Daily Economic News Summary: 13 June 2017

1. India is the most frugal economy in the world, says Jayant Sinha
Source: Financial Express (Link)

India is poised to become the entrepreneurial engine of the world and lead in innovation and economic development thanks to the factors like its frugal development model and advantage of demographic dividend, Union minister Jayant Sinha said. He said the India made optimum use of resources and was extremely energy efficient. "India has a unique frugal development model that can be exemplary in the world. Also, we have 50 crore of young population, which is also the largest in the world. These two factors give us an advantage to lead the world in innovation and economic development," the Union Minister of State for Civil Aviation said. He was speaking on 'It's India's turn now' as part of the lecture series 'Reinventing India' initiated by Pune International Centre (PIC) at MCCIA. Presenting the statistics about India's growing economy, Sinha said, "India's Gross Domestic Product (GDP) is currently growing at 7 to 8 per cent. If it is looked at in the context of purchasing power parity (PPP) India's economy is worth 9.5 trillion dollars. In the next decade, it will contribute 11 trillion dollars to the world economy," he said. According to Sinha, these statistics put India on par with many leading countries in the world, including the USA and China.

2. Many US firms plan to incrementally invest in India, China: UBS
Source: The Economic Times (Link)

There is significant potential for cross border investments to India and China as large and medium sized US firms plan to incrementally invest in these Asian economies than in Western Europe, says an UBS report. According to the UBS Evidence Lab USA C-Suite survey within emerging Asia, China is the preferred economy, as 40 per cent of larger companies surveyed expressed a likelihood of incremental investment over the next year, while over a quarter of larger companies expressed an intention to invest in India. The survey of 500 corporate leaders in March-April 2017 included questions on where in the globe their corporates might invest incrementally on average, noted that a greater share of larger and medium sized firms plan to incrementally invest in China and India than in Western Europe. "...the preferences shown by larger US companies in the UBS Evidence Lab USA C Suite survey for India, combined with the relative economic weight of that economy and the low share of the US FDI stock support the case for currency supporting capital inflows," it noted.

3. 'India needs modern export infra to enhance competitiveness': CUTS
Source: The Economic Times (Link)

A strong and modern export infrastructure would help enhance competitiveness of Indian exporters in the global market and boost shipments, research and advocacy firm CUTS International said today. "A robust export infrastructure leads to trade creation while the lacklustre picture of the same culminates into trade distortion," it said in a statement. Suggesting certain areas to the government, it said there are various challenges of connectivity and congestion in land and sea ports in the country which needs special attention. "There is a need to improve upon the connectivity between the major ports and the mother vessels. Special emphasis required for capacity building of the Inland Container Deports (ICDs)," it said.

4. Paris Climate Accord: US pullout from deal will not impact India's actions, says Ashok Lavasa, Finance Secretary
Source: Financial Express (Link)

Finance secretary Ashok Lavasa, who was environment secretary at the time of signing of the Paris Climate Accord, says that the US pull out from the agreement will not impact India's actions that it is committed to…he also makes it clear that the monetary policy actions are fully in RBI's domain and there is no confrontation between the government and RBI on rate cut. India had taken part in the Paris dialogue and convention agreement in a very constructive way and our approach was that the basic principles which are enshrined in the UNFCCC have to be maintained. The development needs of the developing countries has to be respected. The obligations which the developed countries had taken upon themselves should be met. Overall India's very constructive approach was that climate change is a global issue and because it is a global issue, it requires a global plan of action. It is possible for one country to take all the corrective measures for mitigation. Even after taking those measures, that country is not guaranteed that it will not suffer the ill-effects of climate change. I think on many occasions India has made it very clear, including the prime minister, who said that we are committed to taking action against climate change. Not because we are part of this global combat, but because we seriously feel that India as a country and its people, are all vulnerable to the effects of climate change. So, for them as well as for our future generations we are committed to take whatever action is required. At the same time, the climate change has taken place because of the side effects of the development process which was undertaken by many countries for the last hundred and fifty years. Developing countries are a part of that development process. They may have been left behind, but they are entitled to that. So, basically climate change is a consequence of the development, the kind of development which was pursued by those countries.

5. India's industrial output up 3.1 per cent y/y in April
Source: The Economic Times (Link)

Industrial production growth slipped to 3.1 per cent in April due to poor show by manufacturing, mining and power sectors coupled with lower offtake of capital goods and consumer durables. The factory output measured in terms of the index of industrial production (IIP) had expanded by 6.5 per cent in April last year, the data released by the Central Statistics Office (CSO) today showed. The CSO also revised upwards the IIP growth figure for March to 3.75 per cent from provisional estimate of 2.7 per cent released last month. According to the CSO data, manufacturing sector, which constitutes 77.63 per cent of the index, grew at 2.6 per cent in April compared to 5.5 per cent in same month last year. Similarly, mining sector output grew at 4.2 per cent in the month under review compared to 6.7 year ago. Power generation rose by 5.4 per cent in April, down from 14.4 per cent expansion in April last year.

6. Modi to hold first bilateral meeting with Trump on June 26
Source: The Hindu: Business Line (Link)

Prime Minister Narendra Modi will on June 26 hold talks with President Donald Trump on a range of issues, including terrorism and India's concerns over possible changes in H-1B visa rules, in their first bilateral meeting after the new administration took over in the US. The External Affairs Ministry in New Delhi said today that their meeting would provide a new direction for a deeper bilateral engagement "on issues of mutual interest and consolidation of multi-dimensional strategic partnership." Modi's US visit would begin on June 25, it said…White House Press Secretary Sean Spicer said Trump "looks forward" to his meeting with Modi on June 26 and discuss ways to strengthen the bilateral ties to "advance our common priorities: fighting terrorism, promoting economic growth and reforms, and expanding security cooperation in the Indo-Pacific region." "President Trump and Prime Minister Modi will look to outline a common vision for the US-India partnership that is worthy of their 1.6 billion citizens," Spicer said. He said they are expected to set forth a vision that will expand the bilateral partnership "in an ambitious and worthy way of both countries' people."… Modi's visit also comes in the backdrop of Trump's announcement to withdraw the US from the historic Paris Climate Agreement signed by over 190 other countries. Trump had blamed India and China for the US withdrawal. "India makes its participation contingent on receiving billions and billions of dollars from developed countries," he had said.

