that gets Rs 20,000-22,000 crore a year. Then there is spectrum auction from which we expect to get about Rs 50,000-55,000 crore. Then the third component which is from the litigation from where we expect revenue of Rs 20,000-25,000 crore. A shortfall of Rs 96,000 crore one would not anticipate at this stage. We shall deal with it if we face any shortfall. There are ways of making it up during the course of the year.

A key issue holding up the economy is non-performing assets (NPAs) in the banking system. Are you any closer to getting a handle on this? The NPA problem is getting under control. And the equity infusion (in banks) has already taken place. Through reclassification by the RBI, about Rs 37,000 crore will be the additional tier I accretion. Our budget provision is Rs 25,000 crore that we will release soon as they need. So, total equity injection would be Rs 62,000 crore this year. If any additional infusion is required it would be done. The banks are also already in the process of taking effective recovery action. Together with the amendment to Sarfaesi and DRT and the bankruptcy code will definitely assist in the process of revival of the banks. Banks have a problem and it's a huge challenge for the economy to deal with but it is being managed.

On the FRBM (Fiscal Responsibility and Budget Management), the budget had announced setting up of a panel to look at a new plan. We will soon set up the committee. We are finalising the members and the terms of reference. A number of suggestions have also come from the recently held state finance secretaries' conference. We will take all that into account and constitute the panel shortly.

Are we looking at a countercyclical framework? Broadly yes.

You will be interacting with rating agencies soon. What will be your pitch to them since the government has undertaken a lot of steps as also stuck to the fiscal deficit target? We will place before them all the key initiatives that the government has taken to revive growth. The list is pretty long. Overall in every sector the government has taken large number of steps. The government is acting on all fronts. We will explain to them why we expect this year's growth to be higher than 7.6 per cent.

With the macro fundamentals, is there a chance of India getting an upgrade? That is something I can't say. The government is doing its best. It's for them to judge.

When do you see rates coming down? Banks should do (this) now. Since January 2015, the RBI has cut 150 basis pints. So transmission should be there.

Source: The Economic Times

Mondelez inaugurates seventh plant in India

Mondelez, best known for its Cadbury chocolates inaugurated a Rs 1,265-crore plant in Tada, SriCity, Andhra Pradesh, making it the company's seventh manufacturing unit in the country.

This was the company's largest plant in the Asia-Pacific region and would cater to domestic and regional needs, executives said.

Mondelez looks at India as a regional hub, with the plant capable of multiple products. The plant would initially produce chocolates and eventually other foods, said Daniel Myres, executive vice-president, integrated supply chain, Mondelez International.

The plant's capacity is 250,000 tonnes a year, which the company hopes to touch by 2020. The total investment is expected to reach Rs 2,300 crore by then.

Mondelez has invested Rs 670 crore in its six other plants in the country: two in Maharashtra, two in Himachal Pradesh and one each in Madhya Pradesh and Andhra Pradesh.

"Mondelez International is putting its resources behind its commitment to this country, not only through its investment, but also behind its brands, route to market and talent," said Maurizio Brusadelli, president, Asia-Pacific.

In the past few years, packaged food companies like Kellogg's, Mars, Cargill, Coca-Cola and PepsiCo have made significant investments in India.

Data sourced from the department of industrial policy and promotion shows yearly foreign direct investment in food processing has been consistently above Rs 2,000 crore, pointing to growing corporate interest in the sector.

Domestic players like ITC and Britannia are also betting highly on packaged foods.Source: Economic Times

Source: Business Standard

Apple eyes India for future growth

For tech giant Apple, India is the last bastion of growth, even as its revenues fell for the first time in 13 years in the quarter ended March.

Globally, its flagship iPhone's sales fell by 16 per cent during the quarter; but in India, its sales grew by 56 per cent.

On Wednesday, Apple reported a 13 per cent drop in revenues at $50.6 billion, while profits slid by 22 per cent to $10.5 billion for the March quarter.

Growth of iPhone sales in the US and China (the company's two largest markets) has turned negative, after hitting saturation point. About $50 billion of Apple's stock value was also wiped away.

Tim Cook, chief executive officer, Apple, brushed away worries that demand for smartphones globally had hit a peak by saying that penetration still stood at only 42 per cent.

