Daily Economic Newsletter: 20 January 2016

1. IMF cuts global growth forecast as China slows

Source: **The Hindu** (Link)

The International Monetary Fund (IMF) cut its global growth forecasts for the third time in less than a year on Tuesday, as new figures from Beijing showed that the Chinese economy grew at its slowest rate in a quarter of a century in 2015. To back its forecasts, the IMF cited a sharp slowdown in China trade and weak commodity prices that are hammering Brazil and other emerging markets.

The Fund forecast that the world economy would grow at 3.4 per cent in 2016 and 3.6 per cent in 2017, both years down 0.2 percentage points from the previous estimates made last October. "Near-term fiscal policy should be more supportive of the recovery, especially through investments that would augment future productive capital," it said. The updated World Economic Outlook forecasts came as global financial markets have been roiled by worries over China's slowdown — confirmed by official Chinese data on Tuesday — and plummeting oil prices. The IMF maintained its previous China growth forecasts of 6.3 per cent in 2016 and 6.0 per cent in 2017, which represent sharp slowdowns from 2015. — Reuters

2. Saudi Arabia's oil premium may force India to tap Africa

Source: **The Hindu** (Link)

India is looking at Africa to spruce up its oil and gas imports as it seeks to diversify its energy basket after Saudi Arabia's decision to charge a premium for the oil it sells to Asian customers, according to the government. "Regarding this (Saudi Arabia charging a premium), we are looking for alternative sources of oil. Towards this, we are in talks with various African nations and the upcoming India-Africa Hydrocarbon Summit will help in moving this forward," a senior official in the Ministry of Petroleum and Natural Gas said on condition of anonymity.

Africa already contributes around 15 per cent of India's oil needs, with India having imported 32 million metric tonnes from the entire continent in 2014. Last year, Nigeria overtook Saudi Arabia as the largest contributor to India's oil imports for a short period of time and currently remains one of the top providers of oil to India. Saudi Arabia's national oil and gas company, Saudi Aramco, recently announced that it would be charging Asian customers 60 cents a barrel more for Arab Light crude oil during February compared to the prices they would be paying in January. India is currently the third-largest oil importer in the world, relying on imports for 76 per cent of its oil needs. The International Energy Agency projects that this would rise to around 90 per cent by 2030 as India's demand continues to increase.

3. India Inc upbeat, global CEOs stay cautious

Source: **Business Standard** (Link)

Almost two-thirds of Indian CEOs (64 per cent) are confident of their company's growth prospects over the next 12 months, with 78 per cent expecting to maintain the momentum over the next three years. According to PwC's annual CEO Survey, compared with the 2015 levels, India Inc's buoyancy is up two points for the next 12 months and seven points for the next three years. In sharp contrast, average global growth prospects for the next 12 months and the next three years are 35 per cent and 49 per cent, respectively. Around 1,400 CEOs were interviewed for PwC's 'Redefining business success in a changing world' survey, results of which were unveiled ahead of the World Economic Forum in Davos. The optimism of corporate India stands out amidst a gloomy outlook for the global economy in the next 12 months.

Globally, just over a quarter (27 per cent) of CEOs think growth will improve over the next 12 months, compared to 37 per cent in 2015. Around 23 per cent global corporate honchos think growth prospects will worsen. The levels of optimism among North American CEOs (16 per cent) is half that of the most optimistic regions (Western Europe 33 per cent and West Asia 34 per cent). Almost a third of China's CEOs (33 per cent) believe global economic growth will slow down in 2016. Contrary to this trend, three-fourth Indian CEOs (75 per cent) said there are more growth opportunities for their company today, than three years ago. When asked to name countries that are most important to them in the next 12 months, 54 per cent Indian CEOs chose the United States, 29 per cent opted for China, while 23 per cent said the United Kingdom. Commenting on the India findings of the report, Deepak Kapoor, chairman, PwC India, noted that recent policy reforms, consequent pickup in investments and the government's aim to boost infrastructure are uplifting companies' confidence.

4. Import duty on medical devices raised

Source: **Business Standard** (Link)

The customs department has raised import duty on medical devices used for surgical, dental and veterinary use from the current five per cent to 7.5 per cent (increase of 2.5 percentage points) to help companies manufacture these products in India itself. The move would help Make in India programme in these items. The step came over a month ahead of the Budget 2016-17, expected to be tabled in Parliament on February 29. Besides, the government imposed special additional duty on these items of four per cent by withdrawing exemptions, a statement by the finance ministry said on Tuesday. Also, basic customs duty will be reduced to 2.5 per cent on raw materials, parts and accessories of these items.

The steps would help companies such as Siemens which are into production of medical devices, besides smaller doemstic companies. M S Mani, senior director, Deloitte in India, said, *"The increase in the basic customs duty rate on certain medical devices together, with the imposition of SAD, accompanied by a reduction in the customs rates on the raw materials and parts required to manufacture such devices, signifies the government's commitment to encourage manufacturers in India."* These changes are expected to provide impetus to the domestic medical devices sector, support Make in India campaign of the government and generate employment, the finance ministry's statement said.

5. Northeast can be developed as an organic region: PM

Source: **Business Standard** (Link)

Prime Minister Narendra Modi said on Tuesday that the whole of Northeast had the potential to become supplier of organic fruits and vegetables. *“There is a huge demand for organic products nowadays. Northeast is the only region in the country, which can grow organic products and can cater to this huge market. It will help the region grow economically,”* Modi said here on Tuesday. Praising Sikkim, which has turned completely organic, Modi said other states of the region, including Assam, should strive like Sikkim and become completely organic. *“People nowadays are rejecting chemicals. Health has become a priority for everyone. Let Northeast take the lead in catering to this huge market,”* said Modi. On Monday, Modi inaugurated Sikkim Organic Festival 2016 and said: *“Today, the whole world has recognised this effort of the farmers of Sikkim.”* He said the winds of this organic effort would now spread across the country.

6. Ad spent in India to grow at 15.5% in 2016, says GroupM

Source: **Business Standard** (Link)

The country's largest media agency GroupM has forecast a buoyant outlook for advertising expenditure (adex) in India, saying it will grow 15.5 per cent in 2016, touching Rs 57,486 crore. This growth is higher than the 14.2 per cent that was reported by GroupM in 2015, implying it will be the highest rate of growth in six years. *"India remains the fastest-growing ad market among all key markets in the world. The year 2015 saw the best in terms of adex growth for India in five years. But if 2016 does see the rate of growth that we have forecast, then it tops 2015 numbers,"* C V L Srinivas, chief operating officer, GroupM South Asia, said.

GroupM typically revises its January forecast in June-July to estimate whether numbers predicted at the start of the year will be achieved. Srinivas said higher spending by fast-moving consumer goods, e-commerce and automobile companies would be key drivers of ad growth in 2016, backed by retail, telecom, banking and finance, and government. FMCG, automobiles, e-commerce, retail and telecom will contribute 28 per cent, 8.2 per cent, 8.1 per cent, 7.6 per cent and six per cent, respectively, to advertising expenditure in 2016.

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