

Daily Economic News Summary: 20 January 2017

1. 'Revive demand to boost manufacturing sector'

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

The government should enhance the purchasing power of common man by leaving more money in his hands and revive overall demand to boost manufacturing sector. The eminent speakers at the *BusinessLine* 'Count Down to Union Budget, 2017' on Thursday were unanimous in their call for improving ease of doing business, reviving demand and renewed focus on sectors that help in job creation. Seshagiri Rao, Joint Managing Director, JSW Steel, said the Budget should tweak the tax structure to help consumers spend more. This will not only spur demand but also improve the capacity utilisation of manufacturing sector, which has expanded production capacity in anticipation of robust demand. Of ₹16.33 lakh crore of taxes government collect annually about 65 per cent is mopped up through direct taxes while the rest comes from indirect taxes. Globally, more taxes are collected from indirect tax payers leaving money in the hands of consumers to spend, he said. The GST rate of 17-22 per cent being discussed is much high and with so many State government taxes, levies and royalty on mining kept out of GST will push of cost further, said Rao.

2. Rubber & tyre industries should build on their commodities: Mammen

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

Make in India is an attractive opportunity for the Indian tyre industry to not only help the rubber industry, but also make its presence felt in the global market, according to KM Mammen, Chairman of Automotive Tyre Manufacturers Association and Chairman & Managing Director, MRF Addressing the inauguration of India Rubber Expo (IRE) 2017, , "Make in India is a powerful incentive for Indian tyre makers not just to expand in the Indian market, but also manufacture quality tyres locally for exports to other markets," he said. Such expansion by Indian tyre companies will have a cascading effect on rubber growers in the country and even small growers of rubber will also be benefitted, he noted. He hoped the government would be proactive in taking measures to facilitate investments of tyre companies and ensure that products are not imported at

prices lower than the costs of manufacture in India. Mammen said the relationship between rubber and tyre industries was a symbiotic one. “We need to focus on the commonalities and indeed build on it to ensure that the rubber growers and consumers get a healthy return on their businesses.” he felt.

3. With digitization push, telecom sector hopes to get key mention in the Budget

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

With digitisation becoming one of the major focus areas of this Government, the telecom industry is hoping that this year’s Budget will finally give communication infrastructure its due importance by identifying it as a strategic area. Over the last few years, the Budget has not meant much for the telecom industry with the sector hardly finding any mention in the Finance Minister’s speeches. That’s because the Centre has looked at telecom only as the golden goose that brought revenues to the exchequer. The industry is hoping that will change this year especially since Prime Minister Narendra Modi is keen to boost communication infrastructure given that it is critical for the development of the Digital India campaign. “We are hoping that the Finance Ministry will provide essential infrastructure status to the industry. But because of our prior experience, by and large our wish-list this time is mainly on certain technical issues such as spectrum amortisation and some matters on charging and collection of service taxes,” said Rajan S Mathews, Director-General at Cellular Operators Association of India (COAI). COAI, the apex industry association of mobile operators, is hoping that the Government will reduce the amortisation period on spectrum for tax purposes and offer tax holiday of 10 years on spectrum obtained by the new licencees. Mobile handset makers are also expecting big push to the Make in India vision. Already about 40 brands have set up some form of handset manufacturing capabilities in the country.

4. Modi note ban drive seen biting into economic growth: Poll

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

Economy lost momentum in the final three months of 2016 after Prime Minister Narendra Modi's ban on high-value notes hurt consumption and businesses but it is set to pick up this quarter, a Reuters poll found. Having posted growth of above 7 percent for six consecutive quarters, India's gross domestic product is expected to have expanded just 6.5 percent in the October-December quarter - the weakest in nearly three years. The poll also suggested growth would remain below 7 percent in the first quarter of 2017, at 6.9 percent. India's GDP for the fiscal year to March 2017 is expected to grow 6.9 percent, according to the poll of over 20 economists. That is higher than the International Monetary Fund's estimate of 6.6 percent. "If the demonetization exercise has led to some permanent supply-side disruptions, growth could be weaker for longer," wrote Pranjul Bhandari, chief economist for India at HSBC, in a note. The Nov. 8 announcement of the ban on high-value notes, which coincided with Donald Trump's U.S. Presidential election victory, has caused major disruptions in the cash-reliant economy.

5. Mystery \$9 billion in cash with Indians after Modi's demonitisation move

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

India's unprecedented ban on high-denomination currency bills has led to a mismatch in cash supply that has flummoxed some economists and data crunchers. Indians withdrew about Rs60,000 crore (\$9 billion) more than the Rs9.1 trillion of currency in circulation as of 13 January, according to a report submitted by the Reserve Bank of India to a parliamentary panel on Wednesday. A copy of the document was seen by *Bloomberg*. "This is usually not the case," said Sujan Hajra, chief economist at Anand Rathi Securities Ltd. in Mumbai, who was a director at the RBI from 1993-2006. He added that cash with public should be lower than currency in circulation "but then you don't have demonetisation usually." Clarity will emerge only once the central bank reconciles and publishes final figures, he said.

By Rajnee Narula