He said there was still room for growth, especially in emerging markets. "For example, in India, our iPhone sales were up 56 per cent from a year ago," he told an investor call.

While India is indeed the only bright spot for Apple, the country contributes to just one per cent of overall iPhone sales. So it is unlikely that it will offset the global decline in the short term, according to telecom analyst Counterpoint Technology Market Research.

However, with a base of just 220 million smartphones in the country, which is less than 30 per cent of the population, the long-term potential of India is huge.

Nine out of 10 smartphones sold in India run on Android, the mobile operating system of Google, with average price points of less than Rs 10,000. Apple has two per cent market share in unit values and 10 per cent in value terms. However, Apple attributes the low sales numbers of the iPhone to the slow mobile internet speeds in India as most consumers are on 2G or 3G networks and expects the faster 4G network would help consumers realise the utility of iPhone.

"Because the smartphones that are working there (India) are low end, primarily because of the network and the economics, the market potential has not been as great. But I view India as where China was maybe seven to 10 years ago. From that point of view, I think there's a really great opportunity there," said Cook.

The local market began showing consistent high double digit growth for iPhone sales, with the Cupertino company registering a 76-per-cent increase during the October to December quarter. This demand from emerging markets (especially India) drove Apple to release its most affordable smartphone yet, the four-inch iPhone SE that's now being aimed at people switching over from Android to the iPhone. Sales of the iPhone SE were not reflected in the Jan-Mar quarterly report since the device launched only on March 31.

India is already adding smartphones at the rate of 100 million devices every year, but this growth is expected to compound with the coming of better network connectivity and faster data speeds, at lower cost. Reliance Jio has invested close to $23 billion to setup its 4G infrastructure and could potentially boost the already fast growing smartphone market in the country. The iPhone too will benefit from this.

"Compared to China, India will be slower in iPhone adoption as disposable income of Indian middle class is still less as compared to that of China a few years ago. This can be supported by the recent uptake of iPhone 5S (first launched two and a half years ago) which contributed to almost half of total sell-in during Q1 2016 in India post its steep price cut in December," said Neil Shah, director at Counterpoint Research.

While for Apple the growth of its business in India is indeed encouraging, the impact isn't going to be seen anytime soon. The company need to continue building its distribution channel as there's already a sizeable chunk of the population that can afford the iPhone's hefty price tag. Apple is seen to be moving along this path by increasing the number of distributors from one to five and is even trying to setup a wholly-owned wholesale subsidiary in the country.

"Apple is seen as an aspirational brand even in tier two and three cities," says Vishal Tripathi, Director at technology researcher Gartner Inc. "I would still see them do lot more in India, primarily on smartphone. Lot of innovative work around cashback, zero interest and EMI. The phone is still Rs 60,000. These innovative ideas would help increase sales."

Source: Business Standard

Maersk keen on taking ports on lease in India: Julian Michael Bevis

Shipping company AP Moller-Maersk is keen on taking Indian ports on lease, but is waiting for a clear picture from the government of India.

In an interview, Julian Michael Bevis, senior director, group relations, South Asia, Maersk Line India Pvt. Ltd, said he is very positive about the shipping and port sector, especially with the present government. Policies like Sagarmala will create a lot of opportunities, Bevis said. Edited excerpts:

Is it the right time to invest in India?

Certainly it is the right time, as evident from the fact that the economy is growing at 7.5% and this size is enormous. It is supported by statements from the government that makes India an extremely interesting place. But it is not that it is without any challenges. The minister has been very explicit about it and he is being honest, which is extremely positive. There are connectivity and access issues along with legislative issues. So, one has to tread with some care. But in all of that, I think we will find some opportunities with the right commercial and regulatory circumstances and that will be the projects we will be very interested in.

What are your investment plans?

Our general view of the marketplace is very positive. Maersk group through its terminal and infrastructure business has already invested $800 million in less than 10 years in India and we first got into the port at Nhava Sheva in 2004-05. There are policies like Sagarmala in place, which means there will be a number of opportunities. However, exactly when and where those opportunities will emerge is quite difficult to tell. But we are a group that is very keen to invest and to grow. We invested $1 billion in acquiring a group of 11 ports based out of Spain. I mean they don't have a footprint in India but that is illustrative of our appetite for growth. We have just announced an $800 million investment in Tangier. So, the point I'm making is that we are prepared to invest when we see the right opportunity in this part of the world. We are very keen to do something like Tangier over here.

