

Daily Economic News Summary: 18 September 2017

1. India is likely to be 3rd largest economy by 2028

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

India is likely to overtake Japan and Germany to become the third largest economy in the next 10 years but needs to be consistent in reforms and focus more on the social sector, British brokerage HSBC has said. Social capital is “insufficient” in the country and spending on aspects like health and education “is not just desirable for its (India’s) own sake, but is also central to economic growth and political stability,” it said. India also needs a lot of focus on ease of doing business and related aspects like contract enforcements. “In over the next ten years, India will likely surpass Germany and Japan to become the world’s third largest economy in nominal USD and the transition will happen even more quickly on a PPP (purchasing power parity) basis,” its economists said in a note...India will continue to be a services oriented economy but it needs to pay extra attention on manufacturing and farm sectors as well, the report said, adding that it would be desirable to maintain the contribution of manufacturing, agriculture and services at the current levels.

2. India’s GDP growth likely to slip below 7 per cent this fiscal: DBS

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

India’s GDP growth is likely to face near-term headwinds and might slip below 7 per cent mark to a three-year low this financial year, says a DBS report. According to the global financial services major, two recent policy measures — demonetisation in November 2016 and GST rollout in July 2017 had a short term impact on economic activity and aggravated the already slowing momentum. “These amplified the already weak trends in manufacturing and investment growth slowing first half growth to 5.9 per cent from 7.9 per cent in 2016,” DBS said. “For 2017-18, a weak June quarter and the likelihood of only a modest improvement in July-September, prompts us to temper our full year expectations. We expect real GDP to average 6.8 per cent year-on-year in 2017-18 (as against 7.3 previously),” DBS said in a research note. India’s economic growth slipped to a three-year low of 5.7 per cent in April-June, underscoring the disruptions caused by uncertainty related to the GST rollout amid slowdown in manufacturing activities...Note-ban curtailed cash availability, slowing consumption and hurting cash sensitive sectors like construction, trade, logistics, and small and medium size enterprise.

3. Japan teams up with India for Northeast, to extend Rs 2,239-crore loans

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

A memorandum of understanding to set up India Japan Act East Forum with an aim to marry India's Act East Policy with Japan's Free and Open Asia-Pacific strategy in the backdrop of China's One Belt One Road initiative is among the major agreements signed during Japanese Prime Minister Shinzo Abe's visit to India for the 12th Indo-Japan annual summit, experts said...Japan has a historic connection to the Northeast and is among the few countries that India has allowed a presence in the eight landlocked states which are the country's gateway to the Association of Southeast Asian Nations members. India and Japan on Thursday also signed a document on Japanese loan and aid for highway development in the Northeast that can complement India's connectivity initiatives in Bangladesh, Myanmar and beyond, besides BBIN (Bangladesh, Bhutan, India, Nepal) and BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) Motor Vehicle Agreements. Japan will extend a loan of Rs 2,239 crore to India for 'North East Road Network Connectivity Improvement Project' to improve the National Highway 40 (NH-40) and construct a bypass on NH-54 in the Northeast. The project is expected to contribute to the improvement of the intra-regional and international connectivity through regional economic development. Japan is keen to expand infrastructure projects in Southeast Asia amid China's OBOR initiative and, along with India, it is exploring opportunities to develop projects in ASEAN.

4. Suresh Prabhu may seek investment pledge from 30 Indian companies

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

Commerce and Industry minister Suresh Prabhu will soon meet the country's top industrialists individually to seek an investment commitment from each of them for the next few years, a senior official said. "Domestic investments are a big concern for the government. Economy cannot rely on FDI alone and we need Indian companies to infuse funds on ground now," the official told. The minister will hold one on one meetings with the heads of top 30 domestic companies, followed by group meetings, next month. The Department of Industrial Policy and Promotion (DIPP) is in the process of preparing a list of the top companies with huge investment and employment generation potential, the official said. The government will try to understand the problems that are stopping big domestic companies from investing in the country and also urge them to loosen their purse strings for the short term investment requirement of the economy...India recorded record foreign direct

investments (FDI) inflows of \$43 billion in the year ended March, up 9% over FY2016. Prabhu is also likely to take up the issue of limited scope of the Project Monitoring Group (PMG) under the Prime Minister's Office.

