

Daily Economic News Summary: 24 August 2017

1. India Inc overseas direct investment plunges 47% to \$1.77 bn

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

India Inc's overseas direct investment fell over 47 per cent to \$ 1.77 billion during July 2017, the RBI data showed today. Indian companies had invested \$ 3.35 billion in the same month of last year. Of the total investments in foreign ventures by Indian companies overseas, \$ 900.66 million was in the form of issuance of guarantee, \$ 513.81 million as loan and \$ 353.55 million was part of equity investment. In preceding month June 2017, the outward foreign direct investment stood at \$ 1.11 billion. Among major investors, SAS Hotels and Enterprises put in \$ 360 million into a wholly owned subsidiary in Singapore; Intas Pharmaceuticals \$ 68.66 million in two separate tranches in wholly owned units in Spain and the UK, while ONGC Videsh Ltd invested a sum of \$ 51.88 million in its various joint ventures located in Vietnam, Russia and Myanmar.

2. India to participate in WTO mini-ministerial at Marrakesh

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

India will participate in a mini-ministerial meeting of trade ministers from select World Trade Organisation (WTO) member countries at Marrakesh in October to finalise the agenda for the Ministerial meeting in Buenos Aires later in the year...The objective of the Marrakesh meeting would be to arrive at an agenda that would include items that have been negotiated well at the various negotiating groups at the WTO so that crucial decisions are not left for the Buenos Aires meet in December. New Delhi, on its part, would like to ensure that the mandate on public stockholding which flows from the Bali and Nairobi Ministerial meetings gets fulfilled. "We will insist on a permanent solution to the problem of public stockholding so that the concerns of developing countries on implementing their food security programmes without the fear of attracting penalties are addressed," the official said.

3. India's growth remains a "concern" due to subdued consumption

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

Growth revival in India remains a "concern" due to subdued consumption and investment demand even nine months after demonetisation and nearly two months post GST rollout, says a report...According to Dun and Bradstreet, distribution of monsoon remains uneven which might impact rural demand to an extent, while the transition to the Goods and Services Tax (GST) is likely to create some disruption and impact the immediate sales volume across businesses. It noted however that the implementation of GST will help businesses in the mid-term to long-term...D&B expects Index of Industrial Production (IIP) to remain weak at only 2.2-2.4 per cent in July...D&B expects CPI inflation to be in the range of 2.4-2.6 per cent and WPI inflation to be in the range of 2-2.2 per cent during August, respectively.

4. Govt's proposed pharma marketing rules hit law ministry roadblock

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

India's plan to bring in marketing rules to curb unethical promotional practices in the country's drug industry faces an indefinite delay after it hit a legal roadblock, marking a setback for public health groups. The country's law ministry has rejected draft marketing rules, which were prepared by the Department of Pharmaceuticals (DoP) after nearly two years of deliberations, saying they cannot be passed under the proposed legal framework, industry sources told Reuters...The rejection is a setback for public health groups that have been pushing for rules on marketing to curb bribery and corruption, which many doctors and medical professionals say is rampant in India's health sector. India is one of the world's biggest drug markets, with a population of more than 1 billion and growing incidence of both communicable and non-communicable diseases.

5. Doklam standoff: India, China trade ties to be hit; in crisis, what can really happen

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

The standoff between India and China at Doklam hasn't yet affected bilateral trade but the crisis is likely to have broader policy implications, including in trade, in the longer term. Analysts say ever since the 2014 border stand-off (during Chinese President Xi Jinping's visit to India), India has been cautious. However, this time around, the high-pitched anti-India rhetoric by China has damaged the prospects for cooperation. India does not have too many levers to pull vis-a-vis China although trade might be an area that India might be able to use in order to inflict pain on China. The bilateral trade

stands at around \$70 billion and the trade balance is heavily skewed in favour of China. Access to China in the areas of infrastructure, power and telecom must be cut off as well, says Rajeswari Pillai Rajagopalan, senior fellow at Observer Research Foundation. Since bilateral trade is hugely tilted in favour of China, any prolonged stand-off will likely hit China more than India, said analysts. While total trade between the two nations stood at \$71 billion in 2016, India witnessed a massive trade deficit of \$46 billion with China, partly due to non-tariff barriers imposed by the giant neighbour on India. Although Doklam crisis has hit trade through Nathu La Pass, trade through this route accounts for not even 1% of the total bilateral trade. India exported goods worth only `63.38 crore in 2016 and imported items of `19.30 crore through Nathu La.

6. Govt to speed up state bank merger for economic revival, tackling NPAs

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

The government approved a proposal on Wednesday to set up a ministerial panel to speed up consolidation of state-run banks as part of its efforts to revive credit and economic growth. Prime Minister Narendra Modi will name the members of the panel, which will oversee proposals for mergers from the boards of the banks, Finance Minister Arun Jaitley said after a meeting of the federal cabinet. The government owns majority stakes in 21 lenders, which account for more than two-thirds of banking assets in Asia's third-biggest economy. But these banks also account for the lion's share of more than \$150 billion in sour assets plaguing the sector and need billions of dollars in new capital in the next two years to meet global Basel III capital norms. Banking sector reforms are a major plank of Modi's administration to revive credit growth, which has slowed to multi-decade lows as banks struggle with bad loans. After top lender State Bank of India merged with its five subsidiary banks and also took over a niche state-run lender for women earlier this year, officials have said that more deals are being planned. "The object is to create strong banks," Jaitley told reporters, adding decisions would be solely based on "commercial considerations".

