Daily Economic News Summary: 22 September 2017

1. Govt considering Rs 50,000-cr stimulus spending to halt slowdown
Source: Business Standard (Link)

The government is considering a plan to loosen its fiscal deficit target to enable it to spend up to Rs 50,000 crore ($7.7 billion) more to halt an economic slowdown, two government officials with direct knowledge of the plan said on Thursday. Growth in Asia's third-largest economy slowed to a three-year low of 5.7 per cent in the quarter that ended in June, and Finance Minister Arun Jaitley said on Wednesday that the government was looking for ways to speed it up. The officials, who declined to be named as the measures have not been made public yet, said the extra spending was estimated to widen the federal fiscal deficit for the financial year ending next March to 3.7 per cent of GDP from a budgeted target of 3.2 per cent. "The fiscal deficit is not a sacrosanct number," one of the officials told Reuters.

2. Indian economy to grow 6.7% in 2017-18, says OECD
Source: Business Standard (Link)

Indian economy is projected to grow at a lower than expected rate of 6.7 per cent this fiscal due to the "transitory effects" of demonetisation and the GST implementation, according to Paris-based think tank OECD. The Organisation for Economic Cooperation and Development (OECD) has also revised downwards its estimate for the country's growth in next financial year (2018-19) to 7.2 per cent. For this period, the GDP expansion was pegged at 7.7 per cent in June. In 2017-18, India's growth is forecast to be 6.7 per cent compared to June projection of 7.3 per cent, as per the OECD Interim Economic Outlook. The report said that in India, "the transitory effects of demonetisation and of the implementation of the Goods and Services Tax (GST) have led to a downward revision in 2017 growth projections, while business investment has remained weak".In the longer run, the GST is expected to boost investment, productivity and growth, it added.

3. JP Morgan Chase chairman Jamie Dimon gives thumbs-up to demonitisation
Source: The Economic Times (Link)

JPMorgan Chase chairman Jamie Dimon said Prime Minister Narendra Modi’s move to scrap high-value currency was a courageous step aimed at tackling corruption and black money while fostering financial inclusion, contradicting the view that demonetisation harmed the economy, though it ate into short-term growth. "I think the purpose was to create bank accounts, get rid of illicit money and it probably served that purpose. It was a bold thing to do," Dimon told ET in an interview. "Most countries have not done it because they are afraid of that." He welcomed the US Federal Reserve's message on interest rate increases and the unwinding of quantitative easing (QE), saying it comes at a time when global economic health is in good shape.

4. Part of forex reserves can be used to support GDP numbers: Deutsche Bank report
Source: Financial Express (Link)

Given the lack of considerable space both on the monetary and fiscal front to support economic growth, part of the country's forex reserves can be used to support GDP numbers, says a Deutsche Bank report. According to the global financial services major, forex reserves could be used for funding growth-critical public infrastructure projects and the macro backdrop is also suitable for this. It said India's reserves adequacy strength remains considerably stronger than what is prescribed and hence a case can be made in favour of using a small portion of these reserves for public investment, which in turn would help to support growth. "If USD 15 billion worth of forex reserves were channelled toward public investment in infrastructure, this would reduce total reserves by only 3.5 per cent but would add about 0.6 per cent to GDP, which could help to support growth in the near term," Deutsche Bank said in a research note. The report further noted that even if this transfer were to be made, the reserves adequacy position would hardly change and would remain significantly above the comfort range as prescribed by the IMF. It said this arrangement "merits a serious debate at this juncture", given the backdrop of low inflation, positive real rates, commitment towards fiscal consolidation and strong external position.

5. Expect Iran letter to EXIM Bank soon on Chabahar $150mn loan: Source
Source: Financial Express (Link)

Iran is expected "very soon" to approach Exim Bank here seeking disbursement of the first tranche of $150 million loan to fast-track the development of Chabahar Port in the gulf nation, official sources said. As per the pact signed between the two nations in May last year, India is to equip and operate two berths in Chabahar Port Phase-I with capital investment of $85.21 million and annual revenue expenditure of $22.95 million on a 10-year lease. Ownership of the equipment will be transferred to the Iranian side on completion of 10 years or for an extended period, based on mutual agreement. The application from the Port and Martitime Ogranisation of Iran is to go to the EXIM Bank of India. As per the pact for development of the port, the contract will be activated from the day the loan is disbursed…The Iranian side during the discussions for finalisation of contract agreement for Chabahar Port had requested for a credit of $150 million for its development. “In accordance with request made by PMO of Iran, the activation of this contract is linked to provision of credit to Iran,” as per the Shipping Ministry. Chabahar port, located in the Sistan-Balochistan province in the energy-rich Persian Gulf nation’s southern coast, lies outside the Persian Gulf and is easily accessed from India’s western coast, bypassing Pakistan…Shipping, Road Transport and Highways Minister Nitin Gadkari has said the government is hopeful that the strategic Chabahar Port in Iran will be operational by the end of 2018 and it would be a “win win” situation for India, Iran and Afghanistan as it would serve as a “growth engine” for the entire region.

6. India growing pretty robustly: World Bank chief Jim Kim
Source: Financial Express (Link)

India has been growing “pretty robustly”, World Bank President Jim Yong Kim has said as he predicted a strong global growth this year. Speaking at the Bloomberg Global Business Forum meeting here on Wednesday, Kim also called for more cooperation among the multilateral system, private sector and the governments to take advantage of the current win-win situation. “That dormant capital will earn a higher return, where developing countries will have access to much more capital for the infrastructure needs, even for investing in health and education, investing in resilience to climate change and other factors,” Kim said. He said Japan, Europe and the US along with India were growing and there was a levelling-out in developing countries. “A country like India is growing, has been growing pretty robustly. We think, Japan is growing. Europe is growing in a much more healthy way. The United States continues to grow. There is a levelling-out in developing countries,” he said, adding that the growth will be more robust this year. In June, the World Bank predicted a 7.2 per cent growth rate for India this year against 6.8 per cent growth in 2016. India remains the fastest growing major economy in the world, the World Bank officials had said.

