

Daily Economic News Summary: 5 July 2016

1. Narendra Modi's Africa visit to focus on energy, food security

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

Prime Minister Narendra Modi will start his four-nation Africa tour from 7 July in an effort to strengthen ties with African nations and meet India's energy and food security needs. The four nations that Modi will be visiting are Mozambique, South Africa, Tanzania and Kenya. During his visit, he will undertake a train journey from Durban to Pietermaritzburg in South Africa where Mahatma Gandhi was evicted from a train in 1893.

Modi's visit is the third high-level visit to Africa after ones by vice-president Hamid Ansari and President Pranab Mukherjee in the past six months. The visits are part of India's efforts to consolidate gains made at the third India-Africa summit that took place in New Delhi in October last year. *"All four countries are our maritime neighbours and all of them are gateways to the (African) mainland. Our focus will be on energy—as Mozambique is the third largest exporter of natural gas after Qatar and Australia—and food security, as we are importing large number of food items particularly pulses from them,"* said Amar Sinha, secretary (economic relations) in the ministry of external affairs. The visit will be Modi's first to the African mainland since he became prime minister. Mozambique is particularly significant to India as it is the destination for nearly a quarter of Indian investments in Africa—\$8 billion.

2. India's manufacturing PMI at 3 month high in June on strong demand

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

Indian manufacturing activity edged up to a three-month high in June, driven by stronger demand, but firms barely raised prices, a private survey showed, leaving the door open for another rate cut by the central bank this year. The Nikkei/Markit Manufacturing Purchasing Managers' Index (PMI) rose to 51.7 in June from May's 50.7, its sixth month above the 50 mark that separates growth from contraction after it fell below that level in December for the first time in more than two years. *"The domestic market continues to be the main growth driver, as the Indian economic upturn provides a steady stream of new business,"* said Pollyanna De Lima, economist at Markit. *"There were also signs of an improvement in overseas markets, as new foreign orders rose. However, it looks as if lackluster global demand remains a headwind for Indian manufacturers."*

While retail inflation hit a near two-year high in May, the survey's output prices sub-index fell to a three-month low of 50.1 in June versus 50.5 the previous month, as input costs rose at a weaker pace. There was also broadly no change to manufacturing employment in India during June, the survey showed. *"This lack of inflationary pressures provides the Reserve Bank of India (RBI) with further leeway to boost economic growth through cutting its benchmark rate,"* said De Lima.

3. India a bright spot for TESCO

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

UK-based retail chain Tesco's Indian operations seem to have recorded the highest growth in its universe in terms of like-for-like (LFL) sales. But, Tesco India's LFL growth has not been higher than that of many domestic hypermarket chains. Stores of Star Bazaar, a joint venture (JV) between Tesco and Trent in the country, posted an LFL growth of about five per cent in March quarter of FY16, said a source in the know.

LFL growth refers to sales growth coming from stores, which are in the business for a year or more. It is a vital yardstick to ascertain the performance of a retailer as it does not include additional sales growth coming from opening new stores. *"India is always a high LFL growth market among international markets. Apart from high economic growth, a large portion of market shifting from traditional to modern retail,"* said Biju Kurien, member of advisory board of LVMH group's L Capital Asia and former chief executive, lifestyle at Reliance Retail. Organised retail accounts for seven per cent of the total Indian retail market of \$600 billion, but is expected to become 15-20 per cent by 2030. India has jumped 13 positions from last year to rank second among 30 developing countries this year on ease of doing business, according to consultancy firm AT Kearney.

4. Tyre industry petitions against imports from China

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

As tyre imports continue to rise, forcing the domestic industry to operate at 60% plant utilization, job losses are beginning to mount at ancillary units is the complaint. The industry say 5000-6000 jobs have been lost in the past few months, especially ones, with new hiring at a halt. Rajiv Bhudhiraja, Director General of the Automotive Tyre Manufacturers Association (ATMA) says as much as Rs 42000 crore was invested over the past five years by his members to expand capacity, largely underutilized. ATMA has already petitioned the central government for anti-dumping duty on import of cheaper Chinese radial tyres.

5. Make in India helps manufacturing outpace IT sector in office leasing

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

The Make in India initiative has helped the manufacturing sector snap up office space as IT/ITeS sector has started losing its dominance in the space, property consultant Knight Frank India said. According to a Knight Frank report released on Monday, apart from Make In India, other trends which have the potential to redefine the real estate landscape are higher demand for affordable homes, stagnation in the premium segment and the preference for ready to move homes. *“Make in India made its impact felt and drove the leasing activity in the manufacturing sector in H1 2016,”* said the Knight Frank India report for office transactions in NCR region.

Prime Minister Narendra Modi launched the Make in India initiative in September 2014 to encourage foreign manufacturers to set up shop in India by easing business rules and streamlining approval process. The manufacturing sector registered a two-fold jump in office transacted space in the first half of 2016 from the year-ago period. Office space leased by companies such as Samsung and Honeywell in Gurgaon, and Oppo in Noida contributed significantly to the sector’s demand in this half, according to the report. In the commercial capital Mumbai, manufacturing sector transactions recorded a 95% jump with companies from chemical and pharmaceutical sectors taking up office spaces in Andheri-Kurla, Bandra Kurla Complex, Vikhroli and Powai. Chennai has also seen the manufacturing and other services sector gaining market share, especially in the last 18 months, with companies like Renault-Nissan and Ford taking up large office spaces in the city.

6. Chinese owners of Toshiba, Sharp chart out mega India initiatives

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

Two of Japan's popular electronic brands — Toshiba and Sharp — which recently changed hands are set to re-enter India. Foxconn, which just completed the acquisition of Sharp, will relaunch the brand in India with smartphones, televisions, air purifiers, air-conditioners and other appliances in the next two months. Skyworth Electronics, the Chinese owners of Toshiba, too is drafting its India entry strategy with televisions.



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