

Daily Economic News Summary: 21 April 2017

1. Indian economy is set to overtake Germany's by 2022, push UK out of top 5: IMF

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

The UK's global economic power is waning as the Indian economy expands. Britain is set to drop out of the world's five largest economies based on gross domestic product in nominal terms, according to International Monetary Fund estimates published this week. India is set to leapfrog Germany to rank fourth globally by 2022, pushing the UK down to sixth place behind its European peer. The slide in Britain's relative size comes as the nation sets out to redefine its trading relationship with the rest of the world after Brexit. The rankings also highlight India's rapid rise, with the economy expanding 9.9% per year. By contrast, the IMF projects the UK will grow just 2% this year and 1.8% in 2018, impeded in part by "the negative effects of the United Kingdom's decision to leave the European Union."

2. Modi government's GST reform an 'act of courage': IMF Chief

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

Describing the ongoing Goods and Services Tax (GST) reform as an "act of courage", IMF chief Christine Lagarde today said she expects "some positive outcome" as a result of the decision. "The GST reform is really an act of courage," Lagarde told reporters during the annual Spring meeting of the International Monetary Fund and the World Bank. It really means reforming in-depth in each of the Indian States in order to substitute the State taxes with overall federal tax, the re-allocation of it and the digital platform that supports it, she said. "So, I am personally impressed by the work that is being done in that regard and expect some positive outcome," Lagarde said in response to a question, adding that she is impressed by the other reforms being carried out by the Indian Government. "There has been other reforms as well that has been conducted by the Indian authorities courageously. One of them -- as a former lawyer I am particularly attentive to because it particularly when you have to deal with the corporate sector banking sector that means help -- is the bankruptcy reform," the 61-year-old IMF chief said. "We are seeing significant development and clear determination to continue and sustain growth going forward," she said.

3. Modi government to roll out three year action plan

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

The Narendra Modi government is readying to embark on a three-year action plan for holistic growth and development of the country prepared by the Niti Aayog after deliberations with states and central ministries. The plan will be presented to the governing council of the Aayog on Sunday, after which the government will set the ball rolling for its implementation, officials said. Prime Minister Modi, who is the chairman of the Aayog, will chair the meeting that is scheduled to take place after a lag of more than two years. The first meeting of the governing council of the Aayog was held on February 8, 2015. The council, with all chief ministers on board, will also discuss the 15-year vision document of the government along with the seven-year development strategy that has been laid down by the Aayog to achieve its vision. Unlike the earlier five-year plans which were more broad-based and generic in nature, the new three-year action plan will focus on priority areas across sectors and set time frames to achieve the targets, a senior government official told ET. This will be based on detailed classification of the government's expenditure on the basis of capital and revenue categories, said the official, who did not wish to be identified.

4. Developed nations raising protectionist wall: Nirmala Sitharaman

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

India today expressed concern over moves of certain countries like the US and Australia to tighten their visa regime and pressed for a WTO-backed global framework to facilitate services trade. Commerce and Industry Minister Nirmala Sitharaman said India has submitted a proposal to the World Trade Organisation (WTO) seeking an agreement on trade facilitation in services. Citing the examples of the US, the UK, Australia and New Zealand, which are tightening their visa regime for movement of skilled professionals, she said: "Countries are now very clearly raising protectionist walls as regards service trade". "And it is time that we have a global framework within which trade in services can happen. We will be actively pursuing our proposal in the WTO," she told reporters here. India is pitching for this pact in the WTO as the services sector contributes over 60 per cent to the GDP and 28 per cent to total employment. The move is aimed at developing a broader framework governing global services trade, just like a similar pact implemented by the WTO on goods trade. Sitharaman said, India wants all the member countries

to study the proposal before the forthcoming ministerial meeting of WTO in December at Argentina.

5. Solar power may become cheaper than coal in India

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

India's solar power prices may be set to fall below those of thermal (coal) energy. This is based on an expected cost of around Rs2.90 per unit for the solar power projects at Bhadla in Rajasthan that have received 51 bids. This price is less than the average rate of power generated by the coal-fuelled projects of India's largest power generation utility, NTPC Ltd, at Rs3.20 per unit. State-run Solar Energy Corporation of India (SECI), which is running the bid process for 750 megawatt (MW) of solar power capacity at two parks, has received bids totalling 8,750 MW. The bidders include some first-time participants in India, such as Saudi Arabia's Alfanar. The solar space has already seen a significant decline in tariffs from Rs10.95-12.76 per kilowatt-hour (kWh) in 2010-11. The previous low was Rs3.15 per kWh, bid by France's Solairedirect SA in an auction last week to set up 250MW of capacity at Kadapa in Andhra Pradesh. This low was preceded by Rs3.30 per unit quoted for a 750MW project at Rewa in Madhya Pradesh.

6. Foreign investors giving M&A deals in India's renewable energy sector a miss

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

Foreign strategic investors have largely stayed away from the flurry of deal-making in India's renewable energy sector, preferring instead to build from the ground up. Out of the \$2.32 billion worth of mergers and acquisitions (M&As) in India's renewable energy sector in the last 15 months, foreign companies have bought assets worth just \$290.6 million, while Indian companies have acquired \$2.03 billion worth of assets, according to data from Thomson Reuters. Among the larger deals in this period are Tata Power Co Ltd's acquisition of 1.1 gigawatt (GW) assets from the Welspun Group, Greenko Group's acquisition of SunEdison's India portfolio, and the merger of Orient Green Power Co. Ltd and IL&FS Wind Energy. Preference for greenfield projects and troubled balance sheets in their home markets are seen as two reasons why foreign investors have not been active in the M&A market for renewable energy. "With many of the foreign strategics, there has been a much larger preference for organic build-out for their businesses, because they believe that they have much better control over the assets, both from an operational perspective

and from an implementation perspective,” said Kaustubh Kulkarni, managing director and head of investment banking at J.P. Morgan India Pvt. Ltd.