

## Daily Economic News Summary: 4 September 2017

### **1. Modi shuffles Cabinet: Sitharaman new defence minister; Goyal gets railway**

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

Nirmala Sitharaman was on Sunday promoted and appointed as India's Defence Minister in a surprise move by Prime Minister Narendra Modi, who elevated three others to the Cabinet and brought in nine new faces, including four former bureaucrats, in a reshuffle-cum-expansion of his ministry based on performance. Power Minister Piyush Goyal, also promoted from Minister of State with independent charge to the Cabinet, got the railways portfolio, from which Suresh Prabhu was shifted to Commerce and Industry that was with Sitharaman...Sitharaman became the second woman to head the Defence Ministry after Indira Gandhi when she was Prime Minister. The Defence Ministry was with Finance Minister Arun Jaitley.

### **2. Xi opens BRICS meet, asks members to shelve differences, build mutual trust**

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

Chinese President Xi Jinping on Sunday asked BRICS members to shelve their differences and accommodate each other's concerns by enhancing mutual trust and strategic communication, as he opened the 9th annual summit of the five member emerging economies here...In his speech broadly focusing on enhancing cooperation between the BRICS members, Xi said, "construction of a tall building starts with the foundation. We have laid the foundation and put in place the framework for BRICS cooperation."... In a candid speech without directly referring to differences, Xi referred to his multi-billion dollar Belt and Road Initiative (BRI) in which the China-Pakistan Economic Corridor (CPEC) is a crucial component. India had protested to CPEC as it passes through Pakistan-Occupied Kashmir. India also boycotted the Belt and Road Forum (BRF) hosted by China in May.

### **3. Economic of note ban: Why this is Manmohan Singh's turn to laugh**

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

Yesterday's GDP growth data showed how badly demonetisation has hit the economy. In November 2016, a couple of weeks after Prime Minister Narendra Modi announced his shock step, former prime minister Manmohan Singh had warned of exactly that. Manmohan Singh said demonetisation could shave 2 percentage points off GDP growth. India's GDP grew 5.7 per cent on

a year-on-year basis during the April-June period (Q1). It was 7.9 per cent for the same quarter last year. However, sequentially, the GDP growth is down 1.3 percentage point from 7% growth in Q3 of 2017. Widely credited for launching India's economic reforms in 1991, Manmohan Singh dubbed Modi government's move as "monumental mismanagement" and "organised loot and legalised plunder". His estimate, Manmohan said, was an underestimate and not an overestimate...Directly challenging Modi, Manmohan Singh said, "I would like to know from the Prime Minister the names of any country he may think of where people have deposited their money in their banks, but they are not allowed to withdraw." It seems demonetisation will impact the GDP growth longer than it was seen. Economists had expected Q1 GDP growth at 6.5 per cent. Most are now looking at revising estimates for the year. Ratings agency ICRA said the likelihood of growth surpassing 7.0 per cent in the current fiscal year has diminished after the Q1 reading. India Ratings said its forecast of 7.4 per cent GDP in FY18 will get revised downwards.

#### **4. India's growth may be below 6.5% in FY'18, says SBI report**

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

The outlook for India's economic growth, which plunged below 6 per cent in the first quarter of the current fiscal, looks muted with the possibility of GDP going below 6.5 per cent in 2017-18, says a report. According to an SBI Research report, growth of manufacturing and service sector may turn out weak in the July -September quarter as destocking in manufacturing sector activity has well continued in the second quarter of this fiscal at least till mid of August. India's economic growth slipped to 3-year low of 5.7 per cent in the April-June quarter as disruptions caused by demonetisation spilled over to the third straight quarter amid slowdown in manufacturing activities. "The GDP estimates of Q1 show that impact of demonetisation has not withered completely. The steep decline in manufacturing output, both organised and unorganised bears testimony to this fact," the report said.

