

Daily Economic News Summary: 1 June 2017

1. PM Narendra Modi: India's strong growth offers opportunities for Spanish firms

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

It is a great time for Spanish firms to invest in India whose strong economic growth offers “many opportunities” for them in fields of infrastructure, defence, tourism and energy, Prime Minister Narendra Modi said today. Modi, the first Indian prime minister to visit Spain since 1992, said India and Spain maintain close and cordial relations and he sees great potential in this collaboration. “The strong economic growth of India offers many opportunities for Spanish companies,” Modi told Spanish daily Expansion in an interview. “It’s a great time for Spanish companies to invest in India.” He said that there are already a large number of Spanish companies in India and his government wants more firms to come, invest and do business in the country. “Spanish firms enjoy a worldwide reputation in various fields, such as infrastructure, defence, tourism and energy. These sectors have also been identified by my government as priority sectors,” he said, adding that there are many complementarities in economic terms between the two countries. Spain is the 12th largest investor in India and the seventh largest trading partner in the EU. There are more than 200 Spanish companies in India that are actively involved in road construction projects, railways, wind power, water desalination, defence and smart cities.

2. India's economic growth will accelerate to 7.5% this fiscal: Moody's

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

India's economic growth will accelerate to 7.5 per cent in the current fiscal and the government's reform push will help achieve 8 per cent GDP growth rate in about four years, according to Moody's Investors Service. In its Global Macro Outlook, Moody's Investors Service said the ruling BJP's victory in Uttar Pradesh state elections indicates that the government has remained politically popular despite the demonetisation exercise. “We expect marginally faster growth in India. According to our forecast, the economy will grow 7.5 per cent in fiscal year 2017 (2017-18) and 7.7 per cent in fiscal year 2018 (2018-19),” it said. Indian economy grew 7.1 per cent in 2016-17 fiscal...Moody's, however, cautioned that persistent banking sector weakness

from a high proportion of delinquent loans on bank balance sheets will weigh on growth, if not resolved, by constraining credit for investment related activity...The World Bank has earlier this week projected India to clock a 7.2 per cent growth rate in the current fiscal led by reform momentum and improved investment scenario... Moody's expect the Reserve Bank of India to hold the policy 'repo' rate steady, holding a neutral stance in this growth environment. "Private sector investment has remained weak despite progress on reforms, suggesting that some hurdles to investment remain binding in many cases," Moody's noted.

3. India, Russia to set the ball rolling for FTA talks with Eurasian union

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

India and Russia are going to explore the potential of trade and investments between India and the Eurasian Economic Union (EAEU) during the upcoming visit of Prime Minister Narendra Modi to St Petersburg, Russia where he is expected to meet Vladimir Putin. Modi will also address the St Petersburg International Economic Forum (SPIEF) often called a "Russian Davos". The EAEU, comprising Russia, Belarus, Kazakhstan, Kyrgyzstan and Armenia established in 2015 and seen by experts as Russia's attempt to strengthen its position in the region at the backdrop of its tensions with the West, could emerge as a prospective partner for India which so far had limited trade with CIS countries, say experts. On June 3, on the sidelines of SPIEF, Nirmala Sitharaman, Minister of State for Commerce and Industry, and Veronika Nikishina, Board Member and Minister for Trade of the Eurasian Economic Commission (EEC), are expected to sign an MOU to begin talks on a free trade agreement (FTA) between India and EAEU...Currently, bilateral trade between India and EAEU is around \$9 billion, and it was at \$11 billion at its peak in 2012-2014. "Supported by the modern instruments of trade policy, the trade could grow significantly," Nikishina told *BusinessLine* in the e-mailed response. Belarus, according to her, will benefit the most with the potential of trade growth with India up by 20 per cent, followed by Russia (18 per cent) and Kazakhstan (12 per cent). For EAEU as well as for India, the potential export growth is the estimated at around 18 per cent once the FTA is in place.

