

Daily Economic News Summary: 31 July 2017

1. India, South Korea reviewing FTA to boost trade

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

India and South Korea are carrying out a review of their free trade agreement to further boost bilateral trade and investment, a senior commerce ministry official has said. The agreement, officially dubbed as Comprehensive Economic Partnership Agreement (CEPA), between the two countries was implemented in January 2010. Both the sides have constituted sub-groups on issues such as goods, services, investments and rules of origin...Exporters' body FIEO (Federation of Indian Export Organisations) said that there is a huge scope of increasing trade and investment with South Korea. "We can look at increasing exports of marine products and other commodities besides huge investment opportunities are there for South Korean companies in India," FIEO Director General Ajay Sahai said. The bilateral trade between the countries stood at USD 16.83 billion in 2016-17. The trade is in favour of South Korea.

2. Urjit Patel may just seize his chance this time to put Indian economy back on track

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

A year ago, India had Asia's fastest growth and inflation. Then Prime Minister Narendra Modi took away most of its money and both indicators slowed, bolstering expectations the central bank will cut borrowing costs for a final time this cycle as pressure mounts for a stimulus. The Reserve Bank of India's six-member monetary policy committee will lower the repurchase rate to 6 percent from 6.25 percent, according to 39 of 55 economists in a Bloomberg survey before Wednesday's announcement. The rest see no change. The reduction would bring the benchmark rate to the lowest since 2010 and mark a U-turn from just six months ago, when Governor Urjit Patel jettisoned an accommodative bias for a neutral policy setting. Consensus has built for a cut because it's seen as Patel's last chance through 2018 to spur the economy before the U.S. Federal Reserve reduces its balance sheet, forcing emerging markets to keep pace. India's record-low inflation is also flattered by last year's prices and low global food costs, which are expected to reverse in coming months...Consumer prices rose 1.5 percent in June, below the RBI's April-September forecast range of 2 percent to 3.5 percent. It will end 2017 around the medium-term target of 4 percent, according to the median estimate in a Bloomberg survey. Economists also reduced their growth projections for

the previous quarter as loan-growth hovers near a record low and job losses mount after Modi last year surprisingly scrapped 86 percent of currency in circulation.

3. India among top nations with potential for digital payments: Digital Evolution Index

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

India has emerged strong, exhibiting a high potential in terms of digital payments and has been categorised under the "break out" segment among 60 countries, according to the Digital Evolution Index 2017. The Fletcher School at Tufts University in partnership with Mastercard, unveiled the Digital Evolution Index 2017. The Index is a comprehensive research that tracks the progress countries have made in developing their digital economies and integrating connectivity into the lives of billions. The 'break out' segment refers to countries that have relatively lower absolute levels of digital advancement, yet remain poised for growth and are attractive to investors by virtue of their potential, a statement issued by Mastercard said. "India has been experiencing rapid strides of progress with an evolving payments landscape, catalysed by the government's demonetisation decision," it said. The government's endeavour to boost the acceptance infrastructure coupled with a host of other economic reforms have further hastened the momentum for the country's journey towards a cashless society, it added.

4. Indian Railways working on technology to achieve Mission 41 K; know what it is

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

Indian Railways is working on technologies that will enable 40% substitution of diesel by compressed natural gas (CNG) in locomotives and nine-zoned solar panels on diesel electric multiple units (DEMUs). The move will help railways achieve its 'Mission 41K' target and reduce carbon footprint. The development comes close on the heels of railways flagging off a solar-powered DEMU, a six-coach rake, which is expected to save 21,000 litre of diesel annually, translating to savings of Rs 12 lakh, and also cut carbon emission by 9 tonne per year. Such initiatives are expected to help it save Rs 41,000 crore in the next 10 years — called 'Mission 41K' — as envisaged by railway minister Suresh Prabhu earlier this year. Railways recently floated a tender inviting applicants to work on its diesel locomotives and develop systems that will ensure that 40% of diesel is substituted by CNG in a standard duty cycle of a DEMU, as specified by the Research Designs and Standards Organisation, a wing of railways. "The tender specifies the engine to be worked upon in which the applicant will

use the CNG substitution system. We have given the emission standard, the duty cycles are mentioned and we need 40% substitution,” said an official of the railway ministry. The dual fuel system will be able to simultaneously use CNG and diesel.

