

Daily Economic News Summary: 13 July 2017

1. India modernizing nuclear arsenal with eye on China, says US experts

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

India continues to modernise its atomic arsenal with an eye on China and the country's nuclear strategy which traditionally focused on Pakistan now appears to place increased emphasis on the Communist giant, two top American nuclear experts have said. An article published in the July-August issue of the digital journal- After Midnight has also claimed that India is now developing a missile which can target all of China from its bases in South India. India is estimated to have produced enough plutonium for 150–200 nuclear warheads but has likely produced only 120–130, wrote Hans M Kristensen and Robert S Norris in the article-“Indian nuclear forces 2017”.India's nuclear strategy, which has traditionally focused on Pakistan, now appears to place increased emphasis on China, the two experts claimed. While India has traditionally been focused on deterring Pakistan, its nuclear modernisation indicates that it is putting increased emphasis on its future strategic relationship with China,” ... The development program is in a dynamic phase, with long-range land- and sea-based missiles emerging for possible deployment within the next decade,” it said.

2. India-Israel CEOs Forum fortifies defence agreement

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

The first India-Israel CEOs Forum, recently held at Tel Aviv, has brought to the fore 12 strategic defence agreements related to radars, anti-ship missiles, air defence systems, as well as UAVs. While major corporates such as Kalyani Group, Mahindra Aerospace, Dynamatic Technologies and Elcom took the lead inking agreements to manufacture an expanded range of niche technology products for the military, smaller firms like Alpha Design Technologies, a direct supplier of defence equipment to the armed forces, and Garware Wall Ropes, a technical textile manufacturer, were also in the fray...The 12 agreements announced last week will propel the Make In India programme for defence companies. Sources said the previous reciprocal State visit by Israeli President Reuven Rivlin to India following that of President Pranab Mukherjee's visit to Israel last year, had laid the seeds towards strengthening economic ties between the two countries...Israel has been supplying India with various weapons systems, missiles and unmanned aerial vehicles for several years now. However, acquiring additional weapon systems from Israel has been a subject matter of discussions between both nations.

3. China must promote economic zones around India: Chinese daily

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

China must pursue economic integration with countries like Bangladesh to promote "a string of active economic development zones surrounding India", a Chinese newspaper has reported. "China should keep a close eye on economic cooperation with some South Asian countries like Bangladesh to promote economic integration," a report in the state-run Global Times said on Tuesday. "This could promote the formation of a string of active economic development zones surrounding India, which would not be a bad thing if it could place pressure on New Delhi to deepen its economic cooperation with neighbouring countries." The daily added that hopefully India could make a greater contribution to improving infrastructure in Myanmar under the framework of the Bangladesh-China-India-Myanmar Economic Corridor.

4. India ready to forge 'ambitious' trading relations with UK: Theresa May

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

India is among the countries ready to forge an "ambitious" new trading relationship with the UK after Britain leaves the European Union (EU), Prime Minister Theresa May has told the Parliament. In a statement in the House of Commons on the recently concluded G20 summit in Hamburg, May said that her meeting with Prime Minister Narendra Modi involved discussions on a wide range of issues, including tackling modern day slavery. "At this summit, I held a number of meetings with other world leaders, all of whom made clear their strong desire to forge ambitious new bilateral trading relationships with the UK after Brexit. This included America, Japan, China and India," May said in her statement on Monday.

5. Narendra Modi government plans big infrastructure push in Northeast, to spend Rs 2 lakhs cr on roads, says Nitin Gadkari

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

Determined to boost the highway connectivity in the largely neglected north-east region, the Narendra Modi-led government hopes to spend a total of Rs 2 lakh crore in its tenure till 2019 for this, road transport and highways minister Nitin Gadkari said on Wednesday. "The North-East is a priority for us. In the North-East and Assam, our target is to start projects of at least Rs 1.5 lakh crore through NHIDCL by 2019 and another Rs 50,000 crore through the state PWDs. Work has started for over Rs 50,000 crore in the region," Gadkari said. The minister was speaking to reporters after

the Cabinet Committee on Economic Affairs chaired by the Prime Minister gave its approval for upgrade and widening of the 65-km Imphal-Moreh section of NH-39 in Manipur at a cost of Rs 1.630.29 crore. While Asian Development Bank would provide loan assistance to the tune of 60% of the project cost and the remaining will be spent by the Centre. “The highway will connect Manipur with Myanmar and from here we can go to Thailand, Malaysia, Indonesia and Singapore,” Gadkari said. This can be a gateway for India for south-east Asia. Quite naturally, this will boost trade & business and employment,” Gadkari said. The minister said India has already good trade relations with Myanmar and Indonesia. Now, because of this road connectivity, it is going to create more trade and employment.

