

Daily Economic News Summary: 19 January 2016

1. India, EU hold stock-taking meet on outstanding issues on FTA

Source: **The Hindu** ([Link](#))

India and the European Union on Monday held a stock-taking meeting on “outstanding issues” — including duty cut on automobiles and wines/spirits as well as easier temporary movement of skilled professionals — which had stalled talks on the proposed bilateral free trade agreement (FTA). Commerce Secretary Rita Teotia said the meeting was “extremely positive”, adding that the EU has suggested a secretary-level meeting, following which both sides would take a decision “*on how we would like to proceed. We are keen to go ahead and work towards a balanced agreement,*” she said.

The FTA talks were launched in 2007 and around 16 rounds of negotiations were held till 2013. Though after that, no negotiations have been held, India has moved ahead on many issues (that were demanded by the EU) such as permitting 49 per cent FDI in insurance, 100 per cent FDI in telecom and easing of foreign investments norms in the banking sector. “*So these have been the changes between 2013 and now. In addition to that, we have now a model Bilateral Investment Treaty approved by the Cabinet and that forms the basis on which investment discussions can also go on,*” Ms. Teotia said. The main demands of the EU included duty cuts on automobiles, wines and spirits, while India’s demands included data security status, easier temporary movement of skilled professionals, seamless intra-corporate movement, real market access in terms of sanitary and phytosanitary (norms related with plants and animals) and technical barriers to trade measures adopted in EU.

2. Indo-Iran trade braces for change

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

With the road now clear for direct banking relations between Iran and India after the lifting of global sanctions on the former, finance costs are expected to decline for bilateral trade, business and retail transactions. Public sector bank executives said it will take a while to establish a direct presence there. In the near term, Indian banks will assess the capacity of branches in America to handle dollar-denominated transactions with Iran. A senior State Bank of India (SBI) executive said Iran-linked transactions had hitherto involved much time and processing, raising the cost for the parties involved. Dollar transactions should cut this but would

need trained personnel and technology at US branches. *"We will seek the status on capacity to handle volumes for India-Iran transactions,"* he said.

Indian banks had correspondent banking relations with Iranian counterparts before sanctions were imposed and these would have to be renegotiated before resuming the relationship, another SBI executive said. Kolkata-based UCO Bank said it could lose a substantial amount of interest-free deposits from the end of sanctions, impacting its margins. In early 2012, after the US imposed sanctions on Iran, the bank started a new rupee trade mechanism, through which 45 per cent of the imports from Iran of Indian oil companies were settled in rupees, the only bank to do so. Under the mechanism, a few Iranian banks had opened rupee accounts with UCO Bank. The payments towards import of crude oil were paid by the Indian companies to these accounts. And, payments towards export of goods from India were also paid from these accounts. After the mechanism became operational for oil, all trade with Iran was routed through UCO Bank.

3. Jaitley woos British businesses keen on investing in India

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

Ahead of the India-UK Economic and Financial Dialogue, Finance Minister Arun Jaitley today wooed British businesses keen on investing in India, highlighting initiatives taken by the government to make the country an attractive destination for global investment. UK Chancellor George Osborne hosted Jaitley for dinner on his arrival in London yesterday. The India-UK Economic and Financial Dialogue will be held tomorrow after which the two ministers are expected to issue a joint statement.

Jaitley began his three-day UK visit with an interaction with a select group of persons of Indian-origin who are associated with India-UK businesses yesterday. A breakfast meeting with Goldman Sachs this morning was followed by a luncheon interaction organised by MasterCard with prospective investors. *"The Finance Minister has held a series of meetings with investors and organisations keen on investing in India,"* an official source said. Following the meetings, Lord O'Neill, commercial secretary to the UK Treasury at the Foreign and Commonwealth Office (FCO), will host a reception for Jaitley.

4. Indians willing to spend longer holidays in South Africa, thanks to depreciation in Rand

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

With depreciation in Rand, Indians are willing to take up longer holidays in South Africa. Targeting the Indian tourist, the South African tourism authority is working on putting together specially designed packages for different cities in the country. For instance, there will be packages like 'made for Bangalore' in South Africa, made for 'Kolkata in South Africa' and many others for cities like Delhi, Mumbai and Goa. *"The Indian crowd have different tastes across the country. For instance, travellers from Kolkata like lifestyle trips where they would want to do things like visiting museums, meeting artists and others while travellers from Hyderabad would want a more adventure related holiday, hence we are coming up with packages that would cater to each of the region,"* said Margie Whitehouse, chief marketing officer, South African Tourism.

