Daily Economic News Summary: 30 August 2017

1. Though China keen, December deadline for RCEP looks unlikely
Source: The Economic Times (Link)

China is pushing to get the RCEP pact wrapped up fast. But the negotiations over the ambitious regional trade deal, which began over five years ago -- with the 19th round of talks being held in Hyderabad last month -- look unlikely to conclude by the tentative year-end deadline. After the Hyderabad round, members of the Regional Comprehensive Economic Partnership (RCEP), a free trade agreement covering 16 countries in the Asia-Pacific region, are hoping to arrive at a positive conclusion during the 20th round to be held in Incheon, South Korea, in October…India, which has an over $50 billion trade deficit with Beijing, has concerns over its market being flooded by goods from China and other nations once it further liberalises its tariff barriers for goods, as is being demanded. India is pushing for a deal in the services sector, where it is in a leadership position, with liberalisation of services and freedom of movement for professionals. However, the talks in the field have remained inconclusive. According to former ambassador Rajiv Bhatia, "China already has a strong position in the RCEP negotiations as it is the biggest trading nation in the grouping, and also because it has a fairly advanced FTA with the ASEAN countries."

2. Finance Ministry confident of meeting 3.2% fiscal deficit target
Source: The Hindu: Business Line (Link)

The Finance Ministry is not worried about its deficit goalposts for 2017-18 despite the low dividends from the Reserve Bank of India and muted proceeds from stake sales in public sector enterprises till now. The Centre has targeted a fiscal deficit of 3.2 per cent of the gross domestic product in 2017-18 and is confident that robust tax revenue and higher receipts from disinvestment in the latter half of the year will come in handy. “The deficit is not a matter of concern as it is still early days. We are hopeful that it will be met though the financial position may not seem very comfortable at present,” said a senior government official. A more thorough assessment will be taken next month, when the Finance Ministry and the Reserve Bank of India meet to finalise the government borrowing calendar for the second half of the fiscal. With the advancement of the Budget, the Centre has managed to frontload its expenditure and start spending from April. This has also meant that its fiscal deficit rose to ₹4,41,685 crore or 80.8 per cent of the full year target by June 30.

Concerns had also emerged after the RBI paid just ₹30,659 crore to the government as dividend for 2016-17, which was much below the estimated ₹58,000 crore.

3. Doklam standoff ends: PM Narendra Modi to visit China for BRICS summit
Source: Business Standard (Link)

A little over 24 hours after India and China announced an end to their military stand-off in the Doklam region, New Delhi on Tuesday confirmed that Prime Minister Narendra Modi will travel to China to attend the BRICS Summit from September 3 to 5.While neither side stated whether China has indeed committed to halting its road construction in the Doklam area, which was the bone of contention, sources on the Indian side claimed the PM's visit to China to attend the BRICS (Brazil, Russia, India, China and South Africa) Summit was confirmed only after South Block received an assurance from Beijing on the issue. From China, Modi will travel to Myanmar for a state visit, his first to that country, from September 5 to 7.

4. What will India's strategy at WTO be; Nirmala Sitharaman explains
Source: Financial Express (Link)

Months before the next WTO ministerial in Argentina, commerce and industry minister Nirmala Sitharaman discusses India's strategy. She says the WTO needs to fulfil earlier commitments, including a permanent solution to the public stock-holding issue, first. In an interview with FE's Banikinkar Pattanayak, she says sectors like defence remains a focus area of attracting FDI, and exporters feel the government should tweak the duty refund mechanism under the GST regime…The government is committed to the make India an attractive FDI destination. More FDI can also come in sectors where the scope for more inflows is greater and current inflows are still below potential. We also have to make sure that such sectors are projected even better to foreign investors and ease of doing business in these sectors improved further. Defence, for instance. Because we are a large captive market and there is a great scope for defence exports from this country as well. If defence production takes place here, the cost will come down and products will be competitive in countries that have not yet found such weapons affordable. Even in food processing, we may attract good FDIs. Exports have been growing in recent months, but the pace of growth isn't up to the mark. We are planning to come out with the foreign trade policy in September that should address the question of supporting exports.

5. India witnesses healthy appraisal season despite economic uncertainties
Source: Business Standard (Link)

Notwithstanding uncertain economic conditions, this appraisal season was "healthy" for most sectors in India, even though there was a drop in the pay hike as compared to last year, says a report…the auto sector registered average appraisal of 9-11 per cent, for FMCG it was 8-10 per cent and for technology sector at 5-7 per cent. The report which shares insights on average increments across various industries during this appraisal season said almost all sectors -- from FMCG to IT -- have reported a drop in pay hike as compared to last year, however, the overall sentiment in the market is positive. "Despite the uncertainties and the watchful approach, Indian economy has witnessed a good year and is expected to witness positive growth which should reflect in the coming appraisal cycle," ABC Consultants Managing Director Shiv Agarwal said.

