

Daily Economic News Summary: 1 August 2016

1. Manufacturing PMI for July at four month high at 51.8%

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

Manufacturing activities gathered pace slightly in July compared to the previous month to post a four-month high expansion on high demand from both domestic and external markets, showed widely-tracked Nikkei purchasing managers' index (PMI). With inflationary pressures easing, the Reserve Bank of India might ease the policy rate in its upcoming policy review next week. Overall job creation was negligible even as some firms added to their work force. PMI inched up to 51.8 points in July against 51.7 in the previous month, indicating a further improvement in overall business conditions across the sector. The reading of PMI above 50 points indicates expansion, while the one below that is contraction. The July number showed marked improvement when compared to near flat manufacturing growth in April this year, when the index had stood at 50.5 points. PMI is based on a survey of some 400 private companies. Supported by greater demand from both the domestic and external markets, total new business rose at the fastest pace since March, said Markit Economics, the compiler of PMI.

2. India Inc's Q1 earnings signal revival of demand

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

Demand for goods and services is picking up, if one were to go by the initial set of results for the June quarter. For the second quarter in a row, Corporate India continues to show a growth in the top line. This is after several quarters of lacklustre demand. Following the low single-digit growth in the March 2016 quarter, net sales for about 400-odd companies, which have announced their numbers so far, grew 2.3 per cent in the June quarter. Adjusted net profits grew 11.6 per cent over the same quarter last year.

With 'other income' from non-core operations such as treasury and/or sale of assets showing a marginal fall from the year-ago period, profit growth was aided by stronger operational performance. Banking and finance companies have been excluded for this analysis. Consolidated numbers have been taken wherever applicable. Urban consumption, which has been showing signs of a pick-up in recent quarters, has had its trickle down effect this time too. Many companies in sectors such as automobiles, consumer durables, media and entertainment, cement and ceramics have shown double-digit growth in both sales and profits. What's more

heartening is that reforms in sectors such as mining, and infrastructure segments like roads and power are beginning to reflect in the numbers of companies in this space.

3. Longer highway contracts on cards to attract pension funds. FDI

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

The government is mulling extending operation and maintenance (O&M) contracts for highways from the current nine years to 29 years, aiming to attract pension funds and other investors. The Union Cabinet would take up the proposal soon, which is likely to usher in a major reform in the sector, said a senior government officer in the know of the developments. Sources said the Union Ministry of Road Transport and Highways and the National Highways Authority of India (NHAI) are working together to attract foreign investors into domestic infrastructure space.

4. FDI inflows up 53% in past 2 years: Finance Minister Jaitley

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

Foreign direct investment (FDI) in the country rose 53 per cent in the past two years, Finance Minister Arun Jaitley informed the Lok Sabha during Question Hour on Friday. He said this was because the country's investment climate had improved due to the Centre's steps to foster growth, price stability and fiscal prudence. Jaitley was replying to a question by A Hegde (BJP) seeking details of domestic as well as foreign capital investment in the past three years. The Finance Minister said improving "ease of doing business" was "work in progress", adding that investments are not made for "charity". The Minister said when private sector is stressed, the two engines of investments are the government and foreign sources.

5. Blackstone, GIC rivalry keeps Indian realty pot boiling

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

The rivalry between Blackstone, a private equity major from the US, and Singapore-based sovereign fund GIC is keeping the real estate sector hot and happening. A proposed stake sale in the rental arm of DLF is the latest round between the two. The promoters of DLF are selling a 40 per cent stake in the group's rental arm, DLF Cyber City Developers. According to people in the know, Blackstone, GIC and a consortium of sovereign funds from Abu Dhabi have

emerged as the front runners in the bid. The first two are leading. When the deal goes through, possibly in September, it could fetch developer up to Rs 12,000 crore.

6. India lifts veil on army as Narendra Modi prepares to spend \$150 Billion

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

For private-sector executives in India who normally get only snippets of information to design components of complex military hardware, climbing into tanks and talking to combat soldiers is an eye-opener. Earlier this month, more than 200 representatives of defence companies — big and small, local and foreign — got unprecedented access to India’s secretive military. At two events in the western city of Ahmednagar, they crawled inside tanks, learned about the army’s equipment needs and spoke with troops on the front lines in Kashmir, a region also claimed by main rival Pakistan. The new-found transparency is part of Modi’s efforts to transform the world’s biggest arms importer into a defence manufacturing powerhouse as he spends \$150 billion over the next decade to modernize the armed forces. Closer collaboration with the military would increase the technological capacity of local companies and create jobs as more than 10 million Indians join the work force each year.

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By Harsha Hazarika