4. Import duties: Government sets up panel to identify items under IT Agreement

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

The government has set up an inter-ministerial panel to examine whether imports of products such as smartphones can be taxed without violating the country's commitments under the Information Technology Agreement (ITA) 1997 of the World Trade Organization (WTO), official sources told FE. The panel would identify all the items that are within the scope of the ITA, and the ones outside it on which import duties can be imposed without spurring resistance at the WTO. The move comes as India intends to tax purchases of products like smartphones from overseas to not only promote local value addition but also cut a massive merchandise trade deficit, partly caused by expanding electronics imports. The panel includes senior officials with the ministries of electronics and IT, finance (revenue department) and commerce. One of the sources said MeitY has already suggested imposing a 15% basic customs duty on smartphones and some other components. This is aimed at helping domestic manufacturers, as the rollout of the goods and services tax (GST) regime from July will subsume the current countervailing duty (CVD) of 12.5% on certain mobile components such as batteries, wired headsets and speakers. The CVD is currently imposed on imports in lieu of domestic excise duties to offset disadvantage domestic duties impose on local producers who have to compete with imported goods. Entities manufacturing these components inside the country have to pay an excise duty of 1%, which helps them save costs as against paying a CVD of 12.5%...Any move to tax items, however, like smartphones, will potentially lead to a dispute at the WTO where countries like the US, Japan and South Korea have already indicated that India is bound by its ITA commitments to allow duty-free imports of such items.

5. Setback for Modi: India loses world's fastest growing economy tag as GDP grow slowest in 2 years

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

India's economic growth unexpectedly slowed to its lowest in more than two years, dragged down by construction, manufacturing and trade services, and stripping the country of its status as the world's fastest growing major economy. Annual gross domestic product (GDP) growth for the

January-March period came in at 6.1 percent, compared with a provisional 7.0 percent in the previous quarter, government data showed on Wednesday. The expansion was much slower than the 7.1 percent forecast by economists in a Reuters poll. It was also lower than China's growth of 6.9 percent for the first three months of 2017. "This data is closer to the ground reality than the previous ones," said Anjali Verma, an economist at PhillipCapital in Mumbai. The figure is the lowest since the December quarter in 2014, which registered 6.0 percent growth, Reuters data shows.

6. Note ban shows up in India's growth, economy grows 6.1% in March quarter

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

India's growth slumped to a two-year low and the country ceded its top ranking as the world's fastest-growing economy back to China in the March quarter, suggesting that the effects of November's note swap were rippling through the economy. However, remonetisation, a good monsoon and possible interest rate cuts along with the goods and services tax should lead to a recovery in FY18, officials and experts said. Singling out any one reason for the slump would be difficult, said chief statistician TCA Anant while releasing the numbers based on the revised wholesale price and industrial production data on Wednesday. "Every policy decision has an implication... so has demonetisation, but to disintegrate the impact of one decision is a complex task," he said. Chief economic adviser Arvind Subramanian said the numbers weren't a surprise and that remonetisation and a good monsoon would perk up the economy.

7. India wants 'ambition' pared on regulating fisheries subsidies at WTO

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

Wary about attempts to fast-track an agreement on regulating fisheries subsidies at the World Trade Organisation (WTO) that might impact small fishermen, India has cautioned countries pushing for a year-end pact to scale down their ambitions. "Consensus has eluded the negotiations since 2001, and the approach should be pragmatic and low on ambition," India's representative said at a recent meeting of the negotiating group on rules. Many countries are trying to ensure that the WTO Trade Ministers' meeting in December in Buenos Aires delivers an agreement to regulate fisheries subsidies. However, countries like India and the ACP group are demanding that small and artisanal fishermen be exempt from reduction commitments; others, such as the US, are

arguing against a special and differential treatment (S&DT). “India's demand that small and artisanal fishermen be exempt... has been reflected in statements by the ACP (African, Caribbean, Pacific) Group as well as the Least Developed Countries (LDC) Group,” a Commerce Ministry official told *BusinessLine*. A paper by Argentina, Colombia, Costa Rica, Panama, Peru, and Uruguay has made a case for protecting small fishermen. But the US and other countries are not in favour of S&DT for developing countries. The US, in its representation at the rules group meeting, said it did not believe any major developing nation should have exemptions or different obligations...Brazil, India, Egypt, Peru, China and the LDC group want technical assistance and capacity building for the areas of unreported and unregulated fishing before restrictions kick in. “The next meetings in mid-June will determine to what extent countries are willing to compromise. If a pact is to be signed in December, ambitions have to be pared,” the official said.