Daily Economic News Summary: 25 July 2017

1. IMF retains India's growth projections at 7.2%, ups China's
Source: Business Standard (Link)

The International Monetary Fund (IMF) has retained India's economic growth projections at 7.2 per cent in 2017-18, up slightly from 7.1 per cent in the previous year. However, the growth would accelerate to 7.7 per cent in 2018-19, IMF said while also maintaining the growth rate level projected in April. India's economic growth slowed down to 7.1 per cent in 2016-17, sharply lower than 8 per cent in the previous year due to the effect of demonetisation. The growth rate clocked in 2015-16 will not be achieved even in 2018-19, according to projections made by the IMF in its overview of the World Economic Outlook... Growth in India is forecast to pick up further in 2017 and 2018 in line with the April forecast, the international organisation said. Despite China's growth projections being raised by a couple of notches, India's economy would still be the fastest growing among large economies. China's economy is projected to grow by 6.7 per cent in 2017, up 0.1 percentage points from the April forecast, and 6.4 per cent in 2018, up by 0.2 percentage points from earlier forecasts by the IMF.

2. Govt mulls 100% FDI in defence under automatic route
Source: The Hindu: Business Line (Link)

The government is looking at easing foreign direct investment (FDI) in the defence sector by allowing 100 per cent foreign equity in the production of battle tanks, military transport aircraft and armoured vehicles under the automatic route. "This is going to be the most liberal FDI policy. The idea is to attract ₹35,000 crore investment in the defence sector in the next five years. This is based on the Defence Ministry's objective to go for self-reliance and reduce import dependence," a top official told…It has also been decided that 76 per cent FDI will be allowed under the automatic route for fighter aircraft and helicopters and 51 per cent for submarines and warships, the official said. Under the proposed policy, which is likely to be announced once the Monsoon session of Parliament is over in mid-August, 100 per cent FDI under automatic route will be allowed only in those segments where at present there is no expertise and no technology available in the country, such as armoured vehicles, battle tanks and military transport vehicles. FDI in defence sector has been at a paltry $6 million in the last 10 years, according to official statistics. Additionally, all those categories where

FDI under the automatic route is below 100 per cent, will be granted 100 per cent FDI on a case-to-case basis, considering the kind technology that will be brought into the country. Under the automatic route, a foreign firm is not required to obtain the government's approval for its investment proposal.

3. India Inc's overseas investments plunges 46% to $1.12 billion
Source: The Economic Times (Link)

Direct investments by Indian firms abroad plunged by 46 per cent to USD 1.12 billion in June this year, according to the RBI data. They had invested USD 2.07 billion in their overseas ventures in June last year. In previous month, May 2017, the investment figure stood at USD 1.26 billion. The investments made last month were a mix of issuance of guarantees (USD 370.11 million), loans (178.80 million) and equity (USD 568.34 million). The prominent investors overseas in June included Indian Oil, investing a combined USD 284.28 million in a joint venture and fully owned subsidiary in Mayanmar and Singapore respectively.

4. Trade deficit with China a matter of concern: Nirmala Sitharaman
Source: The Economic Times (Link)

India's trade deficit with China is a matter of concern and efforts are being made to increase overall exports, commerce and industry minister Nirmala Sitharaman said. India's trade deficit with China narrowed marginally to $51.08 billion in 2016-17 from $52.69 billion in 2015-16, Sitharaman informed the Lok Sabha. India's bilateral trade with China was $71.48 billion in 2016-17. "Efforts are being made to increase overall exports by diversifying the trade basket with emphasis on manufactured goods, services, resolution of market access issues and other non-tariff barriers," she informed the lower house in a written reply. India is discussing the issue of allowing greater access to Indian products and services in the Chinese market with its neighbour…Sitharaman said Prime Minister Narendra Modi has raised the issue with the Chinese authorities at the highest level and the government was working to reduce the trade deficit with China.

5. Commerce Secretary Rita Teotia hopes border row will not hit Indo-China trade
Source: The Economic Times (Link)

Union Commerce Secretary Rita Teotia today expressed hope that the current border standoff between India and China will not have any impact on the bilateral trade. She also dismissed concerns that the confrontation between the two neighbours on the Sikkim sector will affect the ongoing

Regional Comprehensive Economic Partnership (RCEP) negotiations. "I would hesitate to classify it in such a way (that it would impact bilateral trade). Of course, this is not the remit of the department of commerce, but we would hope that the regular trade between the two countries would move ahead and move in a way that is positive for everybody," Teotia said on the sidelines of the 19th round of negotiations on the RCEP…India's trade deficit with China has marginally dipped to USD 51 billion in 2016-17 from USD 52.69 billion in the previous fiscal, commerce and industry minister Nirmala Sitharaman told Parliament today.