6. Big thumbs up for Narendra Modi government, FPI inflows at highest ever at \$ 15.9 bn
Source: Financial Express ([Link](#))

Foreign portfolio investors (FPIs) have poured a record \$15.86 billion into Indian debt so far this calendar year, according to data available till July 11. This is the highest amount of net inflows into Indian debt on a year-to-date basis. Tuesday itself witnessed \$1.217 billion of inflows of which a majority is believed to be in government bonds, thus offsetting the minor selling seen earlier this month. Compared to this, the last year had witnessed a net outflow of \$1.72 billion in the same period. As Ananth Narayan, regional head of financial markets, ASEAN and South Asia at Standard Chartered Bank, points out, various factors, including prospects of political stability and upbeat macros, have significantly contributed to fund inflows...A report by Nomura points out that according to data available as of end-May, mutual funds were the largest holders of Indian debt securities and account for 25% of all debt held by FPIs. Long-term investors such as central banks (7%), sovereign wealth funds (7%), supranational organisations (4%) and government agencies (2%) hold 20% of all Indian debt securities...A strong currency is also one of the reasons that supported the flows. The rupee has been one of the top performers in the emerging market segment this year. “INR may still outperform most of its EM peers, supported by lower external trade dependence, stronger policy and macro fundamentals and a vigilant RBI,” a Kotak report stated.

7. As oil demand set to spike, Dhamendra Pradhan says India should get it at responsible price
Source: Financial Express ([Link](#))

Petroleum minister Dharmendra Pradhan reiterated that the country should be provided crude oil at a “responsible price” as it is among then few nations whose demand is expected to rise in the coming decade. “The growth in energy consumption in 2016 in India has been 5.4% and the total primary energy consumption was 723.9 million tonne of energy equivalent. As per estimates, India is poised to account for one fourth of the incremental global energy demand between 2013 and 2040,” Pradhan said in Istanbul where he led an Indian delegation to the the World Petroleum Congress (WPC). WPC is the world’s premier forum and is referred to as the Olympics of the oil and gas industry globally. Pradhan...had emphasized that India has remained a regular customer of OPEC and had urged there should be an Asian dividend rather than Asian premium for countries in Asia.

8. IBM’s research lab may help farm sector in India with Watson cognitive technology
Source: The Economic Times ([Link](#))

IBM's India research lab is looking at ways of using its Watson cognitive technology to help farmers determine potential crop yields and protect against pests, an effort that could increase the use of such data in farmer loans and insurance. The India research lab counts agri-business as one of the three industries it focuses on in India. The technology — part of a solution called Precision Agriculture — involves the use of a few strategically placed sensors and remote sensing data from satellites to answer questions about the state of the soil, moisture content, weather data and susceptibility to pests...Cost is of great importance in a country like India, where farms are small and organised farming of large plots of land is still rare. IBM is looking at large agri-businesses and financial institutions as its potential market. "Agri-businesses have the ability to invest in technology and have an interest in increasing productivity even if the farms are run by individual farmers. The other model is to look at financial institutions," Raghavan said. "We have seen a lot of issues with agri insurance and credit. And while there are definitely non-technology issues to be solved, but there is an opportunity for technology to help provide better visibility to financial institutions."

9. Rupee strengthening to hurt exporters by up to 3 per cent in Q1: Crisil

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

Largest ratings agency Crisil today warned the 4 per cent appreciation in the rupee will impact the June quarter sales of exporters by up to 3 percentage points and profits by up to 1.50 per cent. "The sharp appreciation in the rupee against the dollar in recent months is likely to have dented the first-quarter (current fiscal) profitability of exporters that source locally and have limited pricing power," it said...Leather, textiles, meat, seafood and basmati rice are the most vulnerable with an impact of up to 3 percentage points of net sales, while the same for pharmaceuticals and agrochemicals will be much lower at 1.50 per cent. Gems and jewellery, and the information technology sectors will have minimal impact of the rupee strengthening as they have import outgoes and extensive hedging, respectively.

