

Daily Economic News Summary: 1 September 2017

1. Govt assures support to India-China proposal at WTO against farm subsidies

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

Days after the contentious Doklam issue between India and China was resolved, the government has reiterated its support for a joint proposal by the nations at the World Trade Organization (WTO) against farm subsidies provided by rich nations to their farmers. The countries had jointly submitted a proposal to the WTO back in July calling for the elimination by developed countries of the most trade-distorting form of farm subsidies...Commerce and Industry Ministry said such support should be removed as a prerequisite for ongoing discussions on domestic support. The fact that both nations have stuck to the proposal assumes importance in view of the ongoing negotiations for the upcoming 11th Ministerial Conference of the WTO to be held in Buenos Aires in December. The joint proposal counters efforts by rich nations led by the United States, EU and Brazil to target the subsidies of the developing countries while letting their own economies retain their huge farm subsidies.

2. Investment facilitation at BRICS ‘cannot’ be model for WTO pact: India

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

India’s willingness to participate in discussions on investment facilitation with BRICS nations — Brazil, Russia, India, China, South Africa — comes with an important caveat that the negotiations cannot be used to push a similar agreement at the World Trade Organisation, a senior government official has said. “Early this month, trade ministers from the five BRICS nations agreed to discuss guidelines on transparency in investment facilitation on a voluntary basis. However, a clause is being added to it explicitly stating that the arrangement cannot be used to replicate a similar pact at the multilateral forum,” the official told...Although the proposed investment facilitation talks at BRICS is limited to identifying some good practices that enhance the transparency of investment policies, New Delhi has insisted on the clause of non-replication as Brazil, Russia and China have been making a case for starting negotiations on investment facilitation at the WTO. Total outbound investments of BRICS countries is about \$200 billion but investments within the member countries accounts for only 6 per cent of the amount. It is expected that with more transparency in the area among members, investment flows would go up.

3. India seen topping global labour force in next decade, data show

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

India's millennial generation is bigger than China's or the US, which will boost the nation's labor force to the world's largest by 2027, according to a Bloomberg News analysis of United Nations population-projection data. India's working-age population is expected to expand to 18.6 per cent of the global labor force by 2027, up from 18 per cent this year, while China's is forecast to fall to 18.3 per cent from 20.5 per cent, the data show. The number of people in China aged 15 to 64 will drop by 21 million to 989.4 million. In India, this number is expected to exceed 1 billion. Millennials are "the key demographic segment in India's population and labor force," according to a research report by Morgan Stanley. "India's strikingly young population is in sharp contrast to that of other large economies such as China, the US, and Europe."... Today, half of the world's labor force lives in India, China, the US, Indonesia and Brazil, but in 30 years, the global labor force will become less concentrated as India, Pakistan and African nations make up a growing share of the pie.

4. Most accurate economist sees more pain from Modi's note ban

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

The only economist who accurately predicted India's growth slump sees a bit more pain ahead. Gross domestic product will recover only slightly to 5.9 percent in July to September from the previous quarter's 5.7 percent, which was the slowest pace since 2014, predicts Hugo Erken, a senior economist at Rabobank International. Government data on Thursday showed consumption continued to fall under the impact of Prime Minister Narendra Modi's clampdown on cash and investment stayed sluggish. "The effects of the cash ban were likely to be felt for a few quarters," Erken said... "The high level of non-performing assets are contributing to subdued private investments." The data will probably bruise Modi's administration, which is battling growing perceptions of the futility of its policy after a central bank report on Wednesday showed that demonetization didn't meet its targets. With private surveys indicating worsening business conditions following the July 1 roll out of a nationwide sales tax, the monetary authority may be pressured to keep interest rates lower for longer even as inflation accelerates...Modi's ability to stimulate the economy is limited because figures from the national auditor on Thursday showed the budget deficit touched 92 percent of the full-year target in the first four months of the year started April 1, compared with 74 percent for the same period last year. The outlook for consumption, long considered the main driver of the economy,

is also bleak as a survey from Mastercard Inc. published this month shows that Indian consumers are no longer Asia's most optimistic.

5. Here is Modi government's next big plan to make India a cash-mukt Bharat (cash-less India)

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

The Centre is exploring ways to make it mandatory for all government departments and agencies including services such as railways and road transport corporations to accept digital payments at points of consumer interface, according to senior government officials. Also on the drawing board are plans for greater integration of the online payment gateways of these state-owned agencies with official payment modes such as BHIM and Bharat QR code, the officials cited...The government is also considering incentives for citizens opting for digital payments. Indian Railways sells passenger tickets worth Rs 52,000 crore every year and 60% of these are through the online booking portal. The rest are sold at reservation counters, mostly in cash...All points of government-public interface, such as bus, train and metro ticket counters and passport offices, may be asked to accept payments through Bharat QR code. All utility bills, such as electricity and water, may have to print Bharat QR code as a prominent payment option.

6. Demonitisation effect: FinMin says fake currency routed out of the system

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

Taking on critics who have questioned the note ban exercise after latest data by the Reserve Bank of India on currency, the Finance Ministry on Thursday said that fake currency was actually routed out of the system and old notes will now no longer be permitted to be returned. "Rs 16,000 crore of currency is still out of the banking system," said Subhash Chandra Garg, Secretary, Department of Economic Affairs, adding that there is no way that the demonetised currency notes can now be returned. He also said that two relevant facts must be kept in mind regarding fake currency. "Despite the rush to exchange demonetised notes, the system was careful not to bring fake currency into the system," he said. He also argued that fake currency was actually routed out of the system. "This has had a positive impact on curbing terrorist activities in places like Kashmir," he told reporters. The government had demonetised old series Rs. 500 notes and Rs. 1,000 notes in November last year to curb black money and fake currency notes. In the first official data on how much of the currency was returned into the banking system, the Reserve Bank of India had on Wednesday in its annual report had said that 99 per cent or Rs. 15.28 lakh crore of the Rs. 15.4 lakh crore of the junked notes were

returned. Finance Minister Arun Jaitley had said that the objective of demonetisation was also to make a shift from the predominantly high cash economy.

