

Daily Economic News Summary: 19 June 2017

1. India agrees to government procurement talks in regional trade pact

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

The commerce ministry has agreed to formal discussions on government procurement in the Regional Comprehensive Economic Partnership (RCEP) trade agreement. Delhi had been resisting the idea so far. A working group will be set up next month to discuss the proposal. “We have been resisting it but discussions have become inevitable. We can’t take binding commitments but can only share best practices,” said an official privy to the development. India will host the next round of negotiations in Hyderabad in July. Public procurement relates to the process through which government, public utilities and state-owned enterprises procure goods or services for their own use. Since India is neither a party to the WTO’s Government Procurement Agreement nor with any other country, it has the flexibility to offer certain benefits in the form of price preferences and local sourcing to domestic players in government procurement. It doesn’t have to go for international tenders while procuring any goods and services. Many countries feel that public procurement impacts imports and exports and should be transparent. While India has acknowledged government procurement as an important issue but at its current stage of development, it is opposed to taking binding commitments at multilateral, bilateral or regional level trade agreements.

2. FPIs stay glued to Indian market; invest \$3.55 billion in June

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

Foreign investors have pumped in a staggering \$3.55 billion in the Indian capital market this month so far due to finalisation of GST rates for bulk of the items and forecast of a normal monsoon. Interestingly, most of the funds have been invested in debt markets by foreign portfolio investors (FPIs). “The differential spread between 10-year bond yields in the US and India is still around 4.5-5 per cent. This, coupled with stable outlook for the Indian currency bodes well for FPI flows into debt market,” Sharekhan Head Advisory Hemang Jani said. According to latest depository data, FPIs have invested Rs 4,022 crore in equities during June 1-16, while they poured in Rs 18,821 crore in debt markets during the period under review, translating into a net inflow of Rs 22,844 crore (\$3.55 billion). This comes following a net inflow of more than Rs 1.33 lakh crore

in the last four months (February-May) on several factors, including expectations that **BJP's** victory in Assembly polls would accelerate the pace of reforms. Prior to that, foreign investors had pulled out over Rs 3,496 crore from the markets in January. "The most prominent reason for FPIs' net inflow is expectation from the government that it would speed up development and economic reforms in their last two years in office before going for elections in 2019. "The government finalising GST rates and expectation that it will be rolled out on time, in addition to forecast of normal monsoon also led to positive sentiment," Himanshu Srivastava, Senior Analyst Manager Research at Morningstar India said.

3. Narendra Modi government looks to double digital economy to \$1.12 tn **Source: Financial Express ([Link](#))**

The government will roll out a new electronic policy to boost electronic manufacturing and create an inclusive ecosystem for promoting digital economy in the country, Ravi Shankar Prasad, Union minister for electronics & IT and law & justice, said at an industry consultation round table to build a \$1-trillion digital economy, on Friday. Key areas of priority will also include software product policy, data security and data protection, start-up cluster, and robust dispute resolution mechanism, according to Prasad. The minister emphasised on shortening the timeline of the digital economy to 3-4 year from more than 7 years to create a \$1-trillion digital economy in India that will boost digital skilled employment and growth of sectors such as communication, e-commerce, BPO, and IoT. Industry stakeholders added that the government will work toward digital skilling of workforce in India. Increased electronic manufacturing can make India nodal in mobile manufacturing, Prasad added. The new electronic policy will focus on e-health, education and agriculture. The government seeks to more than double the digital economy to \$1.12 trillion from \$413 billion. Industries such as electronics, telecom and IT will be at the forefront of digital employment with 8.9 million, 8.8 million and 6.5 million jobs respectively. The start-up movement will boost e-commerce and digital payments and push their share to \$150 billion and \$50 billion, respectively, by 2024-25.

4. India, China hold talks for strengthening strategic partnership

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

India on Sunday said it looks forward to strengthen its strategic partnership and mutual dialogue with China as the two sides held talks here amid differences over a host of issues including the \$50 billion CPEC and India's NSG membership bid. Minister of State for External Affairs V K Singh met Foreign Minister Wang Yi on the sidelines of the BRICS foreign ministers' meeting being held here to finalise the agenda for this year's BRICS (Brazil, Russia, India, China and South Africa) summit to be held in September in China's Xiamen city. They discussed steps to strengthen strategic relations on the directions laid down by Prime Minister Narendra Modi and Chinese President Xi Jinping during their meeting at Astana recently. Wang referred to the fruitful and constructive meeting between Xi and Modi on the sidelines of Shanghai Cooperation Organisation (SCO) on June 8-9 at Astana. In his opening remarks, Singh said that External Affairs Minister Sushma Swaraj wanted to visit Beijing but health and other restrictions did not permit her...Xi and Modi have "laid down directions for us and both the countries to proceed with a path of mutual respect, mutual cooperation on how to improve the existing mechanisms so that more trade, commerce and people to people contacts can take place," Singh said.

