Daily Economic News Summary: 1 August 2017

1. India among top ten green bond market, says energy research firm Bridge To India report
Source: Financial Express ([Link])

Energy research firm Bridge to India noted that with the combined issuance of $4 billion, India has put itself among the top ten green bond markets in the world. The feat was supported by Greenko and Azure Power together raising $1.5 billion in two weeks. Azure Power said last Friday that it would issue an inaugural $5 million green bond offering, maturing in 2022…According to Bloomberg New Energy Finance (BNEF), China and India alone are a $4-trillion opportunity for the energy sector. India would account for 11% of total regional investment over 2017-40, with wind and solar both accounting for around a third of total investment, BNEF added.

2. India to push for MSMEs strategy at BRICS meet
Source: The Hindu: Business Line ([Link])

India will push for early finalisation of a joint growth strategy for micro, small and medium enterprises (MSMEs) while checking China's attempts to expand the scope of discussions on e-commerce at the BRICS trade ministers meeting beginning in Shanghai on Tuesday. Commerce & Industry Minister Nirmala Sitharaman — who will attend the two-day meeting with her counterparts from Brazil, Russia, China and South Africa — is also likely to make a stronger case for cooperation in non-tariff measures (NTMs), the services sector and standardisation and conformity assessments, a government official told…India, which has taken the lead in strategising to integrate MSMEs in the region, organised a round-table on the sector last year. It proposed a mechanism for cooperation to regulate tariffs, check non-tariff measures (NTMs), ensure transparency in sanitary & phytosanitary measures and exchange information on regulatory mechanisms…Trade amongst BRICS nations in 2014 was just $297 billion which was less than five per cent of the five countries' $6.5 trillion worth trade with the world.

3. Moody's & ICRA Poll: 'India likely to grow 6.5 – 7.5% in 12 – 18 months'
Source: Indian Express (Link)

Even as demonetisation had a short-term negative impact on the economy, India's gross domestic product (GDP) is likely to expand in the range of 6.5 per cent to 7.5 per cent over the next 12-18 months on the back of stable economic growth prospects and expectation that the goods and services tax (GST) will support faster growth in the medium term. This was the view echoed by investors and market participants in Mumbai and Singapore at the 'Moody's and ICRA 3rd Annual India Credit Conference: Reforms, Sector Trends, Credit Risks & Opportunities' held in June 2017. While nearly two-thirds of respondents in a poll in Mumbai and Singapore said that India's real GDP growth rate will be in the range of 6.5-7.5 per cent for the next 12-18 months, there was a diversion of view on quantum of gain in growth. While over 75 per cent of the respondents in Mumbai voted for a 50-100 basis points gain in India's economic growth rate, only 39 per cent of the voters in Singapore shared that view. Moody's, however, pointed out that it expects Indian economy to grow at a faster pace than its peers. "Recent economic and institutional reforms, as well as further changes that could follow, make it reasonable to expect that India will grow faster than its peers over the next 12-18 months, despite a short-term drag caused by demonetisation. We forecast the economy will grow 7.5 per cent in fiscal year 2017 and 7.7 per cent in fiscal year 2018, or 7.2 per cent in calendar year 2017 and 7.7 per cent in 2018. Overall, we continue to believe that economic growth will gradually accelerate to around 8 per cent over the next three to four years," Moody's said.

4. India must guard against external financing vulnerability: IMF report
Source: Financial Express (Link)

India needs to remain vigilant as greater reliance on debt financing and portfolio inflows could create significant external financing vulnerabilities, a recent IMF report has said. The The International Monetary Fund (IMF) in its report titled 'The 2017 External Sector Report' further said other risks to the Indian economy stem from global financial volatility and 'longer-than-expected cash normalization' following the currency exchange initiative. "Like other EMs, too great a reliance on debt financing and portfolio inflows would create significant external financing vulnerabilities. Therefore, there is need to remain vigilant to safeguard the Indian economy. "…India's economic risks stem from intensified global financial volatility including from a faster-than-anticipated normalization of monetary policy in key advanced economies, longer-than-expected cash normalization following the currency exchange initiative, as well as slower global growth," the report noted. India's Monetary policy framework has been strengthened, the report said, adding, "but further supply-side reforms and continued fiscal consolidation are key requirements to achieve a low and stable rate of inflation in the medium-term as well as to keep gold imports contained."

