

## Daily Economic News Summary: 5 September 2017

### **1. Modi versus Moody's: India pushes plan to end western dominance in credit rating**

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

Prime Minister Narendra Modi's growing global assertion was on show at the Xiamen BRICS Summit today when he pitched for setting up of a BRICS credit rating agency to counter western rating institutions and cater to the financial needs of sovereign and corporate entities of developing nations. India had first mooted the idea of having such an agency for the BRICS grouping to challenge the dominance of credit-rating market by S&P, Moody's and Fitch. These three western rating agencies hold over 90 per cent of the sovereign ratings market now. At the Goa Summit last year, Modi said, "In order to further bridge the gap in the global financial architecture, we agreed to fast track the setting up of a BRICS Rating Agency." India had for long criticised western rating agencies. In May, India's chief economic advisor Arvind Subramanian voiced what Indian government had been feeling for long—the western rating agencies are unfair towards India. He said the methodology of the ratings firms was “one of the most egregious examples of compromised analysis.”... Russia, Brazil and South Africa too have voiced their concerns over fairness of western rating agencies.

### **2. Flaws in India's growth, Modi's economic model has broken since beginning of 2016**

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

India has a way of confounding expectations. Analysts agreed that, months after Prime Minister Narendra Modi's ill-fated decision to withdraw 86 percent of currency from circulation overnight, growth would bounce back. Economists polled by Bloomberg expected growth in the April to June quarter to be 6.5 percent; other estimates were even higher. So when the government's official statisticians released the real number last week - 5.7 percent over the equivalent quarter of the previous year, there was general surprise, even shock...In fact, no one should be shocked. India's economy has been growing less and less healthy for awhile. GDP growth has now declined steadily for six straight quarters. This is a slowdown caused by factors deeper than the cash ban or any other temporary phenomenon. Something is broken in the Indian government's policy mix. But none of that will change the fact that government spending and low oil prices have deceptively boosted the growth numbers, masking the true state of the economy. In fact, if public spending is excluded, growth in the past quarter barely topped 4 percent. Export growth is terrible and industrial growth is

the lowest in five years. And the government will struggle to keep investing at these levels; it started spending big unusually early in India's financial year, which starts in April, and has already run through 93 percent of its budgeted fiscal deficit. This has been Modi's preferred policy mix: government spending, including on infrastructure, combined with seeking heavy foreign exchange inflows to stimulate the stock market and fund the private sector. The model worked, as long as oil and commodity prices were falling. That global phenomenon led to low inflation in India, a big importer of oil, and kept government revenues buoyant and costs low. Now it's clear that this model is broken and has been for some time since at least the beginning of 2016.

### **3. Govt reviews infrastructure projects along China border**

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

The Centre reviewed the progress of ongoing roads and other infrastructure projects in Arunachal Pradesh in the wake of recent stand-off with China, a home ministry official said... Arunachal Pradesh shares 1,126 km border with China of the total 3,488 km long Sino-Indian border. To redress the situation arising out of lack of infrastructure along the border with China, the central government has decided to undertake construction of 73 roads of operational significance along the forward areas. Out of these 73 roads, 27 roads involving 804.93 km length are being constructed by Ministry of Home Affairs in Jammu and Kashmir, Himachal Pradesh, Uttarakhand, Sikkim and Arunachal Pradesh at an estimated cost of Rs 1,937 crore, a home ministry official said...Out of 27 roads, eight roads have been completed. Two roads are maintained by the Ministry of Defence. Construction work of other roads is in progress. As on April 30, 2017, 672.46 km of formation work and 409.53 km of surfacing work has been completed. On August 28, India and China ended more than two month long stand-off in Doklam which started after Indian troops stopped the Chinese army from building a road in the disputed area.

### **4. PM seeks strong partnership among BRICS nation to spur growth**

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

Prime Minister Narendra Modi has sought a strong partnership among BRICS nations to spur economic growth, saying that the bloc of emerging countries has contributed to the stability in a world "drifting towards uncertainty"...He suggested some steps that can be taken to upgrade mutual cooperation. He also called for the creation of a BRICS rating agency to cater to the financing needs of sovereign and corporate entities of developing countries. The Prime Minister said a strong

partnership among member nations on innovation and digital economy can help spur growth, promote transparency and support the sustainable development goals. He also urged central banks of the member nations to further strengthen their capabilities and promote cooperation between the Contingent Reserve Arrangement of the grouping and the International Monetary Fund...He also called for scaling up cooperation in skill development and exchange of best practices. "India would be happy to work towards more focused capacity building engagement between BRICS and African countries in the areas of skills, health, infrastructure, manufacturing and connectivity," the Prime Minister said...Highlighting India's achievements, Modi asserted that country was in a "mission-mode" to eradicate poverty and ensure health, sanitation, skills, food security, gender equality, energy and education. He said women's empowerment programmes were "productivity multipliers" that mainstream women in nation building. He said India has also stepped up the fight against black money and corruption.