10. GST impact: Ensure all traders register under new tax regime by August 15, asks PM Modi to chief secretaries

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

Prime Minister Narendra Modi today asked all chief secretaries to work expeditiously towards ensuring that all traders register under the GST regime before August 15, a PMO statement said. He conveyed this while chairing a meeting of Pro-Active Governance and Timely Implementation (PRAGATI), a multi-modal platform through which he interacts with top officials of state governments via tele-conferencing. GST was rolled out on July 1, ushering a new system of indirect taxes in the country. During the meeting, the prime minister also reviewed the progress towards handling and resolution of grievances related to the Central Public Works Department (CPWD) and the Directorate of Estates and asked the Urban Development ministry to proactively monitor the same, with sensitivity, the statement said. He asked the CPWD to encourage all vendors to come aboard the Government e-Marketplace (GeM) platform, the PMO said. Modi also reviewed the progress of vital and long-pending infrastructure projects in the railway, road and petroleum sectors, spread over several states including Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu, West Bengal, Odisha, Uttar Pradesh, Uttarakhand, Himachal Pradesh, and Arunachal Pradesh.

11. eBay gets approval to sell SEZ unit

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

E-commerce marketplace eBay India has received permission from the Department of Commerce to sell its unit in an SEZ in Bengaluru to ES Online Services India as a part of the process of merging with Flipkart. In April, eBay, the American parent company of eBay India, had invested about \$500 million in home-grown marketplace Flipkart. As a part of the merger, which is likely to be closed on July 31, all the assets and liabilities of eBay India will be transferred to Bengaluru-based Flipkart. To ensure a smooth transition, eBay had created an entity called ES Online. As per a document from the Commerce Department, the approval on the transfer of the asset (a software development centre) was given under the Business Transfer Agreement of the SEZ (Special Economic Zone) Rules. The asset sale, in this case, required an approval since the unit was a part of the SEZ.

12. Toy majors to reduce sourcing from China, eye new destinations

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

Toy majors in India are looking at new destinations to source their wares and reduce dependence on China. This comes in the backdrop of strained relations with Beijing. Considering almost 95 per cent of the unorganised Indian toy market is dominated by Chinese toys, the players in the ₹1,000-crore organised toy industry are trying to focus on new territories like Europe, Vietnam, Indonesia and even India, since labour costs have gone up in China making it an expensive sourcing-destination. “Sourcing from India will go up since labour cost is getting high in China. In fact places like India are going to be cheaper for toy manufacturing and we have already increased capacity at our Goa plant since we have started manufacturing for toy companies like Tomy of Japan, Flair of UK and even Hasbro, with whom we had a joint venture in the past,” says John Baby, CEO, Funskool. Besides, GST is also expected to create a level playing field and give a fillip to organised toy majors who may not have to compete with the unorganised players and their mostly cheap Chinese imported toys. “GST will help us compete with the unorganised players who import cheap Chinese toys as local manufacturing goes up,” added Baby. Others like Germany’s Simba Toys, which supplies to stores like Hamleys and has 12 exclusive stores, has already reduced sourcing from China and is likely to set up local manufacturing in the future. “In the past two years, we have been sourcing toys from our own facilities in Thailand for the Indian market. There has been a shift from China where we have reduced sourcing from 80 per cent to 50 per cent and this would go down further as we resort to manufacturing in bases across Europe in countries like France, Germany and Spain as it gets

expensive to import from China. Besides, there are also plans to have a manufacturing base in India in the future,” says Narayan Sabharwal, Business Head, Simba Toys. World’s largest toy company, Mattel, which sources from countries like Indonesia and Malaysia, may also look at India as its next hub since it has started making ‘Indian’ Barbie dolls. “We have our Barbie dolls in India which are being made by third party manufacturers and we have 15 per cent of our topline coming from ‘made in India’ products,” said Ishmeet Singh, Country Manager, Mattel Toys.