5. African countries back India-China stand on curbing rich nation's farm sops

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

A joint India-China paper for disciplining the so-called trade-distorting farm subsidies given by rich countries has found backers in African nations, including South Africa, Zimbabwe and Egypt. With just three months to go for the crucial Ministerial meet of the World Trade Organisation, in December, battlelines are getting drawn with those opposed to the India/China stand on subsidies and their demand for prioritising a solution on public stock-holding, too, getting a traction, a government official told... A submission by the EU and Brazil, linking issues of public stock-holding to domestic support, received enthusiastic endorsement from many developed and some developing nations at a recent meeting of the Committee on Agriculture (CoA) even as India and the G-33 group of developing countries opposed it. "It is heartening that the joint paper by India and China has generated a lot of interest at the WTO with many developing countries insisting that it be a starting point of future negotiations. But we can't ignore the fact that the group of countries opposing the meagre subsidies that India gives is also powerful. We have to contradict them with logic and numbers," the official said... India and China have pointed out that developed countries have cornered more than 90 per cent of global Aggregate Measurement of Support (trade distorting subsidies) entitlements amounting to nearly \$160 billion and this need to be eliminated.

6. India's 2nd spot: Check out North Korea's top trading partners

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

The United Nations Security Council voted unanimously to impose a new set of sanctions against North Korea in response to Pyongyang's sixth and strongest nuclear test explosion on September 3. The new sanctions set a cap on crude and refined oil exports to North Korea. The sale of natural gas will be prohibited and refined petroleum sales will be capped at 2 million barrels annually. The Security Council resolution also bans all North Korea textile exports. Geographically, China and North Korea share a large border, which makes China a natural partner for trade. Here's a look at North Korea's trade numbers in 2016. China: \$2,600.0mn, India: \$87.4mn, Philippines:

\$51.8mn, Taiwan: \$12.2mn, France: \$11.4, Mozambique: \$10.9, Russia: \$8.8mn, Brazil: \$8.7mn, Burkina Faso: \$7.4mn.

7. India to see more investments coming from Japan: BMI Research

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

The Japanese investment in India will continue to rise as the East Asian country is keen to expand offshore investments to generate opportunities for its construction and engineering firms, according to BMI Research. Prime Minister Narendra Modi along with his Japanese counterpart Shinzo Abe, who was on a two-day visit to India, laid the foundation stone for country's first bullet train project between Ahmedabad and Mumbai. Japan has given a loan of Rs 88,000 crore at 0.1 per cent interest for the Rs 1.10 lakh crore bullet train project. "Japan's involvement in India's infrastructure industry will continue to accelerate, as (Shinzo) Abe seeks to expand overseas infrastructure investments to generate opportunities for Japanese construction and engineering firms..." the Fitch group company said in its outlook for India's infrastructure sector. This expansion will be aided by Modi's 'Make In India' initiative, which has "relaxed or eliminated" restrictions on foreign investment across many industrial sectors, it said.

8. Digital economy to offer 5-7 million job opportunities, says Ravi Shankar Prasad

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

India's burgeoning digital economy is expected to provide job opportunities to about 50-70 lakh youth in the country by 2020, Electronics and IT Minister Ravi Shankar Prasad said today. Reiterating the Centre's commitment towards the country's growth, Prasad said it is important to have affordable and inclusive technology to ensure growth and prosperity for the masses...he said the country's digital economy is growing fast and by 2020 it is expected to provide job opportunities to about 50 to 70 lakh youth. The event was jointly organised by IT industry body Nasscom. Prasad welcomed the launch of the cyber security policy by the state and said Haryana is the first in the country to implement such a policy. Haryana is a base for thousands of Indian and global tech companies and there is a huge potential for the state to become an electronics and mobile manufacturing hub, he said. Assuring support to the state government, Prasad said a digital revolution needs to be brought in Haryana and entrepreneurs need to play a larger role in helping with the digital transformation of the villages.

9. Indian export rise for 12th straight month, grow 10.29% in August

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

Recovery in global demand helped India's exports to rebound in August after slowing in July. India's exports grew 10.3% in August to \$23.8 billion. However, imports outpaced exports and grew 21%, widening the trade deficit to \$11.6 billion from \$7.7 billion in the year ago period. Traditional sectors like leather, spices, drugs and pharmaceuticals, engineering goods and textiles registered a rise in outward shipments. India's exports growth slowed to an eight-month low in July, weighed down by appreciation in the rupee and goods and services tax (GST) regime-related disruptions...Merchandise imports recorded a fairly broad-based upsurge in August 2017, led by fuels such as crude oil and coal, electronic goods, precious metals and stones, iron and steel, and machinery. India's healthy exports growth has come at a time when China's outward shipments grew 5.5% in August.

