

Daily Economic News Summary: 15 September 2017

1. Modi-Abe meet: Take a look at India's major imports and export with Japan

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

Visiting for the second time in the National Democratic Alliance (NDA) government tenure, Japanese Prime Minister Shinzo Abe signed 15 agreements with India, panning skill development, science, technology and even sports. Though the India-Japan joint statement mentioned “enhancing free, fair and open trade”, the industry specific trade developments will take time to fructify. India’s trade with Japan fell 16 per cent in four years from 2013-14 to 2016-17, mostly on account of falling petroleum demand and prices. Petroleum products like liquid paraffin, mineral oils and transformer oils form the highest exported component (at the 8-digit HS code level), but their exports to Japan have bottomed over the years, from more than a third of total exports at \$2.4 billion to \$70 million. By and large, this can be attributed to fallen oil prices and reduced demand from advanced economies, including Japan. On the other hand, petrochemical exports — especially those of naphtha and some oils — to Japan have improved, but there is a caveat...Shrimps, a staple item in the Japanese diet, topped India’s exports to Japan in 2016-17. Export of frozen shrimps shot up from \$20 million to \$284 million in three years. Short supply from South East Asian countries on account of disease issue, and improved production and quality of the Vannamei variety of Indian shrimp catapulted this spike, an industry expert told.

2. Rise in inflation likely to keep RBI on hold, says Morgan Stanley report

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

The Reserve Bank is likely to hold the key rate in the monetary policy review next month following a jump in inflation and is expected to focus more on resolving the problem of bad loans in the banking system, says a Morgan Stanley report. There was an uptick in headline inflation in August driven by implementation of the House Rent Allowance hike and accordingly the RBI is expected to keep rates on hold, said the financial services major. Retail inflation rose to 5-month high of 3.36 per cent in August due to costlier vegetables and fruits. The consumer price index (CPI) based inflation was 2.36 per cent in July. “Against this backdrop of rising headline and core inflation, we think that this print would not give RBI the comfort to cut interest rates at its October meeting,” Morgan Stanley said in a research note.

3. India, China best bets for green investors, says Morgan Stanley

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

Emerging markets including India and China could be the best bets for investors hoping to fight climate change and boost returns, according to a report on Thursday. If the planet heats up by 5 degrees Celsius (9 degrees Fahrenheit), well above the 2-degree threshold set by the Paris Accord, investors may face \$7 trillion in global losses. But that could be mitigated by investments aimed at reducing and removing carbon from the atmosphere, according to the report by Morgan Stanley's Institute for Sustainable Investing and The Economist Intelligence Unit. Emerging economies from China to Cuba to Nigeria present some of the biggest opportunities for investors as they become centers of clean energy innovation. These regions are likely to be significantly affected by a warming planet and have increasingly tech-savvy populations, according to the report... While energy tends to be the leading target for climate-change mitigation, the opportunities to curb emissions from agriculture are highest in China, India and Brazil, according to the Morgan Stanley report. The biggest opportunities for reducing transport-related emissions reductions are in the US, China, India, Brazil and Mexico.

4. Indian economy faces downside risks, says UNCTAD report

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

The Indian economy faces "serious downside risks" as the government's demonetisation drive, implementation of the goods and services tax (GST) and corporate deleveraging could accelerate a slowdown and make recovery difficult, the United Nations Conference on Trade and Development, or UNCTAD, said in its *Trade and Development Report 2017*. It projected the Indian economy slowing to 6.7% in 2017 from 7% a year ago. India's economic growth decelerated to a three-year low of 5.7% in the June quarter of 2017-18 as companies reduced their production ahead of implementation of GST from 1 July. In the previous March quarter of 2016-17, India GDP growth decelerated to 6.1% from 7% in the December quarter, owing to demand compression after the government withdrew 86% of currency on 8 November.

