

## Daily Economic News Summary: 13 September 2017

### **1. As India Inc struggles to cut down debt, the economy suffers**

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

India's cash crunch and confusion over the introduction of a national sales tax were initially blamed for pulling economic growth down to its weakest pace in more than three years. But that is masking a more debilitating factor affecting the economy - corporate debt. Thomson Reuters data, based on the latest annual earnings reports, shows India's corporate debt rose to a seven-year high at the end of March. More than a fifth of large companies did not earn enough to pay interest on their loans and the pace of new loans fell to the lowest in more than six decades. The government reported on Aug 31 that annual GDP growth in the quarter ended June dropped to 5.7 percent, an envious pace for many countries but India's weakest since early 2014. It was blamed on attempts by the government to flush out money hidden from the tax man, which caused a cash crunch, and the introduction of a general sales tax (GST), which prompted businesses and consumers to hit the pause button. But Indian business executives say they are more concerned about the impact of soured loans on bank balance sheets, which prevent them from getting the full benefit of central bank rate cuts. That is sapping India's economic vitality.

### **2. India Inc's investment overseas down 15% to \$1.34 billion in August**

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

India Inc's foreign direct investment (FDI) fell by about 15 per cent to \$1.34 billion in last month, according to the Reserve Bank data. The overseas investment by Indian companies in August last year stood at \$1.57 billion. The foreign investments were also down sequentially when compared with \$1.77 billion July this year, showed the Outward Foreign Direct Investment (OFDI) data of RBI. The investment break-up included \$944.14 million in the form of guarantees issued, \$184.44 million and loan and \$210.68 million as equity infusion.

### **3. WTO meet: Commerce minister Suresh Prabhu has his task cut out**

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

The appointment of Suresh Prabhu as the new industry and trade minister on 3 September has come as a surprise after his innings in the accident-scarred Indian Railways. "Our manufacturing-to-GDP (gross domestic product) ratio has to improve considerably and to make that happen we are

working on some initiatives like Make In India, (ease of) doing business in India,”. “So (my priority will be) changing the GDP profile of India, to make sure that it becomes more diversified and we get more manufacturing into GDP so that more jobs can be created,” he said. Prabhu said his ministry will work on developing a global chain for the agriculture sector, according to a report... With continued headwinds in international trade and proliferating protectionist barriers in industrialized countries, it is important to closely survey global realities. With less than three months left for the World Trade Organization’s 11th ministerial conference in Buenos Aires, beginning on 10 December, it is all the more important to master the nuances as well as the historic details. The outcome of the Buenos Aires meeting will decide whether Prabhu is able to stand firm in safeguarding India’s core interests when push comes to shove. Given the sizeable majority of more than 400 million poor farmers who are dependent on agriculture for their livelihood, the task of protecting their interests must remain a central priority.

#### **4. ‘Push manufacturing to boost GDP’**

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

The government needs to focus on ways to push the growth of manufacturing sector if it wants to maintain a sustained GDP growth of 9-10 per cent per year, a study by Assocham-EY said. The report said that although implementation of the Goods and Services Tax (GST) has addressed several regulatory issues, state governments need to resolve issues like bureaucratic obstacles, obstructive regulations and policies to boost manufacturing sector. “If India has to maintain a sustained GDP growth of 9-10 per cent per annum, it is crucial that the manufacturing sector grows steadily at 14-15 per cent per annum over the next three decades,” it said. It suggested that States should focus on those industries where it has a competitive edge over others in terms of raw material availability, demand, logistics and skilled manpower.

#### **5. 15 Japanese companies to invest in Gujarat**

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

As many as fifteen Japanese firms would sign agreements to invest in Gujarat during Japanese Prime Minister Shinzo Abe's visit, while the state would also get a cheaper loan for infrastructure development from Japan International Cooperation Agency (JICA), the government announced today. According to Gujarat Chief Secretary, J N Singh, 15 Japanese companies are keen to invest in Gujarat and will be signing agreements with the state government

during the 12th Indo-Japanese annual summit in Gandhinagar...Some of these companies include Moresco, Toyoda Gosei, Topre and Murakami. "These firms will invest in Gujarat during the next one month, for which MoUs will be signed during the summit," Singh told.

#### **6. Gujarat sees highest share of private investment in 2016-17: RBI**

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

Gujarat accounted for the highest share in total cost of private corporate investment for financial year 2016-17, according to a study by the Reserve Bank of India (RBI). Gujarat made up 22.7 per cent of the aggregate investment, followed by Maharashtra at 8.6 per cent, the study, part of the RBI's monthly bulletin for September, said. Andhra Pradesh, which held the highest share at 12.3 per cent in FY16, saw its share drop to 8.2 per cent. Data for the past five years showed 62 per cent of the projects were predominantly taken up in Gujarat, Odisha, Maharashtra, Andhra Pradesh, Chhattisgarh, Madhya Pradesh and Karnataka. The share of "multi state" projects halved in the recent period, probably reflecting the bottlenecks in obtaining clearances from multiple state authorities...Power sector projects occupied a big share in all the major states with the exception of Maharashtra and Tamil Nadu where the construction industry made up a majority of projects. Textiles and transport equipment and parts industries in Gujarat, cement and roads and bridges in Karnataka and pharmaceutical and drugs in Telangana also formed a major share of the projects financed by banks or financial institutions.

