

## Daily Economic News Summary: 28 August 2017

### **1. FDI flows into India to rise to 2.5% of GDP in 5 years: UBS**

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

FDI inflows into the country is likely to rise to 2.5 per cent of GDP over the next five years, helped by economic growth and ongoing structural reforms, said a report by UBS Securities India. The foreign direct investments (FDI) into India have nearly doubled over the past decade to USD 42 billion, which was 1.9 per cent of GDP in 2016-17. "Post 2014 general election, FDI inflows saw a compound annual growth rate of 11 per cent versus a dip of 6 per cent seen over the previous 5 years," UBS said. "We expect FDI inflows to India to rise further to 2.5 per cent of GDP over the next 5 years," added the foreign brokerage. UBS noted that unlike China where the government has phased out FDI-favoured policies, India will be increasingly recognised as a favoured destination by overseas investors "if growth is accompanied with continuous structural reforms". Interestingly, the report said that over the last couple of years, India has recorded a pickup in FDI inflows to the manufacturing sector.

### **2. Parliamentary panel suggests 69 ways to improve trade with ASEAN**

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

A parliamentary committee has suggested 69 ways to improve India's trade with the Association of South East Asian Nations (Asean)...The report stated that India should "engage Asean for giving better market access to Indian goods where we have an edge over them like leather goods, pharmaceuticals, etc so that trade balance may be improved"... The panel notes that Asean countries are not making much investment in India's manufacturing sector...Yadav said "trade with Asean countries is of strategic importance to India and it will also boost investments in the northeastern states of the country". Recently, commerce and industry minister Nirmala Sitharaman had said that if India and Asean countries were to recognise their full business potential, then they need to fast-track the 'corridors of connectivity' and 'corridors of trade'.

### **3. Trump-Modi meeting laid strong foundation for Indo-US ties: US official**

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

The meeting between Prime Minister Narendra Modi and President Donald Trump in June laid a strong foundation for moving India-United States relationship forward, a senior US official has said, indicating that the defence and counter-terrorism are likely to be key areas of co-operation. Modi's visit to the White House "dispelled doubts" about moving the relationship forward among Indian officials, the Trump administration official told...This very much came across in the joint statement with the references to the common principles for the Indian Ocean region, the official said, adding that the two countries will be working to follow up those commitments. Defense cooperation was a big part of the visit, said the official, mentioning the estimated \$2 billion deal for sale of guardian drones to India by the US...The official said that there was also a great meeting of the minds between Prime Minister Modi and President Trump on the terrorism issue. This also came through in the joint statement, in terms of stepping up our cooperation with India when it comes to consulting on terrorist designations, sharing information, intelligence on terrorist groups, and working together more closely in Afghanistan, the official added.

### **4. India, China jointly propose removal of US, EU farm subsidies**

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

China and India have jointly proposed the elimination of \$160 billion of trade-distorting farm subsidies in the US, European Union and other wealthy nations, a move that has come as a game changer in global farm trade negotiations at the World Trade Organization, say trade envoys familiar with the development. China and India have turned the tables by calling for the elimination of what is called the Aggregate Measurement of Support (AMS) or "the most trade distorting element in the global trade in agriculture. The US which has consistently blocked reforms in global farm subsidies during the current Doha Round of trade negotiations, particularly since 2008, wants to eliminate the special and differential flexibilities availed by developing countries in agriculture, particularly investment and input subsidies made available to hundreds of millions of the world's poorest farmers, according to a trade envoy...

## **5. India facing problem of severe under-employment, says NITI Aayog**

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

Making a case for promoting highly productive and well paid jobs, Niti Aayog has said that not unemployment but a “severe under-employment” is the main problem facing the country. The government think-tank in its three-year action plan, released last week, has said that a focus on the domestic market through an import-substitution strategy would give rise to a group of relatively small firms behind a high wall of protection... “Indeed, unemployment is the lesser of India’s problems. The more serious problem, instead, is severe underemployment,” the Aayog said in the Three-Year Action Agenda for 2017-18 to 2019-20. “What is needed is the creation of high-productivity, high-wage jobs,” it said further. Citing examples of top manufacturing countries like South Korea, Taiwan, Singapore and China, it said, “The ‘Make in India’ campaign needs to succeed by manufacturing for global markets.”... Besides, the Aayog pointed out that unifying the existing large number of labour laws into four codes without reform of the laws themselves will serve little purpose.

## **6. Industrial growth seen sluggish as June quarterly profits below expectations**

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

With the June quarter profits coming in well below expectations, earnings estimates for FY18 are being trimmed with almost every sector having seen a downgrade. Given how the demand for a host of goods and services remains dull and industry could take time to adjust to the new indirect tax regime, rolled out on July 1, industrial growth is likely to be sluggish and remain a drag on the GDP. The growth in the GDP for Q1FY18 is pegged at around 6.6-6.7% compared with 6.1% in Q4FY17, which had been impacted by demonetisation.