5. India exports fruits, vegetables worth $310m in April-May
Source: The Hindu: Business Line (Link)

India exported fruits, vegetables and seeds worth $309.54 million during first two months of this current financial year, which is marginally higher than that for corresponding period last year, Union Commerce Minister Nirmala Sitharaman told Lok Sabha. Earnings from fruits and vegetables during last year were $293.38 million. In the previous financial year, India exported 8.2 lakh tonnes of fruits worth $751 million and 33.9 lakh tonnes of vegetables worth 860 million.

6. Japan to provide support to India in various fields: Envoy
Source: The Economic Times (Link)

Japan is already extending financial aid to major infrastructure development projects in India, and is ready to support more ventures in various fields, a diplomat has said. "Japan is very much ready to support India in achieving its 21st goals in various fields," said Japanese Consul General Ryoji Noda. The two Asian economic giants have exchanges in a host of fields like culture, business and education, he said. "To boost the relationship between the two countries, our prime ministers are meeting annually. As part of the initiative, Japanese Prime Minister Shinzo Abe is expected to visit India later this year." During the meeting of prime ministers of both the countries in 2014, it was decided to double Japan's foreign direct investment (FDI) into India to Rs 2.1 lakh crore in five years' timeframe, he said.

7. Govt set to block $1.3-bn Chinese pharma firm Fosun's takeover of Gland
Source: Business Standard (Link)

India is poised to reject Shanghai Fosun Pharmaceutical Group's proposed $1.3-billion takeover of drugmaker Gland Pharma, according to people familiar with the matter, scuppering the biggest-ever Chinese acquisition in the country. The Cabinet Committee on Economic Affairs (CCEA), which is chaired by Prime Minister Narendra Modi, has decided to block the Chinese firm's purchase of an 86 per cent stake in Gland Pharma, according to the people. The companies haven't been formally notified of the move yet, the people said, asking not to be identified because the information is private. Tensions between China and India have escalated amid a renewed spat over territory in a remote area of the Himalayas, one of the most serious flare-ups between the two Asian giants since a border war in 1962. A collapse of the acquisition would be a setback for Fosun Pharma, which had sought Gland Pharma's stable of generic injectable medicines and facilities approved to manufacture products for sale in the US…Chinese drugmakers have grown more ambitious in seeking deals that will give them access to the US, the world's biggest pharmaceutical market.

8. Pakistan yet to transition fully to MFN status to India: Government
Source: The Economic Times (Link)

Pakistan is yet to award the most favoured nation (MFN) status to India and it maintains a negative list of 1,209 items which are not permitted to be imported from India, Parliament was informed today. Commerce and Industry Minister Nirmala Sitharaman said in a written reply that the government has not taken any decision to review the MFN status accorded to Pakistan, so far. As per a World Trade Organisation (WTO) rule, every member of WTO requires to accord this status to other member countries. India has already granted this status to all WTO members including Pakistan. Under MFN, a WTO member country is obliged to treat other trading nation in a non-discriminatory manner, especially with regard to customs duty and other levies. "However, Pakistan is yet to transition fully to MFN status for India," Sitharaman said.

9. India will need 2,100 planes in next 20 years: Boeing
Source: Business Standard (Link)

Boeing said on Monday India will take deliveries of 2,100 new planes worth $290 billion in the next 20 years, calling it the "highest forecast" for the country. India's share will account for more than 5.1 per cent of the total global demand of 41,030 aircrafts, the American aeronautic giant said. According to Boeing's Current Market Outlook released on Monday, almost 85 per cent of these new planes in India are likely to be single-aisle with low-cost carriers operating more than 60 per cent of all flights. "The increasing number of passengers combined with a strong exchange rate, low fuel prices and high load factors bode well for India's aviation market, especially the low-cost carriers," said Dinesh Keskar, senior vice-president, Asia Pacific and India sales, Boeing Commercial Airplanes. Keskar, however, warned that infrastructure could be a challenge for the country with airports in Mumbai being 'choked'. This could be one of the factors why bigger planes could grow from current 15 per cent to 25 per cent of the total aircraft, he said. Boeing said it will revise its projection next year depending on how the government's regional connectivity scheme (RCS) takes off…The growth rate in the region is likely to be more than double that of Europe (3.7 per cent) and North America (3 per cent).