Are you looking at acquiring any existing port and are some of them on your radar?

If such an opportunity is presented, then we will certainly consider that and there are lots of things on radar. You can count the number of ports on the list in Sagarmala. If you go through the website of the ministry of shipping there are about 200 projects. Depending on the nature of how they are presented, we will have a look, but exactly how is difficult to pin down because we really don't know about them. At this time, for commercial reasons we cannot say the ones that we are keen on.

You have referred to various things that Indian government needs to do. Could you elaborate on it?

In logistics space, I think there are two or three major policy directions that the government needs to consider. This needs to be a collaborative effort between the government and the industry. No problem on this earth can be solved by just one person. You need all stakeholders to be on board. And that is why I keep on saying that initiatives like Maritime Summit are good one but it is not sufficient that it happens for once and should happen on a regular basis.

Second point is around market forces. Instead of always reaching for regulator to deal with the policy issues which is the stance that has been taken by the government in the past and whenever there is policy issue, government would read the rule book and add another 10 pages. My view is as far as possible, let the market do it for you because generally speaking, market forces are the best regulator. That doesn't mean that you can leave everything to the market. In ports, you have got a market; so let that market regulate rather than having this tariff authority for major ports telling people what to charge. There, we need to get rid of and this is a time for transition and we should do it as quickly as possible. There are people nervous about that but market in the end will find people out and that's healthy. And I think if you can have effective market, then infrastructure has to be built of a scale because logistics is about scale; now that is why there are big ships, big airplanes and heavy trains, big trucks and things. It's not big boy toys but it is because these larger assets will deliver economies with scale if they deliver in the right way. And those economies which scale, deliver benefits which ultimately help the market they are serving.

Do you think with the present government, ease of doing business has really improved?

Business environment has definitely improved. You have never seen something like this (Maritime India Summit) happening 20 years ago. You had never seen the nature of exchange with the politicians and bureaucrats and business happening in the way as it's happening now. Chief ministers are sitting down with the group of potential investors and saying, tell me what your issues are. Has that ever happened 20 years ago? You know the answer. It has never happened. So, that's the answer that things are moving in the right direction.

But these are competitive times. There are many countries competing with India for getting more and more investments. Latin America, Africa, Asia and its not necessary that someone is better or worse but the point is where the investor gets the best returns. So, in that sense, India is going in the right direction.

How do you see shipping ministry's initiative to have a platform like Maritime India Summit?

It's good in two respects. Firstly, it sends strong signals by statement of various ministers and the prime minister making about the government's intent. Now, what is very clear is that by comparison of what we were 10 years ago when shipping and logistics were not the focus of the policy makers, now they are. Effective logistics are a very important component for making manufacturing competitive, making almost all aspects of trade competitive.

And therefore, if initiatives like Make in India and other (such initiatives) are really going to work, then it has to be supported by a competitive, energetic set of policy mechanism in terms of logistics.

It is an opportunity for the government to explain things and to answer questions in front of big audiences for long periods of time which is very constructive and equally, the other way, the government being talking formally and informally to the industry and asking them questions and put them under pressure too. I think it's very constructive.

Source: Livemint

Index of mineral production of mining and quarrying sector 5% higher in Feb 2016

The index of mineral production of mining and quarrying sector shot up 5% in February 2016 at 136.1, over February 2015, even as cumulative growth for April- February 2015-16 showed a 2.4% growth over same period in 2014-15.

Production of important minerals showing positive growth during February 2016 over February 2015 include iron ore (54.8%), chromite (43.9%), diamond (41.0%), bauxite (37.4%), copper concentrate (20.2%), lignite (9.2%), lead concentrate (9.0%), magnesite (8.6%), limestone (7.0%), coal'(3.7%), natural gas (1.7%) and crude petroleum (0.8%). However, zinc concentrate, gold and manganese ore were among those minerals that showed negative growth rates of 34.4%, gold 24.6% and 20.8% respectively.