7. GST to have 1 less slab? FM Arun Jaitley hints so; see what may change

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

The Goods and Services Tax (GST) Council might consider converging the current standard GST rates of 12% and 18% into a single rate after the new indirect tax regime settles down, finance minister Arun Jaitley said on Thursday. Speaking at the India summit organised by The Economist here, Jaitley said, “I do see a situation where, assuming tax compliance remaining high and the transition smooth, the GST Council, which is sensitive to the challenges of time, can take the appropriate decision (on tax slabs) taking into account its impact on inflation.” Currently, of the over 1,200 items under GST, about 7% are on the exempt list while 14% are in the lowest tax bracket of 5%. Another 17% items are in the 12% tax bracket, 43% in the 18% slab and only 19% goods fall in the top tax bracket of 28%.

8. Black money: Information on tax data from Switzerland to India expected from 2019, says Swiss President Doris Leuthard

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

Swiss President Doris Leuthard on August 31st said India is expected to get in 2019 the first batch of data relating to tax from Switzerland under a new framework for automatic exchange of information. After holding wide-ranging talks with Prime Minister Narendra Modi, Leuthard said the framework is likely to be ratified by the Swiss parliament by end of the current year and expressed her government’s willingness to help India to deal with the problem black money. Later a joint statement said that the two leaders look forward to the first transmission of financial account information between the two countries. The issue of black money has been a matter of major debate in India and Switzerland has been long perceived as one of the safest havens for the illicit wealth allegedly stashed abroad by some Indians. Last year, India and Switzerland signed a joint declaration relating to automatic exchange of information relating to tax. “We hope by end of this year, this will be passed and be operational by 2019 when the first exchange can take place,” Leuthard told the media. Both leaders emphasised their willingness to further enhance cooperation in the fight against

tax fraud and tax evasion and acknowledged the importance of a global level playing field for effective implementation of the international standards on tax transparency, the statement said.

9. Production of horticulture crops likely to touch 300 million tonnes

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

Production of horticulture crops such as fruit and vegetables have seen an increase over the previous year. The production is estimated at 300 million tonnes in 2016-17 crop year ending June, shows the third advance estimates released by the Agriculture ministry on Thursday. Compared to the previous year when production was 286.18 million tonnes, the harvest is 4.8% higher. It is also 1.58% higher over the second advance estimate issued in May...With 21.7 million tonnes estimated onion production in the country, there is an increase of 3.8% over the previous year. The major onion producing States are Maharashtra, Karnataka, Madhya Pradesh, Bihar and Gujarat...Production of flowers is estimated to be around 2.3 million tonnes which is 4.3% higher than the previous year. Production of aromatics, medicinal plants is estimated to be around 1.04 million tonnes which is 2% higher than the previous year.

10. India can become 3rd largest market for Coca-Cola, says CEO James Quincey

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

India has the potential to become the third-largest market for Coca-Cola Co., said chief executive officer James Quincey, who is on his first visit to India after taking over the top job at the world's largest beverage maker in May. "The most immediate challenge for KK (T. Krishnakumar, president, Coca-Cola India and Southwest Asia) is let's become No. 5 in the foreseeable future. In the end, my vision for India is that it will be one of the top three markets in the Coke system," said Quincey. In 2012, Coca-Cola had announced plans to invest \$5 billion in India by 2020. "These investments are on track," said Quincey, adding that the company will continue to invest in the country. India became the sixth-largest market by volume for the maker of Coca-Cola and Sprite in 2015 after overtaking Germany, according to a company spokesperson. The company does not disclose contribution to revenue by region. The US, Mexico, China, Brazil and Japan are the top five markets for the company in terms of volume, contributing 50% of worldwide unit case volume, according to the company's annual report for 2016...Quincey's optimism is based on the fact that the company's India business has already started to grow after demonetization. "GST, demonetization are bold decisions. They are

good news for the businesses that operate in India,” he said, adding that his company will innovate to adapt to the rules.

10. Myntra says private label business has turned profitable

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

Flipkart-owned fashion retailer Myntra said on Thursday that its private labels and brands business has turned profitable, even as it remains on track to grow revenue by at least 50% this financial year to about Rs8,500 crore, hit an annual revenue run rate of \$2 billion and touch overall profitability by the end of 2017-18. Myntra said the online retailer’s private brands business posted a 5% profit at the Ebitda level in June and remained profitable in July. Myntra expects its portfolio of 13 fashion brands to double growth and generate revenues of around \$300 million this financial year. Since 2015, Myntra has built out a formidable private label business, which currently accounts for nearly a fourth of its total revenues. Myntra’s roster of private brands includes Roadster, Dressberry, Anouk and actor Hrithik Roshan’s HRX brand. Myntra’s overall year-end sales target also includes revenues from Jabong, which it acquired last year at a cut-price deal of \$70 million. Myntra expects Jabong to grow at least 40% this financial year. A \$2 billion annual revenue run rate implies monthly revenues of roughly \$165 million.