

Daily Economic News Summary: 1 February 2017

1. India's GDP growth rate for 2015-16 revised to 7.9% from 7.6%

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

India's economy grew faster in 2015-16 than earlier estimated, which could result in slower growth in the current fiscal because of a higher base. Data released by the statistics department on Tuesday showed India's gross domestic product (GDP) grew 7.9% in 2015-16 against an earlier estimation of 7.6%. The statistics department earlier this month said India's economic growth is likely to decelerate to 7.1% in 2016-17 based on the 7.6% estimate for the previous year, chiefly because of an industrial slowdown. However, it did not take into account the possible impact of demonetisation. On Tuesday, the Economic Survey 2016-17 authored by chief economic adviser Arvind Subramanian said the demonetisation exercise could slow GDP growth by 25-50 basis points in 2016-17 on the baseline growth assumption of 7%. One basis point is 0.01%.

2. Eight core industries grow by 5.6% in December

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

Eight core industries register a growth of 5.6% in December 2016 on the back of healthy output recorded by refinery products and steel. The growth rate of eight infrastructure sectors -- coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity -- was 2.9% in December 2015. It stood at 4.9% in November 2016. The core sectors, which contribute 38% to the total industrial production, expanded 5% in April - December 2016 compared to 2.6% growth in the same period last financial year, according to data released by the commerce and industry ministry today. Refinery products and steel production jumped 6.4% and 14.9%, respectively during the month under review. However, crude oil, fertiliser, natural gas and cement output reported contraction. Coal output declined by 4.4% in December 2016 from 5.3% in the same month previous year. Similarly, electricity generation too dipped by 6% as compared to 8.8% in December 2015.

3. Reform labour laws, give tax breaks to create jobs: Economic survey 2017

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

Accepting that job creation is India's central challenge, the Economic Survey has identified apparel, leather and footwear as key sectors to boost employment and provide "bang for the buck" at a relatively low cost. The survey recommended reforms to labour laws and lower taxes on such sectors to boost employment. It said India should take advantage of the low-wage structure in several states to accelerate job creation in sectors like apparel and leather. "India needs to generate jobs that are formal and productive, provide bang for buck in terms of jobs created relative to investment, have the potential for broader social transformation, and can generate exports and growth. The apparel, leather and footwear sectors meet many or all of these criteria and hence are eminently suitable candidates for targeting," the survey said.

4. For foreign investors, India's got a big fortnight coming up

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

If you've invested in India, don't shift your eyes from your screens for the next fortnight. The government will present its budget on Wednesday—offering the first official estimate of the impact of the world's most sweeping currency policy change in decades. On Saturday (4 February) will see the start of a series of state elections that can embellish or scuttle Prime Minister Narendra Modi's re-election prospects. On 8 February, the "accommodative" central bank is due to review interest rates as the global window for easing closes. These events could set the tone for the remainder of Modi's term and highlight the direction for one of the fastest-growing economies in an increasingly protectionist world. Here's why: **Budget, Central bank review, State elections**

5. Tech companies fear major disruption to business

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

The Indian IT industry is worried that the imminent executive order by US President Donald Trump seeking an overhaul of work visa programmes will disrupt their operations in the short term, and have serious long-term consequences. "It's a far bigger immediate threat than the proposed legislation," R Chandrashekhar, president of IT industry body Nasscom, said, referring to the various bills that have been introduced by legislators that seek to, among other things, increase minimum wages under work visas like H-1B and L-1. Most analysts believe that the

legislation will take a long time coming, since both houses of the US Congress have to debate them. The draft executive order, however, has a tone that is strikingly different from anything that was seen under the Obama administration. An executive order cannot change any law, but it can ask for stricter implementation of the existing laws, and ask for proposals for changes in law. And that's what the draft Trump order does.

6. Union Budget 2017: Five things to watch out for today

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

Arun Jaitley's fourth budget will try to accelerate India's growth engines in the backdrop of demonetisation exercise announced by the National Democratic Alliance (NDA) government on 8 November. From boosting infrastructure spending, focusing on fiscal discipline to job creation, a merged Union and railway budget may have a political leitmotif given the assembly elections in five states. Following are the few key areas that the budget may focus upon even as the global order is buffeted by economic uncertainties and growing cries of protectionism. India remains a bright spot in the backdrop of the spadework being done for goods and services tax (GST), bankruptcy reforms, liberalization of foreign direct investment (FDI) norms and measures taken to promote labour intensive sectors.

By Rajnee Narula