The total value of mineral production (excluding atomic & minor minerals) in the country during February 2016 was Rs 19,995 crore. Out of this, coal was the biggest contributor with a share of Rs 8662 crore, or 43% of the total. Petroleum (crude) at Rs 5266 crore, natural gas at Rs 2063 crore and iron ore at Rs 1945 crore were the other significant contributors, besides lignite (Rs 705 crore) and limestone (Rs 512 crore). The six minerals together contributed about 96% of the total value of mineral production in February 2016.

Production level of important minerals in February 2016 include coal at 601 lakh tonnes, lignite at 51 lakh tonnes, natural gas (utilized) at 2495 million cubic metre, petroleum (crude) at 29 lakh tonnes, bauxite at 1827 thousand tonne, chromite at 350,000 tonne, copper concentrate at 12,000 tonne, gold at 101 kg., iron ore at 164 lakh tonne, lead concentrate at 21,000 tonne, manganese ore at 171,000 tonne, zinc concentrate at (90,000 tonne), apatite & phosphorite at 57,000 tonne, limestone at 260 lakh tonnes, magnesite at 22,000 tonne and diamond at 4153 carat.

Source: The Economic Times

MoU signed between Railways and ISRO for remote sensing and GIS

Railways have recently signed Memorandum of Understanding (MoU) with Indian Space Research Organisation (ISRO) for developing applications in the field of Remote Sensing and Geographic Information System.

The aims and objectives of the MoU is to develop applications and services in tune with the requirements of Indian Railways such as:- i) Develop an advance warning system at Unmanned Railway Crossings for road users. ii) Mapping of Indian Railway assets through Geospatial technology. iii) Develop paperless unreserved ticketing solution based on geo-fencing of station area. iv)Developing Real Time Train Information System by using Communication Satellite Services. v) Setting up of “BHUVAN” node in Indian Railways to internalize the use of BHUVAN geospatial solutions by Railways. vi) Meet Indian Railways satellite based communication requirements. vii) The MoU has been signed on March 17th, 2016 and has come into force.

For services being currently provided by BHUVAN or envisaged in future for Government of India, no charges shall be levied. For communication services, satellite assisted Navigation etc. charges would be applicable as per mutual agreement and based on pricing policies of the Government.

A project called Real-time Train Information System (RTIS) to track trains on real time basis alongwith dissemination of train running information to rail users has been sanctioned.

This Press Release based on information given by the Minister of State for Railways Shri Manoj Sinha in a written reply to a question in Lok Sabha on 27.04.2016 (Wednesday).

Source: Press Information Bureau

India, Saudi Arabia sign framework for Investment Promotion Cooperation

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Source: Press Information Bureau

Export rule eased for medical device makers

The government has decided to increase the validity of free sale certificates required by domestic medical device manufacturers for exports.

Now, these will expire only alongside the manufacturing licence.

Free sale certificates valid for two years are issued to medical device manufacturers by state licensing authorities. To export medical devices, manufacturers need to register with the foreign country and obtain its regulatory approval. These authorities generally ask for a free sale certificate to allow imports.

Under the provisions of the Drugs and Cosmetics Act, 1940, only 15 medical devices that are classified as drugs are regulated for import, manufacture and marketing in the country. The notification on free sale certificate validity will apply to these 15 devices only.

"In order to bring uniformity in its implementation, you (all state drug regulators) are requested to grant free sale certificates to manufacturers located under your jurisdiction with the validity of their manufacturing licence to promote exports," said GN Singh, Drugs Controller General of India (DCGI), in his letter to state regulators.

According to Rajiv Nath, secretary, Association of Indian Medical Device Industry (AIMED), medical device exports decreased from $1.2 billion in 2014 to $1.1 billion in 2015.

"Extension of validity of the free sale certificate has been a longstanding request to promote exports. The validity period of two years used to restrict registration in overseas countries. It also added to re-registration costs of overseas importers," he added.

Around 95 per cent of medical devices manufactured and sold in India remain unregulated. For medical devices not covered as drugs under the Drugs and Cosmetics Act, the certificates are issued by the Directorate General of Foreign Trade (DGFT).

"Many countries, especially in south and central America, are not satisfied with this certification. Their authorities desire the certificates be issued by the health ministry or our drug regulatory authority," Nath said.

