

Daily Economic News Summary: 14 June 2017

1. Narendra Modi's new India vision to help US job creation: Sean Spicer

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

Prime Minister Narendra Modi's "vision for a new India" will also help create jobs in the US, President Donald Trump's Press Secretary Sean Spicer said while announcing Modi's White House visit scheduled for June 26. Addressing the common interests of the two countries in an environment where Trump's promotion of a policy of "Buy American, hire American" is stoking apprehensions in India, Spicer on Monday said: "US energy and technologies, including natural gas, are helping to build Prime Minister Modi's vision for a new India and creating thousands of American jobs in the process." "US-India trade has grown six-fold since 2000, from \$19 billion to \$115 billion in 2016." "And the Indian economy is growing at over 7 per cent," he said adding a note of optimism for the future.

2. In three years, Modi govt has approved over Rs 4.13 lakh crore for urban infra: Venkaiah Naidu

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

The Narendra Modi government has pumped in three and half times more investments than the previous UPA government to improve basic urban infrastructure, urban development minister M Venkaiah Naidu has said. Along with investments, better per capital spending, central assistance and enhanced capacities of urban local bodies under new urban missions launched during the past three years are driving urban transformation, Naidu said. Comparing the urban development sector reforms during three years of the BJP-led government with 10 years under the UPA government, the minister said that per capita investment of Rs 15,475 has been approved during 2014-17 for a five-year period, more than three times the Rs 4,918 approved for 10 years under the UPA. A total investment of Rs 4,13,475 crore has so far been approved for improving basic urban infrastructure, compared to Rs 1,18,034 crore approved under the Jawaharlal Nehru National Urban Renewal Mission, he said...The minister said a major course correction has been launched during the past three years to improve quality of life in cities in an environment of inclusive, sustainable and accelerated urban development.

3. Government working on new industrial policy

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

The government is working on a new industrial policy with a view to promoting and developing frontier technologies innovation and enhancing competitiveness of domestic products. "With the changing manufacturing scenario, introduction of new technologies, innovation, R&D, artificial intelligence and automation, there is a need to completely revamp the industrial policy of 1991. We are working on that," a senior official said. The official said the new policy would focus on several areas like ways to encourage innovation, further simplification of taxation system and address new challenges of the manufacturing sector. It would also be aligned with the government's flagship programmes such as Make in India, Skill India, Startup India and the foreign direct investment policy. The Department of Industrial Policy and Promotion (DIPP), under the commerce and industry ministry, is working on this proposal. "The draft of the new policy should be ready by September this year," the ministry official said.

4. Greenfield FDI in 2016: India stays bright spot, retain top slot

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

For the second year in a row, India topped cross-border capital (greenfield) investments in 2016 with \$62.3 billion of FDI projects, according to fDi Intelligence, an FT data division. While this was up 2% from 2015, China pipped the US to second spot, with FDI capital investment of \$59 billion in 2016. On a year-on-year basis, the US saw a 23% decline in such investments in 2016 to \$48 billion, as some investors took a wait-and-see approach in the run-up to the presidential elections. While overall cross-border greenfield investments grew just 6% in 2016, Asia Pacific retained the leading destination status for such FDI soaking up 45%. According to the data put out by department of industrial policy and promotion, FDI flows into India — including re-invested earnings — stood at \$60 billion (provisional) in 2016-17, up 8% over the previous year. The growth in FDI flows was 23% in 2015-16 and 25% in 2014-15. However, if conventional definition of FDI is followed (which means reinvested earnings and “other capital” are excluded and only equity capital component is counted), FDI flows into India in 2016-17 were \$43.48 billion, up 9% over the previous year.

