



## India Economic News October 2016

## Consulate General of India Munich

### India is star market for top tech cos:

India has become one of the fastest growing markets for technology companies. The development is seen as a reflection of both, the country's good GDP growth (relative to that of other countries) and the increasing desire among Indian businesses and the government to adopt new technologies. In quarterly earnings calls recently, IBM, Cisco, VMware, Dell and Accenture have all called out India as their best performing or one of their best performing markets. At an event earlier this month in the US, Michael Dell said India has been a great market for Dell. In IBM's latest

earnings call, in July, India was the only country singled out for a positive mention. For Cisco, India revenue grew 20% in the quarter ended July, even as China declined 12% and total emerging markets declined 6%. Cisco has now mentioned India for its good performance in each of the past nine quarterly earnings calls.

### GST to be introduced from 1st April: Ms. Nirmala Sitaraman:

Ms. Nirmala Sitaraman, Union Minister for Commerce and Industry has declared that Goods and Services Tax (GST) will be implemented across the country from April 1, 2017. She added that before implementing the one country

one tax, GST Council has to be constituted to decide rate of tax and arbitration. In GST council, states will have 2/3 right while 1/3 right to the centre. Once the GST is implemented, tax procedure will be hassle free, transparent and less burdening because it stops overlapping of taxes. More significant will be control on black money generation, as every trader will have unique number linked with PAN card. Sitaraman declined the rumours that implementation of GST leads to fall in GDP.

### **India's GDP growth to remain strong: World Bank:**

Describing South Asia as a global growth hotspot, the World Bank in its latest report on South Asia Economic Focus has said India's GDP growth will remain strong at 7.6 per cent in 2016 and 7.7 per cent in 2017 supported by expectations of a rebound in agriculture, civil service pay reforms supporting consumption, increasingly positive contributions from exports and a recovery of private investment in the medium term. Monday.

According to the report, South Asia remains a global growth hotspot and has proven resilient to external headwinds such as China's slowdown, uncertainty around stimulus policy in advanced economies, and slowing remittances. The main challenges however, remain domestic, and include policy uncertainty as well as fiscal and financial vulnerabilities.

### **FII inflows cross Rs 20k crores (\$ 3.04 billion) in September 2016:**

Strong economic fundamentals, a good monsoon, lower rate of interest and rising consumption demand leading up to the festive season are prompting foreign fund managers to feel more comfortable with India as they pumped in over Rs 20, 000 crore (\$3.04 billion) in domestic equity and debt. Data released by foreign broking major, CDSL showed that in September, FIIs had net bought stocks worth Rs 10,443 crore (\$1.6 billion) and bonds worth Rs 9,789 crore (\$ 1.5 billion) – the highest in the last 11 months. CLSA further

stated that India was being seen as a defensive play within emerging markets "given the structural nature of the expected growth improvement" and opined that a potentially mild risk-off environment (US elections or rate hike uncertainties) would be good for India's relative performance.

### **Germany's Marquardt to set up manufacturing facility in India:**

Marquardt, the German company that makes premium automotive switches, is planning to set up a manufacturing facility in India and expand the local R&D Centre, as it bets on the growing car and two-wheeler segments in India. The company is supplying switches to Indian commercial vehicle manufacturers since 2008. With firm orders in place from Tata Motors and Fiat Chrysler, it is expanding its Mumbai operations and will be setting up a green-field plant at Chakan, Pune. Company intends to use India as a launch pad for two-wheeler switches business. Marquardt will be investing Rs 100 crore (Euro 13 million)

in its India business over the next few years, which will be put into the new plant and in doubling of R&D workforce to over 400. The R&D centre will work on global projects.

### **India and Germany to collaborate on Rail safety:**

India and Germany recently decided to collaborate on railway safety and agreed to form a Joint Working Group (JWG) in this regard. According to the Railway Ministry, the agreement on formation of a JWG was taken at a meeting between Union Railway Minister, Mr. Suresh Prabhu and German Minister for Transport and Digital Infrastructure, Mr. Alexander Dobrindt. The working group would look into the training, technology and processes for improving the safety. This working group on safety would be a deliverable on Inter-Government Consultations tentatively planned in Berlin in May, 2017. Besides, India has requested Germany to extend its proposal of high speed (300 km per hour plus) rail study of Mysuru-Bengaluru-Chennai corridor to Vijayawada city of the

Andhra Pradesh. The German side expressed willingness to undertake feasibility study on speed upgradation on the existing Indian Railway network.

### **India's solar sector outlook positive: Report:**

India's solar sector outlook is positive in view of a strong government support for the Renewable Energy sector to achieve the target of 40GW of installed rooftop solar power by 2022 along with high investor interest, says a report of BMI Research. 26GW of solar capacity in the pipeline we expect solar capacity to surge to nearly 53 GW by 2025. This, however, is below government targets, which envisage solar capacity reaching 100GW by 2022 -a target we believe too ambitious, due to the numerous bottlenecks facing the country's renewables expansion, it said. "We note that this growth in solar capacity is not just confined to utility-scale capacity, as India holds vast potential for the expansion of decentralised energy solutions (DES), notably in the form of off-grid and residential solar," it said.