10. Union Budget 2018 may see more aggressive fiscal push

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

The government is considering a more aggressive fiscal push in Union Budget 2018, likely to be presented on 1 February, after economic growth slumped to a three-year low in the quarter ended 30 June. The finance ministry has started the budget-making exercise for the fiscal year starting 1 April with the release of the budget circular containing the timelines for submission of information by various departments. Ministries and departments have to submit tentative budget estimates for fiscal 2019 by 30 September...The realization that the economy needs a stronger push comes after India's GDP growth stuttered to 5.7% in the fiscal first quarter. Reviving economic growth and creating more jobs, promises that the ruling Bharatiya Janata Party made to come to power in 2014, is crucial as the party seeks re-election in 2019. The finance ministry official cited earlier, however, said that the aggressive spending does not automatically mean that the government will breach the 3% fiscal deficit target set for 2018-19. "Much will depend on tax collection trend for the rest of the year, especially in GST," he added.

11. GST Council may consider 3-month rate freeze

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

The GST Council may freeze tax rates for three months, given that the IT system is under challenge on account of frequent changes in rates. The rate freeze will most likely apply only for the 28 per cent rate category. Currently, the most intense lobbying is to bring items from the 28 per cent rate to 18 per cent. Also, the GST Council will not relent in the face of any demands for a rate review on ‘sin goods’, source close to the GST Council said. A three-month freeze would also enable a meaningful analysis before tweaking rates.

12. PPP model in mineral exploration can boost investments: Top Fimi official

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

As the Union mines ministry prepares to amend the National Mineral Policy (NMP)-2008, industry stakeholders feel tapping the public-private partnership (PPP) model can help attract large-scale investments in mineral exploration. India is one of the least explored countries in the world with an exploration spend of \$15-20 million annually. This pales into insignificance with other resource-rich nations like Canada and Australia which invest above \$900 million every year on exploration...Tax holidays can be considered for exploration and prospecting especially in remote areas. Also, the new policy needs to be aligned with the National Steel Policy announced by the Ministry of Steel. The committee formed to recast the policy can take an overview of other policies in which certain provisions like tax holidays and other concessions can be extended.

13. As India’s job market recovers, these specialized skills will be in focus by 2020

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

Indian job seekers can finally have a sigh of relief as hiring prospects, which had hit a new low in the previous quarters, are expected to rebound slightly between October and December making India the third most optimistic market for skilled candidates, a survey by a prominent HR consultancy ManpowerGroup showed...A joint report by FICCI and NASSCOM also stresses on the changing hiring environment, which would soon require completely different skill sets. According to the report, the internet and exponential technologies are creating new employment opportunities in the areas of ‘white-collar’ working, also known as gig economy — online labour – software developers, creative and multimedia professionals, online sales and marketing professionals, writers, translators and data entry operators.

14. Demonitisation proving its critics wrong; here are 5 reasons why

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

Almost nine months back when PM Narendra Modi took the historic decision to demonetise the Rs 500 and Rs 1000 notes, the government had to bear the criticism of not only the Opposition but the nation as well. Now, when the Reserve Bank has come up with its latest figures, the result clearly shows that the decision was in the interest of the common man, says Anil Baluni, head, BJP media cell, in a column for Indian Express. Demonetisation was mainly aimed to put a check on black money which was circulating in the economy. Despite being regarded as an economic revolution by the world, critics conveniently ignored what demonetisation was capable of and called it an immature decision by the government.... Here are five reasons why it can't be ignored that 'notebandi' is a boon for India:

- 1) According to RBI's latest figures, lakhs of fraud transaction are already under scrutiny. Not only this, over three lakh shell companies have been unearthed and 2.1 lakh companies have been deregistered due to irregularities, Indian Express reported. 1,150 companies involved in money laundering cases have been caught and Rs 13,300 crore has been recovered.
- 2) Since the implementation of demonetisation, PM Narendra Modi has been pitching for a cashless economy. RBI has collected 99 per cent of the Rs 500 and Rs 1,000 notes made defunct on November 8, 2016, which amounts to Rs 15.28 lakh crore approximately.
- 3) One of the pivotal reasons of demonetisation was to eliminate the terror funding in Kashmir and Naxalism in affected areas. 'Notebandi' has posed a major impact on the fake note rackets which were being used to fund terror organisation leading to the weakness of the economy.
- 4) It is surprising to see how India has adopted to the cashless mode of transaction following demonetisation. Reportedly, from 71.27 crore digital transactions in October 2016, this figure has gone up to 111.45 crore in May 2017. According to experts, by 2020 digital payments in India will touch \$500 billion.
- 5) Demonetisation was the biggest of setbacks for cash defaulters. Benami cash worth Rs 1.7 lakh crore has been caught, showing how 'a parallel black economy was thriving due to the indecision of previous governments,' says Anil Baluni.