Daily Economic News Summary: 10 December 2015

1. Prime Minister Narendra Modi's Russia trip set to boost nuke plan

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

Expansion of the country's nuclear programme is expected to be prominent on PM Narendra Modi's agenda when he visits Russia later this month. Minister of state for PMO Jitendra Singh said the earlier visits of the PM to various countries were also marked by signing of agreements to procure uranium and boost the nuclear programme. *"I would like to point out that one of the major achievements of the prime minister's foreign trips in the last few months is the reinforcement of our uranium and our nuclear programme,"* he said.

Singh said the pacts signed during Modi's foreign visits included an agreement with Canada in April for procuring 5,000 metric tonnes (MT) of uranium. *"During his (PM) visit to Kazakhstan, we could finalize a deal for 7,000 MT uranium. During his visit to Australia, a nuclear cooperation agreement, which had waited for several years, was finalized,"* the minister told Lok Sabha.

2. India to save Rs 2 Lakh cr on crude imports as oil hits 11 year low

Source: **Business Standard** (Link)

With the Indian basket of crude oil price plummeting to an 11-year-low of $37.34 a barrel, the country is set to save Rs 2.14 lakh crore on its oil import bill alone in FY16, according to the oil ministry. This is in addition to the benefits to the government in the form of lower petroleum subsidy and expected cuts in fuel prices for consumers. The price of the basket of crude that India buys, came down to $37.34 (Rs 2,494) a barrel on Tuesday, on an exchange rate of Rs 66.8 a dollar, a 3.2 per cent decline over Monday's price of $38.61 a barrel. Experts say there is a possibility of the oil prices breaching the record levels in a day or two and take a long time to recover from the low levels thereafter, given the refusal by the Organization of Petroleum Exporting Countries (Opec) at a meeting in Vienna last week, to impose a fresh cap on production by member nations creating a supply glut.

The ministry has estimated India will import 188.23 million tonne (mt) of crude oil in FY16 at a cost of Rs 4,72,932 crore, compared to 189.43 mt crude worth Rs 6,87,416 crore imported in FY15, saving Rs 2,14,484 crore on fuel bill. The government's calculation is based on estimated average crude oil price of $55 a barrel for the rest of the financial year, till March 2016, and an exchange rate of Rs 65 a dollar. Experts say even this could be an overestimate. *"Global oil price has averaged at $55 per barrel up to October and is estimated to be in the $40-45 per barrel range for the rest of FY16,"* said K Ravichandran, senior vice-president at ICRA. He attributed the price to slump to the "severe supply pressure" owing to Opec's decision, but said prices might not sustain at the current level for long. *"At a price level lower than $40 per barrel, it becomes difficult even for large producers to sustain operations. So, the supply pressure will ease soon,"* he said. Every $1 per barrel change in the crude price will impact India's net import bill by $0.54 billion (bn) during the rest of FY16.

3. Sovereign funds of West Asia get aggressive on India

Source: **Business Standard** (Link)

If the plunge in crude oil prices was expected to dampen West Asia-based sovereign funds' ability to make large investments, it is not reflected in India yet. It has enthused their interest as they shift their focus from European markets to emerging ones, where returns are better. Last week, Kuwait Investment Authority invested $300 million in debt-laden GMR Infrastructure by subscribing to foreign currency convertible bonds. Abu Dhabi Investment Council made two large investments in the year - $300 million in Altico Capital, a non-banking financial company which lends to realty players, and $265 million in ReNew Power.

Year 2015 has, so far, seen $1.09-billion investment by funds from West Asia, the second highest after the record $1.5 billion invested in 2013. Most of them are from sovereign wealth funds or family offices. *"A number of them are looking at core sectors for investment in India (specifically real estate and infrastructure) where they are taking longer term bets,"* says Sanjeev Krishan, partner and leader, private equity & transaction services, at PricewaterhouseCoopers India. This year, the Brent crude is down 28 per cent to $40.18 a barrel. This has naturally impacted funding of sovereign funds from West Asia governments, whose earnings are largely dependent on crude prices. After years of ever-increasing allocations, sovereign fund managers are adjusting to a low-oil environment that might persist for several years. Sovereign funds in West Asia control one-fourth of the $7.09-trillion global sovereign wealth funds.