#### **5. New NITI Aayog vice chairman confident of 7-7.5% growth in second quarter**

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

Niti Aayog's new vice-chairman, Rajiv Kumar, is confident the economy will expand at 7-7.5% in the second quarter (July-September) on the back of a turnaround in corporate investments and other factors, brushing aside concerns that demonetisation had hindered the country's economic growth. "Demonetisation had no role in fall of GDP. Instead, active de-stocking in anticipation of

GST (goods and services tax), higher base and a deflationary impact of WPI (wholesale price inflation) had led to a fall in economic growth,” Kumar said. India’s GDP growth slumped to a three-year low of 5.7% in April-June against 6.1% in the preceding quarter and 7.9% a year ago, the slowest pace since the January-March quarter in 2014.

#### **6. Forex kitty rises to record USD 394.55 billion**

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

The country's foreign exchange reserves swelled by USD 1.148 billion to a new lifetime high of USD 394.55 billion for the week ended August 25 on the back of a healthy rise in core currency assets. The total reserves had declined by a marginal USD 211.1 million to USD 393.401 billion in the previous reporting week. They had touched an all-time peak of USD 393.612 billion in the week before. The foreign currency assets (FCAs), a major component of the overall reserves, increased by USD 1.142 billion to USD 370.833 billion for the week under review, RBI data showed...Gold reserves remained unchanged at USD 19.943 billion. The special drawing rights with the International Monetary Fund (IMF) increased by USD 2.3 million to USD 1.499 billion, the apex bank said. The country's reserve position with the IMF also rose by USD 3.6 million to USD 2.273 billion, it said.

#### **7. As India eyes another poor year in terms of ease of doing business, DIPP looks to speed up dispute resolution process**

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

With India staring at yet another year of poor performance in “enforcing contracts” in the World Bank’s ease of doing business index, the department of industrial policy and promotion (DIPP) has asked the ministry of law and justice to help expedite the process of setting up commercial courts at the district level for swift dispute resolutions. India is currently ranked 130th of 190 nations in the ease of doing business index, partly because in “enforcing contracts”, its position is far worse — 172nd of 190 countries. Fixing this irritant is an absolute pre-requisite for the country to achieve the Modi government’s target of breaking into the list of top 50 nations...The DIPP now wants the department of justice to urge high courts in Delhi and Mumbai to exercise their administrative powers to exclusively allocate cases of commercial nature to identified lower courts, more so in cases where the amount involved is less than Rs 1 crore...The country’s ranking in “getting electricity”, the major driver in the ease of doing business index in the past two years, already reached a saturation point.

Even benefits of the goods and services tax (GST) regime and the new insolvency law are likely to reflect meaningfully from next year (The GST was introduced in July and the application of the Insolvency and Bankruptcy Code (IBC) picked up pace from June after the RBI recommended 12 large non-performing asset accounts to be resolved under the IBC—much after the World Bank’s window for considering reforms closed for this year.

**8. India’s economic growth will bounce back, says BRICS bank chairman K V Kamath**  
**Source: Financial Express ([Link](#))**

BRICS New Development Bank chairman K.V. Kamath said that the slowdown in the Indian economy is only a transitional phase and it will bounce back due to the successful implementation of the structural reforms that includes the positive impact of GST followed by demonetisation. Kamath said, “There are whole lot of positives as far as its impact on economic growth is concerned, the slowdown in economic growth is transitional and it will come back.” Terming the Goods and Services Tax (GST) as the India’s biggest piece of economic reform, the BRICS Bank chairman said, “GST will be positive for the economy on all accounts and if you talk to any expert it is going to be positive to the economy, the question is whether it is going to be 1 percent more or less.”... “Kamath said, “BRICS is the largest contributor to global economic incremental growth that is happening more than two third is coming from BRICS countries and I don’t think that is going to change soon. As far as economic momentum in various countries (is concerned), sometimes going at faster rate and sometimes dropping, this is to be expected because economic growth ultimately is measured on long run rate.”

**9. Post demonitisation, liquidity in economy remained surplus during April-June quarter, but government’s cash position was stressed**  
**Source: Financial Express ([Link](#))**

The liquidity in the economy remained in surplus during the April-June quarter, in the aftermath of demonetisation, but the cash position of the government was “somewhat stressed” due to a mismatch in receipt and payment. The quarterly public debt management report by the department of economic affairs, released on Friday.