## **7. Government mulling 2 per cent relief for digital payments**

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

You may soon need to shell out less if you pay digitally. The government is looking at giving a 2% incentive over the applicable GST tax rate in case of digital payments where the bill is up to Rs 2,000, in a move aimed at discouraging cash payments. According to sources, the proposal – which may give the benefit in the form of a discount or cash-back – is being discussed between the finance ministry, RBI, cabinet secretariat and ministry of electronics and IT. “The idea is to incentivise all kinds of digital payments, especially smaller transactions, in line with the government’s plan of making India a less-cash economy,” a source told TOI. The IT ministry is leading the government’s

efforts on digital payments and has been taking stock of initiatives to further popularise electronic payments. The government is also considering other initiatives to push digital transactions. “There will be new measures that will be announced on this front in the coming time to strengthen the government’s resolve on the electronics payment front,” the source said.

#### **8. New highway projects worth Rs 1 lakhs crore in Rajanthan: Nitin Gadkari**

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

The Centre plans to launch road projects worth Rs 1 lakh crore over the next two years and provide a robust highways infrastructure in Rajasthan, Union Minister Nitin Gadkari said...Prime Minister Narendra Modi is scheduled to inaugurate 11 projects and lay the foundation stone of six others, in all worth Rs 15,000 crore, in the state on August 29. He will ‘dedicate to the nation’, along with Gadkari, the completed highway projects totalling 873 km at Udaipur. “In line with the Prime Minister’s vision to accord the highest priority to infrastructure, we stand committed to augmenting the highways infrastructure in Rajasthan,” Gadkari told...the length of National Highways in the state has been doubled to about 14,000 km, from the 7,000 km when the NDA government took over. The investment will be in addition to the existing and completed projects worth about Rs 1 lakh crore (approx. USD1.5 billion), he said. A new expressway will be built connecting the national capital to the pink city in addition to the Delhi-Jaipur Highways which will be completed by December as about 90 per cent of the work has been done.

#### **9. New norms for solar power bids to enhance transparency, says Ministry of New & Renewable Energy**

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

The Ministry of New & Renewable Energy (MNRE) today said its guidelines for tariff based bidding for procuring solar power would reduce risk, enhance transparency and increase affordability. The MNRE had issued the new guidelines for tariff based competitive bidding process on August 3. The guidelines have been issued under the provisions of Section 63 of the Electricity Act, 2003 for long term procurement from grid-connected Solar PV Power Projects of 5 MW and above, through competitive bidding. “New Guidelines for Tariff Based Competitive Bidding Process to reduce risk, enhance transparency and increase affordability of Solar Power,” the ministry said in a statement. Besides, it said, the move will help protect consumer interests through affordable power. It will also provide standardisation and uniformity in processes and a risk-sharing framework between various

stakeholders involved in the solar PV power procurement, it said. This will also help reduce off-taker risk and encourage investments, enhance bankability of the Projects and improve profitability for the investors, it added.

#### **10. Apple's India manufacturing plan hang in the balance**

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

The second phase of Apple Inc.'s plan to make the iPhone in India is hanging in the balance as the firm awaits government approvals and tax breaks that it says are key to making a profit, a person aware of Apple's plans for the market said...In the first phase of its India plan, Apple started working with Taiwanese contract manufacturer Wistron Corp. to assemble the iPhone SE in Bengaluru....Apple has been in talks with the Indian government since May 2016, when its chief executive Tim Cook and Prime Minister Narendra Modi agreed to set up an Apple production and export base in India that goes beyond just assembling iPhones. The company is looking to India after sales in China, once a major growth driver, started sliding. China sales fell 14% from a year earlier to \$10.7 billion in the three months ended April. Apple has not disclosed how much revenue it generates in India but said that sales grew by "strong double digits" in the country in the most recent quarter, *Reuters* reported. Apple's fiscal year ends in September.

#### **11. Abercrombie & Fitch planning to enter Indian market**

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

S-based youth brand Abercrombie & Fitch is planning to bring its flagship label as well as Hollister to India, joining a host of global top brands that are coming to tap the growing market for global fashion in India with the idea of beating the sluggish growth in their home markets. Abercrombie & Fitch is in talks with a host of Indian companies, including Myntra.com, to open standalone outlets of Abercrombie & Fitch and Hollister and to give their online selling rights to the Indian firm, according to two sources. The head of an Indian retail group said his company also held talks with Abercrombie & Fitch last year but it did not conclude in a deal. A Myntra spokesperson declined to comment while Abercrombie & Fitch termed it "rumours" without answering specific questions on whether the NYSE-listed company is in talks with Myntra.