

Daily Economic News Summary: 11 September 2017

1. Riding on big projects, Shinzo Abe looks to boost ties with India

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

With an eye on widening economic ties and making India a hub of Japanese investments, Prime Minister Shinzo Abe will launch mega initiatives including Suzuki Motor Corporation's car factory and a second industrial park and lay the foundation stone for a lithium-ion battery plant during his three-day visit to Gujarat starting September 13. Strengthening economic and strategic tie-up is the primary goal of Abe's upcoming visit to India for the annual bilateral summit. It will pave the way for Japan International Cooperation Agency-sponsored manufacturing projects in Gujarat, Karnataka, Tamil Nadu and Rajasthan under 'Make in India' initiative. Japanese investments in India surged 80% to \$4.7 billion in 2016-17 from \$2.6 billion in 2015-16, flowing into diverse sectors such as retail, textiles, consumer durables, food & beverage and banking. The focus is now on fast-tracking 12 industrial parks in several Indian states and contributing to the economic corridors that Japan plans to build here. At present, Japan is the third-biggest investor in India, with cumulative funding of \$25.67 billion from 2000 to 2017, constituting 8% of foreign investments in India during this period. Gujarat is at the forefront of Japanese investments, with inflows increasing 50% to \$3.36 billion in 2016-17 from \$2.24 billion in 2015-16

2. Trade deficit may improve to \$10.3 billion in August: Morgan Stanley

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

India's trade deficit is expected to improve in August to about USD 10.3 billion from USD 11.5 billion in July, largely on moderation in export as well as import growth, says a Morgan Stanley report. According to the global financial services major, the moderation, on a year-on-year basis, is likely owing to higher oil prices and unfavourable base effects. "We estimate a moderation of export growth to 3.4 per cent year-on-year in August from 3.9 per cent in July and imports of 11.3 per cent in August from 15.4 per cent in July," Morgan Stanley said in a research note. The report noted that gold imports are also likely to have remained strong in August at around 61 tonnes (USD 2.5 billion), though lower than the pre-GST levels of about 130 tonnes (USD 5.4 billion). Besides, non-oil non-gold imports, which is a proxy for domestic demand, is expected to continue to post strong growth.

According to official data, India's trade deficit stood at USD 11.44 billion in July from USD 7.76 billion in the year ago period.

3. India's consumption story in trouble as consumer confidence falls: RBI poll

Source: Financial Express ([Link](#))

Consumer confidence has fallen to levels seen three years ago, just before the Modi government came to power, according to the latest Reserve Bank of India ([RBI](#)) survey. The Current Situation Index fell to 96.8 in June from 100 in May, slipping into the pessimistic zone with sentiment showing deterioration across all parameters. While the sentiment in urban India has been subdued for some time now, the mood in the hinterland too is beginning to turn somewhat sour. The sharp fall in food prices has lowered nominal realisations for farmers leading to a smaller rise in nominal incomes. This is reflected in the collapse of the growth in nominal agri GVA to 0.3% year-on-year in Q1FY18, compared with 7.9% in Q4FY17. “The adverse impact of lower food prices on rural incomes is weighing on growth — agriculture value addition and rural consumption, says Sonal Varma, chief economist at Nomura. The smaller farm incomes, experts say, could dampen the mood in the hinterland even as sowing for the kharif (rice) crop this time around, at 1,028.14 lakh hectares, is slightly lower than last year's levels. Economists predict a growth in agriculture this year of 3% at best on the high base of 4.9% in 2016-17.

4. Finance Ministry to initiate work on India's first post GST Union Budget 2018-19 next week

Source: Financial Express ([Link](#))

Work on India's first post-GST Union Budget 2018-19 will start next week with the finance ministry issuing timelines for different processes that will culminate with its presentation in February. It may also be the current government's last full-fledged Budget as general elections are due in 2019. Even though independent India's biggest tax reform of GST was implemented from July 1, the Budget for 2017-18 (April- March), had followed the practice of tax revenue projections under the heads of customs duty, central excise and service tax alongside direct tax numbers. With excise duty and service tax being subsumed in the Goods and Services Tax (GST), the classifications will undergo change, an official said. While a new classification for revenues to be accrued from GST will be included in the Budget for next fiscal, for the current year two sets of accounting may be presented — one for actual accruals during April-June for excise, customs and service tax, and the other for

July-March period for GST and customs duty. The official said that since the GST rates are decided by a GST Council, headed by Union Finance Minister and comprising of representatives of all states, the Budget for 2018-19 will not have any tax proposals concerning excise and service tax levies.