**10. India, Japan set to sign ‘open skies’ agreement**

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

India has finalised an Open Skies Agreement with Japan, allowing designated airlines of both signatory countries to operate freely. This is likely to be formalised during Japanese Prime Minister Shino Abe’s visit to India later this month. The agreement may allow airlines from Japan to fly directly to Chennai and Bengaluru. All Nippon Airways, Japan Airlines and Air India are the only carriers that connect the two countries, now. Japan joins a growing number of countries with which India has an open skies agreement. These include the US (2005), Jamaica, Guyana, Czech Republic, Finland, Spain, Sri Lanka (last year) and with Greece (2017). The national civil aviation policy of 2016 allows countries covered under such agreements an unlimited number of flights to the six metro airports in Delhi, Mumbai, Hyderabad, Kolkata, Bengaluru and Chennai. In 2003, India had signed an open skies agreement with the 10-member Association of South East Asian Nations (Asean).

**11. Why GST and demonitisation alone are not responsible for slow GDP growth**

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

The Central Statistical Organisation pegged growth in the gross domestic product (GDP) for the April-June quarter at 5.7%, Ghosh had estimated annual growth for 2017-18 at “less than 6.5%”...In another report, Ghosh brought the annual growth estimate down a notch, to 6.4% for 2017-18...Reading the signals from the growth numbers is proving a tricky affair — especially as answers have to be shifted from multiple, intertwined narratives: the political, the economic as well as the purely business. There are multiple villains to blame, too, the most immediate being the damper of demonitisation of November 2016 and the implementation of the goods and services tax (GST) in July this year...Growth has been slowing for five quarters now, and the government’s target of over 7% for 2017-18 suddenly looks untenable. At least there is some agreement on that. Bank of America Merrill Lynch brought down its annual growth estimate to 6.9% from 7.2% while Japanese Nomura dragged it to 6.7% from 6.9%. Pronab Sen, who headed the National Statistical Commission feels that numbers are telling him that people are trying to protect themselves...high gold imports, high investments in insurance and a trend of moving away from bank deposits and real estate...This is kind of unusual...While GST pushed up gold buying, it pushed down manufacturing. Manufacturing companies sent out their old stocks to market, holding back on production. It brought down manufacturing sector growth from 5.3% in January-March to 1.2% in April-June. However, Ghosh

of SBI points out that this de-stocking also helped boost the growth under trade, transport and communication.

## **12. IKEA to set up first Indian store by 2018**

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

Swedish home furnishing major IKEA is set to open its flagship store in India by Spring 2018, while it scouts for more land parcels in select cities. Work on the ₹1,000-crore facility located in the IT hub of Hyderabad, has gathered pace, so has the firm's efforts to step up sourcing from India. Taking media persons through IKEA's journey in India and the upcoming store site, Patrik Antoni, Deputy Country Manager, IKEA India, said: "Apart from Hyderabad, we have acquired land in Mumbai and Bengaluru, and are scouting for land in Delhi-NCR, Pune, Ahmedabad, Surat and Kolkata. While the Hyderabad store will be ready by Spring next year, work on the Mumbai project will commence in November." IKEA is in the process of setting up a 250-seater contact centre in Hyderabad by November...The company has been making home visits in India, as it does in other global markets. During such visits, it seeks to understand and offer products that suit local requirements. In tune with its plans, IKEA expects to offer metal plates, tavva and other kitchen items, bamboo furniture and textiles that are made according to the Indian taste.

## **13. ATMs may not be able to dispense new Rs 200 notes before 3 months**

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

While the RBI launched the 200-rupee note a week ago, it may take up to three months for ATMs to start dispensing the new denomination currency as it will involve a huge exercise of recalibration... Reserve Bank of India (RBI) did issue a statement saying that the supply of the new Rs 200 notes would soon be ramped up, but has not given any time-frame by which it will be available in adequate numbers. ATM manufacturing companies said that they have not received any directive from the RBI regarding the recalibration of ATMs for the new Rs 200 note. They disclosed that some banks have at an informal level have asked them to start testing of the new note, since it is of a different size...The ATM companies said that they were expecting to receive official communication on recalibration of ATMs soon. However, e-mails to RBI in this regard did not elicit any reply, they said.