Flagging off their 13th edition of annual 4-city road-show from Kolkata that would bring over 45 exhibitors and close to 1,200 tour operators under one roof, the authorities are increasing destination awareness among travel planners. *"With Rand's value falling from Rs 6.5 about four to five years back to the present Rs 4.03, the Indian travellers are willing to extend the duration of their holidays in South Africa,"* she said. The three most popular packages for Indian travellers include that of Garden Route Tour from Cape Town, an urban life circuit tour starting from Johannesburg to Cape Town and from Durban to Johannesburg.

5. Domestic air traffic logs 20% growth in December 2015: DGCA

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

Continuing on the growth trajectory, domestic passenger traffic increased by 20.34% in December last year over the same period in 2014 on account of the on-going tourists season, with Indian carriers flying a total of 7.70 million customers during the period. The domestic carriers had ferried 6.44 million passengers in December 2014. According to the Directorate General of Civil Aviation (DGCA) data, released today, low-cost SpiceJet reported the highest seat occupancy in its aircraft at 92.1% followed by rival IndiGo, which logged 88.5% seat factor during December 2014. However, IndiGo continued its leadership in terms of number of passengers flown, transporting a total 2.74 million passengers.

Full service carrier Jet Airways and Air India during this period carried 1.40 million and 1.28 million passengers respectively, according to the DGCA data. The DGCA attributes the high passenger carriage by the domestic airlines due to the ongoing tourist season in December.

6. Goldman Sachs to invest in Amber Enterprises

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

Global investment firm Goldman Sachs Group Inc. is set to invest about Rs.400 crore in Amber Enterprises Pvt. Ltd, one of the largest original equipment manufacturers (OEMs) of consumer durables in India, according to two people familiar with the development. Goldman will acquire a 34% stake from existing investor Fairwinds Private Equity (formerly Reliance Equity Advisors) and 14-15% stake from promoters of Amber, said one of the two persons, requesting anonymity. The equity valuation of Amber stands at about Rs.800 crore, and the firm has about Rs.400 crore in debt on its books, said the second person, also declining to be named. Edelweiss Capital is advising Amber on the sale process. Spokespersons for Goldman Sachs and Fairwind PE declined to comment.

An email sent to Jasbir Singh, managing director at Amber Enterprises on Monday remained unanswered. Amber manufactures air conditioners, microwaves, components for refrigerators and other consumer durables for companies such as LG Electronics India Pvt. Ltd, Panasonic Corp., Philips India Ltd, Whirlpool of India Ltd, Videocon Industries Ltd, Godrej Industries Ltd, Blue Star Ltd and Voltas Ltd. *“The per capital consumption of India is still low and hence, there is enough room for growth. The companies which are linked with India’s consumption-oriented story will have buyers. The B-to-C (business-to-consumer) supplier firms always attract immediate attention from investors,”* said S.V. Sukumar, partner and sector head (industrial manufacturing), KPMG India.

7. Govt to invest in scheme to check power wastage in farm sector

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

Power minister Piyush Goyal on Monday said the government would invest in an ambitious energy-efficient irrigation scheme, which entails procuring 30 million sophisticated pump sets for farmers, the cost of which would be recovered through savings in the electricity consumed. Officials privy to the plan said the scheme would cost about Rs.75,000 crore over the next three to four years. *“This cost could be recovered by the end of the scheme period as the 37% annual reduction in power consumption to be achieved by farmers using the new equipment will lead to a cost saving of Rs.15,000 crore a year for power distribution companies and about Rs.5,000 crore for states that subsidize electricity to farmers,”* said an official at Energy Efficiency Services Ltd, (EESL). EESL is a joint venture of NTPC Ltd, India’s largest power producer, Power Finance Corp. Ltd, Rural Electrification Corp. Ltd and Powergrid Corp. of India Ltd. Goyal described the scheme as a “self financing” one. The central government will initially fund the scheme so that farmers do not have to pay, except for a very small amount.

At an interaction with industry in New Delhi, the minister asked officials to work with pumpset makers to finalize the financing model and asked producers to scale up operations so that competitive bids for procurement could be issued shortly. *“We intend to replace two crore pumps connected to the grid and another one crore running on diesel. The scheme could save about 46 billion kWh of power a year and help in creating 20 lakh jobs,”* said Goyal. Every unit of power saved is equal to 1.3 unit of power generated, the minister added. State government officials present at a meeting between EESL and pump makers sounded optimistic.

By Harsha Hazarika