4. Japan beats China in Race to build India's first bullet train

Source: **NDTV** (Link)

China today played down arch rival Japan winning the contract to build India's first bullet train project as officials said the deal is confined to one sector and claimed India is still open to Chinese investments on other high-speed routes depending on easy financing. India's move to opt for Japanese bullet trains on the Mumbai-Ahmedabad route has raised concerns in China which is vying with Japan to build high-speed rail in India.

In addition to conducting a feasibility study to build a high speed rail track on the 2,200-km Chennai-Delhi route, an India-China consortium is also conducting a study for the 1,200-km New Delhi-Mumbai corridor. Indian officials in Beijing told PTI that Japan had undertaken the feasibility study for the 500-km Mumbai-Ahmedabad corridor well before China entered the fray offering to do the Chennai-Delhi route that could cost over USD 20 billion.

The proposed agreement to be signed during Japan premier Shinzo Abe's visit to New Delhi on Saturday is for the Mumbai-Ahmedabad corridor and India's decision to opt for high speed rail in other corridors will depend on easy and affordable financing terms as offered by Tokyo for the first bullet train in India, they said. According to reports from Tokyo, Abe will convey an offer of more than USD 8.1 billion in official Japanese lending for the roughly USD 14.6 billion Mumbai-Ahmedabad project.

5. Cars-SUVs to get costlier from Jan

Source: **Business Standard** (Link)

Consumers will need to fork out more for car and sports utility vehicles in the new year, with automakers readying a Rs 4,000-30,000 increase in prices across categories effective January. Manufacturers, including Hyundai, Honda, Toyota, Renault, Nissan, Skoda and Audi, would be increasing prices next month in the range of one to three per cent. A weaker rupee against the US dollar and the Japanese yen along with margin sustenance pressures have forced companies to raise prices.

The country's second-largest car maker, Hyundai, on Wednesday said it would increase prices across the range by up to Rs 30,000, including on the sports utility vehicle, Creta that was launched in July. *"We are constrained to increase the price on account of factors like increase in cost of components and the weak Rupee",* said Rakesh Srivastava, senior vice president (sales and marketing) at Hyundai. Toyota, too, said it would increase prices by up to three per cent from January next year. *"There has been an increase in the cost of manufacturing vehicles. Foreign exchange rates have remained at high levels of above Rs 66/$ for quite some time now. Toyota has been absorbing the additional costs all this while. However, due to the continued pressure of high costs, Toyota is considering an increase of up to three per cent",* said N Raja, director and senior vice-president (sales and marketing) at Toyota Kirloskar Motor.

Manufacturers are drawing confidence from the sales growth witnessed in the first eight months of the year when the industry grew by 8.5 per cent against 3.9 per cent growth in the year ended March 31, 2015.Hyundai and Honda sales have closed 16 per cent up in April-October. Honda is also looking to raise prices across the board. *"We will increase prices from early January. We are still working on the quantum of the hike"*, said Jnaneswar Sen, senior vice president (sales and marketing) at Honda Cars India. Nissan and Skoda too have decided to hike prices from next month.

6. Volvo seeks to be an established brand in India's luxury car space: Tom Von Bonsdorff, Volvo MD

Source: **Economic Times** (Link)

Volvo Auto India, the Sweden-based luxury car maker, is shifting gears to change itself from a niche to a mainstream player. On the anvil are seven new product launches in the next few years, that will include Polestar, its performance brand. The company's new managing director, Tom von Bonsdorff, told ET's Ketan Thakkar, that he is focused on putting in place key pillars to transform Volvo India into mainstream car maker with a sustainable double-digit growth till the end of the decade. Edited excerpts:

What's your view on Volvo's position in the Indian market?

Tom von Bonsdorff: *We have been here since 2008, but it is only in the past two years that we have got aggressive on marketing and building our operations. With expanding dealer network and products like XC 90 and S90, we can now play a serious role in the D and E segments. With our range starting from Rs 24.9 lakh to Rs 79.9 lakh, we have the right range to grow. We have expanded our network to 16 showrooms and there are more coming. From a visibility point of view, we are in more places, which is giving confidence to our customers. Going forward, our activities will be accelerated. There is a good belief from our headquarters that India is a market for future.*

How do you see the business in the next few years?

Tom von Bonsdorff: *On the positive side, the market is still very much product-driven. The SEVEN new products that we are bringing in, the XC90 and S90, are so spot on for this market. On the negative side are things like tax structure, GST being pushed ahead, legislation challenges, taxation and the infrastructure challenges. But the government has strong ambition to make this economy work.*

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By Harsha Hazarika