

Daily Economic News Summary: 30 June 2017

1. DIPP working on revamping manufacturing, industrial policy: Nirmala Sitharaman

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

The Department of Industrial Policy and Promotion (DIPP) is holding consultations with industry on revamping the country's manufacturing and industrial policy, Union Minister Nirmala Sitharaman said. India aims at increasing the contribution of manufacturing sector in the GDP to 25 per cent by 2020, from the current level of about 16 per cent, Sitharaman, the Commerce and Industry Minister said. "We are sitting on a national manufacturing policy which was made in 2011, and an industrial policy of 2009. "So all this falls together with the deadline of increasing manufacturing sector's contribution in GDP at a time when the world is talking about industrial revolution 4.0 which includes artificial intelligence, robotics, deep learning and internet of things," She said...She said that the DIPP is holding comprehensive discussions with industry and stakeholders and looking at the developments happening elsewhere.

2. ADB proposes \$ 10-bn loan for India over next 5 years

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

The Asian Development Bank (ADB) has proposed additional loan support to India of \$10 billion, over the next five years. In the country on a three-day trip, ADB President Takehiko Nakao on Thursday told the media that the ADB was looking to increase its footprint in India. Half the loan amount would be for the development of the East Coast Economic Corridor. Also, commenting on the upcoming goods and services tax (GST) regime, Nakao said that given the multiplicity of tax rates in the new system, the government would need to be careful about how to apply different tax rates for various commodities and services. He also said relations between the two different tax enforcement authorities — at the central and state levels — needed to be made clearer. As of now, the ADB board had approved \$631 million in 2016 for the Vishakhapatnam-Chennai section of the corridor. Also, the bank is looking to focus on less developed states, including Uttar Pradesh, Bihar, Jharkhand, Odisha, and Chhattisgarh, and is ready to commit up to \$5 billion over the five-year period. To this end, Nakao has also met Uttar Pradesh Chief Minister Yogi Adityanath and promised to ramp up lending to the state, which had received \$300 million last year to upgrade district roads. This \$10 billion in major investments would be part of

the ADB's new country strategy. The final amounts will depend on the implementation readiness of projects under preparation and the borrowing policies of the central and state governments.

3. Next on Narendra Modi's agenda: Kuwait & Israel

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

India expanding its West Asia outreach is hosting Kuwait Emir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah on a 10-day low-key private visit amid Kuwait's role as a mediator between Saudi Arabia & Qatar and ahead of PM Narendra Modi's Israel visit from July 4. Kuwait joins list of Arab and North African countries with which the BJP-led government has stepped up partnership across strategic and economic spheres during the last two years even as it elevated ties with Israel to the next level. After Modi becomes the first Indian PM to visit Israel. Delhi is also expected to hold monarchs of Saudi Arabia and Jordan later this year...While India at present is not unduly worried over condition of its seven million expatriates in Gulf and has not received any request from either Saudi Arabia or Qatar to take sides the government here is closely monitoring situation in case a conflict breaks out between Riyadh and Tehran. "India has benign image and has not taken sides in any of the Gulf crises. It pursues a classical balancing act and has never interfered in any of the conflicts. Delhi has interests across the region from welfare of diaspora to energy to security and terror. The Gulf states on their part are looking East and India is emerging as the suitable organization for investments," a person familiar with the Indo-Gulf ties explained. Kuwait's emir is currently negotiating between the Saudi Arabia, UAE and Bahrain on one side and Qatar on the other, as a rift between the GCC states widens...India has consistently been among the top ten trading partners of Kuwait that includes trade in hydrocarbon. Total bilateral trade with Kuwait during 2015-16 was \$ 6.2 billion. Kuwaiti investment in India has been largely indirect through portfolio managers. Much of it has gone to India through international investment companies or through Mauritius, Singapore or other countries providing tax breaks. So far, investments in India are over US\$ 3.5 billion, of which US\$ 3 billion is by Kuwait Investment Authority (KIA). The presence of about 9.21 lakh Indian community members in Kuwait (the largest expatriate community in Kuwait) form an important dimension of bilateral ties with oil-rich Kuwait.

