Daily Economic News Summary: 07 December 2017

1. Importers of food, cosmetics to get refund on excess GST

Source: The Economic Times (Link)

Unsold inventory of imported chocolates, confectionery and cosmetics, which attracted 28% Integrated Goods & Services Tax (GST) during inbound shipments but are now retailing with an 18% levy, can claim refunds on the excess tax paid. "We have told importers that if they have imported goods at 28% and are selling them at 18%, they can claim a refund," a senior official at the Central Board of Excise and Customs (CBEC) said. "They will, however, have to submit proof. We understand they have issues related to stickers." All imports face customs duty and IGST (CGST+SGST), unless specifically exempted. Last month, the GST Council had slashed tax slabs on 178 products, including chocolates, confectionery, deodorants and shampoo, from 28% to 18%. Almost all Indian firms have dropped prices in relevant categories after the cut.

2 RBI's monetary policy review shows gentle art of letting it be

Source: The Economic Times (Link)

Monetary policy review of 06.12.2017, expectedly, saw RBI staying put with the policy repo rate at 6%. It marks a pause in a slide that started in 2015, when it was 8%. It mirrors the sobering of inflation from its heady heights of 10% levels in 2013-14 to levels close to 4% now. Many a times, people's expectations from RBI pendulate between extremes. At one end, there is a dangerous tendency to think that RBI is somehow obliged to keep boosting growth, and that low interest rates can be magically pulled out from the hat, just like GoI introduces sops in Budgets.

3. India opposes call for advance notice to WTO on food export restrictions

Source: The Economic Times (Link)

India has opposed a proposal that requires countries to notify well in advance any restriction they may impose on exports of food products, saying the move is not practical and undermines the very intent of imposing export restrictions. India has at times banned exports of food items to keep prices in check when there is shortage in the domestic market. The proposal by Singapore has been made just ahead of the crucial WTO ministerial meeting from December 10-13 in Buenos Aires. "We can't notify of any export restriction in advance," a person privy to the development said. "Advance notification undermines the very purpose of such an instrument especially at times of a goods crisis." Japan and Israel, too, have demanded an advance notice of 30 days and reasons from those who impose export restraints. India has also imposed minimum export price mostly on essential commodities like onion, wheat, rice, potato and edible oils in the past to discourage exports and augment domestic availability.

4. RBI holds policy rates, stance remains neutral

Source: The Economic Times (Link)

The Reserve Bank of India kept interest rates unchanged, citing pressure on prices, and bumped up inflation forecast for the rest of the fiscal year marginally, signalling that they may remain on hold next year too as there's sufficient cushion before either shifting stance or embarking on a tightening cycle. Inflationary pressures could build up from a variety of factors — a possible slide in the fiscal position, rising crude oil prices or disturbances in the global financial markets when the Federal Reserve unwinds easy liquidity, as credit growth begins to gain momentum in the domestic market. The central bank also warned state-run banks that capital infusions recently announced by the government would be based strictly on merit — lenders won't get money unless they clean up their act. RBI governor Urjit Patel said a principle of “reform and recapitalisation” would be followed to ensure that mistakes of the past are not repeated.

5. Industry seeks lower corporate tax rates

Source: The Economic Times (Link)

Industry bodies have pitched for a reduction in the corporate tax rate and more incentives for attracting fresh investments at the pre-Budget meeting convened by finance minister Arun Jaitley. They have suggested lowering corporate tax to 18-25% from up to 30% at present. “The finance minister has promised 25% corporate tax rate long back and we expect that he will fulfil his promise in this Budget,” Ficci president Pankaj Patel said. “Across the world, people are reducing corporate taxes and India has among the highest rates. We do need to create more demand and capacities for private investment and if you see today, GST has increased the tax rates,” CII president Shobhana Kamineni said.

6. Reliance Infrastructure wins Rs 5,000-crore contracts for projects in Bangladesh

Source: The Economic Times (Link)

Anil Ambani-led Reliance Infrastructure Ltd today said it has bagged contracts worth Rs 5,000 crore in Bangladesh which includes setting up of the entire infrastructure for a 750 MW LNG-based combined cycle power plant. The company won the projects on international competitive bidding, Reliance Infrastructure (RInfra) said in a statement. "The first EPC contract includes setting up the entire infrastructure of a 750 MW LNG-based combined cycle power plant at Meghnaghat (Dhaka) while the second is for building a 500 MMSCFD floating storage re-gasification unit based integrated LNG terminal project at Kutubdia Island, both in Bangladesh," the statement said.

7. RBI warns of fiscal slippage, inflation

The Economic Times (Link)

Sounding a note of caution, the Reserve Bank today said reduction in GST rates, partial roll- back of duties on petroleum products and farm loan waivers by some states may lead to "fiscal slippage" fuelling inflation. Releasing the Fifth Bi-Monthly Monetary Policy statement for 2017-18, it also raised th e inflation forecast marginally to 4.3-4.7 per cent for the second half of the fiscal from earlier estimate of 4.2-4.6 per cent. "...implementation of farm loan waivers by select states, partial roll back of excise duty and VAT in the case of petroleum products, and decrease in revenue on account of reduction in GST rates for several goods and services may result in fiscal slippage with attendant implications for inflation," it said.

8. RBI retains economic growth projection at 6.7% for FY'18

Source: The Economic Times (Link)

The Reserve Bank today retained economic growth projection for 2017-18 at 6.7 per cent saying that the risks are evenly balanced. In its Fifth Bi-monthly Monetary Policy Statement, 2017- 18, RBI said that the second quarter growth was lower than the one that was projected in the October review, and the recent increase in oil prices may have a negative impact on margins of firms and Gross Value Added (GVA) growth. "The projection of real GVA growth for 2017-18 of the October resolution at 6.7 per cent has been retained, with risks evenly balanced," the central bank said. It said shortfalls in kharif production and rabi sowing pose downside risks to the outlook for agriculture. On the positive side, RBI said there has been some pick up in credit growth in recent months.

9. First package of Samruddhi Corridor gets green clearance

Source: The Indian Express (Link)

AN expert panel of the Ministry of Environment and Forests (MoEF) has granted environment clearance for the development of package III of the Nagpur-Mumbai Super Communication Expressway “Samruddhi Corridor”. The package III involves a section from Nhava village in Jalna district to Surala village in Vaijapur taluka in Aurangabad district and its length is 155 km. This is the first environmental clearance granted by the MoEF for one package out of total five packages of the Expressway. According to the Maharashtra State Road Development Corporation (MSRDC), there are five packages of the Nagpur-Mumbai Expressway with a length of 700 km. The expert panel had given in-principle approval in September, but had sought more details of the project, said an official. The estimated cost of the entire project is Rs 46,000 crore.

10. Philippines' idea to raise import duties to protect farm products to aid India's cause in WTO

Source: The Economic Times (Link)

In a move that will further India's cause to protect farm products such as apples and poultry from sudden import surges or price falls, the Philippines has proposed a tool that will allow developing countries to raise duties of certain products to deal with such volatile situations. Called special safeguard provisions, this trade remedy tool would be used to mitigate price volatility risks and balance distortions in agricultural trade. It is important for India as the capped tariffs of some agricultural products such as apples and chicken legs are not high enough to protect domestic farmers.