5. Demonitisation, GST fostered trademark protection awareness in India

Source: Business Standard ([Link](#))

While the jury is still out on the effects of demonetisation and Goods and Services Tax (GST) on the Indian economy, the two steps seem to have fostered awareness about the protection of trademark and intellectual property (IP) by businesses. Since, demonetisation and GST are intended to move the domestic economy from cash to digital and formal ecology, Indian business establishments are now realising the long term benefits accruing from protecting their trademarks, brands and IP, deputy registrar Trademarks and Geographical Indication (GI) R A Tiwari told...Tiwari claimed the 'acceptance rate' of trademarks being filed has improved from 5-7 per cent earlier to 35-40 per cent now. Acceptance rate refers to the approval of trademark applications by the Trademarks and GI office...At the same time, trademark applications were also being filed even from smaller towns in Odisha, Andhra Pradesh, Karnataka and Jharkhand, among other states.

6. GST not responsible for free fall in GDP numbers: SBI Report

Source: Business Standard ([Link](#))

India's GDP growth was expected to decline in the first quarter of the current fiscal but the "free fall" in the numbers shows that the problem is more structural than transient, says a report. India's economic growth slipped to a three-year low of 5.7 per cent in April-June, underscoring the disruptions caused by uncertainty related to the GST rollout amid slowdown in manufacturing activities. According to the report, the negative impact of the Goods and Services Tax (GST) on growth has been "majorly emphasised"...The report, which analysed data of 1,695 listed firms, noted that there is significant destocking in both in consumer and investment intensive sectors in 2016-17, implying that "there was general slowdown amidst which companies have been running down the existing inventory".

7. New Telecom Policy ensure Internet access for 1.3 billion Indian

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

The New Telecom Policy, expected by March 2018, will focus on providing affordable internet access to 1.3 billion Indians and facilitate domestic manufacturing to curb dependence on imports. Telecom minister Manoj Sinha told...the call drop situation has improved and competition will ensure quality services at affordable rates. “Internet to all will be the basic principle and to give a boost to telecom manufacturing would be a key factor of the new telecom policy,” Sinha said. The government’s ambitious Digital India umbrella programme, with an initial outlay of Rs 1.13 lakh crore, hinges on data connectivity and aims to bring 100% tele-density, high-speed internet highways and delivery of citizen-centric services electronically. The new telecom policy will address sector issues and make them future-proof with the onset of disruptive technologies such as fifth-generation (5G) and artificial intelligence (AI).

8. Auto industry gears up for government’s EV push

Source: The Hindu: Business Line ([Link](#))

India's aggressive push to electrify all new vehicles by 2030 is compelling auto part manufacturers and carmakers to draw up early plans for electrification, company executives said. A new auto policy is in the works and will include a roadmap for electric vehicles, a government official said, adding that this is likely to be made public before year-end. Engine-maker Cummins India is investing in research on electric mobility solutions for India, while Hyundai Motor Co has begun talks with some of its suppliers for components for electric cars, company executives said. Ashok Leyland, which launched an electric bus last year, has partnered with Indian start-up SUN Mobility to develop battery-swapping technology for cars, buses and trucks. “This is going to be a major challenge but it is one we have to embrace and not duck,” Anant Talaulicar, managing director, Cummins India said...Electric vehicles are expensive due to the high cost of batteries which are still not manufactured in India, and carmakers say a lack of charging stations could make the whole proposition unviable. But the government is determined to push ahead...In May India's leading think-tank laid out a 15-year roadmap for electrifying all new vehicles in the country by limiting registration of petrol and diesel cars while giving incentives and subsidies on sales of electric cars. Electric car sales in India, one of the world's fastest-growing car markets, are negligible compared with annual sales of over 3 million petrol and diesel cars last fiscal year, according to industry data.

