Daily Economic News Summary: 29 April 2016

1. India to grow at 7.6% in FY17 on urban spending: UN Report

Source: **Business Standard** (Link)

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.

2. Global, Indian bigges keen on food retail, says Minister

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

Food processing minister Harsimrat Kaur on Thursday said several players including Walmart, Tesco, Carrefour, Kishore Biyani's Future Group, Bharti and ITC had shown interest in the food retail business but cautioned that part of the gains of allowing 100% FDI in domestically produced and manufactured food could be pocketed by middlemen if the government did not insist on mandatory investment in back-end infrastructure. *"We have consulted international players and our own people. It is a new avenue for them (to invest) and* *they are very positive,"* she told TOI, listing out names of the companies. While Carrefour has already exited India, none of the other players have publicly stated any intent to enter food retail.

Following consultations with the industry, she had suggested that around 20% of the investment should go towards creating back-end infrastructure, which could extend from setting up of warehouses to sorting centres or even getting know-how for new varieties that were more suitable for processing.

3. China's loss could be India's gain in high demand apparel items

Source: **The Hindu Business Line** (Link)

Indian apparel exporters could well start working overtime on a list of 15-odd high demand garment items in the US and the EU that may not any longer be the prerogative of the Chinese to supply *en masse* and in which India has considerable expertise. Following a European Commission move towards increasing vigil on Chinese textile shipments, items such as men's trousers, socks and stockings, pullovers and women's suits may become the first targets of the European Union's new measures to restrict Chinese imports. The EU has decided to impose emergency quotas on Chinese textile suppliers from April, if increase in imports of these items breaches the limit of between 10 per cent and 100 per cent (depending on the item) set by the Commission, a trade expert said.

The US apparel industry has also filed petitions with the US Government on Wednesday seeking a curb on imports of Chinese items including low-priced shirts and sweaters. The US Government is reportedly planning to initiate investigations to curb imports of Chinese items including ladies and gent's trousers, underpants and shirts, where shipments have surged between 300 per cent and 1,500 per cent during the first three months of 2005. Indian apparel majors already have a sizeable presence in the items that have been put under the scanner by the EU, including ladies suits, men's trousers and pullovers. *"If restrictions are imposed on Chinese suppliers, Indian exports could well be among the biggest gainers,"* an industry player said. Already, the preliminary data coming in from the EU shows increases of more than 100 per cent in imports in many of the categories, much above the limits set by the European Commission, industry experts said. *"We already have a strong presence in these items. Once the EU clamps down on Chinese suppliers, it is expected that the US also follows suit, though in a limited way,"* an industry player said.

4. IOC investing Rs 45K crore to expand refining capacity to meet demand

Source: **Economic Times** (link)

Refining giant Indian Oil Corp (IOC) is preparing for a future when batteries will increasingly replace car fuel tanks but for the moment is investing Rs 45,000 crore to expand its refining capacity to meet the rapidly rising fuel consumption in the country. The rapid progress in battery technology and a big customer cheer Tesla, the battery-car innovator, received recently has strengthened hope battery-powered cars may within decades replace conventional cars on most roads and end the dominance of fossil fuel in transportation. *"At this point of time, I don't see Tesla totally changing the world because projections do not indicate that,"* B. Ashok, chairman, Indian Oil Corp told ETin an interview. *"We believe that looking at that (Tesla) as a threat we should not stop our activities because that will be a bigger threat. If it doesn't transform the world as it is expected to, and we still have to depend on the conventional energy, there should not be a shortage of energy available at that point of time because I today fear that if I set up a refinery, maybe after ten years the refinery will have no meaning. I can't take that stance."* With a capacity of 80,000 million tonne of refining capacity, 35% of India's total, Indian Oil Corp is the country's largest refiner. It also has 25,000 filling stations, nearly half of the nation's total. The company plans to raise its refining capacity by a quarter with an investment of Rs 45,000 crore in brownfield expansion, debottlenecking and fuel quality upgrade projects in the next five to seven years. Under this, its freshly-built Paradip refinery will expand to 20 million tonne from 15 million tonne today, so will its Panipat facility. The company plans to invest heavily in fuel marketing and distribution infrastructure as well as exploration and production.

5. Startup India: IIT incubation plans on fast track to boost new business ideas

Source: **Economic Times** (Link)

In January, Indian Institute of Technology (IIT), Mandi, was selected as one of 18 sites across the country for setting up technology business incubators under the government's 'Start-Up India' initiative. The premier institute is now working on its new technology business incubator, named IIT Mandi Catalyst. IIT Patna recently received a total Rs 47.1 crore from the central government's department of electronics and information technology and the Bihar government to set up an incubation centre for electronics system design and manufacturing (ESDM). The institute is approaching the ministry of human resource development and department of science and technology to set up another technology business incubator (Rs 5 crore) that will focus on agriculture, among other areas.