Daily Economic News Summary: 23 November 2015

1. India, EU Chief Negotiators to resume FTA talks soon: Nirmala Sitharaman

Source: **Economic Times** (Link)

After a gap of about 30 months, India and European Union (EU) will resume talks on the proposed free trade agreement (FTA), Commerce and Industry Minister Nirmala Sitharaman has said. "We are resuming the talks with the EU. The chief negotiators will meet soon," Sitharaman told PTI in an interview. Expressing disappointment and concern over the EU banning sale of around 700 pharma products, clinically tested by GVK Biosciences, India had in August deferred FTA talks with EU. Chief negotiators of both the sides were scheduled to meet in August.

In May 2013, India and the 28-nation bloc failed to bridge substantial gaps on crucial issues, including data security status for IT sector. The free trade pact aimed at reducing or significantly eliminating tariffs on goods, facilitate trade in services boost investments between the two sides. When asked whether the drug ban issue has been resolved, Sitharaman said: *"We have resolved it in the sense that when German Chancellor Angela Merkel came and the Prime Minister met her in Bengaluru, he had raised the issue of 700 drugs being banned. And she has assured the Prime Minister that she will look into it and the matter will be given fair justice. We fully appreciate that and post that we have no reason to pull back".*

2. India 5th on doing biz in clean energy

Source: **Business Standard** (Link)

Considering India's notable policy reforms in the renewable sector, Bloomberg New Energy Finance has ranked the country at fifth place on a list of 30 countries on ease of doing business in the renewable energy space. The ranking done by Bloomberg New Energy Finance's annual Climatescope report indicates that clean energy's centre of gravity is shifting from developed to developing countries. The report ranked China in the first place, followed by Chile, Brazil, South Africa and India.

The report said: *"The new policy ambitions from the (Narendra) Modi government signal clean energy opportunities in the country."* The strongest parameter in favour of India was value chain, while lower-than-expected investment continues to be the weak link. As solar energy became more cost-competitive in emerging markets in 2014, there would be a surge of investment and capacity-building in the Asian countries, especially China and India, the report noted. Last year, India added 5 giga watt (GW) of clean energy generation capacity.

3. Rise in oil consumption hints at likely economic liftoff

Source: **Economic Times** (Link)

A bunch of key barometers of economic health has shown steady improvement in the past months, an encouraging sign that growth may be finally picking up momentum. Commercial vehicle sales, a key indicator to activity in the economy, have been buoyant of late. While passenger vehicle sales have also been up, consumption of petrol and diesel has surged as crude prices have remained soft. Sales of petrol by volume have been rising for three months in a row, diesel by two and passenger cars for seven.

Petrol sales, a gauge of discretionary demand, have risen 14.77 per cent to 17,493 thousand metric tonnes since the beginning of the year, the most in a decade. Diesel sales, a measure of economic activity, grew 5.64 per cent to 60,071 thousand metric tonnes in the same period, the highest in three years, according to Petroleum Planning & Analysis Cell (PPAC) data compiled by ET Intelligence Group. To be sure, this has to be balanced with the cost of increasingly polluted cities thanks to vehicular and other emissions that are taking a toll on the health of Indians. Petrol and diesel together constitute nearly 73 per cent of the total sales of decontrolled petroleum products by volume. The average volume growth of petroleum products has been the highest since 2004 for the August-October period.

4. India looking to milk Russian dairy market

Source: **Economic Times** (Link)

Russia may soon get a taste of Indian milk and milk products with the Indian government working on a formula to allow two local dairy companies to export there for six months. India, the world's largest milk producer, exports dairy products mainly to the Middle East, Pakistan and other neighboring countries. It is now keen on tapping the market in Russia, which has become deficient following Western sanctions after its military intervention in Ukraine. Russia has sent an inspection team to India last year to examine the country's dairy industry.

5. Indian market may rise over 10% by 2016 end: Geoff Dennis, UBS

Source: **Economic Times** (Link)

India will outperform emerging markets in 2016 and can deliver 10 per cent return between now and end of next year, said Geoff Dennis, managing director and head of global emerging market strategy at UBS. In a chat with ET, Boston-based Dennis said it's becoming *politically challenging for the government to push reforms and that's not going to change soon as the government does not have the majority in the upper house of the parliament.*

Edited excerpts:

How is India positioned in the emerging markets basket?

Geoff Dennis: *India is still an overweight market for us and we consider it to be one of the best fundamental stories in the EMs. The EM flows have slowed down this year and we have seen a relatively poor performance compared to the previous year. India is still overweight in the emerging markets.*

However, it's seen pull-back a little this year. There is still possibility of some bad news and foreign money pulling out but I think some foreign money has already come out. If India continues to deliver solid growth of the economy and hopefully there's pick-up in earnings, while the reforms process is not completely stalled, and as long as the monetary policy remains prudent with some interest rate cuts, then I would see some more foreign money coming back to India because it's a good story in the context of the emerging markets.

6. Choice Hospitality India to add 5 hotels by 2016 end

Source: **Business Standard** (Link)

Choice Hospitality India, part of US-based Choice Hotels International, is looking to add 5 more properties by the end of next year as part of its expansion in the country. The hospitality chain, which has 20 hotels in different parts of India, is looking at locations such as Mount Abu, Pune and Ooty for the new properties. *"We are planning to open 5 more hotels in India by the end of 2016, as part of our growth plans in the country. We already have 20 hotels that are operational here,"* Choice Hospitality India Chief Executive Officer Vilas Pawar told PTI. Choice Hospitality India has 20 hotels in destinations such as Mumbai, Chennai, Coimbatore, Ahmedabad, Bengaluru, Hyderabad, Amritsar, Bathinda, Rajkot, Manali and Vishakapatnam among others. *"The new hotels will be coming up in Jaipur, Silvassa, Mount Abu, Pune and Ooty,"* he added.

7. Uttarakhand emerges as a gold refining hub

Source: **Business Standard** (Link)

Uttarakhand has emerged a hub for gold refining with half the country's bullion refineries being located in the state - most of them have come up in the past few years. The reason: the state government has waived excise duty for new investments, leaving higher margins for refineries compared to those situated in other parts of the country.There are 32 gold refineries in India and 27 of them process dore or unrefined gold with a total refining capacity of 1,467 tonnes. Of these, 18 refineries are situated in Uttarakhand, where eight more refineries are coming up, according to industry officials. Most new refineries are with smaller capacities and are being set up by big bullion dealers. Uttarakhand's refineries process a third of the gold refined in the country, and analysts expect this proportion to only increase as imports of unrefined gold rises. Most refineries are concentrated in an excise-free zone (EFZ) located in Rudrapur, Uttarakhand.

If unrefined gold is imported and refined in India, there is no Customs duty, but there's a countervailing duty of eight per cent. The duty on bullion or refined gold is 10 per cent. However, refiners in EFZ get a drawback due to which they get two per cent duty difference compared to imported refined gold. On the other hand, refineries in domestic tariff area (DTA) are liable to pay an excise duty of nine per cent, and their tax differential with imported gold reduces to only one per cent.

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By Harsha Hazarika