Daily Economic Newsletter: 1 July 2015

1. Govt asks refiners to buy euros, dollars to settle Iran oil dues

Source: **Live Mint** (Link)

The government has asked refiners that owe about $6.5 billion to Iran for oil imports to build up dollar and euro balances to avoid downward pressure on the rupee if six world powers and Tehran reach a final nuclear deal. Domestic refiners still owe Iran about 55% of the bill for crude oil bought since February 2013, when a route to pay for Iranian oil through Turkey's Halkbank was stopped under pressure from US and European sanctions.

Iran, the US, Russia, China, France, the UK and Germany are trying to end a 12-year-old standoff by striking a deal that would open the door to lifting sanctions in return for limits on Iran's sensitive nuclear work. Once an agreement is reached, Iran would likely ask for payment of its oil dues, the oil ministry said in an 11 June letter to refiners that was seen by *Reuters*.

India, despite agreeing to a US request to curb oil imports from Iran to help force a deal, is keen to rebuild its trade relationship with the Opec member state.

2. Seeking wider canvas, Suzuki takes India model global

Source: **Live Mint** (Link)

Suzuki Motor Corp. (SMC) will aim to replicate its India's growth model in Indonesia, Thailand and Hungary, developing these nations as global production hubs over the next 10 years, as the Japanese car maker seeks to cut its overwhelming dependence on India and its home market.

The company also named Toshihiro Suzuki as the new president, replacing his father Osamu Suzuki, who has been at the helm of Japan's fourth largest auto maker since 1978. Executive vice-president Toshihiro Suzuki took over from his father as president and chief operating officer effective from Tuesday. Osamu Suzuki will remain as chief executive officer (CEO) and chairman.

3. Twitter looks to boost ad revenue in India

Source: **Live Mint** (Link)

Twitter Inc. has decided to boost its sales team in India and step up its engagement with advertisers in at least 10 sectors, including banking, consumer packaged goods, and car and mobile manufacturing, in an attempt to grab a bigger slice of India's $1.1 billion digital and mobile Internet advertising pie.

The microblogging site, which has faced analyst criticism for not doing enough to boost revenue growth, aims to substantially grow its nascent three-member revenue team even as it explores over three dozen business sectors to ascertain the scope of the Indian market.

The renewed focus on Asia's third largest economy comes at a time when growth in Twitter's overall user base has slowed. India has however bucked the trend and turned out to be one of its few bright spots. Twitter will have 22 million users in India this year, a 30% rise from 17 million in 2014, according to a January report by market researcher E-marketer. It expects the website to have 40 million users in India in 2018. Twitter has however continued to trail behind Facebook in India. Emarketer expects Facebook to have 136 million users in India in 2015 and expects that to climb to 211 million in 2018.

4. India's external economic profile improves significantly

Source: **Live Mint** (Link)

India's external economic profile improved significantly as short-term debt to total external debt ratio fell to 17.8% in 2014-15, the lowest in eight years, which could provide confidence to the central bank and the government in a volatile external financial situation. In 2013-14, the ratio stood at 20.5%.

Rise in short-term debt is usually considered riskier as it needs to be repaid from foreign currency reserves in a shorter duration of time. However, the external debt-to-gross domestic product (GDP) ratio rose marginally to 23.8% at end-March from 23.6% a year earlier as external debt during the year rose 6.6% to $29.5 billion due to higher commercial borrowings and non-resident Indian deposits.

"The increase in the magnitude of external debt was partly offset by the valuation gains resulting from the appreciation of the US dollar vis-a-vis Indian rupee and other major currencies," the Reserve Bank of India (RBI) said in a statement.

5. Foreign companies must sign national security clause, says MHA

Source: **Economic Times** (Link)

All agreements with foreign companies coming with investments under FIPB route will have a 'National Security Clause' specifying that any adverse information regarding the same at a later stage would lead to the termination of the contract.

This is part of the new national policy drawn up by the Home Ministry to fast-track the security clearance process within 4-6 weeks as part of the Prime Minister's Ease of Business mantra. The agreement with the foreign company can be terminated after proper notice in case the company is found to be indulging in money laundering, links with foreign intelligence agencies or terror links.

The foreign companies will also be asked to have Indian nationals in key technical positions like network operators and chief security officers as India feels this will ensure the integrity of the technical systems and also help in employment opportunities in India as part of the PM's Make in India initiative.

6. Chinese handset maker Gionee to invest Rs 300 crore to set up manufacturing unit in India

Source: **Economic Times** (Link)

Chinese mobile phone maker Gionee plans to invest $50 million (about Rs 300 crore) in the next two-three years to set up a plant in India that it wants to use for exporting devices to South Asian and African countries.

"We aim to make India a manufacturing hub outside China to cater to demand in African and Saarc countries, including Pakistan, Bangladesh, Sri Lanka and Nepal," Gionee's president William Lu told ET. He added that the company will invest in setting up a research and development centre and local servers along with establishing manufacturing capability in India, the company's biggest market after China.

7. Rural economy of India weakens; development is credit negative for India warns Moody's

Source: **Economic Times** (Link)

There is a general mood of disappointment when discussing pace of reforms under Prime Minister Narendra Modi: Report Ratings agency Moody's has said India's rural economy has weakened considerably in recent quarters because of slower income growth and rural demand is likely to remain subdued in the current fiscal as a result, warning that the development is credit negative for India.

In its quarterly 'Inside India' report, Moody's Investors Service noted a relatively optimistic consensus view on growth prospects but some disappointment with the pace of reforms. The report is a compilation of developments and research highlights of the past quarter.

8. Core sector growth rises to 4.4% in May

Source: **Business Standard** (Link)

Growth in production in the eight key infrastructure sectors hit a six-month high of 4.4 per cent in May, after two consecutive months of decline, indicating a recovery in industrial activity. The index of these eight core sectors grew 3.8 per cent in the corresponding month last year.

Cumulatively, growth in the eight core sectors — coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity — in the first two months of this financial year fell to 2.1 per cent from 4.7 per cent in April-May 2014-15. This was largely because in April, output declined 0.4 per cent, according to data released by the Ministry of Commerce and Industry.

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