Daily Economic News Summary: 26 July 2017

1. Govt needs Rs 7 lakhs cr investments in 5 yrs for highway development
Source: Business Standard (Link)

The Ministry of Road Transport and Highways has estimated a fund requirement of about Rs. 6.92 lakh crore for the development of National Highways in the country during the next five years. This requirement will be met from the Gross Budgetary Support of the Ministry, the Central Road Fund, Toll remittance, Monetization of National Highways through Toll-Operate-Transfer (TOT) model, external borrowings by National Highway Authority of India and private sector investment. This information was given by Minister of State for Road Transport and highways and Shipping Mansukh Mandaviya in a written reply in the Rajya Sabha …Mandaviya also informed that the Government has envisaged to increase the existing National Highway network of 1.15 lakh kms in the country to two lakh kms. The requirement of funds for development of these National Highways will be met through different sources as mentioned above.

2. Modi, Abe to kick off bullet train project in September
Source: The Hindu: Business Line (Link)

Abe and Prime Minister Narendra Modi will be jointly inaugurating the project with the laying of foundation stone and a ground breaking ceremony. This is expected to take place in Ahmedabad or Gandhinagar (Gujarat), sources told…The loan agreement may also be signed between both sides during the visit. This involves a commercial loan worth $12 billion, at a cost of 0.1 per cent, for a 50-year period including a 15-year moratorium, according to diplomatic sources. "The project is finally going to take off after a lot of initial hiccups," said an official, involved in the project…At present, there is just one Mumbai-Ahmedabad HSR project that is being planned. The decision was taken by Modi and Abe in December 2015 during the Japanese Prime Minister's last visit here…India is keen to have joint ventures with Japanese firms that would lead to transfer of technology and manufacture certain components in India in line with the Make in India model, said sources. India has also set up the National High Speed Rail Corporation Ltd, where a Managing Director has been appointed and other officials may also be appointed soon. The government plans to build HSR in Delhi, Kolkata and Chennai as well. The idea is to adopt the 'Shinkansen' technology, although it is more expensive compared to the Chinese technology, sources said.

3. India will need $4.5 trillion by 2040 for infrastructure: Report
Source: The Economic Times (Link)

India will need investments to the tune of around USD 4.5 trillion till 2040 to develop infrastructure to improve economic growth and community wellbeing, said Global Infrastructure Hub…According to its report `Global Infrastructure Outlook', India has an infrastructure investment need of USD 4.5 trillion by 2040, making it the second largest infrastructure market in Asia after China. "Rising income levels and economic prosperity is likely to drive significant demand for infrastructure investment in India over the next 25 years," the report said. Taking sustainable development goals (SDGs) into account, the country is predicted to need an additional USD 888 billion by 2030 to provide universal household access to electricity and water…The firm, which conducted an intensive study of 50 countries and seven industry sectors, found out that by 2040, the global population will grow by almost two billion people - a 25 per cent increase.

4. Looking at measures in FTP to support exporters: Rita Teaotia
Source: The Economic Times (Link)

The commerce ministry is looking at measures to be announced as part of the review of the foreign trade policy (FTP) to boost exports, Commerce Secretary Rita Teaotia said today. She said that the review of the policy is now almost coming to its logical conclusion and the exercise will be completed by September…She was speaking at the curtain raiser event of a mega international food and beverage trade show 'Indus Food', to be held in January next year at Greater Noida. The secretary said although Indian exporters continue to participate in international events, organising a big show in India would give a large platform to domestic players to interact directly with global buyers. About 400 participants from 35 countries are expected to participate in the two-day show starting from January 18 next year. The Trade Promotion Council of India (TPCI) is organising this show with the ministry. "The show will give an opportunity to Indian exporters to showcase their wide range of products in the food sector," she added. Food and beverages is a USD 33 billion per year business globally. The show will create a marketplace for Indian products to showcase to global buyers.

