

Daily Economic News Summary: 12 June 2017

1. Demonitisation effect may continue to result in economic slowdown: SBI

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

Country's largest lender SBI has expressed apprehensions that demonetisation may continue to result in slowing down of the economy, and adversely affect its business. The government had discontinued Rs 500 and Rs 1,000 banknotes from November 9, 2016 and issued new Rs 500 and Rs 2,000 currency notes in exchange for the discontinued ones. The long-term impact of this move on the Indian economy and the banking sector is uncertain, SBI told institutional investors prior to its Rs 15,000 crore share sale through private placement. The effects of India's recent demonetisation decision are uncertain, which may adversely affect the bank's business, results of operations and financial condition, the bank said in the Preliminary Placement Document to investors while flagging the 'risk factors'. "The demonetisation has and may continue to result in a slowing down of the Indian economy, which may adversely affect the Bank's business," it said.

2. India flags error in World Bank's Ease of Doing Business report

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

India has written to the World Bank pointing out factual errors in its assessment of the country's current laws in last year's Ease of Doing Business report. Contrary to expectations of a big improvement, India saw only a one position rise in its last ranking — to 130 out of 190 countries. India wants to break into the top 50. In an early June communication to the World Bank, the Department of Industrial Policy and Promotion (DIPP) highlighted changes to the legal framework regarding enforcement of contracts not taken into consideration in the report. "We have communicated to them certain factual errors in their assessment," a government official aware of the matter told ET. The communication is part of the assessment process, but India decided to break away from the practice of yes-and-no answers to explain its viewpoint. The rankings are based on 10 parameters that include ease of doing business, permits and ease of getting electricity, among others. India was ranked a low 172 among 190 on enforcing contracts. The government has cited provisions in the existing legal framework that deal effectively with the issue. The government has in the past three years taken a host of measures to make it easier to do business in

the country, including a single company registration window for all clearances, including allotment of permanent account number and tax identification number.

3. Chinese cast a shadow on Indo-Pak trade prospects: Akbar Zaidi

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

Pakistan's political economist Prof S Akbar Zaidi today said the growing dependence on Chinese investment in Pakistan had cast a shadow on Indo-Pak trade prospects. "Currently, the official bilateral trade is stuck at around USD 2.1 billion and I don't see it going to double in the next five years when Pakistan thinks China is the best friend," Zaidi said on the sidelines of his lecture at the Bengal Chamber here. He believed that the prospect for Indo-Pak bilateral trade was of USD 10 billion. "With Pakistan treating China as its best friend and putting all eggs in one basket which is unfortunate, I don't see trade is going up" Zaidi said. He indicated that as US cutting aids since the last few years and China's aggressive investment plans in Pakistan, his country was moving close toward the dragon country. He said though official trade with India was about USD 2.1 billion, unofficial and via third country it was about USD four billion, Zaidi said.

4. India on track to become top global steel producer: Report

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

India as a steel bright spot is highly encouraging and is on track to become a top global producer, says an industry body. According to the latest report from BMI Research, demand from construction, automotive and infrastructure industries continues to accelerate. The report has put down the sector's success to the government's push to raise capacity in order to meet demand from construction, automotive and infra sectors, said the Steel Users Federation of India (SUFI) in a statement today. SUFI President Nikunj Turakhia said, "In recent years, the Indian steel industry has showcased a progressive output trend y-o-y." Being recognised as a "bright spot" is highly encouraging as well as a large responsibility at the same time, he said, adding that with the introduction new steel and anti-dumping policies, India is on the path to become one of the top steel producers. The report highlighted that Indian steel giant such as Steel Authority of India Ltd (SAIL) and Tata Steel as the major drivers of such growth. BMI Research has forecast India's steel output to clock an average annual growth of 8.9% during 2017-21, higher than 2.9% in 2012-16.

5. In Narendra Modi government's first bullet train project, Railways to roll-out E5 Shinkansen trains on upcoming Mumbai-Ahemdabad corridor; check features
Source: Financial Express ([Link](#))

Indian Railways passengers can look forward to an entirely new kind of toilet system — urinals, western style toilets with hot water and washing closet seat facility and separate washrooms for men and women equipped with triple mirrors for make-up. The E5 Shinkansen series bullet trains to be pressed into service on the upcoming Mumbai-Ahmedabad high speed corridor will also have baby changing rooms comprising baby toilet seats, tables for diaper disposal and a low sink for children for washing hands. Railways is gearing up to acquire 25 E5 Shinkansen series bullet trains from Japan at an estimated cost of Rs 5,000 crore for the Narendra Modi government's first bullet train project. The 731-seater E5 series Shinkansen bullet train, a new generation Japanese high speed train, will also have multi- purpose room to be used for breast feeding and also for sick passengers. Besides, there will be two extra-spacious toilets for wheelchair-bound passengers in the 10-coach high speed train. Facilities of separate rest rooms and toilets for men and women while introducing wall mounted type urinals for men in the high speed train are in the offing for the first time in Indian Railways, said a senior Railway Ministry official involved with the Rs 1 lakh crore bullet train project.