A proposal was made by the AIMED to the Union health ministry to endorse the DGFT certificate. The health ministry is yet to take a decision on the issue.

Source: Business Standard

India to grow at 7.6% in FY17 on urban spending: UN report

India's economy is expected to grow by 7.6 per cent in 2016-17, largely on the back of urban household spending amid steady employment growth and low inflation, according to the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP).

Growth is expected to edge upwards to 7.8 per cent in 2017-18. But a good monsoon could provide a fillip to growth, pushing gross domestic product (GDP) growth to 7.8 per cent in FY17 itself, said Nagesh Kumar, who heads ESCAP South and South West Asia.

Downside risks to growth remain. Principal among them are a slowdown in China and exchange rate volatility due to a possible interest rates hikes by the US Federal Reserve, says Kumar.

The US Fed, which has kept its benchmark interest rates between 0.25 per cent and 0.5 per cent since December last year, is expected to increase rates later this year as the economy strengthens and the job market firms up.

With rural demand continuing to be weak after two years of back-to-back droughts, urban demand is expected to do the heavy lifting. Urban consumption is expected to get a boost with the government accepting the Seventh Pay Commission recommendations.

Exports, however, continue to be a major cause of concern. With global demand continuing to remain anaemic, exports are unlikely to provide the much needed stimulus to growth. India's exports contracted for 16 consecutive months in March. A big reason is the slowdown in China. According to UNESCAP, exports from all major Asian economies have collapsed.

"The overall strength of domestic demand will depend on progress made in implementing structural reforms and how rapidly large scale stalled infrastructure projects are unlocked" said UNESCAP. "Some progress has been made in reforming fiscal policy such as rationalisation of fuel price subsidies, but the implementation of the goods and services tax remains an important reform that is being held up due to political deadlock" it added.

Speaking at the launch of UNESCAP's Economic and Social Survey of Asia and The Pacific 2016, Rathin Roy, director at the National Institute of Public Finance Policy said, while macroeconomic indicators suggest India is in a sweet spot, there are huge concerns on the project execution side and supply-side constraints continue to pose a challenge.

On the issue of monetary policy, while many are arguing for a 25-basis point cut, Roy says at the margin a cut of that size is unlikely to change the situation fundamentally. What is more important is to look at quantity restrictions on credit. The case for greater interest rate cuts largely rests on a benign inflation environment.

With the India Meteorological Department projecting that monsoon is likely to be "above normal" this year, expectations are it will push agricultural growth, easing supply side constraints. But UNESCAP projects inflation to average 5.2 per cent in 2016-17, edging up to 5.6 per cent in 2016-17, leaving little room for the Reserve Bank of India to cut policy rates.

Source: Business Standard

India is our fortress market in Asia Pacific: Thorsten Kirschke, Carlson Rezidor

India is the second largest market for American hospitality management company Carlson Rezidor, says its Asia Pacific president Thorsten Kirschke.

Carlson Rezidor, which runs the Radisson group of hotels, has 43 hotels in the pipeline in India, only surpassed by the US. It currently operates 76 hotels in the country and plans to strengthen its presence through conversion of existing properties and management contracts. Speaking to ET's Divya Sathyanarayanan, Kirschke outlines the group's plans in India and how it is undeterred by the mega-mergers in the industry and the new age 'disruptors'.

Q- It's been almost two years since the new government took charge in India. Do you see some major changes on ground?

A- Due to the size of the population in India, the government finds it hard to put in place the policies and new guidelines. It takes time and patience to turnaround a tanker on sea versus a speedboat. So concretely, we see very little other than initiatives. The challenge is not the policy or the guideline, it's the execution. The government announced that it wants to clean up India, build new highways, Make In India, etc. All of these are great initiatives, but they need 12 years and not 12 months before you see a physical result. So we have always looked at India with a long term approach to business. And we find ourselves well aligned with the government initiatives. 2015 was a great year for us in India, with the market developing. RevPar (Revenue per Available Room) has seen an increase after four years of downturn. So yes, we are cautious but optimistic.

Q- Growth of foreign tourist arrivals to India has seen a slight dip last year. Does that worry you?