5. FY 19 Budget likely on Feb 1, preparations begin

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

The finance ministry on Wednesday issued an official circular to begin the process of drafting the Union Budget for 2018-19. While no date was given as to when Finance Minister Arun Jaitley would table the Budget in Parliament, the document stated the final estimates for schemes and other expenditures should be decided by January 15, 2018. The Budget is likely to be presented on February 1, 2018, officials confirmed...According to the circular, work begins on September 30, with the preparation of tentative budget estimates based on the medium-term expenditure framework, (MTEF) which gives estimates three years out. The MTEF for the current financial year provides spending estimates for 2018-19 and 2019-20. These numbers will be the basis, or the starting point rather, for 2018-19 budgeted estimates, an official said...The 2018-19 Budget will be the second one after Rail and Union Budgets were merged, and the change in spending classification to revenue and capital expenditures from the erstwhile Plan and Non-Plan expenditure. It is expected to be the last full yearly Budget before the 2019 general elections, and also the first Budget after the implantation of the goods and services tax.

6. India fails to find support for visa-free biz travel among 15 Asia-Pacific nations

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

India's proposal for visa-free movement for short term business trips within the proposed 16-nation Asia-Pacific trade and investment group has failed to find favour with Australia, Japan and China over apprehension of large-scale immigration to these countries. India had pitched the idea under the Regional Comprehensive Economic Partnership (RCEP) free-trade agreement two years ago with an aim to help bona fide business travellers avoid visa documentation and long queues at passport control. "Other members are not willing to take commitments and said they can't support our proposal," an official aware of the development said on condition of anonymity... "The RCEP business visa card was supposedly a low-hanging fruit, especially because 12 of these countries are already party to APEC business travel card," the official said. The scheme to facilitate fast and efficient travel for business people within the Asia Pacific Economic Cooperation grouping began in 1997.

7. Govt plans larger oil auctions as Narendra Modi pursues import cuts

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

India will offer larger areas with higher oil and natural gas reserves in the next auction of discovered fields later this year as Prime Minister Narendra Modi's government seeks to curtail rising crude oil imports. "The next round would be meatier, bigger and players can expect even better fields," Atanu Chakraborty, head of oil regulator Directorate General of Hydrocarbons (DGH), said in an interview. "The reserves are twice of that we offered in the first auction round, on a very conservative estimate." India last year offered 67 small oil and gas fields holding about 625 million barrels of reserves in its first auction in six years allowing new entrants such as drugmakers and engineering companies to try their hand at boosting local production. The government also relaxed rules by allowing pricing freedom for oil and gas and a uniform policy for extraction of all hydrocarbons under a single license to encourage investments... Modi, who is targeting a 10% cut in oil imports by 2022, has a lot of work ahead. A burgeoning appetite for energy has increased India's import dependence to 82% last year from 76% five years ago. The International Energy Agency (IEA) estimates India will be the fastest-growing oil consumer through 2040.

8. WPI inflation rises sharply to 3.24 per cent in August

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

Wholesale inflation rose to a four-month high of 3.24 per cent in August as prices of food articles, led by onions and vegetables, soared. Inflation based on the wholesale price index (WPI) was 1.88 per cent in July 2017 and 1.09 per cent in August 2016. The last such high level of inflation was witnessed in April when the rate of price rise was 3.85 per cent. The government data released today showed that prices of food articles went up by 5.75 per cent in August on a yearly basis, as against 2.15 per cent in July. vegetable prices shot up by 44.91 per cent in August, as against 21.95 per cent in July. Onion prices witnessed a sharp surge at 88.46 per cent in August, as against a contraction of 9.50 per cent in the previous month. Inflation in manufactured products witnessed a slight increase at 2.45 per cent in August, against 2.18 per cent in July. In fuel and power segment, inflation saw a sharp surge to a near double digit inflation at 9.99 per cent, against 4.37 per cent in July. Fuel inflation shot up as petrol and diesel prices continued to remain high relentlessly on global crude oil rates, while power tariffs shot through the roof on lower domestic production.

