

Daily Economic News Summary: 31 August 2017

1. Report: Maritime connectivity crucial to India-Asean trade

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

A robust maritime connectivity between India and Asean members is crucial for the realisation of the full potential of India-Asean trade, according to a Parliamentary Standing Committee on Commerce report titled ‘Trade with Association of south-east Asian Nations (Asean)’. The report mentions that connectivity through the land route is of immense importance since it engages north-eastern India with the Asean members. The North-East can serve as a gateway to the Asean countries through Myanmar and further to Thailand, Laos, Cambodia and Vietnam. Maritime connectivity is the key to facilitate production networks and creation of global and regional value chains, says the report...It has pointed out that several Asean members are ahead of India in the shipping sector and Singapore is one of the world’s leading ports and container terminals. Other Asean countries are making rapid progress in modernising and expanding their ports and shipping services. The challenges to Asean-India maritime connectivity include shortage of port capacity, very few direct calls, high port-handling charges, lack of skilled human resources and absence of an institutional mechanism, among others.

2. Doklam standoff ends: India, China have huge scope for cooperation, says Beijing

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

Asian giants China and India have great potential for cooperation, Chinese Foreign Minister Wang Yi said on Wednesday, seeking to cast the neighbours’ difficult ties in a positive light ahead of a visit next week by India’s Prime Minister Narendra Modi. The two agreed this week to de-escalate a more than two-month-old stand-off on their disputed border, just in time for Sunday’s kick-off of a summit of the BRICS grouping of nations, which also includes Brazil, Russia and South Africa. It was normal for the two giant neighbours to have differences, Wang told a news briefing ahead of the summit in the southeastern city of Xiamen that Modi is to attend. “What’s important is that we put these problems in the appropriate place, and appropriately handle and control them in the spirit of mutual respect and based on the consensus of both countries’ leaders,” he said. “There is huge potential for cooperation between China and India,” Wang added, without giving details. The stand-off in the

Himalayan region began when India sent troops to stop China building a road in the remote, uninhabited territory of Doklam, claimed by both China and Bhutan.

3. New Development Bank approves \$1.4 bn loan for projects in India, China, Russia

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

Ahead of the BRICS summit, the New Development Bank (NDB) of the five-member group today approved USD 1.4 billion loans for sustainable development projects in China, India and Russia. The Board of Directors of the Bank have approved four infrastructure and sustainable development projects in the three countries, an NDB press release said today. For India, the Bank has approved USD 470 million loan for Madhya Pradesh's Multi-Village Rural Drinking Water Supply Scheme Project...Also China's Jiangxi Industrial Low-Carbon Restructuring and Green Development Pilot Project will get a USD 200 million loan to promote energy conservation, resources recycling and pollutants reduction through technology upgrade...The NDB will provide a USD 460 million loan to the Russian Federation for the development of infrastructure and implementation of information technology systems of Russia's judicial system in Russia. The loans were approved ahead of the BRICS (Brazil, Russia, India, China and South Africa) summit

4. Arunachal Pradesh, J&K are fastest growing economies

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

Jammu and Kashmir and Arunachal Pradesh were the fastest expanding State economies in 2015-16, according to a new series of gross State domestic product data with 2011-12 as the base year published by the Central Statistics Office. The two States also reported the fastest rise in per capita income in the same year. Arunachal Pradesh's gross State domestic product (GSDP) expanded 16.5 per cent and that of Jammu and Kashmir 14.7 per cent at constant 2011-12 prices. In comparison, the economies of bigger States such as Maharashtra and Uttar Pradesh expanded about 8-8.5 per cent that year. The national economy too expanded 8 per cent in 2015-16 at constant 2011-12 prices. Per capita income in Jammu and Kashmir and in Arunachal Pradesh rose by more than 14 per cent at constant 2011-12 prices, while the rise at the national level was only 6.8 per cent. Yet, the per capita income in these States was just a fraction of that in richer States and territories such as Delhi...Maharashtra remains the largest State economy, with its size estimated at ₹16,59,776.05 crore (₹16.6 lakh crore) at constant 2011-12 prices. Jammu and Kashmir's economy, at ₹97,289.27 crore, is just about 6 per cent of Maharashtra's. The second-biggest State economy is Tamil Nadu,

estimated at ₹9,48,673.85 crore. Gujarat displaced Uttar Pradesh to become third largest, but the difference between the two was narrow. Gujarat's economy was estimated at ₹9,01,375.28 crore and Uttar Pradesh at ₹9,01,256.8 crore. Karnataka was the fifth largest with an estimated size of ₹8,14,802.64 at constant 2011-12 prices. These five States together account for about 46 per cent of the nation's GDP.

5. India seen posting stronger economic growth as demonitisation shock fades

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

India's economy likely showed further signs of recovery in the latest quarter from a shock cash squeeze late last year, but the rebound is not expected to be strong enough to help it reclaim the crown of the world's fastest-growing major economy. Gross domestic product (GDP) is expected to have expanded 6.6% in the April-June quarter from a year earlier, according to economists polled by *Reuters*. That would mark a solid acceleration from 6.1% growth in January-March, but still lag China's 6.9% print in the latest quarter. Forecasts ranged from 5.7% to 7.2%...The launch of a national Goods and Services Tax (GST) on 1 July has caused chaos on the ground as ambiguous rules have left firms confused over how to price their products. Business surveys showed both services and manufacturing activity contracted at their fastest rate in years in July.

