

## Daily Economic News Summary: 17 June 2015

### 1. ADB to increase India lending as China-backed AIIB emerges

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

The Asian Development Bank (ADB) will increase lending to India by a third—from nearly \$3 billion a year to \$4 billion a year—during the three years ending 2018 because of India's strong repayment record and the bank's need to streamline its lending following the emergence of newer bodies such as the Asian Infrastructure Investment Bank (AIIB).

ADB president Takehiko Nakao, who met finance minister Arun Jaitley, commerce minister Nirmala Sitharaman, power minister Piyush Goel and urban development minister Venkaiah Naidu for talks on Tuesday, told reporters he expects India to grow by 7.8% in 2015-16—higher than China's projected 7.2%.

The talks focused on how India can increase foreign direct investment (FDI) and infrastructure investment, said Nakao, adding *“in the coming years, if the policies are right, the economy can grow”* at 8% or higher. *“ADB aims to increase its sovereign and non-sovereign lending (to India) from the present \$7 billion to \$9 billion in three years from 2015-17 to \$10 billion-\$12 billion between 2016-18 using ADB's expanded lending capacity,”* he added.

### 2. GE bets big on India. Again.

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

For the \$148.6 billion manufacturing conglomerate, the plant in Chakan is the first of its kind in the world where GE can make products for its various businesses, from oil and gas to aviation, power, renewable and transportation, for India and the rest of the world.

For years, India has been a complex market for capital-intensive, heavy-equipment manufacturers where multinational companies have often grappled with the question, is the market ready? Is there enough domestic demand to justify investments in plants, to manufacture products for each of their various businesses? GE believes a multi-modal plant is the answer.

Banmali Agrawala, GE's president and CEO for South East Asia, says that it is only a matter of time before it all comes together. It has taken GE four-plus years and many attempts to crack the Indian market to get here. It was during the time of John Flannery, Agrawala's predecessor, who said that if GE had to win in India, it needed to localize *“John was convinced,”* says Agrawala. *“And that then built up to, okay if we need to localize then what? How and*

*where? And that's where we soon realized that if it is going to be one product factory, then it doesn't make sense."*

### **3. Maharashtra IT policy offers firms tax, real estate benefits**

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

Maharashtra, which ranks second in the country for exports of information technology (IT) and IT-enabled services, came out with a policy aimed at making the state an animation and gaming industry hub, attracting Rs.50,000 crore of investment and creating 1 million jobs in five years.

According to the policy document, Maharashtra's last two IT policies—in 2003 and 2009—helped the state attract investment of Rs.3.24 trillion and create 748,000 direct jobs and 465 private and 37 public IT parks.

The new policy offers 200% additional floor space index (FSI) over the base FSI for IT parks. The FSI indicates permissible construction on any plot. By offering a higher FSI, the state government hopes rents in the IT parks will drop.

### **4. India's exports contract for a sixth month, down 20.2% in May**

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

India's exports fell for a sixth straight month, the longest losing streak since 2009, weakening the rupee and boosting pressure on Prime Minister Narendra Modi to spur demand in Asia's third-largest economy.

Overseas shipments fell 20.2% in May from a year earlier and imports dropped 16.5% on lower oil prices, the commerce ministry said in a statement on Tuesday. That resulted in a \$10.4 billion trade deficit versus an \$11 billion gap predicted by the median of 19 estimates in a *Bloombergsurvey*.

Oil imports dropped 41% in May to \$8.53 billion. Non-oil imports, too, came down 2.2% to \$24.21 billion. Gold imports, however, grew 10.5% to \$2.42 billion in May. A weakening rupee and an acceleration in inflation indicates room is decreasing for Reserve Bank of India (RBI) governor Raghuram Rajan to lower interest rates further.

### **5. Falling exports have Indian producers banking in Yellen**

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

Count Indian exporters among those closely watching Federal Reserve chair Janet Yellen this week. India's overseas sales are falling more steeply than many other Asian countries, dragged down both by oil prices and weak demand in developed economies other than the US,

its biggest export market. The 20% drop in May marked the longest monthly losing streak since 2009.

A quick recovery hinges at least in part on the Federal Reserve's policy choices. Tighten at the right speed and global demand improves, go too fast and the pain is prolonged, as the International Monetary Fund (IMF) warned this month.

*"Global growth has an impact on exports,"* said Samiran Chakraborty, an economist at Standard Chartered Plc in Mumbai. *"While the Fed is unlikely to raise rates until they're confident of the domestic economy, what would be crucial for demand is guidance on how fast they'll raise rates and what they'll set as the terminal rate."*

#### **6. For overseas oil & gas assets, India may form joint venture with UAE, Kuwait**

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

India is in talks with the oil rich United Arab Emirates and Kuwait to explore the possibility of setting up separate joint ventures that will acquire oil and gas assets in other countries, chairman of state-run Oil and Natural Gas Corporation said.

A delegation led by oil minister Dharmendra Pradhan held separate discussions with the energy ministers of the two countries on the margins of a recent seminar of the Organisation of Petroleum Exporting Countries (OPEC) in Vienna. ONGC chairman Dinesh K Sarraf said while the UAE and Kuwait have plenty of oil to deal with at home, unlike India, "they also have plenty of cash to deploy".

This explains the interest of the two countries in forming joint ventures with India to acquire assets in other countries, said Sarraf, who was part of the Indian delegation that also included government officials and top executives of other state-run oil firms. If discussions were to lead to a deal, Indian state-run firms might form separate joint ventures with state firms in the two countries. India's primary interest is in acquiring upstream assets while for Kuwait and the UAE the interests stretch to refineries, retailing and petrochemicals, Sarraf said.

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