6. FDI up 23 percent at $10 bn during April-May: Nirmala Sitharaman
Source: Financial Express (Link)

Foreign direct investment (FDI) grew by 23 per cent to USD 10.02 billion during April-May this fiscal, Parliament was informed today. In 2016-17, the foreign fund inflows aggregated at USD 60.08 billion, Commerce and Industry Minister Nirmala Sitharaman said in a written reply to the Lok Sabha. She said that to promote FDI, the government has put in place an investor-friendly policy. "Except for a small negative list, most sectors are open for 100 per cent FDI under the automatic route," she added. The minister also said that after abolition of the foreign investment promotion board, the work of monitoring of the compliance of conditions, including the past cases approved by erstwhile FIPB has been assigned to the concerned administrative ministries…Sitharaman informed that India has received USD 182.4 million FDI in food products during April- May period of this fiscal. In food processing industries, foreign players have invested USD 187.9 million during the period. As per the FDI policy, FDI up to 100 per cent, under the automatic route, is allowed in food processing industries. Further, 100 per cent FDI under government route for retail trading, including through e-commerce, is permitted in respect of food products manufactured and/or produced in India.

7. NITI Aayog pushes for increasing savings, investments to boost growth
Source: Financial Express (Link)

Niti Aayog has made a strong case for boosting savings and investments with a view to push the country's economy into a higher growth trajectory. In its appraisal of the Twelfth Five Year Plan (2012-17), the Aayog has stressed on maintaining macro-economic stability. "Low levels of savings and investment rates are still a cause of concern. Thus, intense and dedicated efforts in terms of appropriate policy interventions in a time-bound manner are required to boost savings and investment in the economy," the document said. Niti Aayog Vice Chairman Arvind Panagariya in his foreword said in a significant departure from the past, this appraisal does not take a chapter-by-chapter approach. “Instead, it selects nine major thematic areas encompassing the economy and elaborates upon them. The emphasis is on gleaning lessons and chartering the way forward,” Panagariya noted. The document also pointed out that the policy interventions must be focused on the key drivers of growth: boosting investment, skill formation and creating the appropriate environment. Stating that a stable and predictable tax regime is a precondition for sustained high levels of Investment, it said “therefore, prime importance should be given to boosting investor’s sentiments positively so as to reap the benefits of high foreign investment of a long-term and stable nature.” Referring to Goods and Services Tax (GST), the document said it (GST) will help in increased compliance, boost tax revenues, reduce the tax outflow in the hands of the consumers and make exports competitive.

8. Ease of doing biz not facilitating reforms on ground: Experts
Source: The Economic Times (Link)

The current ease of doing business (EODB) reforms focus only on easing permits but are not facilitating reforms on ground, experts opined. Views were expressed at a round-table discussion on "Competitiveness and EODB" that reached to a conclusion…The discussion focused on the topic comparing India and the USA. "There is a considerable similarity in the federal structure of the United States and India where the different states have necessary powers to influence the business climate. Learnings from the US could be beneficial for adopting necessary reforms," Pradeep Singh Mehta, secretary general of CUTS International, said. Otherwise, EODB reforms would focus only on easing permits, he added. Shanthi Nataraj, Economist, RAND Corporation, the US said, "Policies that promote good business conditions coupled with financial incentives that promote competition and entrepreneurship are most likely to attract businesses and promote growth."

9. RCEP trade panel head confident of closing talks in 2018
Source: The Economic Times (Link)

The 16-nation Regional Comprehensive Economic Partnership (RCEP) today expressed confidence about concluding discussions on a trade agreement next year provided a consensus is reached on some contentious issues. The RECP is touted to be the largest trade pact among 16 nations - 10 ASEAN member-states, plus India, Australia, China, Japan, New Zealand and South Korea - which together control a quarter of the USD 75 trillion global economy. Addressing the media, Iman Pambagyo, the chair of the 19th RCEP trade negotiations committee, said "I am optimistic (of concluding the talks). I keep on saying that we can fix the finishing line. I remain positive. This negotiations could be concluded sometime in 2018 provided the countries accept some more flexibility to help address issues…On the impact of the current border stand-off between India and China on the negotiations, he said the row will have no bearing on the ongoing talks. What I could say, frankly those are non-trade issues. Those non-economic issues do not intervene into our process of negotiations and RCEP agreement. I think China has been quite constructive and India is also equally constructive," said the RCEP trade negotiating committee chief. On the 'One Belt One Road' initiative launched by China to link Asia with Europe, the Indonesian official said it has nothing to do with legal commitments in terms of market integration, though there would be some cooperation from the Asia's biggest economy in terms of money to fund this project.