"Inefficiencies in the power grid infrastructure, power supply shortages and the scalability of decentralised technology pave the way for deployment in India - and in fact, the wider Asia region where we have highlighted the growing penetration of DES as a key theme," it added. Within the government's solar roadmap there is a capacity target for rooftop solar-of 40GW by 2022. "We believe the fulfilment of this target will be determined by policy implementation at the state-level, given that governance in the power sector remains very much state-led," it said. "As such, we view the announcement of Madhya Pradesh's decentralised renewable energy support scheme in September as a positive step towards increasing the deployment of rooftop solar in India at the national level. The scheme, which is called 'Smile on Every Roof', aims to install 2.2GW of rooftop solar by 2022 by introducing a net-metering system, which enables consumers to sell excess power generated from household renewable energy systems," it said.

### **Exports revive with 4.6 per cent growth in September 2016:**

Reviving in September, India's exports grew 4.62% year-on year to \$22.8 billion with 18 of the 30 exporting sectors showing growth. This is the second instance of growth this year after June when exports had risen 1.27% after declining for 18 months in a row. With a 2.5% fall in imports to \$31.2 billion, the trade deficit stood at \$8.33 billion. However, export of petroleum goods dipped 1.43% to \$2.55 billion in September while oil imports grew 3.13% to \$6.88 billion. As for services trade, data released by RBI showed 4.7% growth in exports at \$13 billion and an 8% rise in imports at \$8,054 million in August.

### **India to become 3rd largest aviation market by 2026: IATA:**

According to a passenger forecast issued by the International Air Transport Association (IATA), India will become the third largest aviation market in the world by displacing the UK in 2026.

The 20-year forecast also says that China will displace the US as the world's largest aviation market (defined by traffic to, from and within the country) around 2029. India is currently the ninth largest aviation market in the world in terms of passengers. Growth will also increasingly be driven within developing markets. Over the past decade the developing world's share of total passenger traffic has risen from 24% to nearly 40%, and this trend is set to continue, it further said. The aviation body also expects air passengers to double in 2035 to 7.2 billion from 3.8 billion air travelers in 2016.

### **Andhra, Telangana easiest states to do business:**

Andhra Pradesh and Telangana emerged as joint toppers in the ease of doing business, according to the rankings for states released by the Government. Telangana and Andhra ended the closely-contested contest with a score of 98.78 per cent on the 340 parameters that states were ranked on. While Gujarat slipped to third position, Chattisgarh retained its fourth position and was

followed by Madhya Pradesh, Haryana, Jharkhand, Rajasthan, Uttarakhand and Maharashtra. States were classified as leaders in the rankings by the Department of Industrial Policy and Promotion(DIPP) along with the World Bank. Karnataka, Uttar Pradesh, West Bengal and Bihar were classified as "aspiring leaders", while Himachal, Tamil Nadu and Delhi were identified as states where acceleration is required.

### **Lufthansa flies its flagship aircraft the B747-8 to Mumbai:**

With an increase in demand for business and first class seats out of Mumbai, Lufthansa will operate its flagship aircraft, the Boeing 747-800, to Mumbai during the current winter schedule. On the Mumbai - Frankfurt route, the Boeing 747-8 has been configured to seat 364 passengers: eight in first class, 80 in business class, 32 in premium economy and 244 in economy class. The airline currently operates the Boeing 747-8 on its Bengaluru - Frankfurt route. According to the airline, it operates a

total of 19 aircraft of this type, and is therefore be the world's largest operator of 747-8s among passenger airlines.

### **India will be home to 10,500 start-ups by 2020 : Nasscom:**

India has emerged as the third largest startup base and such ventures are poised to grow 2.2 times to reach 10,500 by 2020 , according to a report by NASSCOM- ZINNOV. India is in the third position just behind US and UK, and nearly 1,400 new start-ups are expected by end of 2016, up by 8-10 per cent from last year, revealed the report titled "Indian Startup Ecosystem Maturing - 2016". The report also finds that Bengaluru, NCR, and Mumbai continue to lead as the major start-up hubs in the country. In terms of vertical growth, investors are looking at domains like Health-tech, Fin-tech, and Edu-tech. According to the report, India will become home to over 10,500 start-ups by 2020, employing over 2,10,000 people. It added that there is a 40 percent increase in the number of active incubators and accelerators in 2016 with impetus from government and corporates.

Over 30 new academic incubators have been established under the government's 'Start-up India Stand-up India' initiative this year with 66 percent of the new incubators being established in tier-II/III cities.

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