6. Rs 184: This is the 'Make in India' edge we have over Chinese factories

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

Made in India' can overtake 'Made in China' in near future for one big reason: China has to pay far more to its workers which raises output costs and makes goods expensive. According to market research firm Euromonitor, average hourly wages in China were \$3.60 last year, 64 per cent more than in 2011. In India, the hourly wages are five times less than in China. The hourly wage difference is nearly Rs 184. Rapid expansion of Chinese economy over the past decade has driven wages up. Automation is one solution for Chinese companies to control costs but that can lead to more unemployment. Chinese manufacturers might have to shift to smaller countries where wages are low to remain competitive. The huge emphasis on manufacturing is not feasible in the long run so China plans to develop its services sector more...India's low-wage edge over China can certainly help Prime Minister Narendra Modi's 'Make in India' policy. But a new policy can blunt this edge. The central government is bringing a law that can result in doubling of minimum wage nationally. This will apply to the short-term contract labour too, which faces the most exploitative wage conditions...A law that

doubles the minimum wage might purport to favour workers but it can devastate job market itself in the short term and take away a long-term edge from Indian manufacturing.

7. RBI report on demonitisation: Digital transaction up initially, but declines to 5-month low; here is why

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

In the data released by the Reserve Bank of India ([RBI](#)) in its annual report on Wednesday pointed out that the four key objectives of the demonetisation exercise that was outlined by the NDA government in November last year, could either be classified as work-in-progress or being simply difficult to achieve. The four objectives were – detection of black money, elimination of fake currency, squeezing funds available for terror funding and promotion of digital transaction. RBI had yesterday disclosed that almost 99 per cent of Rs 500 and Rs 1,000 currency notes which were withdrawn from circulation on November 8, 2016 has returned to the central bank. “Subject to future corrections based on verification process when completed, the estimated value of SBNs received as on June 30, 2017, is 15.28 trillion,” the central bank said in its annual report...On the grounds of digital transactions, as per the data by RBI data, it showed that the volume of electronic payments – including transactions through systems such as NEFT, debit and credit cards, cheques, prepaid wallets, UPI and mobile banking – which was at its peak in the month of December, has been on a decline. As per the report, in month of December 2016, 957.50 million transactions were made as compared to 671.49 million in November last year.

8. GST will impact direct taxes too: Jaitley

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

Finance Minister Arun Jaitley said that the recently introduced Goods and Services Tax (GST) regime will have an impact on direct taxes too, indicating that collections of direct taxes could swell once GST gets implemented in full force in coming days. “The impact of GST will not only be on indirect taxes, but on direct taxes also. The possibility of detection of escaped income is high as GST ushers in transparency,” Jaitley said after releasing a Wolters Kluwer book on income tax here. He highlighted that the extent of compliance would get clearer when the GST implementation gets into the sphere of ‘matching of Bills’ for input tax credit purposes... From a period of 1988 to 2014, the Benami Prohibition Law passed by Parliament was never implemented. Jaitley also underscored the need to reduce the quantum of cash in the economy. He said that the demonetisation exercise

undertaken in November last year had helped increase the income tax base of the country. Shireesh Sahai, Chief Executive Officer, India, Wolters Kluwer, a leader in information services and solutions for professionals in health, tax and accounting, said that the government's digitalisation drive and regulatory changes in recent months had positive impact on the economy. "The three pillars of Digital India, Skill India and Make in India are enshrined in our growth strategy in India," he told

9. Demonitisation to benefit in medium and long term: Jaitley

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

Union Finance Minister, Arun Jaitley, says the fact that money got deposited in banks does not make it legitimate money. He says demonetisation to benefit in medium and long term even if it hits GDP in two or three quarters.

10. Paytm mall ramps up operations ahead of festive season, targets \$4 billion sales

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

Paytm Mall, operated by Paytm E-commerce Pvt. Ltd, is ramping up the online commerce operations ahead of the festive season as the company targets \$4 billion in annualized gross merchandise value by December...Paytm has improved the app to feature 1,000 brand stores and 15,000 brand-authorized retailers. The upgrade also features a new home screen and virtual stores from top brands, where the catalogue, pricing, promotional offers and the experience is directly controlled by the brand itself...Paytm Mall is firming up its effort to take on the e-commerce market at a time when incumbents Flipkart and Amazon India have taken over bulk of online sales due to their first movers' advantage...In the run-up to the Diwali season, a period characterized by major discounting by brands and retailers and where e-commerce firms reap their highest monthly sales, Paytm Mall is banking on categories such as electronics, fashion and daily essentials to drive up sales. Paytm E-Commerce, the separate entity carved out of parent One97 Communications Ltd, raised \$200 million from Alibaba Group Holdings and SAIF Partners in April.

11. Sony sees potential for India to be among its top 3 markets globally

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

India is Sony's number four market in contribution to global sales after the US, China and Japan. However, India has the potential to break into Sony's top three markets, as the company is witnessing growth in metro and upcountry markets around the country, said Kenichiro Hibi, Managing Director,

Sony India Pvt Ltd. Having grown the company's revenue by 20 per cent in FY2017, Hibi is targeting over 20 per cent growth in revenue for the current fiscal.