7. Consumption, agriculture may help in 6.5 per cent first quarter growth

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

Consumption, agriculture, and government expenditure are likely to have helped the economy grow 6.5 per cent year-on-year in the first quarter of the fiscal ended June, a tad higher than 6.1 per cent in the trailing quarter. Private investment, however, is not likely to show much improvement in the first quarter growth numbers, according to economists. Most independent economists have

forecast the gross domestic product (GDP) to grow in the range of 6.1-6.6 per cent in the April-June quarter which is modest compared with the 7.9 per cent growth registered in the year-ago period...Industrial production, as measured by the Index of Industrial Production (IIP), was up a modest 2 per cent in April-June quarter. Ratings agency ICRA expects modest growth because of the disruption in production schedules and discounts offered ahead of the introduction of GST, impact of the appreciation of the rupee vis-à-vis the dollar on export earnings, and issues related to sectors such as banking and telecom.

8. Govt not considering ban on Rs 2,000 notes: Arun Jaitley

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

Finance Minister Arun Jaitley on Wednesday said the government is not considering banning Rs 2,000 notes, and the Reserve Bank will decide on the timing of issuing the new Rs 200 bill. The government has given the go-ahead to the RBI to issue Rs 200 notes, a move that is aimed at easing the pressure on lower-denomination currency...When asked whether the government is considering to phase out Rs 2,000 notes, he said: "No, there was no such discussion". Following the demonetisation of old Rs 500 and Rs 1,000 notes on November 9 last year, the RBI had introduced Rs 2,000 notes and new Rs 500 notes with additional security features.

9. RBI's forex operations risks India being tagged currency manipulator: report

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

The Reserve Bank of India's (RBI) persistent interventions in the foreign exchange market has put India at the risk of being tagged a currency manipulator, according to a report. "We note that RBI's intervention is not without repercussions and apart from direct monetary cost, sustained interventions has also brought India close to entering US watch list for currency manipulation," Edelweiss Securities Ltd's Bhupesh Bameta and Parin Shah, wrote in a report dated 16 August. The US Department of Treasury releases a semi-annual report to the Congress on International Economic and Exchange Rate Policies. The report highlights the currency practices adopted by major trading partners of the US. The next report is expected in October. According to Edelweiss, the report has recently gained importance because of President Donald Trump's rhetoric that the US is no longer willing to tolerate unfair trade practices, like currency manipulation, of its major partners.

10. 20 lakhs (2 million) businesses have paid GST so far, more to follow: GSTN chairman
Source: Live Mint ([Link](#))

Maiden tax collections under the (goods and services tax) GST regime have seen over 20 lakh businesses pay tax online so far and about 30 lakh more are expected to do so before the deadline ends on Friday, a top official said. GST-Network -- the company managing the tax filing apparatus - has geared up the IT network to handle the rush, its chairman Navin Kumar said...The taxes submitted include Central-GST, State-GST and Integrated-GST as also cess on luxury and demerit goods like cars and tobacco. The collection figure would go up substantially with the number of taxpayers doubling to 20 lakh as of today.

11. Grofers eyeing Rs 80 crore (USD\$14 million) sales by December
Source: Live Mint ([Link](#))

Online grocery firm Grofers is eyeing a three-fold jump in yearly sales on the back of strong demand for its private brands and aggressive pricing owing to a transition to an inventory-led model. Gurgaon-based Grofers India Pvt. Ltd expects monthly sales to touch Rs80 crore by December, up from Rs65 crore a month currently. The online grocer, which services 26 cities, delivers 15,000 orders daily, with an average basket size of Rs1,300. Grofers transitioned to an inventory-led model from a hyperlocal delivery start-up in February...Over the last year, Grofers spent \$30 million towards supply chain, technology and warehousing, Dhindsa said, in a bid to close in on larger rival BigBasket and defend its turf from Amazon Now, the grocery delivery arm of Amazon India that is expanding aggressively...Recently, the government allowed Grofers, a company majority-owned by foreign entities, to start retailing food products online and through physical stores.

12. New Rs 200 note coming; Get up close and personal with new currency note; it will make history: Source: Financial Express ([Link](#))

Finance ministry on Wednesday notified the introduction of the new Rs 200 currency notes for the first time, paving the way for the Reserve Bank of India to soon launch the notes to improve the circulation of lower-denomination currency notes. Rs 200 notes could be in circulation as early as September, said an official source. However, made clear that the government was not considering banning Rs 2,000 notes. Recently the central bank introduced a new series of Rs 50 currency notes. These new fluorescent blue notes in the Mahatma Gandhi series looked slightly smaller and slimmer than the existing Rs 50 notes.