5. Morgan Stanley cuts CPI forecast on benign GST, monsoon impact

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

Global brokerage firm Morgan Stanley has lowered its inflation forecast for 2017 to 3.1 per cent from 3.6 per cent earlier citing relatively benign outcomes of GST and monsoon. It, however, said headline inflation troughed in June and the trajectory is still that of a gradual rise in headline inflation. Morgan Stanley Research has revised the headline CPI forecast for calendar year 2017 to 3.1 per cent from 3.6 per cent earlier and for 2018 to 4.3 per cent from 4.6 per cent earlier. For the ongoing fiscal, it expects headline CPI at 3.2 per cent from (4 per cent earlier) and for 2018-19 to 4.3 per cent from 4.5 previously. Two factors led to the revision of forecast – first, the slippage in food inflation year-on-year has been more persistent and secondly, the impact of GST, rise in house rent allowance (HRA) and the ongoing monsoon on inflation was benign, it said...Retail inflation hit a historically low level of 1.54 per cent in June on dip in prices of food items like vegetables, pulses and milk products. Regarding RBI’s monetary policy stance, the report said recent slippage in inflation has opened up room for one more rate cut. “It is in this context that we expect RBI to take up one more rate cut at the August meeting,” it said.

6. RBI monetary policy review: RBI likely to cut rate on August 2 as inflation hits record low

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

With retail inflation receding to record low levels, the Reserve Bank is likely to cut the benchmark lending rate by at least 0.25 per cent in its third bi-monthly monetary policy review on Wednesday, say experts and bankers. Encouraged by significant price improvement, bankers expect RBI, which has kept rates on hold at 6.25 per cent for the fourth straight time citing risk to inflation, to change its monetary stance and may even go for an aggressive rate cut. “The expectation is of rate cut of a minimum 25 basis points as inflation has eased and also as industrial growth continues to remain weak. A rate cut will give a push to credit growth which has been sluggish from last many quarters,” Bank of Maharashtra Managing Director R P Marathe said... Indian Bank Managing Director Kishor Kharat said there is an expectation that there could be 0.25 per cent rate cut by RBI this time. The

RBI may not touch Cash Reserve Ratio or Statutory Liquidity Ratio as there is adequate liquidity in the market, Kharat added. The six-member monetary policy committee (MPC) of the RBI headed by RBI Governor Urjit Patel will announce the outcome of the meeting on August 2 afternoon.

7. Brazil, EU seek cuts in farm subsidies, may affect India and other emerging economies

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

Brazil has teamed up with the European Union to propose a reduction in incentives given by developing countries to their farmers, a move that could impact India adversely along with other emerging economies. The two have jointly prepared a paper for the World Trade Organisation proposing a cut in caps on farm subsidies given by developing countries. If the proposal is accepted, India will not be able to give any subsidy except minimum support price (MSP) and might have to curtail the grant for pest and disease control, and infrastructure and marketing services, among others. Moreover, the proposal seeks to prohibit exports from food stocks meant for public stockholding to “ensure that stocks procured under such programmes do not distort trade or adversely affect the food security of other members”. This clause could bring India’s exports under the scanner.

