

Daily Economic News Summary: 10 November 2015

1. India to renegotiate TAPI gas prices

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

India will soon reopen price negotiations for the gas it plans to buy from Turkmenistan using the TAPI pipeline, hoping to lower the rates from the previously agreed rates, which are dramatically higher than the current price of liquefied natural gas (LNG). The long-delayed \$10-billion TAPI pipeline, planned to carry gas from Turkmenistan to Afghanistan, Pakistan and India, still faces an uncertain future as countries hesitate in committing their share of investments due to the visible risks of a transnational pipeline through volatile regions. But Turkmenistan, which fears a delay in building pipeline may drive the potentially attractive south Asian market into the waiting arms of a sanctions-free gas-rich Iran, is pushing for the start of construction in December.

The 1800-km pipeline is expected to carry 90 million metric standard cubic meters a day (MMSCMD) of natural gas, of which India and Pakistan will get 38 mmscmd each and Afghanistan 14 mmscmd. In a pact reached three years ago, India had agreed to pay a little more than \$9 per unit for the gas from Turkmenistan. The transportation charges would have added another \$3 per unit. The Indian government now wants to renegotiate prices. *"The gas price should reflect the new realities,"* said a source in the government, pointing to the depressed gas prices and a dim outlook. The prices of liquefied natural gas (LNG), the super-cooled gas that is transported using ships, have lost two-thirds since February 2014, dropping to \$6.70 per unit now. Analysts expect prices to fall further to \$4 by 2017 on expected glut in the market. The global LNG output is expected to rise two-and-a-half times to 500 billion cubic meters (bcm) by 2020 as supplies increase mainly from the US and Australia.

2. India to overtake China as Asia's biggest producer of workers

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

Asia's work force is set to shrink over coming decades with India overtaking economic rival China as the region's biggest source of workers. By 2050, the Asia Pacific region will have nearly 50 per cent of the world's total work force, down from 62 per cent today, according to Bloomberg analysis of United Nations data. The shifting patterns will see India account for 18.8 per cent of the global work force compared with 17.8 per cent today, toppling China from the top spot. China will account for 13 per cent, down from 20.9 per cent now. The projections, which use working age population as a proxy for labour force, also show a push from Africa, with Nigeria jumping to third spot from ninth and Ethiopia and Congo making it to the top 10.

India's super sized labour force is often referred to as its demographic dividend, a key asset on its way to achieving economic superpower status. But there's a lot of catching up to do: its per person income is just a fifth of China's. One obvious problem for India will be finding jobs for such a large populace. Employment data in Asia's third-largest economy is sketchy but the little we have suggests the labour market is far from vibrant. A survey of selected companies including those in the leather, car and transportation sectors show employment growth fell to 64,000 new jobs in the first three months of the year from 117,000 in the previous quarter, and 158,000 before that.

3. PM Modi reviews progress of infrastructure projects

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

"Good progress" is being made in 62 crucial infrastructure projects that are under focus, Prime Minister Narendra Modi was told today at a meeting he held to review the sectors such as energy, telecommunication, piped natural gas, irrigation, roads and railways. He was apprised of the progress towards meeting the union government's commitment of providing electricity to all unconnected villages in the country within 1000 days, a PMO statement said. In telecommunication, Modi was briefed about the progress towards connecting all villages through broadband by 2022. *"The Prime Minister was informed that good progress is being made in 62 crucial infrastructure projects that have been reviewed so far over 7 meetings of PRAGATI (Pro-Active Governance and Timely Implementation),"* the statement said. This IT-based multi-modal platform is used by Modi to directly interact with top officials of central government and states to push infrastructure development.

4. Railways awards Rs 40,000 crore of projects in Bihar to GE, Alstom

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

Indian Railways awarded contracts to General Electric Co. (GE) and Alstom to set up diesel and electric locomotive factories in Bihar at a cost of about Rs.40,000 crore. The award of the contracts—which will mark the first big foreign direct investment in the railway sector—was announced one day after the ruling National Democratic Alliance (NDA) suffered an electoral debacle in Bihar. The diesel locomotive factory in Marhora will cost Rs.2,052 crore and the facility to manufacture electrical engines in Madhepura will require an investment of Rs.1,293.57 crore.

The projects, which will be closely monitored by the Prime Minister's office, will involve manufacturing 1,000 diesel locomotives and 800 electric locomotives over the next 10 years and are together worth about Rs.40,000 crore. The contract agreements with GE and Alstom will be signed in a month, a railway official said. Both projects were approved in 2007 by the then

railway minister Lalu Prasad, but became mired in controversy and bureaucratic red tape. The timing of the announcement is opportune for the Grand Alliance, comprising Prasad's Rashtriya Janata Dal, the Janata Dal (United) and the Congress, that will be sworn into office in Bihar after handing an electoral drubbing to the NDA in state elections.

GE, the lowest bidder for the Marhora diesel locomotive factory, is expected to manufacture the 1,000 locomotives over 10 years. While 100 will be imported, the rest will be manufactured in Marhora as part of the 'Make in India' initiative. There will be two types of diesel locos—4,500 horsepower (HP) and 6,000 HP—manufactured by GE. Two locomotive sheds will be built in Gandhidham (Gujarat) and Bhatinda (Punjab) for maintenance of the modern diesel locomotives. Alstom, the lowest bidder for the Madhepura electric locomotive factory, will manufacture 800 high-power electric locomotives in the next 10 years. It will manufacture 12,000 HP electric locomotives to be used for heavy haulage. According to the contract, while five diesel locomotives will be imported, the remaining 795 will be manufactured in Madhepura.

5. Boeing, Tata Advanced Systems JV to make Aero structures

Source: **Indian Express** ([Link](#))

Boeing and Tata Advanced Systems Ltd (TASL) today announced a joint venture that will manufacture aero structures for aircrafts and collaborate on integrated systems development opportunities in India. According to a release issued by the TASL, the JV will initially create a manufacturing centre of excellence to produce aero structures in its Hyderabad facility for the AH-64 Apache helicopter and to compete for additional manufacturing work packages across Boeing platforms, both commercial and defence.

Boeing and TASL intend to grow the JV partnership in the future, with a focus on opportunities to collaborate on development and selling of integrated systems, it said. *"This partnership will capitalise on India's industrial capability, innovation and talent to contribute to Boeing's long-term competitiveness and position us for future growth in the global marketplace,"* said Chris Chadwick, president and CEO of Boeing Defence, Space and Security. *"This agreement to establish a JV will propel the growth of the Indian aerospace sector by leveraging the world-class competencies of TASL and its supplier eco-system, as well as provide access to India's world-class manufacturing capability, skilled talent and competitive cost structures,"* TASL Chairman S Ramadorai said.

By Harsha Hazarika