#### **7. US asks India to open market, address trade imbalance**

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

The US today asked India to open its market for American firms and address the rising trade imbalance between the two countries while take steps to protect intellectual property rights. US Commerce Secretary Wilbur Ross, addressing an event organised by the US India Business Council (USIBC), said India has been a greater beneficiary of foreign direct investment in the Indo-US bilateral trade relationship. "Annual bilateral trade between the US and India has doubled over the last decade and was \$114 billion in 2016. Unfortunately, over the same period trade deficit has tripled, now at \$27 billion,"...Praising some of the recent economic reforms in India, the Commerce Secretary said the GST and the bankruptcy codes were quite encouraging. At the same time, market access for innovative products in India is essential, he said. "Greater access is a necessary step that would help bolster entrepreneurship in critical subjects such as health care," Ross said.

## **8. Govt needs to work on infrastructure to help aviation grow, says CAPA report**

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

India's under-served market demand combined with the slew of new aircraft orders means that the industry is set for rapid expansion and diversification, the Centre for Asia Pacific Aviation (CAPA) says, "government prevarication over introducing new, much needed infrastructure has the potential to nip much of the growth in the bud". In its CAPA Global Strategy Report, July-August 2017 released, the leading aviation advisory, research and knowledge practice calls on the government to fast-track decisions on the construction of second airports in key cities, or at least notify land so that suitable sites are available when required...The report points out that the order book of India's airlines is likely to reach 1,123 aircraft following expected orders for 100 aircraft each by Jet Airways and Vistara...also points out that with the 40 largest airports in the country likely to be saturated within the next decade, "securing slots for key domestic routes will become more challenging". It estimates that most of the 40 largest airports in the country would have exceeded their design capacities within the next decade... The international operations of Indian carriers CAPA forecasts that over the next 18 months AirAsia India, GoAir and Vistara could be joining the five Indian airlines that currently operate on international routes. The report points out that the five Indian airlines operating international routes serve a combined total of just "40 destinations" on a non-stop basis...adds that for an economy of India's size, this represents a relatively small footprint compared with the networks operated by Gulf carriers.

## **9. GoM to look into IT issues of GST rollout**

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

Finance minister Arun Jaitley has constituted a Group of Ministers to resolve IT issues faced in the implementation of the goods and services tax and a Committee on Exports to identify steps to the support the export sector. The Group of Ministers (GoM) has been constituted under the convenorship of Bihar deputy chief minister Sushil Kumar Modi, in order to monitor and resolve IT challenges faced in the implementation of the new direct tax regime. Most state finance ministers had raised issues concerning IT systems and difficulties faced by traders in filing returns. The government has twice extended the deadline for filing of GST returns.

**10. With tougher norms, importing toys no longer child's play**

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

The government has imposed tough quality norms for imported toys and mandated certification of compliance by agencies accredited with Indian authorities — a move that can choke Chinese imports and boost local manufacture, but the Rs 5,000-crore local industry is worried about orders already booked for the festive season. The comprehensive notification issued on September 1 prescribes norms for physical and mechanical properties, chemical content, flammability, and testing for indoor and outdoor toys for both electrically and mechanically operated ones — going far beyond the earlier norms. The notification by the Director General of Foreign Trade (DGFT) says import of toys shall be permitted freely only if the manufacturer abides by norms of the Bureau of Indian Standards (BIS). Compliance has to be certified by an independent laboratory approved by an accreditation authority under the Department of Science and Technology. This will hit import from China, which accounts for nearly 70% of toys available in the Indian market. Lob Gupta, CEO, Fun Toys, said the new norms will have a big impact.

**11. Stalled unsorted diamonds imports to resume after GST rate revision to 0.25%**

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

Industrial unsorted rough diamond imports, which had stopped due to a three per cent Goods and Services Tax (GST) since July this year, may resume after rate revision to 0.25 per cent, say industry representatives. Harmonising tax rates across different grades of rough diamonds, the GST Council on September 9 had revised the three per cent tax on industrial and unsorted rough diamonds of HS code 7102.10 and 7102.21 to 0.25 per cent. Since its rollout in July, the GST Act had levied two different rates on revenue from rough diamonds. Of these, non-industrial, or 'gem quality', rough diamonds attracted a rate of 0.25 per cent, while industrial and unsorted rough diamonds attracted three per cent GST. These rough diamonds have been globally categorised into three codes wherein non-industrial rough diamonds carry the 7102.31 code, which attracted 0.25 per cent GST, while the rest were categorised under the 7102.10 and 7102.21 codes, which attracted three per cent GST.

**12. Eateries may soon have to pay tax on service charge**

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

The Union consumer affairs ministry has asked the Central Board of Direct Taxes (CBDT) to ask officials to take into account service charge collection by hotels and eateries while assessing their tax liabilities. The move comes in the wake of reports that many eateries are still collecting the charge...Ministry sources said there were reports that many restaurants had displayed at their entry that they collected 10% service charge. "It's like making it a pre-condition that every customer has to pay the charge. We have already clarified this cannot be imposed on customers and it's an unfair trade practice," an official said. The official added that eateries collecting service charge must come out with a white paper to prove they were distributing the collected amount to the staff. If not, the collection should be taken into account as part of their income, the official said.

**13. Flipkart introduces 'anti-theft' packaging**

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

E-commerce major Flipkart on Tuesday said it has developed India's first "anti-theft" packaging to secure goods from in-transit theft and tampering. "Designed specifically for high-net products like mobiles, tablets, and watches, this unique and exclusive pilferage protection box, which is currently awaiting patent grant, incorporates special security features in shipment," Flipkart said in a statement...Flipkart said the packaging will take substantial amount of time, resources, information, and techniques to re-open and re-seal to ensure original form of shipment. This will ensure that in case a package has been tampered with, the next supply chain person or customer can easily detect the same and not accept the package...This innovation will enable Flipkart to squarely tackle issue related to pilferage, while reducing packaging material cost, packing process (IPP) and shipment volumes, giving a competitive edge over other e-commerce players, he added.