Daily Economic News Summary: 31 January 2017

1. Natural rubber prices flare up to record Rs 158/kg
Source: The Hindu: Business Line (Link)

Exhibiting an upward trend in the last few days, natural rubber (NR) prices hit a record ₹158 per kg for RSS-IV grade in the Kerala spot markets on Monday. This would be the highest spot price of RSS-IV rubber (ribbed, smoked sheet), the most-traded variety, since January 2014. Though the quoted price of ₹158 is the official figure released by the Rubber Board, sources in the trade told *BusinessLine* that non-tyre companies have started procuring the commodity even at ₹160 per kg and there were transactions even at ₹163-165 to meet the delivery contract for futures trade, which put the prices at ₹180 for April futures. Rubber Board officials attributed heavy rains in North Thailand (a key growing area) since November, speculative buying, rise in oil prices, increase in buying of vehicles in China, etc as the reasons for the sudden spurt in prices.

2. Trade pact: India, Sri Lanka to iron out differences in services, rule of origin
Source: The Hindu: Business Line (Link)

India is trying to fast-track negotiations on the proposed Economic Technology Cooperation Agreement (ECTA) with Sri Lanka, which would result in an expansion of the existing free trade pact in goods and also include services and investments, by striking a balance between services and goods. With China, too, seeking to conclude a similar economic pact with Sri Lanka this year, New Delhi is eager to ensure that it doesn't fall behind, a government official told *BusinessLine*. "India and Sri Lanka had initially resolved to conclude the pact by the end of the last calendar year but couldn't do so due to some niggling issues in services and rules of origin. The third negotiating round in Colombo earlier this month was encouraging and we hope to take it forward in March in New Delhi and conclude the talks soon," the official said. New Delhi is keen to enter the services sector in Sri Lanka, but there are apprehensions in the country that the strong Indian companies could uproot local businesses. "We understand Sri Lanka's concerns, but services remain our strong area. That is why we are trying to reach an agreement on areas within services, like IT or ship building, where Sri Lanka needs service professionals and India would not be disrupting anything," the official said.

3. Exempt customs duty on capital goods for electronics-makers: MeitY
Source: The Hindu: Business Line (Link)

The Ministry of Electronics and Information Technology (MeitY) has made its own pitch list of proposals to the Finance Minister Arun Jaitley to be included in the Budget. The proposals include exemption of all capital goods for electronics from basic customs duty (BCD) and countervailing duty (CVD). The recommendations were sent to the Finance Ministry recently, sources close to the developments told *BusinessLine*. "In order to increase the competitiveness of the Indian electronics industry by offsetting disability costs in domestic manufacturing to a certain extent, it is recommended that all capital goods for electronics industry to be exempted from BCD and CVD," a government official said. He said specified capital goods for the manufacture of electronic goods are exempted from BCD, but there is hardly any domestic capital goods industry for manufacture of electronic goods and these are largely imported — being very specialised equipment with limited number of global suppliers. MeitY has also asked for rationalisation of inverted duty structure on the raw materials/ inputs for the manufacture of LCD/ LED panels and may be permitted at zero per cent BCD, subject to actual user condition.

4. Merger may lead to $1 b in savings for Idea, Vodafone
Source: The Hindu: Business Line (Link)

The proposed merger between Idea Cellular and Vodafone could lead to huge savings of nearly a billion dollars and massive gains in terms of revenue market share compared to the current businesses of the two operators. If the merger happens, it will create a company with No.1 position in market share in India wireless sector. The improved market position plus the reduced competition will mean stronger branding, better realisation and overall value creation."Our estimate is that the annual savings can be well over $1 billion, and hence the merger will be attractive to both Aditya Birla Group and the Vodafone Group," said GV Giri, Telecom Analyst, IIFL. The savings will be in the form of shared resources and cutting down on overlap. For example, both companies have more than 1.5 million outlets serviced by independent distribution networks. Both telcos have large national networks with substantial investments in coverage. This duplication of coverage can instead be converted to capacity creating savings in capital expenditure. Also, the spectrum that the companies have can be pooled together to double capacity overnight. Similarly, staffing costs can be cut substantially.

5. MasterCard targets India's growing e-commerce market
Source: Live Mint (Link)

Identifying India as one of the "fastest" growing e-commerce nations, a leading global credit card company has said it will increase its investments in the country where it has already grown by 30% in the last two years. "India is one of the top priorities in the region. We have increased our investments in India by over 30% in the last two years and we are going to increase it even more," Sam Ahmed, MasterCard's senior vice-president of marketing for Asia Pacific, told *PTI* here. Ahmed indicated that the company's investment plans were in line with the Indian government's "digital India" initiative and would help Indian consumers in digital payments in their daily lives. He said the company was looking at a number of digital payment innovations which were to be launched in India in future including face recognition, Masterpass and other online payment methods.He said mobile penetration in India was the highest and termed it as the key to get the users' access to such digital payment innovations. Commenting on the flow of investments in India, Ahmed said the company was keen to support the digitisation move to help consumers understand about it.

By Rajnee Narula