4. Farm loan waivers will lead to further fiscal slippage at State level, cautions Fitch Ratings

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

Fitch Ratings has cautioned that there is a risk that farm loan waiver schemes, which are being discussed and rolled out across an increasing number of Indian states, will lead to further fiscal slippage at the state level or will reduce the funds available for public investment. The farm loan-waiver schemes could have a significant impact on state government finances, and might undermine efforts to bring down general government debt, it added. The credit rating agency said “The central government has the authority to block states from borrowing to finance persistently large deficits, but it could be reluctant ahead of approaching elections in some states, and with the 2019 Lok Sabha election drawing nearer.” The impact on India's debt dynamics and capital spending will depend on the total size of loans waived, how the scheme is financed, and whether there are possible offsets from cuts to other forms of spending, including capital projects. “India's central government has gradually consolidated its fiscal position in recent years, and has indicated it will not participate in the waivers. However, the combined finances of the states - which are included in general government debt and deficits - have been under pressure...Larger state deficits, according to Fitch, would delay an expected gradual reduction in general government debt, which includes central and state government debt. When India's rating was affirmed at 'BBB-/Stable in May, Fitch forecast general government debt to fall to 64.9 per cent of GDP by FY21, from 67.9 per cent in FY17, and it highlighted that potential changes to India's fiscal position are a rating sensitivity.

GST Special:

5. GST, export target delay foreign trade policy review release

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

The commerce and industry ministry on Thursday said it will release the reviewed foreign trade policy (FTP) in September and not before the Goods and Services Tax (GST) rollout as was being planned. Government had earlier announced to release the mid-term review of FTP in line with the GST rollout before July 1. "A number of representations have been received from exporters regarding GST. Accordingly, it has been decided to release the reviewed FTP in September. This will allow the government to factor in the exporters' feedback on relevant issues post GST," the

ministry said in a statement. Officials said the ministry is yet to revise the earlier export target of \$900 billion by 2020 and is also contemplating the likely impact of GST on exporters. In 2016-17, India's shipments aggregated at around \$426 billion...Federation of Indian Export Organisations has pegged India's exports to reach \$700-725 billion by 2020.

6. GST important achievement but transitional challenges there: ADB president

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

Asian Development Bank president Takehiko Nakao on Thursday lauded the government for the Goods and Service Tax (GST) but cautioned about the challenges that the new tax regime could bring. "GST is an important achievement of the government. There can be some transitional issues like filing of returns and its scrutiny," Nakao told reporters here. GST will be rolled out on July 1. Citing challenges such as businesses adjusting to the new tax arrangement, doing away with anomalies on input credit and output tax and, enforcement by state and central government tax officials, he said: "The arrangement should be very clear." Asked about any slowdown due to implementation of GST, Nakao said it is difficult to say because the impact is at different levels and multi layered. He explained that multi taxes are going to be rationalised which will have a positive impact on businesses. Cross trade transfer would be much simpler. Nakao who was on a three day visit to India met finance minister Arun Jaitley earlier in the day and discussed strengthening of labour laws, land acquisition and regulation of foreign direct investment reforms. He also asked India to integrate more with the global market.

7. One product, one MRP: Government to disallow differential pricing at airports, malls and cinemas

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

The government has forbidden companies from selling the same product at different 'maximum retail prices', bringing relief to customers who have complained against a higher MRP being charged at airports, malls and cinemas. The directive is part of the changes in the Legal Metrology (Packaged Commodities) Rules, 2011, which will come into effect from January 1, 2018. "We are giving a breathing period to the manufacturers, so they have enough time for compliance," an official dealing with legal metrology added. The department of consumer affairs said it adopted a balanced approach after wide consultations...Restaurant owners said the rules won't apply to them. "This won't be applicable to restaurants as under GST they come under the category of supplier

services. And the latest notification is applicable for retail services where customer buy off the counter," said Rahul Singh, secretary, National Restaurant Association of India (NRAI). The government has also ordered that the size of letters and numerals in the declaration should be increased to make it easier for consumers to read. The consumer affairs department has also ordered that medical devices such as stents, valves, orthopaedic implants, syringes and tools for operations will have to display MRP.

