



## High Commission of India, Kingston

### Economic News Letter – December 2016

#### Demonetisation, GST roll-out will help Indian economy in the long run: S&P

According to global rating agency S&P, Indian banks and companies face short-term downside risks due to the cash crunch arising from the Government's decision to invalidate old high-value currency notes, but the move will be beneficial for the Indian economy in the long run. Report pointed out that the Government's decision to demonetise high-value currency notes had led to a significant cash crunch in the economy. S&P expects both demonetisation and the Goods and Services Tax (GST) to adversely impact some sectors of the economy in the short run but have long term benefits. It had recently revised its growth forecast for India to 6.9% in 2016-17 from 7.9% earlier. Report has suggested that in the long run, demonetisation and the GST could result in a wider tax base and greater participation in the formal economy and that should benefit India's business climate and financial system.

#### China's biggest carmaker SAIC Motor to drive into India.

China's leading automaker SAIC Motor (formerly Shanghai Automotive Industry Corporation) is finalizing plans to invest about \$1 billion in India by 2018. It would look to manufacture products that would suit local tastes and can also be exported. Governments of three states — Maharashtra, Andhra Pradesh and Tamil Nadu — have already made presentations to the company, with proposals of hosting its manufacturing unit.

#### 'India will be second largest e-commerce market by 2034'

Increase in internet penetration, swelling millennial population and rising uptake of mobile phones would make India the second largest e-commerce market after China, overtaking the US by 2034, said a report by global payments leader Worldpay, 'Global Payments Report 2016'. Leading the charge in the emerging markets, e-commerce in India is predicted to mature 28

per cent per year from 2016-2034. The annual report was compiled using Worldpay data and insights, external findings from Euromonitor, Datamonitor and ystats.com.

### **Apple plans to make iPhones in Bengaluru from April 2017**

Apple plans to make iPhones for the Indian market in Bengaluru. Wistron, a Taiwanese OEM maker for Apple, is setting up a facility in Peenya, the city's industrial hub, to manufacture the iPhones. The facility will start production from next April, according to industry sources. Local manufacture is expected to help Apple price its phones competitively as full imports attract 12.5% additional duty. This will be Apple's second big announcement for Bengaluru. In May, Apple announced a design and development accelerator in the city to grow the iOS developer community and also to guide Indian developers to leverage Apple's programming language Swift and build apps for Apple TV and Apple Watch. The Bengaluru manufacturing facility underscores India's importance for the Cupertino-based company. Data from Hong Kong-based Counterpoint Technology Market Research showed that Apple sold 2.5 million iPhones in India from October 2015 to September 2016, a rise of more than 50% over the year-ago period. The company's net profit grew 21% during the same period with deeper retail penetration and lower prices for older iPhone models that garnered a huge user base.

### **Mauritius top source of FDI in India**

According to the Reserve Bank release on Foreign Liabilities and Assets of Indian Direct Investment Companies for 2015-16, Mauritius accounted for 20.8 per cent of FDI in India followed by the US, the UK,

Singapore and Japan uptill March 2016. The destination for Overseas Direct Investment (ODI) of Indian companies was largely Singapore, Mauritius, the Netherlands and the US. Both manufacturing and services sectors attract foreign equity participation. Total FDI stock at market value in the manufacturing and services sectors stood at Rs 10,00,630 crore in March 2016 and Rs 8,59,080 crore, respectively. While manufacturing sector accounted for around half of the total FDI at market prices, 'information and communication services' (20.1 per cent) and 'financial and insurance activities' (11.2 per cent) were other major activities attracting FDI.

### **Government expects high FDI inflow momentum to continue in 2017**

Pinning hopes on the momentum of FDI reforms unveiled by the Government in 2016, the Government expects that the trend of high FDI inflows will continue in the new year. FDI inflows in January-September jumped 21 per cent to \$32.18 billion. According to Commerce and Industry Minister Nirmala Sitharaman, Govt. expects to see tangible results coming out in 2017 in areas where the ball is set rolling like Defence and Medical Devices. The sectors that have attracted maximum FDI this year include services, computer hardware and software, telecom, automobile and trading. Aiming to create a conducive business climate in the country and attract investments, the Government this year altered FDI caps in several sectors. It allowed 100 per cent inflows in Civil Aviation and Food Processing sectors while easing norms in Defence and Pharmaceuticals. It also tightened the local sourcing policy for

single- brand retail trading, besides easing conditions in broadcasting carriage services, private security agencies and animal husbandry. In the Defence sector, the policy has been changed to allow 100 per cent FDI by doing away with the condition of access to "state-of-the-art" technology, which has been modified to "modern or for other reasons", a move that will widen the scope of investment by foreign players. To promote manufacturing of food items, the government had also decided to permit 100 per cent FDI under the approval route for trading, including through e-commerce in respect of such products manufactured or produced in India. In a major move, the Government also allowed 100 per cent FDI through the automatic route in the marketplace format of e-commerce retailing. To provide amicable business environment in the country for investors, the Department of Industrial Policy and Promotion (DIPP) announced steps to improve ease of doing business. India's ranking in the World Bank's report on ease of doing business remained same at 130 this year out of 190 countries. Foreign direct investment is important for the country as it needs around USD 1 trillion worth of investments to fund infrastructure growth covering sectors such as ports, airports and highways.