10. Chinese goods cheaper in India due to opaque subsidy regime of China: Government
Source: Financial Express (Link)

Chinese products are cheaper than Indian goods because of the opaque subsidy regime prevailing in China, the government said today in Parliament. "The products manufactured in China are reportedly of lower price mainly because of their opaque subsidy regime and distorted factor prices," Minister of State for MSME, Haribhai Parthibhai Chaudhary said in a written reply in the Lok Sabha. He was replying to a question which sought to know the reasons behind the higher prices of domestic products in comparison to the products manufactured in China. The minister said that the survival and growth of micro, small and medium enterprises (MSMEs) depends on a number of factors like availability of timely credit, upgradation of technology, infrastructure, access to market, quality of products, etc. "Competition from internal and external sources including competition from multinational companies is also one of the factors," Chaudhary said.

11. How India's auto industry is racing to meet 2020 Bharat Stage VI deadline
Source: Live Mint (Link)

The year 2020 will mark an important chapter in India's 67-year-old auto industry. That's when automakers will take a giant leap forward and switch to far stricter emission standards that are on par with those in the US, Japan and the European Union. R.C. Bhargava, chairman of India's largest car maker, Maruti Suzuki India Ltd, sees the shift as "natural evolution" for an industry that has come a long way since the pre-Liberalization era. The move is aimed at curbing emission in a country that has the dubious distinction of being home to half of the 20 most polluted cities in the world, according to World Health Organization (WTO) report released in June 2016. For Indian automakers such as Mahindra and Mahindra Ltd and Tata Motors Ltd, the efforts and capabilities required to leapfrog to Bharat Stage VI—the Indian equivalent of Euro VI, is akin to climbing the Mount Everest. It's set to change the very DNA of auto companies, making them accountable for each unit of particulate matter and emission exhaled by automobiles. For car buyers, it would mean driving cleaner vehicles with advanced technology, albeit at a higher price.

12. IGST collection from import rises about 60% in just one month of GST
Source: The Economic Times (Link)

The collection of Integrated Goods and Services Tax from imports crossed Rs 20,000 crore in July — the first month of the roll out of the new indirect tax regime, pointing towards a major jump in revenues. Total customs revenues in July 2017 stood at Rs 26,500 crore as against Rs 16,625 crore collected in July 2016. Collections have been quite robust," a government official said. However, the official said IGST collections have also received a boost from the fact that there is a omponent of state GST as well in the tax. Besides, the government has done away with a number of countervailing duty (CVD) exemptions and not extended them under the GST regime that were available in the previous tax regime, such as that on some electronic products. The rise in customs revenues on imports should take care of any decline in GST collections because of any production-related disruption after the rollout of the new regime.

13. NITI Aayog's Appraisal of the Twelfth Five Year Plan: Low manufacturing growth holds back job creation
Source: Indian Express (Link)

Slow growth in manufacturing has been a key challenge for the Indian economy, as the sector's growth rate has remained constant for the past 25 years, whereas countries such as Taiwan and China recorded more than double the rate of expansion in India, the Niti Aayog has said in a recent report. Higher focus on investment in capital- and skilled-labour-intensive sectors in the country meant that the movement of workers out of agriculture into industry and services has been especially slow for the past 65 years, the Aayog said in its appraisal of the Twelfth Five Year Plan (2012-2017)… "India has not experienced similar growth in manufacturing. (India has) grown approximately at the same rate as the aggregate GDP (gross domestic product) with their share in the GDP remaining nearly constant over the last 25 years … From 1990-91 to 2013-14 at constant 2004-05 prices, although the share of agriculture in the GDP has declined steadily, that of manufacturing has remained unchanged with almost all the gain in the share going to services," the Aayog said in its assessment report. Concentration on capital-intensive and high-skilled sectors meant that the fast-growing sectors in

India have been automobile and its parts, two-wheelers, machinery, chemicals, petroleum refining, telecommunications, software and pharmaceuticals. "None of these sectors employs low-skilled workers in large numbers. As a result, the vast majority of Indian workers remain concentrated in agriculture, unorganised industry or low-paying services," it said…The Centre's think-tank said that India's challenge is not just rapid growth in manufacturing in general but also ensuring healthy growth in labour-intensive sectors such as clothing, leather manufactures, food processing and electronic assembly. Growth in these sectors would help create good jobs for workers with limited skills, thereby allowing workers in agriculture and informal manufacturing sector and services to migrate to the formal sector, it said.