5. Assocham seeks deferment of GST implementation from July 1

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

Industry body Assocham has sought deferment of GST implementation from proposed July 1, stating that industry deserves more time and assistance to get prepared for implementation of this biggest ever tax reform undertaken by the country. In a letter to the GST Council Chairman and Union Finance Minister Arun Jaitley, the Assocham Secretary General D.S. Rawat said that significant amount of work has been done on GST front, but there are various issues that need to be looked at before GST can be implemented successfully. Assocham has said that going by the statements of CEO, GSTN, the GSTN will not be operational on July 1, 2017. It has been clearly stated by the CEO that the return module (which will facilitate filing of different returns before different prescribed dates) will be ready only by end-July, which will be before August, the month of filing returns. The important point to note here, according to Assocham, is that there will be no time left for dry run with the revised IT software on the Return module, a necessary requirement from the point of view of taxpayers. Secondly, even the excel sheet, based on which taxpayers

will have to upload invoices in the GSTN on a daily basis right from day one July 1, will be ready only on June 25 (going by GSTN Chairman's reported statement in media). Thus here also the taxpayers will not have the time of opportunity to have dry run on uploading of invoices as a part of the payment process. This being the status of preparedness of the GSTN, the taxpayers would find it very difficult to comply with GST requirements from July 1, the chamber has said.

6. High speed train corridor to ensure non-stop Net connectivity

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

Rail passengers can soon enjoy uninterrupted Internet connectivity with the Railways all set to equip main trunk routes with high speed mobile communication system. This will also help in real-time monitoring of assets besides ensuring direct communication between gangmen and loco pilots and station masters on condition of tracks. Considered as one of the areas essential for transforming rail operation, the state-run transporter will be setting up the high speed mobile communication corridor at an estimated cost of Rs 5,000 crore through PPP model. Currently, the Railways has been using wireless systems for operational applications. It has deployed GSM-R networks on select routes for operational voice communications between train drivers and train controllers...The high speed mobile corridor aims to support various safety, train operation and train management systems apart from offering broadband service to passengers.

7. Over 50 global retailers to enter India in 6 months, likely to open 3,000 stores

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

More than 50 mid-rung global retailers are planning to enter India within the next six months, according to data compiled by Franchise India that has tied up with them for their launches, with their eye mostly on smaller, untapped markets within the country. Brands such as Korres, Migato, Evisu, Wallstreet English, Pasta Mania, Lush Addiction, Melting Pot, Yogurt Lab and Monnalisa, many from the US and Singapore, will invest about \$300-500 million — all told to open roughly 3,000 stores, triggered by the country's expanding economy, booming consumption, urbanising population and growing middle class. "The first retail wave happened a decade ago when bigger retailers and brands entered India," said Gaurav Marya, chairman of Franchise India Holdings, a retail solutions provider that is helping these 53 brands find partners and get regulatory clearances. "Now, it's the turn of small and mid-sized brands as they look to cash in on the open retail policy and huge gap in the market for branded products." Of the incoming brands, 18 are in food and

beverage space followed by 13 each in apparel and lifestyle products and education products.

8. Clock is ticking on India's bad bank debuts under bankruptcy laws

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

India's central bank plans to use insolvency laws against more corporate defaulters to speed up resolution of the country's bad loans that have swelled to \$180 billion. "The clock's already ticking -- some cases are already before the National Company Law Tribunal," said Sanjeev Sanyal, principal economic adviser to the finance ministry. "More lists will be out in the next few months." Cleaning up India's stressed loans is the biggest priority of Prime Minister Narendra Modi's government, Sanyal said in an interview in New Delhi. The Reserve Bank of India last week notified 12 large debtors against whom it had ordered banks to use bankruptcy laws to resolve 2 trillion rupees (\$31 billion) or almost a fourth of the country's bad debts. The process in these cases will be completed within a period of 90 days compared with 180 days in other cases, the government said. For Modi, getting rid of the bad loans is crucial to reviving investments in Asia's third-largest economy to meet his election pledge of adding jobs before the 2019 elections.

9. BMW to invest Rs 130 cr in India to rev up operations

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

German luxury carmaker BMW is investing another Rs 130 crore in India to enhance operations, taking its total investment in the country to Rs 1,250 crore. The company will launch new version of its locally manufactured 5 Series later this month and 6 Series Gran Turismo (GT) model next year to strengthen its product portfolio in India. "Since 2007, we have been consistently investing in India. This year, we are going to increase our investment further to up to Rs 1,250 crore on a cumulative basis," BMW India President Vikram Pawah told PTI. BMW has invested Rs 1,120 crore in the Indian operations so far. The new investment will go into BMW group operations, including Motarrad (two-wheeler business) as well as the financial services arm, he added. With the fresh investments, the total investments on BMW group operations in India will go up to Rs 520 crore and on BMW Financial Services to Rs 730 crore. The company is looking to expand its dealer network in the country. It currently has 18 partners and is present in 30 cities.