6. Ease of doing businesses: It takes 118 days to set up biz in India, says NITI
Source: Business Standard (Link)

It takes 118 days on an average to set up a business in India, showed a survey of enterprises on ease of doing business, conducted by the Niti Aayog and Mumbai-based IDFC Institute. The findings of the Enterprise Survey were at sharp variance with the World Bank report, which showed that it took just 26 days to set up a business in India in 2016. The World Bank covered only Delhi and Mumbai to prepare its report, while the Niti-IDFC Institute surveyed pan-India, except Arunachal Pradesh, Mizoram, Andaman and Nicobar, and Lakshadweep… Niti Aayog's outgoing Vice-Chairman Arvind Panagariya said there is a huge gap between what the state governments have done to improve the ease of doing business and what the enterprises know of these improvements….The report found that it took enterprises two years on average to resolve a legal dispute. Firms faced 46 hours of power cuts in a typical month. A staggering 68 per cent of enterprises were unaware of the single-window system of industry clearances. The survey found 46 per cent of firms did not have problems in sourcing financial assistance. Only 32 per cent of firms borrowed from banks.

7. Big boost for Narendra Modi government, GST revenue hits Rs 93,000crore mark; FM Jaitley says crossed red line
Source: Financial Express (Link)

The government has collected Rs 92,283 crore from the goods and services tax (GST) and attendant cesses up to 10 am on Tuesday, from 64% of the July taxpayer base, finance minister Arun

Jaitley said. This is against the estimated revenue-neutral collection of Rs 91,000 crore (Rs 48,000 crore for the Centre and Rs 43,000 crore for states) for the month, the minister said, expressing satisfaction that “red line has been crossed” in the very first month after the new tax was rolled out. Analysts said the GST collection trend is encouraging. The aggregate collection figure released by the government now pertains to the taxes paid by just 38.38 lakh businesses registered on the GST Network portal, while the total registrants so far number 91.16 lakh, including 72.33 lakh firms that migrated from the previous regime and 18.83 lakh new taxpayers. The minister noted that of the GSTN taxpayer base, only 59.57 lakh firms are eligible for paying July taxes as the remaining have either got registered after that month or have opted for the composition scheme. Stating that the collections so far have been comfortable, Jaitley said it remained to be seen if any individual state faced a revenue shortfall.

8. India-focused funds’ net inflows at $5.3bn in first seven months of 2017
Source: Business Standard (Link)

India-focused offshore equity funds and exchange traded funds (ETFs) have witnessed net investment of over $5.3 billion in the first seven months of this year, according to a Morningstar report. In comparison, infusion of $1.7 billion was seen in the January-July period of 2016. The offshore India fund — not domiciled in India — receives flows from overseas investors and in turn invests the money into the Indian markets. According to the report, India-focused offshore equity funds registered net inflow of $4.35 billion, while India- focused offshore ETFs witnessed net inflows of $982 million, taking the total to $5.33 billion. Flows into equity funds are generally considered to be long-term in nature, whereas flows into ETFs indicate predominantly short-term money. The higher inflows into equity funds compared with ETFs suggest that foreign investors have confidence in the country's markets and viewing it as a long-term investment destination.

9. Income Tax Department warns against cash dealing above Rs 2 lakh
Source: The Economic Times (Link)

The Income Tax Department today warned people against cash dealings of Rs 2 lakh and more, saying any violation of this cap will invite strict penalty under law. In a public message, the department said, "accepting Rs 2 lakh or more in aggregate from a single person in a day for one or more transactions relating to one event or occasion is prohibited". "Similarly, receiving or repaying Rs 20,000 or more in cash for transfer of immovable property and paying more than Rs 10,000 in cash relating to expenditure of business or profession is also banned."…The central government had banned cash transactions of Rs 2 lakh or more from April 1, 2017, through the Finance Act 2017. The newly inserted section 269ST in the Income Tax Act bans such cash dealings on a single day, in respect of a single transaction or transactions relating to one event or occasion from an individual. The restriction, however, is not applicable to any receipt by government, banking company, post office savings bank or co-operative bank, it had said. The move to ban cash transactions above a threshold was aimed at curbing black money by discouraging cash transactions and promoting digital economy.

10. Financial year change to Jan-Dec ruled out, all states not in favour
Source: Business Standard (Link)

The Centre's plan to change the financial year cycle from April-March to January-December has been put on hold and may not materialise in the Narendra Modi government's current term, according to a senior official. Any change in the financial year would have to be agreed upon by all states, and a number of them were still not in its favour, the official, who did not wish to be named, said on Monday. Besides, the government did not see many advantages in switching to the January-December cycle, the official added. Surprisingly, changing the financial year has been one of Prime Minister Narendra Modi's pet themes. "A number of states are not on board with the idea. The financial year change has been put on the back burner," the official said, adding that a final decision on the matter could be taken in 2019. Madhya Pradesh became the first state in May to formally announce a shift to the January-December financial year from next year. Its current financial year will end in November. Union Finance Minister Arun Jaitley, too, announced in Parliament that the government was planning to switch to the January-December financial year…India has been following the April-March financial year since 1867, mainly to align the Indian financial year with that of the British government.