

Daily Economic News Summary: 2 August 2017

1. Protectionism against Chinese products will boomerang on India: China daily

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

India's attempts to protect domestic industries from overseas competition may offer short-term benefits but will eventually hinder New Delhi's industrial development, a Chinese daily said on Tuesday. "The list of Chinese products covered by India's trade remedy investigations is getting ever longer, expanding from garments, glass, minerals and other low-end items to advanced products such as new materials and machinery," a Global Times report said. It said that on July 21, India announced that it would launch an anti-dumping investigation into photovoltaic (PV) cells and units from China, Taiwan and Malaysia. The investigation was the latest of a series of probes launched by India against Chinese goods this year, it said. Amid a rise in bilateral trade, India initiated 12 investigations against Chinese products in the first half of this year, becoming the country with the most trade remedy probes against China, the daily said..."Chinese producers still have the upper hand but it seems understandable for the Indian government to be eager to protect local industries..."India should also open up to foreign competition to facilitate the development of domestic manufacturing," it said.

2. India, Russia sign 3 contracts on Kudankulam

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

India and Russia have signed three contracts for constructing Units 5 and 6 for the Kudankulam Nuclear Power Plant (NPP). These contracts were signed between ASE Group of Companies (a part of ROSATOM State Atomic Energy Corporation) and the Nuclear Power Corporation of India (NPCIL) on Monday. The contracts are for supply of the equipment with long manufacturing cycle, for the first priority design works and for supply of the working documentation. "The project of construction of Units 5 & 6 of Kudankulam NPP is entering into the stage of implementation. Designing, development of procurement procedures of main equipment from Russia begin to complete Units 5 and 6 of the Kudankulam nuclear power plant", said Andrey Lebedev, Vice-President for Projects (South Asia), ASE.

3. RBI policy today: 25 bps rate cut to 6% expected as inflation at record low

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

The Reserve Bank of India will likely cut its main policy rate on Wednesday by a quarter percentage point to a more than 6-1/2 year low after inflation slumped. The question is whether the cautious central bank will signal readiness to ease more. Forty of 56 economists polled by Reuters predicted the RBI will cut its repo rate by 25 basis points to 6.00 per cent - the lowest since November 2010 - as a slump in food prices sent June consumer inflation to a more than five-year low of 1.54 percent. That's well below the RBI's 4 per cent target and its projection of 2.0-3.5 per cent in April-September, sparking pressure from the government and others to cut rates by 50 bps on Wednesday or signal another 25 bps easing later this year. The central bank has previously warned that inflation could accelerate due to a seasonal rebound in food prices and factors such as planned pay hikes for government employees. Retaining a cautious stance could cause tension with a government keen to lift the economic growth from January-March's 6.1 percent - fast by global standards but the lowest in over two years.

4. Nirmala Sitharaman holds talks on growing trade deficit

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

Commerce Minister Nirmala Sitharaman has held "candid" talks with her Chinese counterpart Zhong Shan over India's ballooning trade deficit with China which has crossed over \$52 billion and sought a level playing field for Indian IT and agro products. India's trade deficit with China in 2015-16 swelled to \$52.68 billion, which Indian officials say has become unsustainable. Besides pressing for access to IT and pharma products, the main stay of India's global exports, India has been insisting that China should compensate by stepping up investments. "The two Ministers exchanged views, in a candid manner, on further development of a strong, balanced and sustainable trade and investment partnership between India and China," the Indian Consulate in Shanghai said in a statement today. "In particular, Minister Sitharaman sought the assistance of Chinese Ministry of Commerce in reducing the trade deficit, facilitating greater market access and for providing a level playing field for Indian IT, pharmaceuticals and agro products in China," it said.

5. Demonitisation: RBI will give junked notes' figure after counting, says FM

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

Finance Minister Arun Jaitley Tuesday said the RBI is in the process of counting scrapped currency notes and will come out with the final figures once the fake notes were weeded out. Answering oft-repeated questions over the issue, he said in the Lok Sabha that the Reserve Bank had received the last tranche of scrapped currency notes of Rs 500 and Rs 1,000 only in July and the central bank would take time in counting the billions of notes...On questions regarding the amount of scrapped currency deposited back in the banks, the finance minister said, "Today they (RBI) have to count every currency note. They have to take the fake currency out...That exercise the RBI is taken to a very advanced level." The minister said since March demands were being raised for disclosure of the amount of scrapped currency deposited in the banks but it cannot be done overnight...Referring to the efforts being made to deal with the menace of black money, Jaitley said the government is taking action on the information received from five sources including HSBC list, Liechtenstein, Panama papers and International Consortium of Investigative Journalists. He said the government has decided to amend the 1988 Benami Act and not bring a new law as they want the deals since 1988 to be covered under the Benami law. Further talking about the impact of demonetisation, he said the move has not adversely impacted the economic growth of the country as predicted by former Prime Minister Manmohan Singh, who had stated that GDP could fall by 2 per cent. Jaitley took comfort from the fact that economy grew by over 7 per cent notwithstanding the impact of cash crunch on the economy following demonetisation.