9. IT Dept to snoop on social media sites to trace black money

Source: The Hindu: Business Line ([Link](#))

'Project Insight', likely to be launched next month, will use big data analytics to match information from social media sites to deduce mismatches between spending pattern and income declaration. The tax department will analyse mismatches in income declarations and spending patterns to trace tax evasions and black money, an official said. The government has also made linking of PAN with Aadhaar mandatory to get a 360 degree view of a person's income and assets. The tax department had last year signed a pact with L&T Infotech for implementation of Project Insight, which is designed to strengthen the non-intrusive information driven approach for improving tax compliance. "Currently beta testing is on and the integrated platform for Project Insight should be launched by next month,"...Project Insight has been initiated by the income tax department for data mining, collection, collation and processing of such information for effective risk management with a view to widen and deepen the tax base. It will help the taxmen monitor high value transactions, and curb the circulation of black money. This is part of the steps the government has taken to unearth and tax undeclared or illegal wealth. The steps include launch of 'Operation Clean Money' after demonetisation of old higher denomination currency for collection, collation and analysis of information on cash transactions, extensive use of information technology and data analytics tools for identification of high risk cases, expeditious e-verification of suspect cases and enforcement actions.

10. GST cess hike on cars from today: Luxury, large cars, SUVs get expensive

Source: Business Standard ([Link](#))

The increased Goods and Services (GST) cess on mid- sized, luxury and SUV cars will come into effect on Monday. The GST Council on September 9 decided to hike cess on mid-sized cars by 2 per cent, taking the effective GST rate to 45 per cent. Also, cess on large cars has been hiked by 5 per cent, taking the total GST incidence to 48 per cent while that of SUVs by 7 per cent to 50 per cent...Cess on small petrol and diesel cars, hybrid cars and those carrying up to 13 passengers has not been hiked. Car prices had dropped by up to Rs 3 lakh as the tax rates fixed under the GST, which came into effect from July 1, were lower than the combined central and state taxes in pre-GST days...Under the GST regime, cars attract the highest tax slab of 28 per cent and on top of that, a cess is levied. An ordinance was promulgated last week to hike the cess from 15 per cent to up to

25 per cent...The companies said the constant changes in rates could lead to market instability and affect demand growth trends, expressing disappointment that the Council's decision "totally overlooked" their contribution to the industry and the economy...The council, however, kept rates on small cars and hybrid vehicles unchanged, which were approved when GST was implemented in July.

11. India is a ‘dynamic’ gaming market: Lenovo APAC head

Source: The Hindu: Business Line ([Link](#))

Chinese technology giant Lenovo has said India is a “dynamic” market as a sizeable population has very high-end requirements for gaming products. “India’s population is so big you do not need many people to get into gaming to become a sizeable market. That is why we also picked India as a focus market in terms of gaming. There is a sizeable population that is really into gaming,” Ken Wong, President Asia Pacific & Senior Vice-President at Lenovo Group, told PTI in an interview during the IFA 2017 event here. That is why there was a recent launch of the Legion brand gaming PC in India, he said...Wong said the reason is not about gaming as such but it is about the economics of gaming. “Imagine the technology involved, the coding, which I think is a very strong part of India. Software development, coding is the number one pillar that I can think of as a strength of India. Events like Asian games are very important revenue streams,” Wong said.

12. Nissan says willing to partner with Indian govt in its push for electric vehicles

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

Japanese automaker Nissan Motor Co is willing to partner with the Indian government in its push for electric vehicles in the country, executive vice-president Daniele Schillaci has said. Schillaci, executive VP, global marketing and sales, said Nissan is already working on a long-term plan for India, which will be unveiled soon. As part of the broader process, the Japanese automobile major launched its new Leaf electric vehicle (EV) on 6 September, which will go on sale in Japan from 2 October and in Canada and the US from January next year. “Government of India has made a huge statement, it wants that only electric cars should be operating by 2030... In the auto industry, 10 years is just a long term and so clearly, we would like Nissan to be in India and we are working on that,” Schillaci said. He hailed the government’s incentives as “a good way” to accelerate acceptance of electric vehicles in the market. Schillaci’s remarks come at a time when union transport minister Nitin Gadkari has asked automobile manufacturers in the country to go for eco-friendly alternative

fuels, else he would “bulldoze” them. Noting that electric cars, buses, taxis are the future and India should move forward in this direction, the minister had also said a cabinet note on electric vehicles was ready that would take care of charging stations. Government think-tank Niti Aayog also in a recent report had estimated that accelerated adoption of electric and shared vehicles could save \$60 billion in diesel and petrol costs by 2030.