A- No, not really. I think that is a short term dip we see. It's been well offset by the domestic demand. The increased supply of hotel inventory has been absorbed. We are having a healthier environment. On the back of this, there is opportunity to yield more rate. The underlying fundamentals and signals are pointing at a better future over the next 3-5 years.

Q- How has India performed for the group?

A- Last year we signed 15 hotel contracts here, including a portfolio of seven hotels in the region of Jammu & Kashmir. At the same time, we opened five hotels last year. This year, we hope to continue the same momentum and may be grow higher. India is our fortress market in Asia Pacific. We remain not only committed, but accelerated and invested in this market. On a global scale, it (India) is only surpassed by the US. It is the second most important or strongest representation as a country for the group. We see most of the future growth and opportunities within Asia Pacific.

Q- Last year, the industry witnessed consolidation and some big ticket mergers have shaken up the industry. The Marriott-Starwood combined entity will soon be the largest hotel group in India and globally.

A- Right now, we are the international hotel brand leader in India. Any merged Marriott-Starwood would not dethrone us. In fact, it's a tie between us. By number of properties, we are 119 hotels signed and operating and we are also adding 14-15 hotels each year. This robustness of the pipeline will keep us in the lead position. By the number of rooms, the leadership position may be up for grabs possibly. But ultimately, any consolidation could also result in shedding. One has to decide whether to be a scale player or to create shareholder value in different means. We have never defined ourselves as a purely scale player.

Q- How do you tackle the new age 'disruptors' such as Airbnb and online travel agencies (OTAs)?

A- There will always be some form of disruptor. The industry has come a long way. We have improved on our own competitiveness of distribution and communication with the consumers. The B2C communication and dialogue has much improved under the challenge of OTAs, because we were forced to improve. But it has resulted in good things. We have invested much more in technology which is more consumer friendly and opens more opportunities. The OTAs are there to stay. I think it's an illusion to think that we can put them out of business. What we can do is collectively work on the way we collaborate because there is a meaningfulness to them. At the end of the day, they do provide incremental reach and that cannot be denied. There are certain markets and destinations' hotels that would not even have a chance remotely to exist if it wasn't for the instant reach to millions of people through these OTAs. So I think there is still merit in the OTAs because they are an integral part of the travel ecosystem around the world.

Q- With scale being an important factor, what kind of opportunities are you looking to beef up your presence in the market?

A- Scale for the scale sake is probably destroying shareholder value rather than creating. So we are constantly evaluating meaningful opportunities. We have 76 hotels in operation and a pipeline of 43 which is expected to hit the market over the next three years. At the same time, we are signing new management contracts and looking at conversion opportunities in the market to grow faster.

India is the second largest market for American hospitality management company Carlson Rezidor, says its Asia Pacific president Thorsten Kirschke. Carlson Rezidor, which runs the Radisson group of hotels, has 43 hotels in the pipeline in India, only surpassed by the US. It currently operates 76 hotels in the country and plans to strengthen its presence through conversion of existing properties and management contracts. Speaking to ET's Divya Sathyanarayanan, Kirschke outlines the group's plans in India and how it is undeterred by the mega-mergers in the industry and the new age 'disruptors'.

Q- It's been almost two years since the new government took charge in India. Do you see some major changes on ground?

A- Due to the size of the population in India, the government finds it hard to put in place the policies and new guidelines. It takes time and patience to turnaround a tanker on sea versus a speedboat. So concretely, we see very little other than initiatives. The challenge is not the policy or the guideline, it's the execution. The government announced that it wants to clean up India, build new highways, Make In India, etc. All of these are great initiatives, but they need 12 years and not 12 months before you see a physical result. So we have always looked at India with a long term approach to business. And we find ourselves well aligned with the government initiatives. 2015 was a great year for us in India, with the market developing. RevPar (Revenue per Available Room) has seen an increase after four years of downturn. So yes, we are cautious but optimistic.

Q- Growth of foreign tourist arrivals to India has seen a slight dip last year. Does that worry you?

A- No, not really. I think that is a short term dip we see. It's been well offset by the domestic demand. The increased supply of hotel inventory has been absorbed. We are having a healthier environment. On the back of this, there is opportunity to yield more rate. The underlying fundamentals and signals are pointing at a better future over the next 3-5 years.

Q- How has India performed for the group?

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