

Daily Economic News Summary: 2 February 2016

1. India's manufacturing sector bounces back to growth in January

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

Indian manufacturing activity unexpectedly returned to growth in January as firms raised output on stronger demand, a survey showed, adding to expectations the Reserve Bank of India (RBI) will likely leave policy unchanged this month. The Nikkei Manufacturing Purchasing Managers' Index (PMI), compiled by Markit, jumped to a four-month high of 51.1 in January after slumping to a 28-month low of 49.1 in December. The 50-mark demarcates contraction from expansion. A *Reuters* poll predicted a more modest rise to 49.6. *"The opening month of 2016 saw a rebound in new business—from both domestic and external clients—leading manufacturers in India to scale up output following a short-lived downturn recorded in December,"* said Pollyanna De Lima, economist at Markit. *"January's PMI data paint a brighter picture of the Indian economy."* The new export orders sub-index rose to 52.5 from 51.5, the highest reading in five months, which coupled with a similar increase in domestic orders suggest renewed demand for Indian goods both home and abroad. That is good news for RBI which cut rates four times last year by a cumulative 125 basis points to boost economic growth as inflation remained subdued.

2. US firms keen to invest in India's renewable energy sector

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

With India looking to enhance the share of renewable sources to 40% of its energy mix by 2030, up from 13% now, US businesses are making a beeline to capture a slice of the market. Fred P. Hochberg, chairman and president of the Export Import Bank of the US said the financial institution is working with a number of renewable energy companies in the US which are looking to increase their business in India. *"We respect the Make in India campaign but at the same time India needs a balance between local manufacturing and the best available technology,"* he said, adding that a number of US firms had approached the bank, evincing interest in the Indian renewables market. India's commitment to cut carbon emissions by 35% by 2030, as part of its Intended Nationally Determined Contribution, over 2005 levels offers global producers of solar panels and other equipment a major business opportunity.

The all-inclusive interest cost for Exim Bank of US-guaranteed loans, treated as external commercial borrowing under Indian rules, is in the region of 4-6%. *"We provide guarantees to financial institutions which make the decision on lending. Generally, the interest rate varies*

between 4-6% inclusive of all charges, but that is a very general figure. The actual rate would depend on a lot of factors,” said Hochberg. The fall in prices of solar panels and modules in global markets along with a firm policy push to install 100 gigawatt (GW) of solar power capacity by 2022—the largest renewable energy capacity expansion in the world—has increased investor appetite in the sector. The country needs Rs.6 trillion to scale up solar power generation capacity to 100 GW from 5,100 MW at present.

3. Nuclear missile maker to woo investors as India revamps defence

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

India wants to embrace more shareholder scrutiny for the sake of national security. The country is seeking to divest 20% of each state-owned defence company—including nuclear-missile maker Bharat Dynamics Ltd—to boost their efficiency, defence production secretary A. K. Gupta said. India also plans to cut its 75% shareholding in Bharat Electronics Ltd, he said. *“We’re going ahead with the disinvestment so that we can have more transparency and accountability,”* Gupta, one of the defence ministry’s top bureaucrats, said in an interview in New Delhi. He was referring to Bharat Dynamics and didn’t give any timelines. India’s goal is an ambitious \$150 billion modernization of its sometimes poorly equipped armed forces, including more local production to curb a flood of costly imports. One of Prime Minister Narendra Modi’s challenges is to improve state defence companies, which account for the bulk of domestic weapons output but are strained and lack the most modern technology. Bharat Dynamics, based in Hyderabad, is over four decades old and manufactures India’s strategic missiles such as the nuclear-capable Agni and Prithvi series. Its net income climbed 21% to Rs.420 crore in the 12 months ended March 2015 from a year earlier.

The government is also moving ahead with a long-pending proposal to sell a 10% stake in Hindustan Aeronautics Ltd, India’s biggest defence contractor, Gupta said. The other government-controlled defence enterprises in Asia’s third largest economy are BEML Ltd, Mazagon Dock Ltd, Goa Shipyard Ltd, Garden Reach Shipbuilders and Engineers Ltd, Mishra Dhatu Nigam Ltd and Hindustan Shipyard Ltd. The state controls about 54% of BEML, while the other companies are government owned. Modi’s policy changes to encourage domestic output include fewer curbs on foreign investment in defence, looser export controls and less red tape. His government has set a goal of boosting arms exports 20-fold in a decade to \$3 billion. India is currently one of the world’s top importers.

4. PMO asks NITI Aayog to give report on stalled hydro power projects

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

The prime minister's office (PMO) has asked the National Institution for Transforming India (NITI) Aayog to prepare a report on stalled hydroelectric power projects which have held up large-scale investment as the government aims to provide 24x7 electricity across the country. *"Recently, the PMO asked NITI Aayog to prepare a report on the country's hydro projects which are stalled and investments which have been held up due to these projects,"* a person with knowledge of the matter said. The person added that the government think tank has also been asked to include the reasons why the projects are getting delayed in its report. NITI Aayog has been asked to prepare the report within three months, the person said. The proposed hydro capacity addition during the 12th Five Year Plan period is 10,897 megawatts (MW). However, up to December 2015, the actual capacity addition is only 3,651.02MW which is 33.5% of the proposed capacity addition, according to data by the Central Electricity Authority (CEA). Of the country's total installed capacity of 2,84,303.39MW as on 31 December 2015, large hydro capacity is 42,623.42MW and small hydro capacity is 4,147MW, CEA data said.