7. Foreign trade policy review may be delayed
Source: The Hindu: Business Line (Link)

Exporters may have to wait an extra month, or even more, for the foreign trade policy (FTP) review, earlier scheduled for September, as the government is still grappling with implementation issues related to the Goods and Services Tax (GST). The Centre has also not taken a call on the future of export incentive schemes that may no longer be permissible under the World Trade Organisation rules as India has graduated out of the list of poorer countries allowed to give export subsidies. The five-year FTP announced on April 1, 2015, which laid an ambitious annual target of touching $900 billion of exports by 2020, provided for a review when the policy was half-way through and not on an annual basis as was the earlier practice. "The idea was not to tinker too much with the policy and instead do an analysis when it was half-way through and do course corrections if required," the official said. Two-and-a-half-years after the FTP was announced, the Commerce Ministry finds its hands full with the number of concerns it might need to address while reviewing the policy…Incentive scheme for exporters is another tricky area in the review as earlier this year the WTO declared that India's per capita Gross National Product (GNP) exceeded $1000 for three years in a row (2013. 2012, 2015) making it ineligible for export incentives that only poorer countries are allowed…The ambitious export target of $900 billion fixed for 2020 is also a problem since exports have moved sluggishly over the last two years hovering around $300 billion and there is no scope of reaching the target. "Not only does the target need to be brought down to a realistic level, some more schemes have to be devised to accelerate exports," the official said.

8. India calls for 'early comprehensive' United Nations reform
Source: Live Mint (Link)

External affairs minister Sushma Swaraj has pressed for an "early comprehensive" reform of the United Nations, including the Security Council. Swaraj was addressing a trilateral meeting of India, Brazil and South Africa. She met with the foreign ministers of the three countries. "We must also press for early comprehensive reform of the United Nations, including of the Security Council," Swaraj said on the sidelines of the annual General Assembly Sessions of the United Nations…Observing that the complete elimination of poverty is the foremost objective of the implementation of Sustainable Development Goals, Swaraj said Prime Minister Narendra Modi's flagship initiatives reinforce the spirit and implementation of the Sustainable Development Goals.

"Our path-breaking initiative for an International Solar Alliance is intended to make efficient solar technology available to all," Swaraj said.

9. Delhi Mumbai Industrial Corridor green cities must become R&D hub, says government
Source: Financial Express (Link)

Greenfield cities such as the Delhi Mumbai Industrial Corridor (DMIC) must position themselves as research & development hubs and sandbox locations for up-and-coming technologies such as internet of things (IoT), electronics and information technology secretary Ajay Prakash Sawhney said. While the proposed industrial smart cities are providing ample space for existing technologies, they need to identify the ones with massive future potential and bring anchor clients for them, Sawhney said at a workshop on business opportunities in DMIC for the IT/Electronics System Design and Manufacturing (ESDM) sector. "Unlike congested urban spaces, in these new cities we can freely test and experiment with new technologies like 5G, or autonomous vehicles, drones and the latest in robotics. We need to announce to the world that there is something unique and different about the cities we are building," he added. The $100-billion DMIC project plans to create 24 industrial smart cities over the next 30 years, eight of them in the first phase. Four of these — Dholera in Gujarat, Shendra-Bidkin in Maharashtra, IITGNL in Greater Noida and Vikram Udyogpuri in Madhya Pradesh offer vast investment opportunities for IT/ESDM players, not only in terms of setting up of manufacturing clusters, but in the ICT systems and allied infrastructure that will control city operations and other functions.

10. $15-b investments in smart cities
Source: The Hindu: Business Line (Link)

The Government's 100 smart cities mission seeks to invest over $15 billion in the next few years to build efficient and effective city management solutions and infrastructure. At the two-day India Advantage Summit, MV Rajeev Gowda, Member of Parliament, told a gathering that in moving towards the reality of smart cities, the right choice would be to create and build the urban cityscape and framework 'with global best practices at the core and local realities and challenges addressed with a holistic approach'

11. Will Google's Tez be a game-changer in the crowded payment space?
Source: The Hindu: Business Line (Link)

The entry of Google into the crowded payment space is set to shake up the fintech segment. While Softbank-backed Paytm disrupted the Indian payments segment about seven years ago, Google could democratise digital payments with its already established customer base. Over the last year or two several startups, banks, mobile manufacturers, online marketplaces and messaging apps have entered the ever-growing digital payments space targeting different sets of consumers with different kinds of solutions. Even the government launched initiatives such as UPI (unified payment interface) and BHIM. However, the segment is set to witness another major shake-up with the entry of Internet giant Google. The company has launched an India-specific payment app called Tez (meaning fast in Hindi), which runs on UPI and allows customers to send/receive payments directly into users' bank accounts. *BusinessLine* spoke to several industry experts, fintech players and consumers to find out how Tez can have an edge over existing players such as Paytm (e-wallet), BHIM (UPI-based wallet), SBI Buddy (wallet), Amazon Pay and Samsung Pay….Tez, designed as a Lite app, is just 7 MB in size so that it can run on slow Internet connections, a major challenge in smaller Indian towns and cities. Compared to this, Paytm is 77.4 MB, which can be an issue when running on patchy Internet connection. In a bid to make more customers transact digitally, Tez has kept transactions free of any charge; wallets charge a commission on transactions…Tez allows one to send money without having to share personal and financial information. Tez got about four lakh active users in just 24 hours of launch.