

Daily Economic News Summary: 7 January 2016

1. World Bank: India to stay at top in growth

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

The World Bank on Wednesday projected that India would remain comfortably the fastest growing large economy in 2016, at a rate more than a percentage point higher than China's. In its report Global Economic Prospects, the Bank projected the Indian economy to grow at 7.8% in 2016 and China's to grow at a more modest 6.7%. The world economy as a whole would grow at 2.9% it estimated, a modest upturn from the 2.4% growth estimated for 2015. All of these estimates represent a downward revision from the projections made in June 2015, but the downward revision of 0.1 percentage points in India's case is less than the 0.3 percentage point adjustment in the estimate for China or the reduction of 0.4 percentage points in the reckoning of global growth.

2. Coal imports down 15% in April-December on higher output

Source: **NDTV** ([Link](#))

The country's coal imports fell by 15 per cent to 132.3 million tonnes in the first 9 months of the current financial year, from 155.4 MT a year ago, because of record production by state-owned Coal India Limited (CIL), a top official said on Wednesday. In value terms, the decline was worth around Rs 18,000 crore. "Record coal production by Coal India leads to further reduction in imports. Coal imports down by 15 per cent during April-Dec 2015 compared to the corresponding period of 2014,"

Coal Secretary Anil Swarup said in a tweet. *"Coal imports at 132.3 MT during April-Dec'15 as compared to 155.4 MT during April-Dec '14 at Rs 60,250 Cr against Rs 78,006 Cr in value,"* the secretary said. He added that in value terms coal imports come down by Rs 17,765 crore during April-December, 2015-16, as compared to the corresponding period of the previous fiscal. *"Import of coal during Dec 15 at 12.35 MT against 18.81 MT last year. In value, Rs 5,643 Cr in Dec'15 as compared to Rs 9,184 in Dec'14,"* he said. Swarup had earlier said that coal imports will continue to decline this fiscal due to "unprecedented increase" in output of the fossil fuel by state-owned Coal India Ltd. The state-owned firm, which accounts for over 80 per cent of the domestic coal production, is eyeing one billion tonnes production by 2020.

3. Services growth hits 10 month high in December

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

India's services sector activity touched a ten-month high in December driven by a significant rise in new business orders but the overall health of the economy remains fragile amid a weak manufacturing sector, a survey showed on Wednesday. The Nikkei Business Activity index climbed to a ten-month high of 53.6 in December from 50.1 in November, thanks to a solid rise in incoming new work. The growth of private sector output in December was largely driven by services sector as manufacturing production decreased for the first time since October 2013. *"The Indian private sector returned to expansion territory at the end of 2015, eking out modest output growth in December,"* said Pollyanna De Lima economist at Markit, which compiles the survey. Meanwhile, the seasonally adjusted Nikkei India Composite PMI Output index, which maps both manufacturing and services sectors, rose to 51.6 in December from November's five-month low of 50.2.

4. India goes postal in quest to open bank accounts for the masses

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

The world's largest post office network is planning to ramp up its financial services across India, triggering a race among commercial banks to set up partnerships to reach remote areas that have been unprofitable. India Post will start operations as a payments bank around December after receiving central bank approval last year, said M.S. Ramanujan, head of banking services at the country's third-largest employer. About 90% of post offices are scattered across the country's 600,000 villages, giving it a reach that no commercial bank can match. *"India Post certainly will be a game changer in financial inclusion,"* Abizer Diwanji, Mumbai-based leader for financial services at EY India, said by phone. *"They are in the best position to multiply existing banking services."*

Bringing the roughly 200 million Indians who lack a bank account into the financial system can help Prime Minister Narendra Modi lure much-needed savings and plug costly leakages in the government's cash transfer programs. Reserve Bank of India (RBI) governor Raghuram Rajan is betting that competition from India Post and others will push commercial banks to become more efficient and lower the cost of services.