6. July data shows minor ripples as India's biggest reform sets sail

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

Manufacturing took a hit in July, due largely to the rollout of GST at the beginning of the month, plummeting to its lowest in more than eight years. Also, sales of durables slumped, taking the industry by surprise. On the other hand, car sales grew at near-record levels. The Monetary Policy Committee will take on board all this and other data ahead of what's widely expected to result in a decision on Wednesday to cut interest rates, according to an ET poll. The Nikkei India Manufacturing Purchasing Manager's Index (PMI) slowed to 47.9 in July, its lowest since February 2009, compared with 50.9 in June. A reading above 50 indicates expansion. New orders and output fell the steepest in more than eight years. "Manufacturing growth in India came to a halt in July, with the PMI down to its lowest

mark in almost eight-and-a-half years amid widespread reports that the sector has been adversely affected by the implementation of GST,” said Pollyanna De Lima, economist at IHS Markit and author of the report. To be sure, most of those surveyed for the PMI data expect a quick rebound from GST-related disruption and the level of confidence was at an 11-month high.

7. GST: Council to decide on anti-profiteering mechanism at Saturday meet

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

The much-awaited mechanism for anti-profiteering will be decided upon by the GST Council on Saturday, Finance Minister Arun Jaitley told the Lok Sabha on Tuesday. He also expressed the hope that other sectors would follow suit of the auto sector to cut prices due to the effective lower rates under the goods and services tax (GST). Referring to concerns raised by members with regard to impact of GST on prices, Jaitley said it would be mandatory for manufacturers to pass on the benefits of reduction in taxes to consumers. He hoped that the decision of price cut by automobile sector on account of benefit of input tax credit would be followed by others manufacturers...The industry was resistant to this clause, he said, adding, it has been put in the GST law for initial few years to save the interest of consumers. After taking into account input tax credit, weighted average tax is less than what it was on June 30, Jaitley said. It will also help in increasing the tax base and enhancing resources for the government for states as well as central government. As many as 72 lakh businesses have migrated to Goods and Services Tax Network while 13 lakh new users have also registered against 80 lakh dealers prior to GST, the finance minister said.

8. 33 lakhs taxpayers added to tax net post demonitisation

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

As many as 33 lakh new taxpayers have been added to the tax net post demonetisation, parliament was informed on Tuesday. However the number of taxpayers added is less than the number of taxpayers added between the financial years 2014-15 and 2015-16, when 40 lakh extra returns were filed, the government data showed. “The number of income taxpayers has increased after demonetisation. During the period of November 9, 2016 to March 31, 2017, 1.96 crore returns were filed as compared to 1.63 crore returns filed during corresponding period of FY 2015-16 and 1.23 crore returns filed during corresponding period of FY 2014-15,” Minister of State for Finance Santosh Gangwar told...As for the objectives of demonetisation, the Minister said that it “seeks to create a

new 'normal' wherein the GDP would be bigger, cleaner and real". "This exercise (demonetisation) is a part of government's resolve to eliminate corruption, black money, counterfeit currency and terror funding," he added. In a separate reply, the Minister said that there was "no official estimation of the quantum of black money in India". "There was no official estimation of quantum of black money in India. However, post demonetisation, the Income Tax Department (ITD) conducted searches in 900 groups of persons during November 2016 to March 2017 leading to seizure of Rs 900 crore and admission of undisclosed income of Rs 7,961 crore," he said.

9. GST hiccups stay for distributors, chemists

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

One month after the roll out of the goods and services tax (GST), the stocking of medicines has not stabilised. Chemists in Delhi said they were not comfortable packing their shelves because incentives provided to them in the pre-GST regime were no longer on offer. "Most companies are not compensating for the losses made by distributors in their closing inventory. In turn, distributors are pushing the burden on the retailer," said a chemist in east Delhi. Chemists added the shortage was mostly in drugs of common use. The All-India Organisation of Chemists and Druggists (AIOCD) said stockists were maintaining a lean inventory of three weeks and recovering the loss on the June inventory would take two to three months. The average inventory days have risen from 17 days in June to 22 days in July. Chemists and distributors are stocking anti-diabetes drugs the least followed by gastrointestinal drugs and vaccines, according to the AIOCD. Stocks of anti-diabetic drugs are for 17 days, gastrointestinal drugs 19 days and vaccines for 20 days... "Now that the tax element has gone up by 7 per cent, we would like to be reimbursed when we return expired products. The AIOCD and AICDF have sent representations to the GST Council on the issue," he added.

10. FAME scheme: Over 60% of subsidy goes to hybrid 4 wheelers

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

Over 60 per cent of a total Rs 196.77 crore incentive provided by the government till June this year under the FAME scheme to promote hybrid and electric vehicles went to mild hybrid four wheelers, Parliament was informed today. With an aim to promote eco-friendly vehicles, the government had launched the Faster Adoption and Manufacturing of Hybrid and Electric vehicles in India (FAME India) scheme in 2015 offering incentives on electric and hybrid vehicles of up to Rs 29,000 for bikes

and Rs 1.38 lakh for cars. Mild hybrid four wheelers received a total incentive (committed and released) of Rs 124.77 crore during April 2015 to June 30 this year, Minister of State for Heavy Industries and Public Enterprises Minister Babul Supriyo said in a written reply to the Lok Sabha. The total number of vehicles supported under this scheme is 1.45 lakh. The scheme is proposed to be implemented over a period of six years till 2020.