10. Good, bad and ugly of India's new national sales tax journey
Source: The Economic Times (Link)

If there's one word that sums up the response of India's businesses and consumers to the country's new national sales tax, it's 'confused.'…The roll out of the goods and services tax came less than a year after the government's shock withdrawal of 86 percent of the nation's currency, which helped knock India's GDP growth down to 6.1 percent from 7.1 percent in the January-March quarter and eliminated as many as 1.5 million jobs…In an attempt to cut through the confusion, the government held tax 'master classes' and published advertisements in the newspapers showing the revised prices alongside the old prices of goods….“People are finding it tough to understand the GST," said Pradeep Singal, national president of the All India Transporters Welfare Association. "This has meant that companies had ordered in advance and are still using old stocks,” pushing down transport business by 30 percent." Traders, particularly in small towns, are struggling with their lack of knowledge of the new tax regime -- compliance obligations, raising invoices and accessing input credits, said Praveen Khandelwal, secretary general of the Confederation of All India Traders. Small merchants and e-commerce companies are tripping over a dizzying array of documents and the complicated classification system that determines what percentage of tax will be charged. Thousands of small merchants have stoped selling on e-commerce sites because they can't meet these new requirements.

11. Proposal to refund central GST on goods made in excise-free zone to help auto, FMCG and pharma companies
Source: The Economic Times (Link)

A proposal to refund central goods and services tax (GST) on items made in formerly excise-free zones in Himachal Pradesh, Uttarakhand and the North-East is set to be presented to cabinet. The move will benefit companies such as Cipla, Dabur, Dr Reddy's and TVS Motor, that invested in those areas because of the tax break. Such exemptions have largely been scrapped under GST as part of efforts to create a common market across India with as few interstate variations as possible. The Expenditure Finance Committee (EFC) has approved the scheme, which is likely to benefit a number of automobile, fast-moving consumer goods (FMCG) and pharmaceutical companies that have invested in these zones. "EFC has cleared the scheme," a senior finance ministry official told ET. It will shortly be introduced in the cabinet, he said. Hundreds of pharmaceutical companies including high-profile ones such as Cipla, Dabur, Dr Reddy's, Johnson & Johnson and Wockhardt have plants in such zones in Himachal Pradesh. TVS Motor, Lloyd Electric, TAFE and other automobile component makers also have units in the state. Many companies in the cement sector have plants in such zones in the North-East. Department of Industrial Policy and Promotion, which anchors the scheme, will move the proposal for cabinet consideration. The much-awaited plan provides for refund of 58% of central GST paid by manufacturers in the erstwhile excise-free zones of Himachal Pradesh, Uttarakhand and the North-East. States are yet to take a call on their portion of the levy or state GST. Refunds will be worked out after adjusting for input tax credit due, said the official cited above.

12. Why can't India have its own Baidu?
Source: The Economic Times (Link)

Why shouldn't Indian Railways or India have its own browser, just like China, which has Baidu? There are some 365-odd browsers in the world..." That was the question raised by Srinivas M, who now works with Railtel Corporation and has earlier worked on various IT projects of the Railways…Browsers on desktop, tablets and mobiles can be used to generate data trends about the user. According to StatCounter Global Stats of 2016, Google's Chrome has a large share with 60.5 per cent worldwide,with Firefox accounting for 15.6 per cent of worldwide desktops, and 15.5 per cent for IE and Edge. Also, in terms of using the internet from mobile space, India is a huge market, according to StatCounter. Indian mobile usage to surf the internet is more than double that in the UK or US. Among G-20 nations, India is the number one user of mobile in terms of internet usage —

almost 80 per cent of internet usage was made by Indians through mobile phones, compared to about 50 per cent for the world in general.

13. Government selects 10 islands for holistic development
Source: Financial Express (Link)

The government has chosen ten islands in Lakshadweep and Andaman and Nicobar for their holistic development in the first phase of work being done by newly constituted Island Development Agency (IDA), it was announced on Monday. Smith, Ross, Aves, Long and Little Andaman in Andaman and Nicobar while Minicoy, Bangaram, Suheli, Cherium and Tinnakara in Lakshadweep are among those selected in the first IDA meeting chaired by Union Home Minister Rajnath Singh here on Sunday after detailed consultations with key stakeholders, a Home Ministry statement said. The IDA was set-up on June 1 following the Prime Minister Narendra Modi's review meeting. Rajnath Singh presented the vision for developing India's maritime economy while preserving the natural eco-system and addressing the security concerns. He also emphasised upon the need for sustainable development of islands with people's participation. NITI Aayog CEO Amitabh Kant made a detailed presentation on the current status and the way forward for holistic development of identified islands. He said that concept development plans and detailed master plans are being prepared for identified islands with principles of sustainability, people's participation, eco-system preservation and determination of carrying capacity as the guiding principles. "Such an exercise is being taken up for the first time in the country," Amitabh Kant said.