Daily Economic News Summary: 17 May 2017

1. Belt and Road Initiative: China's vision for globalization, Beijing – style
Source: Business Standard (Link)

China's Belt and Road Initiative (BRI) is a multifaceted economic, diplomatic and geopolitical undertaking that has morphed through various iterations, from the "New Silk Road" to "One Belt One Road". The BRI imagines a US$1.3 trillion Chinese-led investment program creating a web of infrastructure, including roads, railways, telecommunications, and energy pipelines, and ports. This would serve to enhance economic interconnectivity and facilitate development across Eurasia, East Africa and more than 60 partner countries. First proposed in September 2013, it is the signature foreign policy initiative of Chinese President Xi Jinping. It is a project of unprecedented geographical and financial scope. BRI has two primary components: the overland Silk Road Economic Belt (SREB), and the sea-based 21st-century Maritime Silk Road (MSR). Together, they form the "belt" and "road". SREB's overland infrastructure network encompasses the New Eurasia Land Bridge and five economic corridors: China-Mongolia-Russia; China-Central Asia-West Asia; China-Pakistan; the China-Indochina peninsula; and Bangladesh-China-India-Myanmar. The SREB's connective sinews will be high-speed rail and hydrocarbon pipeline networks. The MSR is focused on developing key seaports that connect to land-based transportation routes.

2. Even as India snubs OBOR forum, 6 neighbours, from Nepal to Sri Lank, sign 20 infrastructure deals with China
Source: Financial Express (Link)

India may well have snubbed the OBOR forum due to sovereignty and security concerns, 6 of its close neighbours have signed 20 infrastructure deals with China in the backdrop of the Belt and Road Forum (BRF) being held in Beijing. The six nations namely Pakistan, Sri Lanka, Nepal, Bangladesh, Myanmar and Afghanistan have also asked China for financial help in advancing infrastructure, power, banking and finance sectors, according to an Indian Express report. India has skipped the two-day Belt and Road Forum citing concerns over sovereignty over the China-Pakistan Economic Corridor (CPEC). China, on the other hand, has called CPEC a flagship of the ambitious One Belt One Road (OBOR) project. China and Pakistan have signed 10 additional agreements connected to the contentious corridor which runs through Pakistan-Occupied Kashmir (PoK). Pakistan's Prime Minister Nawaz Sharif, who led a delegation of four chief ministers and several federal ministers, also addressed the opening ceremony of the BRF. Professor Wang Yiwei from Renmin University said China's neighbours will benefit from OBOR. Yiwei added, "The CPEC project is expected to solve Pakistan's infrastructure issues through special economic zones and the Gwadar Port." The professor predicted that Pakistan's economy will take off after the second stage of development that begins in 2020 and by 2030 the country will be an emerging power…Yiwei thinks India is becoming more flexible about the initiative adding "I believe India has shown positive signs over a China-Nepal-India economic corridor.

3. United Nations revises downward India's GDP growth for 2017
Source: Financial Express (Link)

The United Nations has revised downward India's economic growth forecast for 2017 but predicted an increased 7.9 per cent GDP growth next year as it cautioned that stressed balance sheets in the banking sectors will prevent strong investment rebound in the near term. The UN World Economic Situation and Prospects as of mid- 2017 report, launched here today, said India is projected to achieve a 7.3 per cent growth in 2017, a downward revision from the 7.7 per cent forecast for the year made when the report was launched in January. The revised report, however, projected that India will achieve an impressive 7.9 per cent GDP growth in 2018, revising upwards its January estimates when it had said India's growth will be 7.6 per cent next year. The report warned that stressed balance sheets in the country's banking sector, which has emerged as a cause of concern for the Narendra Modi government, will have an adverse effect on investment rebound in the country. "Despite temporary disruptions from the demonetization policy, economic conditions in India remain robust, underpinned by sound fiscal and monetary policies and the implementation of key domestic reforms. Yet, stressed balance sheets in the banking and corporate sectors will prevent a strong investment rebound in the near term," the report said.

4. India pips US on renewable energy investment, but trails China
Source: Financial Express ([Link](#))

India has overtaken the US to become the second-most attractive country after China for renewable energy investment, according to a report by UK accountancy firm EY. In an annual ranking of the top 40 renewable energy markets worldwide in terms of allure, China was ranked at the top, followed by India. The US slipped to the third spot from the first in the last year's ranking, EY said. "The fall – the first for the US since 2015 – to third in the ranking of the top 40 countries follows a marked shift in US policy under the new administration," it said. India was ranked third on the last year's EY renewable energy country attractiveness index (RECAI) behind the US and China.