9. GST to hit informal sector; GDP growth to moderate: UN report

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

India's informal sector got badly affected by demonetisation and may take further hit due to GST, a UN report today said, lowering country's growth projection to 6.7 per cent for 2017 from 7 per cent in 2016. UNCTAD's Trade and Development 2017 report notes that the world economy in 2017 is picking up but not lifting off. The growth is expected to reach 2.6 per cent, slightly higher than in 2016 but well below the pre-financial crisis average of 3.2 per cent. Referring to India and China, it said at the current levels of growth, the countries are unlikely to serve as "growth polls" for the global economy in near future. India's "output growth" is likely to slow-down to 6.7 per cent in 2017 from 7 per cent in the previous year, it said. The report retained the growth projection for China at 6.7 per cent, the same as 2016. India's growth performance, it said, depends to a large extent on reforms to its banking sector, which is burdened with large volumes of stressed and non-performing assets, and there are already signs of a reduction in the pace of credit creation.

10. India's pharmaceuticals research problem

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

The recent agitation by scientists, asking for more allocation of funds, underlines the need to focus on science and innovation as a priority area. One of the biggest constraints to advancing scientific research is the lack of sufficient funding and inadequate allocations by the government. At 0.83% of gross domestic product (GDP), India is among the countries with the lowest investment in scientific research. While India boasts of several innovations in the non-formal sector, breakthrough scientific research, especially in healthcare, has been markedly lacking. New medicines, devices, diagnostics, patient aids and monitoring tools are mostly imported, often coming to India several years after they are available to patients in the developed world...India also ranked No.19 in a 28-nation survey of biomedical investment attractiveness of countries, with an overall score of 59 out of 100. Five metrics were used to determine rankings: scientific capabilities and infrastructure; clinical research conditions and framework; regulatory system; market access and financing; and effective intellectual property protections. India scored low on almost all metrics except for partial step-ups on scientific capabilities and infrastructure, and clinical research conditions and framework.

11. Gurugram, Varanasi, Nagpur in fray for pod taxi pilot

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

As part of India's attempt to improve public transportation, Varanasi, Nagpur and Gurugram have been shortlisted to test the ambitious rapid transport systems using pod cars—driverless vehicles that run along a pre-determined course. Varanasi is the Lok Sabha constituency of Prime Minister Narendra Modi while Nagpur is that of transport minister Nitin Gadkari. The three cities may see the first rapid transport systems using pod cars being built by US space agency Nasa's SkyTran and UK's Ultra Global PRT, initially over a 1km test stretch each. New Zealand's Metrino Personal Rapid Transit along with Ultra Global PRT and SkyTran were among the three companies that had bid for transport minister Nitin Gadkari's pod taxi project in India last year. All the three companies that won approval from the government to build a pilot stretch are to showcase their technology to implement the projects by forming joint ventures with Indian companies.

12. Flipkart aims to capture 50% of total online smartphone sales during festive season

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

SoftBank-backed Flipkart is confident of extending its lead over US-based rival Amazon in smartphones sales and expects 1 in 2 smartphones sold online during the festive season will be through its platform. "We have been hovering around 2-2.5X of the sales volume of our rival but we expect this to be 4X during festive sales (month beginning around 20 September). We are confident that 1 in 2 phones sold online will be through Flipkart," Flipkart head (smartphones category) Ayyappan Rajagopal. This year, the sales would be about 2.5 times the volume sold on its own platform last year, he added. Rajagopal, however, declined to comment on specific sales numbers. When contacted, Amazon India director (smartphones and consumer electronics) Arun Srinivasan said: "We are customer obsessed and not competition focused"...The two companies are locked in an intense battle for leadership in the burgeoning e-commerce market in India and are betting on the mobile phones category as one of the major growth drivers. Mobile phones are one of the most popular items sold through e-commerce sites in India.