Hydro power projects are generally categorized in two segments—small and large hydro. Hydro projects of up to 25MW capacities have been categorized as small hydro power projects. The power ministry is responsible for large hydro projects, while the mandate for small hydro power is given to the new and renewable energy ministry. India has set a target of 175 gigawatts (GW) of renewable energy capacity by 2022, which includes 5GW of small hydro power. According to PricewaterhouseCoopers' Kameswara Rao, hydro power continues to have strong long-term economic benefits for energy prices, especially as the India market matures to offer ancillary services, besides mainstream power sales.

5. Make in India boost: Japan offers to set up plant in India for US-2 amphibious aircraft

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

Japan's ShinMaywa Industries, the manufacturer of US-2 amphibious aircraft that India is eyeing, is betting big on the 'Make in India' initiative and has offered to set up a plant here to cater to international demands. The move comes as the Navy plans to procure six such aircraft, under a government to government deal, between 2017 and 2022. Six are proposed to be bought in the next phase. *"The deal when inked will have a 30 per cent offset clause. Under this offset clause, ShinMaywa wants to set up a plant in India to cater to the global market since the demand for the aircraft is high,"* defence sources said. The project has been in the works since 2011 but got a renewed push following Prime Minister Narendra Modi's visit to Japan in 2014 and a return trip by Japanese PM Shinzo Abe here last December.

6. New models make India the fastest growing market for Hyundai globally

Source: **Times of India** ([Link](#))

India has emerged as the fastest-growing market for Hyundai globally as new models such as 'Elite i20' and 'Creta' SUV have fuelled volumes. In absolute numbers, India has become the third-biggest market worldwide for Hyundai, outside home market Korea. YK Koo, the newly-appointed MD of Hyundai in India, said India is critical for the carmaker's global operations, especially as sales in some of the other countries and regions are moderating, or even declining. *"India is one of the most important markets for Hyundai globally, and we are going to boost our investments and line-up here,"* Koo told TOI.

India was the fastest-growing market among the key regions, and registered a growth of 16% in 2015. In the same period, China, the company's biggest market by volumes globally, declined by 3%. US, the company's second-biggest market, grew 10%, while home market Korea was up by 4%. *"New models have been getting a strong response here, and the Creta is one of them,"* Koo said.

7. Gurgaon scores over Delhi as real estate destination

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

The Millenium City has emerged as the most attractive real estate investment destination, followed by Delhi, Noida, Faridabad and Alwar, according to a recent study on 'Determinants of real estate: A survey of Delhi NCR'. Conducted by the Research Bureau of the PHD Chamber of Commerce and Industry, the study explored transport connectivity, existence of employment opportunities and availability of social infrastructure including schools, colleges, hospitals to identify destinations considered attractive for real estate investments. According to the study, the development of the Metro has resulted in widening choices for investments in real estate. The study revealed that Metro construction has not only boosted investment sentiments, but also led to increase in prices of nearby property. The survey said that price is the most important factor while considering investment in real estate, followed by construction quality, proximity to the Metro, gated community, brand name of the builder, corner plots, availability of loans, power and utility back, vaastu compliance, locality, legal payments, future prospects of the place and rent receivables.

The study stated that the source of information about real estate investment avenues is largely through personal contacts such as family, relatives, friends and colleagues. Real estate brokers, agents or dealers, newspapers, magazines, hoardings and SMS alerts have also publicised investment opportunities, while other means of marketing like online social networking, internet and television are also being used increasingly to publicise real estate

projects, the study added. The key reason, the survey said, for buying properties in Delhi NCR is residential purposes, followed by earning decent returns on investments, buying commercial space, rent or lease, retailing, gifting and warehousing, said the study. The survey also highlighted the factors affecting real estate investment sentiments, which include high rate of interest on loans, followed by inflationary pressures in the economy, lack of demand and economic uncertainties. It also reveals that investors have apprehensions about submission of registration fee prior to non-completion of projects. Also, they say that non-completion of projects leads to emotional harassment in the form of legal cases and financial loss. The new Real Estate Bill 2015 is expected to protect the interests of consumers, promote fair play in transactions and ensure timely execution of projects. Mahesh Gupta, president of the PHD Chamber of Commerce and Industry, has in fact urged the Central government to consider a deduction of up to Rs.5 lakh from the current Rs. 2 lakh for interest paid on a home loan on a self-occupied house, while calculating the taxable income in the forthcoming Union Budget to boost the demand in the housing sector.

By Harsha Hazarika