6. UK election outcome to increase risks for India Inc: Assocham
Source: The Economic Times ([Link](#))

The result of UK election, which threw up a hung Parliament with the ruling Conservative party failing to muster a simple majority, will add to geopolitical uncertainty and increase risks for global businesses including India Inc, industry body Assocham said today. "Prime Minister Theresa May losing majority for her Conservative party in British Parliament, just days ahead of the scheduled negotiations on the Brexit with the European Union would mean more uncertainties for a host of sectors like financial services, visa policies, trade and services like IT. "Besides, there would be volatility in the foreign exchange markets in the short term, at least," said Assocham Secretary General D S Rawat. He said if one adds the outcome of the UK election to what is happening in the US and the impact being felt on the Indian businesses, mainly IT and geo-political, uncertainties are on the higher side.

7. Bigger role for India to keep world market open: CEA Subramanian

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

Chief economic adviser Arvind Subramanian said on Thursday that India now has a bigger role in ensuring that world markets remained open amid concerns over growing protectionism. He said India witnessed fastest growth during the period when exports were the highest. “I think, we in India have now a much bigger role in ensuring that world markets remain open... At the very least, any reversal of globalisation is something that we should be very anxious about because if we want 8-10% growth, I think we need open markets,” Subramanian said at an event organised by the Indian Council for Research on International Economic Relations. The biggest beneficiaries of the open market policy, or globalisation, has been middle-income countries and the continuation of this is in their interest, he said. Protectionism has gained currency after Donald Trump became the US President and the UK decided to exit the European Union. The Trump administration has indicated that it would take a relook at trade agreements with countries from where the US buys more than it sells, including China, Japan, South Korea and Germany. Subramanian said India could take more steps to attract foreign direct investment. "We have done a lot on FDI and other areas; I think we need to do more," he said.

8. India drags US to World Trade Organisation for not complying verdict on steel duty

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

India has moved World Trade Organisation against the US as it has not yet complied with the rulings of the multi-lateral body related to imposition of high import duty on certain Indian steel products. In December 2014, the World Trade Organisation (WTO) had ruled against the US imposing high duty on imports of certain Indian steel products. The WTO’s appellate body had ruled that the high duty imposed by the US on the certain Indian steel imports was ‘inconsistent’ with various provisions of the Agreement on Subsidies and Countervailing Measures. “India has requested WTO dispute consultations with the US to address US compliance with an earlier WTO ruling concerning US countervailing duties on imports of carbon steel products from India,” the WTO said in a statement. A government official said that India has sought consultation with the US for compliance of the WTO’s rulings. If the issue would not be resolved, then India will approach the WTO’s compliance panel, the official added. The US will have to amend its domestic

norms to comply with the WTO's verdict on countervailing duties on imports of hot-rolled carbon steel products from India.

9. EU grants euros 3.5 million for Indo-French sustainable development project

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

India, France and the European Union have joined hands as part of a global sustainable development project, which will seek to transform three major Indian cities by improving urban mobility and cutting down carbon footprint. India's Department of Economic Affairs (DEA) and French Development Agency (AFD), today signed a Grant Facility Agreement of 3.5 million euros, to be financed by the European Union under its Asia Investment Facility (AIF), for implementing the 'MobiliseYourCity' initiative. The three cities that will benefit from the project are — Nagpur, Kochi and Ahmedabad. MobiliseYourCity (MYC) is part of an international initiative supported by the French and the German governments. It was launched at Paris' 21st Conference of Parties (COP21) in December 2015. The project seeks to back 100 cities worldwide by 2020, which are engaged in sustainable urban mobility planning to reduce greenhouse gas emissions. "The EU grant component will ensure the sustainability of infrastructure investments by the Agence Francaise du Development (AFD). Our funding will support strategic planning, capacity building, and the design of monitoring mechanisms. "It will contribute to the Indian agenda on urban transport and climate change also by attracting the Indian industries, engineering companies and private finance institutions to invest on transport infrastructure," Ambassador of the European Union to India Tomasz Kozlowski said at a signing function here.