5. Credit guarantee fund for Mudra scheme gets Cabinet approval

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

The Union cabinet on Wednesday gave its approval to a slew of proposals including one for the creation of a credit guarantee fund for the government's flagship Mudra scheme. Mudra or the Micro Units Development and Refinance Agency was set up last year to help ease funding problems faced by more than 57 million small businesses across India, granting loans of up to Rs.10 lakh without any collateral. It also has the objective of reducing borrowing costs by providing refinancing at a relatively low rate of interest. The credit guarantee fund, with a corpus of Rs.3,000 crore, is aimed at protecting

banks against possible defaults by borrowers and encouraging them to lend more to the segment without fearing a default.

In a post-cabinet briefing, finance minister Arun Jaitley said that the Mudra scheme has around 1.73 crore beneficiaries, with funds disbursed so far adding up to more than Rs.73,000 crore. The guarantee will be provided on portfolio basis for a default of up to 50% of the total Mudra portfolio of banks. *“The fund is expected to guarantee more than Rs.1,00,000 crore worth of loans to micro and small units in the first instance,”* the government said in a statement. The government also hinted that micro-finance institutions (MFIs) registered as non-banking financial companies (NBFCs) will continue to be regulated by the Reserve Bank of India, putting to rest concerns over Mudra becoming the overarching regulator for all MFIs, including NBFC-MFIs and non-governmental organization MFIs as proposed last year by the department of financial services, under the finance ministry.

In another decision, the cabinet gave its go-ahead to a pact signed between India and Singapore for cooperation in civil aviation, the statement said. The pact between the Airports Authority of India and the Singapore Cooperation Enterprise was signed during Prime Minister Narendra Modi’s visit to Singapore in November. Key elements of the pact include collaboration in the areas of master planning and design, traffic and commercial development, service quality improvement, training and development, cargo handling and management, maintenance, repair and overhaul besides operation and management and any other area of mutual consent, the statement said.

6. Railways ready with draft framework for developers to redevelop 400 stations

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

Indian Railways has prepared a draft framework of rules for developers who wish to undertake contracts for re-development of 400 railways stations across the country, six months after Union cabinet gave its approval for such a move by inviting open bids in an attempt to bring in private investment to the public utility. The railways has chalked out the parameters based on which it would select developers, and also explained the duties and responsibilities of developers. The developers have now been asked to send their suggestion by 15 January after which the railways would come out with a final document.

The draft framework says that developers have to get all clearances on their own for the re-development work. They also need to make safety arrangements for railway traffic during the construction. The national carrier also wants the developers to allow private vendors operating under the commercial lease and licenses of railways on stations till the end of their lease period. The developers won’t be allowed to block rail traffic for more than two-three hours in a day or night and would also not be allowed track diversion. On the revenue model, a senior railway ministry official said the railways will take 15-20% as upfront premium and rest on annual basis. *“While earlier we had plan to take premium from developers on monthly basis, now we have decided to take 15-20% as up front premium and rest on annual basis. The change in revenue model has been done because the developers would be investing huge sums and would need money,”* the official said on condition of anonymity. The final modalities are still to be worked out and it would depend on case-to-case basis, the official added.

Indian Railways had uploaded a draft tender document for invitation of proposals for re-development of 400 A1 and A category railway stations. It said that developers can apply as a single entity or under a consortium where change in composition would be allowed only at the bidding stage. A developer would be allowed to submit only one application per station.

7. Tripura to be gateway of India's corridor with South East Asia: Nirmala Sitharaman

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

Tripura would be the gateway of India's corridor with South-East Asia and play a remarkable role in improving relations with Bangladesh, Union Minister for Commerce Nirmala Sitharaman said today. She said this after inaugurating a multi-facility 'Integrated Development Complex (IDC)' here, about 60 km from State capital Agartala, to facilitate smooth passage of citizens of India and Bangladesh and improve border trade with the neighbouring nation. *"Prime Minister Narendra Modi has accorded the highest importance to improve relations with the neighbouring countries and meaningful implementation of Act-East policy. This IDC was constructed with an eye to improve relations with Bangladesh,"* she said. *"We believe that proper development of our country would not be possible without development of States. I would meet the Union Finance Minister next week to discuss about how the north eastern region could be developed further,"* Sitharaman said. For land-locked Tripura in particular and the North-East in general, access to Chittagong port, Bangladesh is necessary, she said. "I would definitely take the matter (access to Chittagong port) with the Prime Minister, so that he could then take up the matter with Bangladesh," she added.

By Harsha Hazarika