5. India's protectionist bent for agriculture products delaying FTA: Australia
Source: The Economic Times (Link)

Australian trade minister Steve Ciobo has said India has adopted a "reasonably protectionist bent" for its agricultural products, delaying any achievement in the talks for the long-pending Free-Trade Agreement (FTA). "I'm still engaging constructively with India on a regular basis, but I'm just not making the headway there that we'd like to see because India is adopting a reasonably protectionist bent when it comes to some of their agricultural products. So we just have to keep chipping away," Ciobo told…"India is a high priority for me, but it takes two to tango," Ciobo said adding that, "At this point in time, I'm not seeing a willingness from India that would reflect a desire to achieve an FTA." He said India is the world's largest democracy and there is a lot of agricultural interests that India had challenges in terms of trying to liberalise that segment of the market…Highlighting that Australia was eyeing to strike free trade agreements which were comprehensive and high in ambition, Ciobo said, "If for example, we were only able to get 70 or 75 per cent of coverage of products, then that's not a great starting point for negotiations."… Currently, Australia has been eyeing to conclude FTA negotiations including Indonesia, Hong Kong, Peru, Pacific Alliance countries and European Union.

6. FinMin to brief PMO on FRBM, change in financial year
Source: Business Standard (Link)

Finance ministry officials are likely to meet officials of the Prime Minister's Office (PMO) on Wednesday to discuss the recommendations of the fiscal responsibility and budget management (FRBM) report and a possible change in the financial year. These are two of the biggest fiscal issues that policymakers in the government are mulling over. The FRBM committee had recommended a fiscal deficit target of 2.5 per cent of gross domestic product, and a revenue deficit of 0.8 per cent by fiscal year 2022-23, the end of its six-year medium-term fiscal road map. Other recommendations included setting up of a fiscal council and giving the government tightly defined escape clauses to enable deviation from the road map. Meanwhile, there have been conflicting voices emanating from the government on changing the financial year cycle. While some officials have told Business Standard that a shift from April-March to January-December could happen as early as 2018, others have confirmed that such a shift, with short-term disruptions, might not happen so soon after the implementation of the goods and service tax.

The final decision rests with Prime Minister Narendra Modi. A senior government official confirmed that the PMO would on Wednesday be given a presentation on the FRBM report by finance ministry officials, and that this issue, as well as a change in the financial year, would be discussed.

7. Inflation to rise noticeably to 4.4% in second half of 2017: Nomura report
Source: Financial Express (Link)

Retail inflation in India is expected to rise "noticeably" from 'trough' in June to 4.4 per cent in the second half of this year, driven mostly by food prices and the base effect, says a Nomura report. According to the Japanese financial services major, although inflation has bottomed, in the medium term it is expected to see a significant uptrend and rise above the RBI's target. "In India, we expect CPI (Consumer Price Index) inflation to rise well above the Reserve Bank of India's mid-point target (4 per cent), with core inflation rising to 6.3 per cent in 2018, led by rural wages, minimum support prices, a closing output gap and the supply demand cobweb model of food prices starting to kick-in," Nomura said in a research note…Nomura believes CPI to have "troughed" in June and we expect it to rise gradually by end-2017, as deflation in food wanes, base effects turn adverse and higher house rent allowances (HRAs) for central government employees raises housing inflation from July.

8. Good news for smartphones cos; GST won't hit demand in India, says report
Source: Business Standard (Link)

The new Goods and Services Tax (GST) will have no impact on the smartphone demand in India, according to a latest telecom research. A German research firm GfK found that smartphone demand in India remained resilient in 2017, having levelled out slightly to 14 per cent year-on-year. "GfK expects the recently announced Goods and Services Tax (GST) will have no impact on smartphone demand in the country. GfK forecasts overall smartphone demand in the region will total 234 million units in 2017, an increase of 11 per cent year-on-year," the research said. Global smartphone demand totalled 347 million units in 2017, up 4 per cent year-on-year.This makes it the strongest second quarter on record, the research found…"Elsewhere, macroeconomic factors and consumer confidence are having an impact, but operators and retailers are employing localised tactics to ensure the smartphone remains the connected device of choice." Emerging Asia led the demand growth with a 13 per cent year-on-year increase, followed by Central and Eastern Europe at 11 per cent, and Latin America at 10 per cent.