8. India’s engineering exports to China rise 123 per cent in June quarter

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

India’s exports of engineering goods to China saw a whopping 123 per cent growth at USD 629 million during April-June this fiscal, driven by an upsurge in shipments of non-ferrous metals, according to trade body EEPC India. The country’s shipments to China stood at USD 282 million in the April-June quarter of the previous fiscal. The rise assumes significance as India has a massive trade deficit with China, which mounted to USD 46.56 billion last year as Indian exports continued to decline while the bilateral trade marginally slowed down by 2.1 per cent to nearly USD 71 billion, data released earlier showed. India’s overall exports grew by 4.39 per cent to USD 23.56 billion in June, according to commerce ministry data. Shipments in the first quarter of 2017-18 rose by 10.57 per cent to USD 72.21 billion while imports surged 32.78 per cent to USD 112.2 billion, leaving a trade deficit of USD 40 billion. Shipments of engineering goods from India to China aggregated USD 234 million in June, against USD 94 million in the same month last year. The sharp rise was on the back of a mammoth 971 per cent increase in the shipments of non-ferrous metals in June this year to

USD 158 million from a mere USD 14.75 million in the same month last year, the analysis revealed. T S Bhasin, chairman of the Engineering Export Promotion Council (EEPC) of India, hopes that bilateral trade continues to flourish between the two neighbours.

GST FOCUS

9. GST has transformed economy, an example of cooperative federalism: PM Modi

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

Prime Minister Narendra Modi on Sunday said it has transformed the economy and marks an example of cooperative federalism as states have been partners in all the decisions related to the new indirect tax regime. He said the "smooth transition" of such a huge measure in a vast country involving crores of people was historic and can be a case study for universities around the world. The prime minister said the priority of the government while ushering in GST, has been that there should be no burden on the plate of the poor man...Referring to GST which was rolled out on July 1, the prime minister said, "one nation, one tax — how big a dream has been fulfilled." Underlining that GST is more than just a tax reform, he said it ushers in a new culture. "It has been about a month since GST was implemented and I feel satisfied and happy when someone writes to me to say how the prices of goods needed by the poor have reduced," Modi said. "GST has transformed the economy," Modi said. "GST, which I call 'Good and Simple Tax', has really made a very positive impact on our economy and in such a short span of time," he added.

10. GST impact on check posts: Travel time of trucks cut by a fifth, says Centre

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

Post-GST, travel time for long-haul trucks have reduced by at least a fifth, Ministry of Road Transport and Highways has said. "A typical truck spent 20 per cent of its runtime at interstate checkpoints (pre GST)...Inter-state check posts removed, travel time of long-haul trucks, other cargo vehicles cut by at least one-fifth," the Ministry has said in a recent report...The Ministry said trucks earlier took 50-65 hours in reaching Kolkata from Chennai and the travel time now stands reduced by 20 per cent. This was corroborated from interviews with transporters as well as GPS data of express transporters. Road Transport and Highways Minister Nitin Gadkari, had last week said that India's logistics sector stands to gain the most under the GST regime as costs will dip by almost 20 per cent. The Ministry said that pre-GST, the complex tax structure and paperwork forced the transport industry to spend a lot of resources on tax compliance and deposit of inter-state sales

tax...The unified tax regime has obviated the need for inter-state check posts. This will result in reducing travel time of long-haul trucks and other cargo vehicles by at least one-fifth, the report said. “This, coupled with the proposed E-way bill that will require online registration for movement of goods worth more than Rs 50,000, will ease the movement of freight further, and bring in more transparency to the whole process. Efficient freight movement will also boost the demand for high tonnage trucks, which will in turn reduce the cost of transportation of freight,” the report said. A single GST regime also means an optimised warehousing structure.

11. ‘GST can become a research topic on federal finances’

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

The implementation of GST can become an interesting topic for research for students of economics and social science, according to Rajiv Bhushan Tiwari, Chief Commissioner of Customs, Bengaluru Zone. Inaugurating the GST awareness programme for trade and industry, organised by Kanara Chamber of Commerce and Industry (KCCI) in Mangaluru on Friday, he said that GST is the unique tax reform where Central and State governments have come together. It will be of interesting topic for research to all the students of social science and economics on how federal finances are going to play, he said. Terming GST implementation as a phenomenal change, he said everyone has to learn to adapt to the changes. He said that though people may find it difficult during the initial period, they will all rise to the occasion.