Daily Economic News Summary: 16 June 2017

1. Narendra Modi government panel on innovation flags concerns over Global Innovation Index methodology
Source: Financial Express (Link)

A government task force on innovation has raised concerns over the methodology used by institutions like World Intellectual Property Organisation (WIPO) to rank India in the Global Innovation Index (GII). GII ranks countries on an annual basis on 82 parameters for their contribution towards successful innovations based on their capacity. It is published by Cornell University, INSEAD and the World Intellectual Property Organisation (WIPO) in partnership with other organisations and institutions. Although India has moved up six places to the 60th spot among 130 nations on the GII 2017, in certain indicators like political environment and absence of violence/terrorism, the country is ranked low at 113. “Clearly, with a vibrant and stable democracy, the largest in the world, ever since Independence 70 years ago, India deserves much better. The ranking needs to be based on a quantifiable methodology approach, rather than the present composite indicators approach,” the task force said in its report…The official added that there is a need to change the methodology for certain indicators as India is pursuing lot more reforms. Similarly on the indicator of ‘business environment’, India was ranked at 117. “In order to truly understand the business environment of a country in terms of innovativeness, the entire set of values need to be accounted for.

2. China, India seen as $4 tn opportunity for energy by 2040
Source: Financial Express (Link)

China and India will be the biggest recipients for new investment in power-generating capacity by 2040, representing a $4 trillion opportunity for the energy sector. China will require $2.8 trillion of spending for 2,547 gigawatts of new capacity, while India needs $1.2 trillion, according to a Bloomberg New Energy Finance outlook forecasting how energy markets will evolve by 2040. China’s wind and solar capacity will increase eightfold through to 2040, retaining the nation’s role as a global powerhouse of clean energy. India will build 10 times more solar capacity than net additions of coal to 2040 as it shifts to lower-cost renewables to meet a more than threefold rise in energy demand. Coal generation will increase by 78 percent as the country becomes the second-biggest power system in the world.The massive deployment of renewables in the two countries will help the region reduce its output of greenhouse gases. BNEF expects emissions from the power sector to peak at 7.2 gigatonnes in 2028 in Asia Pacific. Interestingly, India's increasing adoption of air conditioners as it transitions to a service-oriented economy means a change in peak demand periods, aligning the nation's energy needs more closely with output from solar systems. The London-based research company also found: China's coal capacity will peak in 2024 due to stricter standards for new projects and cheaper renewables. Renewables will attract 73 percent of the new investment spent over the next 23 years in China…India's coal additions will be at a near-hiatus from 2023 to 2028. From 2029, new coal will be needed to meet rising demand. Even so, with an explosion in solar installations, coal is set to no longer play a dominant role in the growth of India's power-generating capacity by 2040. India's cumulative solar PV capacity rises from 10 gigawatts in 2016 to 670 gigawatts in 2040.

3. Boost for Make in India: Government close to imposing basic customs duty of at least 10% on smartphones
Source: The Economic Times (Link)

India is close to imposing basic customs duty (BCD) of at least 10% on smartphones, making imported devices more expensive than locally made ones and bringing relief to the likes of Foxconn and Wistron that have invested heavily in factories in the country. The move is also expected to stimulate investments of more than Rs 1,000 crore that have been on the fence for lack of clarity on price differential incentive as India shifts to goods and services tax (GST) regime. Currently, the duty structure makes imported phones expensive than locally made ones, but that difference was set to be evened out under GST…Some feel the BCD on smartphones should be around 15% but a final call is yet to be taken.This follows a legal opinion from the attorney general that smartphones were not covered by the Information Technology Agreement and the country could impose customs duty on them. ITA is a global agreement under which countries have committed to exempt certain electronic and telecom products from customs duty. ITA was signed in 1996 when smartphones did not exist and hence cannot be given zero-duty status, as per the legal opinion.