10. Highway construction: Narendra Modi government boosts road building into higher trajectory at 30 km/day

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

After the gradual increase in highway construction in the initial two years of the Narendra Modi government, it seems to have entered a higher growth trajectory in recent months: as against 22.3 km per day in the last financial year, the pace of building highways has accelerated to 30 Km/day-mark in May, 2017. Sources said with several projects awarded in the last few years

having reached the construction phase now and their “better monitoring” by the ministry of road transport and highways (MoRTH) and NHAI, the construction would gather further pace in June and subsequent months. The average construction in the first two months of the current fiscal at 26.6 km/day, is much higher than the 19.26 km/day clocked in the same period last fiscal. It, however, still falls short of the ministry’s ambitious 41 km/day target for the entire 2017-18 fiscal. Of course, most of the projects being constructed are through the EPC route where the funding is by the government. Although pure PPP (build operate transfer) projects are hard to come by, speaking at the Indian Express Group’s Idea Exchange programme, roads and highways minister Nitin Gadkari has said hybrid annuity model – which involves minimal risk to the private developer- is fast becoming a success with a large number of such projects reaching financial closure. MoRTH sources said a total of 1,627 Km highways have been built in the first two months of this fiscal : 1,176 Km by MoRTH and state PWDs, 435 Km by NHAI and the balance 16 km by and National Highways and Infrastructure Development Corporation (NHIDCL). MoRTH had built 792 Km and NHAI 383 Km during the same period last year, taking the total to 1,175 Km.

11. Why Modi’s Make in India is a flop

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

No large country can become rich without manufacturing the goods that are consumed or demanded by its people. Most services—especially the basic, low technology and low value-added services—will anyway be produced within the country. A country will move up the ladder of prosperity if it can manufacture the goods and produce the services required by its people and also export a considerable part of those goods and services. Prime Minister Narendra Modi was therefore absolutely right when he stated that his government’s goal was to give the highest priority to ‘Make in India’ and called upon the world’s manufacturing companies to “Come and make in India”. The share of manufacturing in India’s GDP is about 16.5%. Agriculture has declined steeply and the Services sector has risen sharply but, notwithstanding the changes in the shares of the two sectors, manufacturing has gained ground. 70% of manufacturing units are in the private sector and about one-third of those are with the quasi-corporate and unorganised entities. Manufacturing’s share of GDP has risen steadily from 9.8% in the 1950s to about 16.2% in the 2010s. Mr Modi promised a further boost to manufacturing. To make a product and capture a significant market share is not an easy task. There may already be one or more persons making the

same product. It may be imported too. To make the product, the intending manufacturer must make it better or cheaper or reach it to the consumer sooner or be able to offer something which makes his product more attractive to the consumer. It is here we face the hurdle of 'factor costs'. Land, labour, electricity, technology, transport, cost of capital, cost of borrowing, and many others are factor costs. Unless some or all factor costs are favourable, no one will embark upon manufacturing...The eight leading job-creating industries created only 109,000 jobs during the period April-September 2016. That is a sign of stagnation. Data on electricity demand point to the same conclusion. The average Plant Load Factor of thermal plants is about 60% reflecting poor demand for electricity. I had welcomed 'Make in India'. It was innovative and aspirational. Unfortunately, it appears that there was little homework done before and practically no policy support after. 'Make in India' has turned into a hollow slogan.

12. Anti-profiteering turns out to be weighty issues for FMCG companies

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

...Under anti-profiteering rules of GST, any company or vendor whose profits jump due to the new tax regime must pass on the benefits to consumers. So, companies are adopting this temporary measure and would bring the prices back to where they were after GST. Many FMCG companies, which think their profits might surge due to changes in taxation and new credit mechanisms under GST, are trying to prop up profits now so that after July 1 they can claim that the jump is not due to new taxation. Contract manufacturers of FMCG companies, company insiders, tax experts and government officials say FMCG companies are adopting two-three strategies to protect themselves against anti-profiteering laws. One is reducing weight of the products. In this case, a company might change the weight of a shampoo bottle from 180 gram to 175 gram, though its maximum retail price will remain unchanged...In the second method, some companies are asking their contract manufacturers to increase their price to company, citing jump in input costs...The third way the companies are going about this is by tweaking formulas of their products. Most of the companies, including HUL, P&G and Marico, have increased their prices across most categories in the past couple of months or are looking to do so this month. These companies, however, attribute the price rise to inflation and an increase in input costs.

13. GDP slowdown? India's oil demand rises most since November's demonitisation

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

India's oil demand bounced back in May, led by the highest growth in gasoline consumption in nine months and the fastest increase in diesel usage since November. Total fuel consumption rose 5.4 percent to 17.79 million tons in May, the most in six months, according to the Oil Ministry's Petroleum Planning and Analysis Cell. Demand for diesel, which accounts for about 40 percent of total sales, expanded 8 percent to 7.5 million tons. Gasoline offtake climbed 15 percent to 2.4 million tons, the fastest since August. Oil consumption plunged 5.9 percent in January, the most in 13 years, after Prime Minister Narendra Modi's shock clampdown on high-value currency notes in November. Demand fell 3.1 percent in February and 0.7 percent in March before rebounding in April. "Fuel demand, unusually subdued in the last quarter of the fiscal due to demonetization, seems to be coming back to normal levels," said K. Ravichandran, senior vice president and group head, corporate ratings at credit assessor ICRA Ltd. "Passenger vehicle sales continue to be good and that explains the recovery." The International Energy Agency, which expects India to be the fastest-growing oil consumer through 2040, trimmed the country's demand growth estimate for 2017 by about 15 percent last month following demonetization.