5. Modi's India can ride out giant tax reform

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

India is heading down a bumpy road. The country is under-prepared for the July 1 nationwide rollout of a complex new goods and services tax (GST) which will create a single customs union, replacing a myriad of charges levied across 29 states. But for all the shortcomings, the reform smooths the way toward a more efficient, less corrupt economy. The overhaul is far from the ideal of single flat rate. India's GST will instead have bands of 5, 12, 18, and 28 per cent, plus an additional levy for certain items like chewing tobacco, fizzy drinks, and luxury cars. Petroleum products, alcohol, and electricity are among the exempt items. The hope is that a tiered system will avoid a rise in consumer price inflation that typically results from the rollout of simpler structures, as most recently seen in Malaysia. That's an important feature as Prime Minister Narendra Modi is due for re-election in 2019. The downside of the complexity is a lower boost to growth. Economists at HSBC now expect a medium-term GDP uplift of 40 basis points after the change, half their original forecast before the details were agreed. Meanwhile, ambiguity over how all sorts of things are categorised will inevitably lead to rent-seeking from some tax officials. The long-term benefits could be profound, however. The process requires companies to electronically upload reams of invoices and reconcile them with vendors. That will allow taxpayers to use their invoicing history to secure better borrowing terms, and make it harder for company owners to understate their personal income. Enterprises, like logistics firms, will be able to pick the most geographically logical location for new warehouses, instead of hunting for the state with the lowest taxes.

6. Ravi Shankar Prasad to discuss digital economy with industry leaders on June 16

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

The who's who of the Indian technology and startup industry will convene for a brainstorming session in the National Capital on Friday as the government tries to chalk out a blueprint for the \$1-trillion digital economy of India. Those who have confirmed include Rishad Premji of Wipro, Pravin Rao of Infosys, Sachin Bansal of Flipkart, Kunal Bahl of Snapdeal and Rajan Anandan from Google. Amit Agarwal of Amazon and Vijay Shekhar Sharma of Paytm have also confirmed their presence. Union minister for electronics and information technology Ravi Shankar Prasad had first announced the intention to call for a meeting of the industry stalwarts last month. The

idea is to seek contribution and participation of the private sector as the country hopes to increase the size of its digital economy from the current \$400 billion to \$1 trillion over the next five years. The meeting will be chaired by Prasad and minister of state for electronics and IT, PP Chaudhary along with officials from ministry on June 16. The government has set a target of \$1 trillion digital economy by 2022. Ajay Kumar, additional secretary in the ministry of electronics and IT said that the number is not just a limit but a milestone. “The idea is how to accelerate the whole digitisation process and engage the industry in thought leadership,” he said.

7. Green signal soon for Amazon’s FDI in food retail: Harsimrat

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

The Centre will soon clear US retail giant Amazon’s proposed \$500 million investment in retail of food products in India, Food Processing Minister Harsimrat Kaur Badal said on Tuesday. “There was some delay due to abolition of the Foreign Investment Promotion Board (FIPB). It (Amazon’s proposal) will soon be cleared,” she told reporters on the sidelines of an event here. With the abolition of FIPB, an inter-ministerial body, Amazon’s proposal will now be vetted by the Department of Industrial Policy and Promotion under the Commerce Ministry. A total of \$650 million FDI proposals in the food retail sector are pending clearance, including by BigBasket and Grofers. The Union Cabinet had last month decided to wind up the 25-year-old FIPB to expedite the FDI clearance process. Under the new mechanism, investment proposals will be approved by the ministries concerned as per the standard operating procedure approved by the Cabinet. On Tuesday, the Ministry of Food Processing Industries signed a memorandum of understanding (MoU) with ANUGA- the world’s largest trade fair for food and beverages held in Germany... “Allowing 100 per cent FDI in food retail alone will not bring FDI. We need to attract foreign investment into our domestic modern food retail which shall drive domestic production and manufacturing in a big way,” Badal said.