### **PSLV-C36 successfully launches RESOURCESAT-2A**

In its thirty eighth flight (PSLV-C36), ISRO's Polar Satellite Launch Vehicle successfully launched the 1,235 kg RESOURCESAT-2A Satellite on 7<sup>th</sup> December, 2016 from the Satish Dhawan Space Centre SHAR, Sriharikota. This is the thirty seventh

consecutively successful mission of PSLV. After PSLV-C36 lift-off from the First Launch Pad with the ignition of the first stage, the subsequent important flight events, namely, strap-on ignitions and separations, first stage separation, second stage ignition, payload fairing separation, second stage separation, third stage ignition and separation, fourth stage ignition and cut-off, took place as planned. After a flight of 17 minutes 05 seconds, the vehicle achieved a polar Sun Synchronous Orbit of 824 km height inclined at an angle of 98.725 degree to the equator (very close to the intended orbit) and 47 seconds later, RESOURCESAT-2A was separated from the PSLV fourth stage. After separation, the two solar arrays of RESOURCESAT-2A deployed automatically and ISRO's Telemetry, Tracking and Command Network (ISTRAC) at Bangalore took over the control of the satellite. In the coming days, the satellite will be brought to its final operational configuration following which it will begin to provide imagery from its three cameras. The data sent by RESOURCESAT-2A will be useful for agricultural applications like crop area and crop production estimation, drought monitoring, soil mapping, cropping system analysis and farm advisories generation. Like its predecessors RESOURCESAT-1 and 2, RESOURCESAT-2A has a unique 3-Tier imaging system with Advanced Wide Field Sensor (AWiFS), Linear Imaging Self Scanner-3 (LISS-3) and Linear Imaging Self Scanner-4 (LISS-4) cameras. LISS-4 provides 5.8 metre sampled images with 70 km swath and a revisit of 5 days. With today's launch, the PSLV has yet again demonstrated its reliability. The total number of satellites launched by India's workhorse launch vehicle PSLV including today's RESOURCESAT-2A has now

reached 122, of which 43 are Indian and the remaining 79 are from abroad.

### **Central regulatory framework for Ayurveda industry**

The AYUSH Ministry is planning to draw up a central regulatory framework for Ayurveda industry, according to AYUSH sources. The ministry is also considering taking steps to streamline production of quality Ayurvedic medicines meeting international standards and also to stop false claims made by some manufacturers through advertisements. The ministry is looking to set up more clusters to facilitate small and medium enterprises in Ayurveda industry. The ministry has also taken initiatives to standardize terminology used in the Ayurveda practices. The Ministry has entered into an agreement with World Health Organization (WHO) to develop some document for global positioning of Ayurveda. The government has been planning to facilitate the setting up of mandis (marketplace) to strengthen buyers-growers interface.

### **India's 1000 MW rooftop solar tender to see record low tariffs: Bridge to India**

SECI's (Solar Energy Corporation of India) tender for development of 1,000 MW rooftop solar units on state-owned buildings is expected to bring down tariffs to record lows since they would expand the market and would also receive capital subsidies of up to 35-90% indicated Bridge to India. It is the largest such tender in India's fledgling rooftop solar market. 700 MW of capacity is proposed to be allocated under the operating expense model route, in which project

developers shall fund and own the solar systems and sell power to the respective Government Departments under a 25-year power purchase agreement. Balance 300 MW is proposed to be set up under the capital expenditure route where the government department would set up the units. Bridge to India expects a very enthusiastic response to the tender both from rooftop solar specialists and utility solar players. In the last 500 MW rooftop solar tender by SECI, tariffs dropped to an all-time low of Rs 3 (US¢ 4.4)/ per unit for special category states on the back of a significant capital subsidy.

### **Indian exports at \$20 bn in November grow 2.3% over last year**

Signaling a definitive reversal of the continuous decline in Indian exports earlier in the year, official data showed these grew for the third month in a row at \$20 billion in November, an uptick of 2.29 per cent over \$19.56 billion in November 2015. Data released by the Commerce Ministry showed that the pace of increase of exports in November, however, slowed sequentially from the 9.59 per cent growth in October at \$23.51 billion worth of merchandise exports that month. Cumulatively for the April- November period, exports rose marginally by 0.1 per cent in dollar terms at \$174.9 billion, as against exports of \$174.7 billion over the same period last year.

### **Norway wealth funds hoping to expand footprints in India**

The 90-odd Norwegian companies including wealth funds operating in India find the business climate in India favourable with many of them looking to

increase footprints in the near future. According to the first ever Business Climate Survey conducted by the Norwegian Business Association India (NBAI) and Norwegian Consulate in Mumbai, in collaboration with Innovation Norway, the commercial section of the Norwegian Embassy in Delhi, 62% of the companies found the business climate in

India favourable. The survey was conducted to assess the current and near future business climate for Norwegian companies with specific focus on the maritime sector. According to the survey, 59 per cent of these companies are looking to increase their workforce by at least 20 per cent next year.

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