Daily Economic News Summary: 18 February 2016

1. Govt not to ratify Trade Facilitation Agreement

Source: **Live Mint** (Link)

The Union cabinet on Wednesday approved a proposal to ratify the Trade Facilitation Agreement (TFA) of the World Trade Organization, which aims to simplify customs regulations for the cro-ss-border movement of goods. To facilitate both domestic coordination and implementation of the TFA provisions, a National Committee on Trade Facilitation will be set up; it will be jointly headed by the commerce and revenue secretaries. The TFA contains provisions to speed up the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. *"These objectives are in consonance with India's 'ease of doing business' initiative,"* a cabinet statement said.

The provisions that each country needs to implement have been divided into three categories. Under category A, developing countries would put items that they can immediately implement, while under category B items, they can seek a transition time. Under category C, they can seek financial assistance from developed countries to implement the provisions. Commerce minister Nirmala Sitharaman said India has put around 152 items under category B out of 265 items, while the rest are put under category A. *"India has sought up to five years' time to implement the category B provisions. However, we are not seeking any financial assistance for implementing any of the provisions,"* she said.

2. India and Iran holds talk on oil trade, explore ways to fix payment issues

Source: **Economic Times** (Link)

India and Iran are holding negotiations to revive Asian Clearing Union (ACU) mechanism to increase oil exports to Delhi and address the payments due from Indian refiners. An Iranian delegation is currently here to discuss various aspects of energy partnership, including payments and export of additional crude oil to India, people familiar with the developments said. Various aspects are being considered including ACU mechanism to spruce up energy ties in the post-sanctions period, domain experts said. Besides connectivity, energy sector could be another success story between two nations. Iran was once number two crude oil supplier to India but lost the position owing to sanctions. *"We are looking to steadily increase oil supplies to India. We are also looking at reviving ACU mechanism to increase oil exports to Delhi as well as address payment due from Indian refiners. Iran has received few more tranches* *of due since last October from Indian side,"* Iranian Ambassador to India Gholamreza Ansar told ET.

3. Cabinet clears seven railway projects worth Rs 10,700 Crore

Source: **Live Mint** (Link)

The Cabinet Committee on Economic Affairs (CCEA) approved seven new rail projects, including six railway lines and a railway bridge, together worthRs.10,700 crore, at a meeting chaired by Prime Minister Narendra Modi on Wednesday. The new rail lines are expected to benefit the industry and passengers in a big way—the economic survey last year noted that a Rs.1 increase in railway output increases the output in the economy by Rs.3.3 because of its multiplier effect.

The projects, which include double- and triple-laning of railway lines, will be undertaken with extra budgetary resources (institutional financing), said the government, refusing to disclose what these resources would be. *"I think we have a very competent government and a very competent minister. He knows how to raise extra budgetary resources,"* telecom minister Ravi Shankar Prasad told journalists after the cabinet meeting. The projects will be completed during the 13th five year plan period, from 2017 to 2022. Railway minister Suresh Prabhu said, *"The total cost to complete the six projects comes to Rs.10,700 crore. It will be financed by extra-budgetary resources. These projects are largely in coal-rich areas, which will fetch us better freight revenue."*

4. Indian e-commerce market to grow fastest globally over 3 years: Morgan Stanley

Source: **Economic Times** (Link)

India received $6.6 billion in venture capital and private equity investment in 2015, a 50% increase from the previous year, which probably contributed to a steep growth in the gross merchandise value for ecommerce companies, Morgan Stanley said. The GMV of the country's top three ecommerce companies exceeded that of the top 10 offline retailers last year, it said. Since the Indian market has huge potential, the opportunities are making "the story compelling for global investors," it said.

The key growth drivers will be greater Internet penetration, a rise in the number of online shoppers and an increase in per capita income. *"We now increase our 2020 estimate (of India's ecommerce market) from $102 billion to $119 billion,"* Morgan Stanley Research said in a report. *"This takes our estimate of the total Indian Internet market size from $137 billion to $159 billion (now including online food aggregation business)."* Morgan Stanley said a global macroeconomic slowdown could affect the flow of VC/PE money into money into India, thereby slowing GMV growth and lowering valuations. India is adding three Internet users every second and is already the second-largest Internet market globally in terms of users, according to the report dated February 12.

5. India's capital goods sector may triple in size in 10 years

Source: **Live Mint** (Link)

The capital goods sector in India may triple in size over the next decade on the back of the first-ever policy for the sector that aims to create 21 million additional jobs by 2025, according to officials of the ministry of heavy industries and public enterprises. *"If these policy projections work out, we are seeing the size of the industry tripling in about 10 years, which will take the growth rate to about 13% and that is needed,"* said Rajan Katoch, secretary, department of heavy industry in an interview on Wednesday at the Make in India week in Mumbai. The ministry launched the policy on Tuesday.

The new policy looks to upgrade technology, set up a start-up centre and increase the budgetary allocation to the existing capital goods schemes. *"The pillars on which this policy rests is technology up-gradation. It is not happening to the desired extend because the smaller and medium companies have not done much on the technology side to improve competitiveness. The policy will also look at encouraging engineering exports from the country,"* Katoch said explaining the policy. The policy looks to increase capital goods production from Rs.2.3 trillion in 2014-15 to Rs.7.5 trillion in 2025 and raise direct and indirect employment from the current 8.4 million to about 30 million.

6. India eyes 10% rise in foreign tourist arrivals

Source: **Times of India** (Link)

Foreign tourist arrivals notched up a 6.8% growth with 8.44 lakh arrivals in January 2016 as compared to 7.91 lakh during the same month last year. India is upbeat with senior tourism officials estimating a 10% growth in 2016. The arrivals in January are a significant improvement from the total growth of 4.5% in 2015. Speaking to TOI Union tourism secretary Vinod Zutshi said, *"We estimate that foreign tourist arrivals will increase by 10% and domestic tourist growth will go up by 15% this year. There are series of initiatives taken by the government including online visa and other visa reforms whose impact will be felt now."* Foreign exchange earnings (FEEs) from tourism have also shown a healthy increase of 13% from Rs 12,100 crore in January 2015 to Rs 13,669 crore this year.

7. Honda commissions scooter factory in Gujarat

Source: **Live Mint** (Link)

Honda Motorcycle and Scooter India (HMSI) Pvt. Ltd on Wednesday commissioned its fourth manufacturing plant in India at Vithalapur in Ahmedabad district of Gujarat. The company has invested Rs.1,100 crore for the new facility, which has a production capacity of 1.2 million units. It takes Honda's cumulative production capacity in India to 5.8 million units per annum from 4.6 million units. The 'scooters only' factory, which can manufacture motorbikes in the future depending on market demand, is the world's largest scooter manufacturing facility, the company claimed. The company will roll out its Activa and Dio models from the Gujarat unit.

As many as 22 vendors of HMSI have set up shop in and around Vithalapur, and have cumulatively invested around Rs.1,100 crore. The factory will produce around 600,000 scooters per annum; production will be scaled up to 1.2 million scooters by mid-2016. The fourth plant is expected to give HMSI the much needed volume boost needed to clear its current order backlog of 30,000 scooters till January, according to Y.S. Guleria, senior vice president, sales and marketing, HMSI.

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