4. India's export to take a hit as Qatar crisis deepens
Source: The Hindu: Business Line (Link)

Indian exporters have started facing the heat from Qatar's recent diplomatic crisis with Arab states — Saudi Arabia, Bahrain, the United Arab Emirates and Egypt. Exporters foresee severe short-term challenges related to logistical and banking issues. "There are some short-term challenges arising out of the crisis due to logistical and banking issues. There may be some problems for shipments that are already in the pipeline," said Ajay Sahai, Director General, Federation of Indian Export Organisations (FIEO). Two-way trade between India and the Gulf Cooperation Council (GCC) touched $96.77 billion in 2016-17. Exporters are facing massive challenges as their shipments are stuck with shipping lines being stalled. Sahai said there would be a rise in transaction costs and shipping charges. As a result, exporters will now have to negotiate for better prices. Another issue is that of banking channels, as a lot of the transactions take place through Dubai, which may also come under pressure to tighten its belt against Qatar. While exporters are exploring alternative ways to address the challenges that have cropped up, engineering exports from India to the region are likely to get hit leading to increased pricing of the goods reaching there. "Indian business and trade have a big stake in the region and it is important to keep a close eye on the fast changing situation there. Inputs from our engineering exporters indicate that shipping lines operating between India and Doha are keeping the containers on hold. A few such incidents have been reported from Jebel Ali (Dubai) and Krishnapatnam ports," said TS Bhasin, Chairman, Engineering Export Promotion Council (EEPC)… India's exports to the region mainly consists of iron and steel products, non-ferrous metals, industrial and electrical machinery.

5. DIPP chalks out timeline for FDI; to give one week's time to concerned ministry to decide case
Source: Financial Express (Link)

The Secretary of Department of Industrial Policy & Promotion (DIPP) has said that the Foreign Investment Promotion Board's (FIPB) portal has now been transferred to the DIPP and will be called the Foreign Investment Facilitation Portal (FIFP). The Secretary also stated that the concerned ministry to which the proposal will be sent will have to scrutinise the Foreign Direct Investment (FDI) application in a week's time. The secretary also said that the RBI will be given another four weeks to scrutinise the FDI application. Currently, 70 FDI cases are pending with the the FIPB…The industry department has fixed July 1 as the timeline to implement the standard operating procedure (SOP) for clearing foreign investment proposals. The draft SOP was discussed today with other departments, including revenue and economic affairs. "We have received views of different ministries. We have issued the draft. Our target is to implement it from July 1," Secretary in the Department of Industrial Policy and Promotion (DIPP) Ramesh Abhishek said. A note sent by the DIPP, the nodal agency for FDI policy, to all ministries stated that the new regime will be simpler in execution and will expedite the disposal of the proposals. After a proposal is filed, the DIPP would identify the ministry to which the proposal be sent and do so electronically within two days, as per FE Bureau…FDIs in sectors such as broadcasting, telecom and satellites as well as investments from Pakistan and Bangladesh require clearance from the Home Ministry. Investments to Jammu & Kashmir and the NorthEast also require clearance from MHA, according to FE Bureau. In the 2016-17 fiscal year, India received a record USD 61 Billion FDI, which included reinvestment earnings, up from USD 55.6 Billion in the previous year

6. Export up 8% at 24 billion in May; trade deficit widens to $14 billion
Source: Financial Express (Link)

India's exports grew by 8.32 per cent to $ 24.01 billion in May, mainly on account of robust performance by sectors like petroleum, chemicals, engineering goods as well as gems and jewelry. Imports too jumped 33.09 per cent to $ 37.85 billion last month from $ 28.44 billion in May 2016, according to the data released by the commerce ministry. A huge jump in gold imports pushed up the trade deficit to $ 13.84 billion during the month under review from $ 6.27 billion a year ago. The imports of the precious metal rose 3-fold to $ 4.95 billion in May compared to $ 1.47 billion in the same month last year. Exports in April-May increased by 13.83 per cent to $ 48.64 billion. Imports during the period up by 40.63 per cent.