5. GDP growth likely to rise to 7.9% by Dec: Report
Source: The Hindu: Business Line ([Link](#))

The Indian economy is entering a "productive growth phase" and real GDP growth is likely to rise to 7.9 per cent by December driven by favourable external demand, improving corporate balance sheets and private capex recovery, says a report. A productive growth phase is characterised as a period of improving growth, while macro stability remains in check and typically sets the stage for a sustained growth cycle. According to the research note by Morgan Stanley, growth is likely to inflect higher, accelerating by almost 1 per cent point over the next three quarters. Morgan Stanley expects growth to pick up from the second quarter of this year onwards and accelerate by almost a full percentage point to 7.9 per cent by December 2017 from the current run rate of 7 per cent. "We think that the growth cycle will inflect higher, starting from the second quarter of 2017, supported by three factors — the external demand environment will be favourable for growth; corporate balance sheet repair is already underway; and private capex recovery will be underway by 2018," Morgan Stanley said in a research note. The report further said implementation of GST is unlikely to create a meaningful roadblock in the growth trajectory.

6. Tax bonanza turning city at 'zero mile' into India's warehouse
Source: The Economic Times (Link)

Nagpur is in the dead center of the country, at the crossroads of busy road and rail corridors that bisect India east to west and north to south. Now, India is on the cusp of a sweeping tax overhaul that could turn the city of 2.4 million people into one of the nation's biggest logistics hubs. Known for its oranges, tiger sanctuaries, and 45-degree Celsius (108 Fahrenheit) summer heat, Nagpur has seen a groundswell of investment from retailers and warehouse companies betting that the debut of Prime Minister Narendra Modi's national goods-and-service tax on July 1 will transform the city's fortunes…The new tax will replace layers of provincial levies and unify India's 29 states into a single market. Transport Minister Nitin Gadkari said it could push economic growth into double digits by eliminating shipping delays across state borders and cutting corruption.

7. Clean energy: lessons from Austria
Source: The Hindu: Business Line (Link)

Power Minister Piyush Goyal said that India can learn a lot from Austria's experience in clean energy. He was speaking after returning from Vienna and London, where he had gone to attend the Vienna Energy Forum and to flag off NTPC's fund 'Masala bond' fund raiser at the London Stock Exchange. Goyal said that India can learn from Austria's experience in hydropower, flexible solar module technology, waste processing, technology for commercial beverage chilling for reduced energy consumption and bio-diesel production from waste cooking oil. He said that Austrian companies will have to transform from technology of exclusivity to technology of inclusivity to expand in India. An Austrian delegation will be visiting India in June.

8. GST Impact: Services set to get costlier, here's how much it may cost you
Source: Financial Express (Link)

Among the 120 services that are currently being taxed, a vast majority is likely to come under the goods and services tax (GST) slab of 18%, while a clutch of them including air travel services, renting of hotels, restaurants and other "bundled" food supply services could get taxed at 12%. A handful of services including transport of goods by road (trucks) and rail and financial leasing including hire purchase could fall under the lowest GST rate of 5%. While the principle that underlies the GST rates fitment, recommended by a committee of officials, is to minimise rate shocks, services would still be the category to witness rate hikes the most as the country adopts the new indirect tax structure, official sources said. Since the current service tax rate is 15% (including the 0.5% Swachh Bharat Cess and an equal Krishi Kalyan cess), levy of GST at 18% would mean a significant increase in the tax liability of consumers of most services. Even for the relatively smaller number of services to be taxed at 12% in the GST regime, the tax incidence could actually increase in some cases. This is because taxes paid after the abatements permitted by the government work out to be lower than 12% in many such cases at present. For example, restaurant services are currently taxed with 30% abatement, which means actual tax incidence of 10.5%. This could increase to 12% in the GST regime, rather than decrease to 5%. The sources added that all the 60-odd exempt services, which are on the negative list now, would be outside the GST net too. These include services provided by educational institutions, healthcare services, EPFO- Irdai-Sebi services, non-A/c restaurants etc.

9. India's first technology park for ornamental fishes to come up in Chennai in three months
Source: The Economic Times (Link)

India's first Aquatic Rainbow Technology Park (ARTP) in Chennai, an ultra-modern exclusive facility for ornamental fish equipped with multi-species hatchery and live feed culture units, will become operational in the next three months, fulfilling a major requirement of the industry for mass production of high-value aquarium fish. The facility is being developed by Fisheries College and Research Institute (FCRI), Ponneri in Tamil Nadu, the second largest exporter of ornamental fish after West Bengal. After the completion, it will be handed over to ornamental fish breeders and farmers on lease for three years. The Marine Products Export Development Authority (MPEDA), a nodal agency of the Union Commerce and Industry Ministry, has been a part of the steering committee for the project. The Rs 10-crore facility, being funded by the Tamil Nadu Innovation Initiatives of the state government, will be equipped with advanced infrastructure and technical expertise for boosting production of high-value ornamental fish species, both indigenous and exotic, said MPEDA chairman Dr A. Jayathilak during the three-day Aqua Aquaria India (AAI) 2017 held at Mangaluru. It would also develop breeding technologies for high value indigenous ornamental fish species and ensure quality fish seeds in bulk quantities, he added.