

Daily Economic News Summary: 13 January 2016

1. At 7.64% growth, India fastest growing passenger car market

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

Growth in sales of passenger vehicles in India was the fastest among the eight largest auto markets in the world in the first 11 months of 2015 as vehicle purchases slowed in China and declined in Japan and the US. At 7.64% growth over the previous year, India led the top eight markets as the country's economy bottomed out and public investment improved market conditions for domestic auto firms during 2015.

The pace of growth made India the world's fifth largest passenger vehicle market by volume, surpassing Brazil where sales declined the most. China continues to be the world's biggest auto market by volume. Growth in India was fuelled by positive customer sentiment in cities, gradual uptick in the economy and hope that the economy will do much better in the coming quarters. According to data provided by the Society of Indian Automobile Manufacturers (SIAM) and Organisation Internationale des Constructeurs d'Automobiles (OICA), a Paris-based federation of international automobile manufacturers, India sold as many as 2.54 million passenger vehicles in the 11 months.

2. Companies cheer defence purchase policy changes, but analysts cautious

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

Indian defence companies said on Tuesday that they are excited about new business opportunities, a day after the defence ministry approved policy changes to give priority to locally made defence equipment. But experts were cautious about the stringent conditions imposed by the ministry. The Defence Acquisition Council (DAC), the apex decision-making body of the ministry, on Monday approved changes to its Defence Procurement Procedures (DPP) to introduce a new category for indigenously made products.

Under the new category for Indigenously Designed, Developed and Manufactured (IDDM) equipment, it will be mandatory for 40% of the content to be sourced locally. *"The new category of IDDM equipment is ingenious. This changes everything. The impact will be far-reaching and will have a cascading effect,"* said Ashok Atluri, managing director, Zen Technologies Ltd, which designs and manufactures training simulators. *"This will change India from being a destination for low-cost manufacturing to being a starting place for cutting-edge innovation, and from being a consumer of out-dated equipment to being a producer of*

trailblazing technology, as also from being the world's largest importer to being a leader in export of defence equipment," Atluri said.

For more than a decade, the government has tried to rope in the private sector for defence production. But domestic manufacturing is still dominated by the defence public sector enterprises and the Ordnance Factories Board, which together have an 80-90% share. Local manufacture of defence equipment is at the heart of the government's Make in India programme too, but the country continues to import nearly 60% of its defence equipment. Another addition to the DPP is a policy to fund Indian private entities in research and development in order to encourage more local development, resulting in micro, small and medium enterprises (MSMEs) getting more opportunities.

3. Cabinet clears new crop insurance scheme

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

The government on Wednesday approved a crop insurance scheme that would replace the existing ones to ensure that farmers pay less premium and get early claims for the full sum insured. A decision on the much awaited scheme was taken at the Cabinet meeting, headed by Prime Minister Narendra Modi. *"The cabinet has cleared the agriculture ministry's proposal on new crop insurance scheme,"* according to sources. The new crop insurance scheme, to be implemented from the kharif season this year, will replace the existing two schemes National Agricultural Insurance Scheme (NAIS) and Modified NAIS which have some inherent drawbacks.

4. India, Japan to focus on clean energy: Piyush Goyal

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

India and Japan will focus on renewable energy, clean coal and energy efficiency during the Strategic Energy Dialogue between the two nations in Tokyo, said Power Minister Piyush Goyal. Goyal, who is on a three-day visit to Japan, told PTI before leaving for Tokyo that the Strategic Energy Dialogue between the two countries is not about specific targets of investment but building technology partnerships and engagement for investment in different areas of energy, including coal and renewable energy.

Goyal is also accompanied by a CII delegation which will participate in various discussions on key areas across the energy value chain including renewable, clean coal and energy efficiency. The visit comes at a time when India has set a target of 175 GW of renewable energy capacity by 2022. *"CII is privileged to lead a CEOs delegation as part of the 8th Indo-*

Japan Strategic Energy Dialogue from 12-14 January, 2016," said CII National Committee on Renewable Energy Co-chairman Sumant Sinha who is also Chairman and CEO of RenewPower.

5. India Inc's business optimism rises after four quarters of fall: Dun & Bradstreet report

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

After a four-quarter slide, India Inc's business optimism registered an increase for the first quarter of this year, largely driven by GDP growth, easing FDI norms and RBI rate cuts, says a Dun & Bradstreet report. The Business Optimism Index (BOI), which measures the pulse of the business community, improved to 85.9 for the January-March 2016 quarter, registering a rise of 2.5 per cent compared with first quarter last year. *"After a four-quarter slide, the D&B Composite Business Optimism Index for Q1 2016 provides tentative evidence that the recovery should slowly resume,"* Dun & Bradstreet - India Senior Economist Arun Singh said.

Optimism level for net profits, selling prices and level of employees saw an increase of 1 percentage points, while optimism for new orders rose by 4 percentage points. *"The acceleration in GDP growth, easing of FDI norms and rate cuts by the RBI could be partly responsible for the improvement in confidence level of corporate India in the recent period,"* Singh said. The increase in government spending has clearly raised hopes of a government investment-led recovery.

6. India presents a great opportunity for component, handset manufacturing: Foxconn India MD Josh Foulger

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

India presents a great opportunity for component manufacturing and building of a mobile phone ecosystem, a top Foxconn India executive said, inviting Chinese component manufacturers to make in India. Foxconn, the world's largest contract manufacturer and among the first ones to set up shop in India, said that component manufacturers would have to build a global supply chain in India, which can then be used for products across multiple categories starting from mobile phones. *"Manufacturing mobile phones presents a fantastic opportunity in India,"* said Josh Foulger, India MD for Foxconn. *"This industry with proliferation of electronic items such as mobile phones and IT devices, tablets, PCs offers a common platform which is why it can provide a fantastic platform going forward,"* he added.