8. Narendra Modi government makes big e-vehicle push, to start test trials by December

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

To promote electric vehicles, the government plans to start test trials and set up accompanying infrastructure across the states of Maharashtra, Madhya Pradesh, Delhi and Himachal Pradesh, by December, industry officials familiar with the development told FE. “The infrastructure will be set up in coordination with manufacturing of e-vehicles and their roll-out by fleet operators and

aggregators. We expect a lot of penetration of e-vehicles and charging infrastructure by the end of year,” a senior official involved in the development of infrastructure said. The infrastructure would take into consideration three-wheelers, four-wheelers and buses with three types of charging features. “Drivers can drive through and swap batteries, put them on fast charging mode that would take not more than 3-5 minutes, or on slow chargers that would take 6-8 and 8-10 hours depending on the range and type of vehicles,” the official said... The Power Grid Corporation, with experience of setting up transformers and substations, would be setting up the infrastructure in coordination with fleet operators and aggregators in the next few months. States like Himachal Pradesh, Maharashtra and Madhya Pradesh have already invited tenders for around 50-100 electric buses, which would require the infrastructure within the cities in coming months.

9. AI divestment: Foreign investors shut out

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

The Centre’s plans to shed stake in Air India, the national carrier, appear set for take off , if a Cabinet note is anything to go by. *BusinessLine* learns that the government is unlikely to allow a foreign investor to participate in the process, and that it may take over a significant portion of the airline’s ₹52,000-crore debt. According to the note, the government is also said to be considering a “strategic sale”, which could see it give up a portion of its equity along with management control, or even divest its entire stake in the airline. The Cabinet note has been sent for inter-ministerial circulation. According to sources, while the Cabinet will take a final call on the matter, there is no clarity yet on when the decision will come. It is understood that the Prime Minister’s Office has insisted that no foreign investor be allowed to buy a stake in Air India. According to government regulations, domestic airlines can accept foreign direct investments of up to 49 per cent from a foreign airline. Singapore Airlines thus has a 49 per cent stake in Vistara, in which Tata Sons holds the remaining 51 per cent. Similarly, Malaysia-based Air Asia Berhad is invested in Air Asia India. Tata Sons has a stake in this low-cost airline, also.

10. Please note: Imported garments to become 5-6% cheaper with GST

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

Imports are likely to remain 5-6 per cent cheaper than locally made apparel, despite the goods and services tax providing input credits to the textile industry. Apparel imports are subject to a countervailing duty (CVD) of 6 per cent on cotton and 12.5 per cent on polyester, which importers receive as a central value-added tax credit. The CVD is optional at a flat 2 per cent if the importer does not claim a set-off against input costs. The government has provided a 40 per cent abatement on this optional flat duty, which works out to 0.8 per cent. Thus, the total applicable tax is 1.2 per cent for importers who do not claim the set-off. This apart, importers pay a 4 per cent special additional duty (SAD) without any duty protection, which after considering cesses, works out to over 5 per cent. “The government had levied this duty as protection for domestic players. With the GST, this duty protection will be removed and imported garments will be 5-6 per cent cheaper. The government has fixed 5 per cent as the GST rate on all textile products and apparel,” said Rahul Mehta, president, Clothing Manufacturers Association of India. The textile industry fears an increase in imports from Bangladesh and China, where the cost of manufacturing is lower due to cheaper labour. “The GST subsumes all taxes, including protections. Garment imports will become cheaper due to removal of the SAD,” said an official from the Cotton Textiles Export Promotion Council. The textiles ministry has set an export target of \$45 billion for FY18, marginally lower than the \$48 billion set for FY17.

11. Google open to partnering with industry bodies to take SMBs online

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

Google India is aiming to bring all of the country's small and medium businesses (SMBs) online and is on a lookout for partners among industry bodies. Earlier, it had come up with the My Business tool for SMBs which makes it possible for these companies to have a digital presence...The company has recently tied up with FICCI and Indian School of Business to create the Digital Unlocked initiative which helps startups and SMBs by providing essential digital skills, create an online presence, launch and execute cost-effective targeted digital marketing campaigns besides others.