

Daily Economic News Summary: 18 January 2017

1. Optimism reigns in India as CEOs, consumers look beyond China

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

Prime Minister Narendra Modi has something to cheer about even as economists slash India's growth forecasts. A clutch of studies and surveys published around the World Economic Forum show that perceptions about India's outlook are improving, and closing the gap with China. The results will be heartening for Modi, who's under fire at home for his shock currency withdrawal that's left analysts scrambling to calculate the impact on the \$2 trillion economy. Forecasts and perceptions will play a role as Modi nears several state elections scheduled to start next month. His administration is also due to present its annual budget on 1 February. **Economic outlook:** The cash clampdown will hurt India in the near term, though growth will rebound, according to the International Monetary Fund. It cut its forecast for India's gross domestic product to 6.6% from 7.6%. "Even with our downgrade, India's growth rate remains substantial," said Maury Obstfeld, the IMF's research director. "We do agree with the general goal that motivated this, which is reducing the extent of illicit transactions in the economy."

2. Narendra Modi tells China, Pakistan to respect India's concerns, sensibilities

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

Prime Minister Narendra Modi on Tuesday reiterated the contours of India's foreign policy with its aim of peaceful development extending support for multilateralism and inclusivity while warning against exclusion and protectionism. In his address to an international conference in New Delhi which saw participation by former Afghanistan president Hamid Karzai and the former prime ministers of Australia and Canada—Kevin Rudd and Stephen Harper—Modi also drew the line at building ties with China and Pakistan, calling on both to respect India's concerns and sensitivities. In his speech, Modi noted that as India looked to the world for technology and resources to fuel its economic growth, "the world needs India's sustained rise, as much as India needs the world"—underlining the importance of Asia's third largest economy in global economics. "Physical borders may be less relevant in this age of bits and bytes. But, walls within nations, a sentiment against trade and migration, and rising parochial and protectionist attitudes

across the globe are also a stark statistic. The result, globalization gains are at risk and economic gains are no longer easy to come by. Instability, violence, conflict, extremism, exclusion and transnational threats continue to proliferate in dangerous directions,” Modi said.

3. Tax breather for foreign investors: All you need to know

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

Foreign portfolio investors (FPI) can now breathe easy with the Income Tax (I-T) Department on Tuesday putting in abeyance its controversial circular on taxing India-dedicated funds. Experts said clarity was necessary on the issue at the earliest so that FPIs were certain. They expect the finance ministry to amend the law in the Budget to put an end to the controversy. The circular, in the form of frequently asked questions (FAQs), had spooked the markets when it was issued last month. It also gave rise to fears of retrospective taxation as the principal amendment to the Income Tax Act on indirect transfers was such in nature. These provisions were first introduced in 2012, with retrospective effect, after the government failed in levying a tax on the British telecom giant Vodafone Group Plc’s purchase of Hutchison Whampoa’s India telecommunications business. The Central Board of Direct Taxes (CBDT) and the capital markets division of the finance ministry have received a number of representations from various FPIs, venture capital funds and other stakeholders, expressing concern that the circular does not address the issue of possible multiple taxation of the same income.

4. Technical textiles can benefit from existing fiscal sops: Irani

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

Technical textiles — materials that are used for their technical performance and functional properties -- can benefit from some of the existing fiscal sops for the textile industry, including the package for made-ups and apparels announced earlier this fiscal and the technology upgradation funds (TUF) scheme, Textiles Minister Smriti Irani has said. Responding to demands from the industry for fiscal incentives to promote the sector at a curtain-raiser for Technotex 2017 — the sixth international exhibition and conference on technical textiles scheduled in Mumbai this April — Irani said her team could advise the industry on how to approach the government for benefits.

“Technical textiles like home textiles and clothing textiles, would be eligible for benefits under the fiscal package for made-ups and apparels. We can advise the sector on how to approach the government,” Irani said at the even organised by industry body FICCI on Tuesday. There are 12 broad categories of technical textiles which include industrial textiles, eco textiles, geo textiles, home textiles, packaging textiles, protective textiles, sports textiles, clothing textiles, agro textiles and construction textiles.

5. 3M India eyes defence foray in the country

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

3M India Limited, the Indian subsidiary of 3M Corporation and maker of over 8,000 products in industrial, health care, safety and graphics, consumer and energy among others, is now eyeing a foray in India's defence sector. The company claims it has wide experience in this sector globally, which it can extend to India as well. "Defence is a market for us in India. We can make products for soldiers from the 46 technology platforms we have. We have wide experience in the US and all these technologies can be adopted, modified for India and then we can build on it, in India for India," said Ashish Khanpur, senior vice president and chief technology officer of 3M Research and Development. "We have no problem in foraying into defence because of our technology strength."The company recently bagged a \$64 million contract in the United States for the army in the area of soldier protection. The company is currently working with the Indian government on soldier protection program. It is already working with some defence manufacturing entities.

By Rajnee Narula