

Daily Economic Newsletter: 16 August 2016

1. India's exports better placed in product diversification: Study

Source: **Hindu Business Line** ([Link](#))

India's exports are better placed in terms of product diversification as the top ten export products account for 58 per cent of total shipments, says a study. The study by an industry body analysed the concentration of the top 10 export products for the major economies, including Hong Kong (89 per cent), the Republic of Korea (86 per cent), Japan (77 per cent), the UK (71 per cent), Germany (70 per cent), the US (68 per cent), China (68 per cent), the Netherlands (63 per cent) and France (60 per cent). Higher the percentage of the country, the more it is concentrated on exports of a few products and lesser the percentage of the country, the more diversified it is in terms of export diversification of its products.

India has consistently diversified its export products as the concentration of the top ten export products was 60 per cent in 2010 and 58 per cent in 2015, noted the analysis conducted by PHD Chamber of Commerce. However, notwithstanding the diversification of export products, India's export growth trajectory has shown a lacklustre performance due to slowdown in demand in the destination countries. "Although things are improving in logistics and on the export infrastructure front, the cost of credit to exporters is still high as compared to its competitors in the international market," PHD Chamber of Commerce and Industry President Mahesh Gupta said. India stands 19th in the list of exporters with merchandise exports valued at \$262 billion. India's share in exports is estimated at 1.6 per cent with a growth rate of (—)15.5 per cent in 2015-16, the analysis noted.

2. Indian light vehicle market to cross 4 Million unit mark

Source: **Indian Business** ([Link](#))

For the first time in history, India's passenger vehicle production is expected to cross the 4 million units mark in 2016. According to a forecast report by PwC Autofacts, India's light vehicle production (including cars, utility vehicles and light commercial vehicles will drive sales, taking production to 4.1 million units this calendar. Exports too are likely to hit the 700,000 units mark this year also riding on small utility vehicles. The report pegged that India's light vehicle production will hit 5.8 million units by 2020 and 6.5 million units by 2022.

The report suggested that with expected GDP growth of 7.5% and "consumer confidence the highest since pre-global recession levels *"the overall outlook is positive and production figures are expected to be slightly above 4.0 million units for the first time in history"*. Light vehicle sales in India, it said, are showing a positive development in the second quarter of (calendar) 2016. *"After a weak start, sales growth is almost on the par with 2015 levels. Though passenger cars still have the highest volumes of all segments, other segments like utility vehicles (+25.3% YTD through June) and light commercial vehicles (+ 12.3% YTD through June) are driving the current sales increase,"* said the PwC Autofacts report. In exports, passenger car share has come down from 79% in 2015 to 71% in 2016 with utility vehicle share going up from 12% in 2015 to 20% in 2016. *"Though there is optimism with assembly expansion through exports and increase in sales, there are still signs of insecurity,"* said the report. The auto industry is sitting on 2.7 million units of excess capacity which is expected to rise to 3 million units by 2017 and will only come down to 2013 levels of 2.2 million units in 2022 said the report.

3. Tamil Nadu offers 400 acres to South Korea's Kia Motors

Source: **Live Mint** ([Link](#))

The Tamil Nadu government on Thursday said that it has offered nearly 400 acres of land for Seoul-based automobile manufacturer Kia Motors Corp., an affiliate of Hyundai Motor Co. *"After visiting Tamil Nadu, they asked us about 400 acres of land, and we have offered about 390 acres. I am hopeful that they will set up factory in Tamil Nadu,"* said M.C. Sampath, industries minister in the state assembly.

Maharashtra, Gujarat and Andhra Pradesh have also been trying to woo the South Korean automobile maker. It was reported last month that Kia Motors would pick a site by August for its first factory in India, stepping up plans to start making cars in one of the world's fast-growing auto markets. *Reuters* had reported in July that the proposed factory would start production in 2019 and eventually have capacity to make 300,000 Kia vehicles a year—a major bet for a firm that sold 3.05 million vehicles last year. It's affiliate Hyundai Motor, with two factories in Chennai at a combined annual capacity of 680,000 vehicles, is India's second-biggest auto maker by sales and the country's biggest auto exporter.

4. Scope for defence production from Arcelor Mittal-SAIL venture: Govt

Source: **Live Mint** ([Link](#))

Steel minister Choudhary Birender Singh said on Thursday Luxembourg-based ArcelorMittal SA was exploring the possibility of making high-end steel products for use in defence equipment and satellites in a joint venture factory to be set up in India with state-owned Steel Authority of India Ltd (SAIL). The expansion of the scope of the proposed venture comes in the wake of the emphasis the Narendra Modi administration has placed on local production of defence equipment. ArcelorMittal had last year reached an understanding with SAIL for studying the feasibility of making auto-grade steel in India. ArcelorMittal originally wanted to capitalize on the automobile industry's growing demand for steel in the Indian market as part of its global strategy, while SAIL wanted to develop an edge in this sector and meet the domestic requirement currently met through imports.

Singh told reporters that the joint venture will boost the Make in India drive by making available high-end steel that could be used in defence and satellite industries. "There is an MoU between SAIL and ArcelorMittal. There are two-three things to be sorted out. Once that is done in a couple of months, we hope to get the joint venture moving. It will happen well before December 2016," said Singh. *"SAIL and ArcelorMittal leadership continues to accord high priority to auto steel joint venture and emphasis is on completing the feasibility report (FR),"* ArcelorMittal said in reply to an emailed query from *Mint*. To establish a robust domestic industrial defence production base, the government has pruned the list of defence equipment that needed industrial licensing and introduced an online licensing process.

5. World's largest hotel chain Wyndham Hotel eyes buyouts in India

Source: **Economic Times** ([Link](#))

Wyndham Hotel group, the world's largest hotel company in terms of number of hotels, is on the prowl for acquisitions in India to increase its presence in the country. The US-based group currently has 26 hotels with 2,625 rooms in India. "We are looking at 100% acquisitions if the opportunity exists. We are looking at domestic brands and not real estate play. A ready-made portfolio helps us increase our presence and that is how our company has historically grown," Deepika Arora, Wyndham Hotel Group's regional VP (Eurasia), told TOI . She, however, did not disclose the "war chest" amount the company has readied for acquisitions.

The move comes even as Wyndham has major expansion plans for the country. *"We will be having 41 hotels with 4,755 rooms in next three years across India in cities like Darjeeling and Kumbhalgarh,"* she said. Wyndham's global portfolio consists of nearly 8,000 hotels and over 6.8 lakh rooms in 73 countries under brands like Dolce Hotels and Resorts, Wyndham

Grand, Ramada. In India, it has properties in cities like Bengaluru, Mumbai, Gurgaon, Goa, Jaipur and Udaipur.

6. PM Vows to ease tax woes of middle class

Source: **Times of India** ([Link](#))

Prime Minister Narendra Modi on Monday promised to ease the rules for middle class taxpayers, while taking credit for this government removing various hurdles such as those related to refunds. The government has initiated several steps to ease rules to remove harassment of honest taxpayers, For instance, the government has dispensed with the need for taxpayers to present themselves before interact via email initially.



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