7. Seafood exports to grow above 20% in FY18
Source: Business Standard (Link)

Seafood exports are likely to grow over 20 per cent in 2017-18 after the figures touched an all-time high of $5.78 billion (Rs 37,870.90 crore) in 2016-17.The exporters are upbeat despite the fact that the major importing countries are taking protectionist measures to safeguard their local industries. Recently, The American Shrimp Processors' Association has named India, along with Indonesia, Thailand, Vietnam, Mexico, China, and Malaysia, as seven of the 13 countries with which the US ran a significant overall shrimp trade deficit in 2016. The US trade deficit in shrimp was $4.5 billion in 2016. Similarly, the International Trade Commission of the United States had unanimously voted to extend the current anti-dumping orders on shrimp from China, India, Thailand and Vietnam for an additional five years.

8. US's Paris climate deal exit may lower India's solar power tariff further
Source: Live Mint (Link)

Solar power tariffs in India may decline further as a result of the US withdrawal from the Paris climate deal affected by President Donald Trump. According to several developers, manufacturers and analysts, Chinese manufacturers may further cut their solar module prices to drive sales in India because they may not have a significant US market left any longer. Modules account for nearly 60% of a solar power project's total cost and their prices fell by about 26% in 2016 alone. Of China's solar module manufacturing capacity, estimated to be around 70 gigawatts (GW) per year, the major markets are the US, India and China itself. With green energy activity expected to slow down in the US, and the Chinese solar power generation stimulus petering off, China's solar equipment makers may adopt a more competitive stance on pricing to drive demand. "In order to support demand, China stepped in and launched a major programme in 2014-15 due to which it added a record 35GW of capacity. This is expected to come down this year. There will be a huge capacity that Chinese manufacturers will have to deal with this year. It will further drive down prices with solar power tariffs in India expected to go below the Rs2 per unit mark," said the chief executive of a solar power firm which participated in the recent solar auction rounds in India…Most solar power developers in India have been sourcing solar modules and equipment from countries such as China where they are cheaper. India's installed solar power generation capacity has risen over fourfold to 12.2GW from 2.6GW as of 26 May 2014.

9. Closing gender gap in jobs by 2025 can add $1 trillion to India's economy: ILO
Source: The Hindu: Business Line (Link)

India's economy could gain a whopping $1 trillion if it closes the wide gender gap in employment by 2025, says a new ILO report. India is among the countries that have the widest gender gaps at 52.1 points (the difference between the share of men and women who are either employed or are looking for jobs as a percentage of the population), along with neighbours Pakistan (57.1) and Sri Lanka 44.6. Despite high growth rate, India's female labour force participation rate (FLFP) has remained low. International Labour Organisation (ILO) had in 2013 ranked India's FLFP rate at 121 out of 131 countries. The report, *World Employment and Social Outlook (WESO): Trends for Women 2017*, released in Geneva on Thursday, estimates that if the goal set by G20 leaders in 2014 to reduce the gap in participation rates between men and women by 25 per cent by 2025 is realised, it could add $5.8 trillion to the global economy…The global labour force participation rate for women in 2017 stood at just over 49 per cent, nearly 27 percentage points lower than that for men, and is forecast to remain unchanged in 2018, says the report…The report called for policies that remove constraints that women face in choosing to enter the labour market and address the barriers they are confronted with once they are in the workplace.

10. Thomson Reuters, NSDL e-Governance ink pact to offer joint solution for GST
Source: The Hindu: Business Line (Link)

Thomson Reuters and NSDL e-Governance have joined hands to offer an integrated Goods and Service Tax (GST) proposition for large and mid-sized corporations in India. Based on a Memorandum of Understanding (MoU) signed today, the solution will enable seamless calculation and filing of returns under the new tax regime. Additionally, Thomson Reuters and NSDL e-Gov have also agreed to collaborate to leverage Thomson Reuters' ONESOURCE Determination solution to provide value-added services, including validation services for the Micro, Small and Medium Enterprise (MSME) segment. The MoU was signed by Pradeep Lankapalli, Managing Director, South Asia, Thomson Reuters and Gagan Rai, Managing Director & CEO, NSDL e-Governance Infrastructure Ltd. The integrated proposition for large and mid-sized corporations would address two key areas of concern for corporations under the GST regime, namely, efficient and accurate calculation of taxes across multiple platforms and the associated filings, returns and reconciliation mechanisms.