7. China-promoted OBOR is a debt instrument only, claim European experts
Source: Financial Express (Link)

European economists and experts have concluded that the China-promoted One Belt and Road (OBOR) initiative is nothing else but a debt instrument that can and will drive several nations, including Pakistan towards bankruptcy. China, according to these experts, is charging interest rates as high as 16 percent and above for funding made available for OBOR projects like the China-Pakistan Economic Corridor (CPEC), and cautioned that these loans, which are cumulative, cannot be repaid easily. They are certain that countries like Pakistan, Sri Lanka, Bangladesh and Nepal could be pushed into an endless debt trap. Contrary to the claims made by Prime Minister Nawaz Sharif that the CPEC could emerge as a game changer for the Pakistan economy, there is a worried and concerned perception gaining ground that the project is all and only about boosting Beijing's position through its Renminbi or Yuan currency. One expert has said that China is competing globally to make the Yuan an alternate currency to the Dollar, and its One Belt One Road (OBOR), in which CPEC is a project, is to play a major role in this. It is a well-known fact that Islamabad has border-related differences with India, Afghanistan and Iran, but this has not stopped China from using the influence that it enjoys with Pakistan to raise its investment-related stakes in the country…According to the UNESCAP study, China has estimated that it will most likely invest about USD four trillion in OBOR-related infrastructure projects. The estimated infrastructure development needs in Asia will cost in the region between USD 1.6 to USD 1.7 trillion annually on average till 2030, according to UNESCAP study. An ambitious China is seeking to turn its currency into a global one, and does not seem to really care about the equally debilitating social or environmental impact its unrestricted money flows into other countries might have.

8. Government examines drawbacks benefits schemes in GST regime
Source: Financial Express (Link)

The Union government is seeking industry feedback on how to readjust the duty drawbacks in the new Goods and Services Tax regime. “It will change. Sought views of the industry as state levies are subsumed in GST,” Union Textiles Joint secretary Subrata Gupta said when asked whether the ROSL (Rebate of State Levies on Export of Garments) scheme will continue in the present form during GST regime. He was in the city in a CII-supported roadshow – Textiles India 2017. ROSL, a remission scheme to offset state levies is an import additional duty drawback scheme anncouned by the Textile Ministry for exporters in late 2016. “We are surviving on drawbacks. ROSL is very important benefit with great positive impact on exports. Monthly exports of apparel in April, 2017 grew by almost 32 per cent to $174 billion over the same month last year. The benefit of ROSL is to the tune of four per cent to our cost,” chairman export promotion committee of Apparel Export Promotion Council, Anil Buchasia said.

9. 10% hike too little, we want more to offset GST impact, say pharma players
Source: Business Standard (Link)

The pharmaceutical industry has sought permission to increase prices of non-scheduled drugs by more than the stipulated 10 per cent in a year, as the tax rate on most drugs was raised to 12 per cent under the proposed GST regime from the current nine per cent. In a meeting held by the Department of Pharmaceuticals with the drug industry, pharma representatives raised this issue. As per the Drug Price Control Order (DPCO) 2013, pharmaceutical companies can increase the price of non-scheduled drugs by upto 10 per cent each year. While 80 per cent of drugs have been put under the 12 per cent GST rate, essential drugs are in the 5 per cent bracket. The industry also raised the issue of refunds on taxes paid on input, called input tax credit in technical jargon. The GST Council has decided that for stocks whose receipts are not available with dealers, only 40 per cent input tax credit will be given. However, the industry wanted 100 per cent refund. An industry representative who attended the meeting told Business Standard, "We also raised the issue of input tax credit with the department. The input tax credit which is 40 per cent should be made 100 per cent."

10. Railways: World's highest rail bridge in Kashmir 30 meters higher than iconic Eiffel Tower; completion in June
Source: Financial Express (Link)

The world's highest railway bridge that will soar 359 metres above the bed of river Chenab in Jammu and Kashmir will also be 30 metres higher than the iconic Eiffel Tower in Paris. The bridge on the Katra-Banihal railway line at village Kauri in Reasi district is likely to be completed by June, 2019 as more than 66 per cent work has been finished. The 1.3-kilometre-long bridge is being constructed at a cost of Rs 1,250 crore, Konkan Railway chief engineer R K Singh said today. He told PTI that more than 1,300 workers and 300 engineers have been working round-the-clock to complete the bridge by 2019. Its construction started in 2004, but the work was stopped in 2008-09 on the aspect of the safety of the rail passengers due to frequent high velocity winds in the area. The Railways decided to survey the area again and find some alternate site where the bridge could be constructed on Chenab river to avoid 100 kilometres-an-hour high velocity winds but finally it was decided not to change the site as it is the most suited taking into account the high altitude, said deputy chief engineer R R Malik. He said that it was finally decided to stop train operations when the wind velocity rises to 90 kmh with the help of the automatic signalling system and anemometer (instrument to measure the velocity of winds). He claimed that the bridge under construction can withstand winds upto 260 kmh and its lifespan will be 120 years. He said that on the other side of Chenab River, the Railways is constructing three big tunnels of various lengths – T 2 (5.9 kilometres), T 3 (9.369 kilometres) and T 14 (13 kilometres).