8. Plenty of hiccups' expected as India rolls out new tax reform

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

As India prepares to launch its biggest tax reform since independence in 1947, businesses and citizens across the country are bracing for economic chaos. At midnight on July 1, Prime Minister Narendra Modi will formally usher in the country's new goods and services tax. First proposed in 2006, the GST will subsume more than a dozen state and central levies into one tax, unifying this country of 29 diverse states and 1.28 billion people into a single market for the first time...With the deadline looming, protests and industrial strikes broke out across the country over tax rates and compliance burdens. In the states of Tamil Nadu, Gujarat and Rajasthan, tens of thousands of textile workers went on strike, while the association that represents sellers of seeds, pesticides and fertilizers protested in the agricultural state of Punjab. The move should eventually expand India's narrow tax base and increase government revenues. It has been heralded by economists and will count as the most important structural economic reform of Modi's three-year-old administration. The new tax will boost the country's fiscal health in the medium-to-long term, wrote Eurasia Group analysts Shailesh Kumar and Sasha Riser-Kositsky in a June 28 note. "The GST is considered the most important milestone for the Modi government," they said. "It signals to investors the government's ability to deliver on its reform agenda. Once the GST is fully operational, it will be groundbreaking and significantly change India's business environment."

9. MRP, other info of products sold online mandatory from 2018

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

Products sold on e-commerce platforms and medical devices declared as drugs like stents will now have to mandatorily carry retail prices and other essential information from next year as per the government's new labelling rules. Union Food and Consumer Affairs Minister Ram Vilas Paswan has approved amendments to the Legal Metrology (Packaged Commodities) Rules, 2011,

that will come into effect from January 1, 2018. These rules were framed to regulate the pre-packaged commodities, which have to comply with certain mandatory labelling requirements. "Products on e-commerce platforms to display declarations required under the amended rules. Medical devices declared as drugs brought under the rules," an official statement said. The government said that the rules have been amended to enhance consumer protection, but at the same time balancing with the requirement of ease of doing business. The amended rules also prohibit dual MRPs on products, saying that "no person shall declare different MRPs (dual MRP) on an identical pre-packaged commodity, unless allowed under any law". "Goods displayed by the seller on e-commerce platform should contain declarations required under the rules like name & address of the manufacturer, packer and importer, name of the commodity, net content, retail sale price, consumer care complaint, dimension etc," the statement said. Among other key changes, the government has increased the fontsize of letters and numerals for making declaration so that consumers can easily read the same. The net quantity checking is made more scientific, with introduction of e-coding. Bar Code/QR Coding is allowed on voluntary basis.

10. Google CEO Pichai, Walmart India's Iyer hail GST bill as 'game-changing reform'

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

Chief executives of tech giant Google and Indian arm of the American retail giant Walmart have hailed the the goods and services tax (GST) bill, calling it "game changing reform". The GST regime, ready to kick off on July 1, will ease business barriers and help bring down prices of essential commodities in the long run, Walmart India CEO Krish Iyer said, after attending Prime Minister Narendra Modi's , CEOs roundtable conference in the US on Sunday. "We reiterated our commitment to India. We talked about the various things we do in terms of global sourcing, global technology center and the work that we do in the space of farmer's and women's economic empowerment," Iyer told. On GST, he said, "I believe that GST is a game changing reform. It is not just a tax reform but is a new way of doing business which will remove a lot of barriers which exist in the country and will eventually help in bringing down the prices of essential commodities." He added that GST would help small and medium enterprises and suppliers. GST is claimed to be India's biggest tax reform that will subsume 15 different central and state levies. The GST Council has finalised four slabs under which almost all the commodities and services will be taxed, thus eliminating the cascading effect of the present taxation system. Google CEO Sundar Pichai too

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expressed 'excitement' towards the roll-out of the new tax regime. "We are all looking forward to the July 1st roll out. I know it has been a very difficult thing to do so I'm excited to see it happen. Shows that you can achieve reform by pushing hard for it and I hope it is just the beginning," he told