9. To suit domestic taste, Ikea to prepare India recipe with local flavours
Source: Indian Express (Link)

Swedish home furnishing retailer Ikea plans to break away from its tried-and-tested standardised store format followed at each of its 400 sales points across the world and do things differently when it opens its first store in the country at Hyderabad by April 2018. These include plans for in-house sections for assembling furniture at each of its stores in India, a big focus on home deliveries and a range of localised products that include chapatti pans, idli maker and spice jars. Globally, Ikea is known for its 'do-it-yourself' model, under which customers buy knocked-down furniture and assemble it on their own. However, in India, the practice of people driving down to far off locations to pick up a furniture unit, bringing it back home, and building it themselves might not work, according to Ikea India's deputy country manager Patrik Antoni. "Today the Indian population is maybe not so used to 'do-it-yourself' and there's a very strong service need in a service-based economy like India. We are very well aware of it. So the stores that we are building here are very differently configured. We are adding areas for home delivery, and we are expecting a lot more home deliveries (60-70 per cent of sales in India) than we are doing in Europe (10-15 per cent)," Antoni told…Furthermore, even as Ikea has tied up with the National Institute of Fashion Technology to introduce Indian influence in its products, it is looking to introduce more India specific situations rather than items. "It's much more important for us to learn the Indian homes – what are you doing, where do you store, and then we have 9,500 products, from which we can create a solution that fits your needs…

10. Govt has created incentives for honest taxpayers, says Arun Jaitley
Source: Indian Express (Link)

Finance minister Arun Jaitley on Monday said the government has created an incentive in favour of the honest taxpayer through serious steps and would like tax rates to become even more reasonable going forward. He said decisions including demonetisation, implementation of the Goods and Services Tax (GST) and benami law have been beneficial for the honest taxpayers. "These have created an incentive in favour of the honest man and these are all intended to give sleepless nights to the non-compliant and dishonest," Jaitley said at the Income Tax Day organised by the tax department. Jaitley said the government is now working to cleanse the system of political funding. The government will go ahead with the proposal of electoral bonds even if consensus eludes on the issue as political parties have not come up yet with any suggestion on the proposal," he said…The government is in favour of reducing the tax rates but that requires widening India's tax base. "We would like our rates to become even more reasonable…but to enable us to do that we need to expand our (tax) base," Jaitley said, adding that the ministry's plan is to minimise the interface between tax payer and the department.

11. Twelfth Five Year Plan: On weak economy, infrastructure investment projected to decline sharply
Source: Indian Express (Link)

Overall investment in the infrastructure sector is projected to fall sharply during the Twelfth Five Year Plan (2012-17) due to the slowdown in the economy during these years and financing challenges faced by companies, according to an appraisal report of the Plan released by the Niti Aayog on Monday. As against the earlier projection of Rs 55.74 lakh crore of total investment in the sector during 2012-2017, the projection has now been revised to Rs 37.24 lakh crore or about 67 per cent of the original Plan projections. While the government spending on various infrastructure projects is now pegged to be slightly lower, it is the sharp slide in private sector investment that is mainly contributing to the overall slack. Private sector is now projected to invest Rs 12.81 lakh crore in infrastructure sectors during the 2012-2017 plan period, which is 48 per cent of the original Plan estimate of Rs 26.83 lakh crore. "Thus, the shortfall in realising the projected private sector investment largely accounts for the downward projections of the infrastructure investment in the Twelfth Plan…One of the principal reasons for shortfall in private investment across sectors relates to issues in financing of infrastructure projects," the Aayog said…Investment in the electricity sector, which comprises the biggest chunk in the infrastructure space, is now projected at Rs 10.99 lakh crore, compared with the earlier estimate of Rs 15.01 lakh crore. Ports and airports have recorded the steepest fall in investments. While ports are now projected to attract investment of Rs 67,016 crore as against the original projection of Rs 1.97 lakh crore, investment in airports is pegged at Rs 27,832 crore in contrast to the earlier estimate of Rs 87,714 crore. Investment projections for telecommunications have revised downward to Rs 4.53 lakh crore — a steep decline from the original Plan projection of Rs 9.43 lakh crore. Apart from the demand slowdown during the Plan period, sector-specific problems in telecom, ports and airports sector resulted in lower investments.