**5. Suresh Prabhu at Commerce Ministry: 5 points that make new minister's task tough**  
**Source: Financial Express ([Link](#))**

Former railway minister Suresh Prabhu on Monday took over the reins of the commerce and industry ministry after Nirmala Sitharaman's elevation as the defence minister in the latest shuffle...Prabhu takes charge months ahead of the crucial ministerial of the World Trade Organization (WTO) in Argentina in December where India will have a Herculean task of ensuring concrete actions on issues agreed upon in previous ministerials, including a permanent solution to the issue of public stock holding. The country has to drum up support from other developing nations to extract a credible assurance from developed countries to trim their massive trade-distorting farm subsidies. At the same time, India has to resist pressure from developed countries for going beyond TRIPS (Trade-Related Aspects of Intellectual Property Rights) and IT agreement, and including e-commerce on the WTO agenda. These will be the most challenging task for Prabhu in the short term. At RCEP too, talks on further liberalisation in goods trade are moving at a much faster pace than those on services, as Sitharaman admitted in an interview with FE last week. While most nations, especially Asean and China, seem to be more interested in extracting greater concessions from India in goods trade, they are reluctant to offer anything significant in return in services trade, which is of immense interest to India. Other points are - Handling an unpredictable Trump administration, Sustaining high FDI levels, Ease of doing business needs improvement, Push for start-ups

**6. Short-term note ban costs to outweigh long-term benefits: Rajan**

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

RBI former governor Raghuram Rajan had cautioned the government against the cost of demonetisation and suggested that there were better alternatives to achieve the main goals of note ban...Rajan, who was the governor between 2013 and 2016, had also warned of what would happen if the preparations for demonetisation were inadequate. "I was asked by the government in February 2016 for my views on demonetisation, which I gave orally. Although there might be long-term benefits, I felt the likely short-term economic costs would outweigh them and there were potentially better alternatives to achieve the main goals. I made these views known in uncertain terms," Rajan wrote.

**7. FPIs lap up investment limits in govt securities**

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

Foreign portfolio investors (FPIs) continue to show interest in Indian bonds even as they lapped up the investment limits available for central government securities (G-secs) at Monday's auction. Foreign investors put in bids worth `6,663 crore against a notified amount of `4,910 crore. In the previous auction, FPIs had bid for limits worth Rs 7,116 crore against a total notified amount of Rs 5,481 crore...According to latest depository data, general category FPIs have utilised 97.38% of limits available for central government securities while long-term FPIs have utilised 86.76%.

**8. India starts exporting diesels to Myanmar**

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

India has started exporting diesel to Myanmar via a land route, in a boost to Prime Minister Narendra Modi's pledge to enhance hydrocarbon trade with neighbouring countries...Northeast India-based refiner Numaligarh Refinery Ltd (NRL) delivered a trial consignment of 30 tonnes of diesel fuel to Myanmar's Parami Energy Group in Myanmar by land, the Indian government said in a statement on Monday...The refiner has already exported 1,700 tonnes of paraffin wax to Myanmar. Indian oil minister Dharmendra Pradhan visited Myanmar in February, scouting for opportunities in oil exploration, refining and products retailing...Myanmar currently relies on imports from Thailand and Singapore to meet the bulk of its consumption of 3 million tonnes a year of gasoline and gasoil. Its local output of the two fuels is about 700,000 tonnes, NRL said.

**9. India's petrol and diesel prices among Southeast Asia's costliest**

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

Petrol and diesel were selling at Rs 69.26 and Rs 57.13 a litre last Friday, prices much higher than what prevailed on the same day in Southeast Asian nations such as Malaysia and Indonesia and neighbouring countries like Pakistan, Nepal, Sri Lanka, Bhutan. The difference between the petrol and diesel prices of India and Malaysia is mind boggling. Petrol price of Rs 32.19 a litre in Malaysia was less than half what prevailed in India last Friday. The diesel price in the Southeast Asian country at Rs 31.59 a litre was 44% lower compared to India... petrol and diesel were available in Indonesia at prices that were 41% and 24% lower compared to India.

**10. 'GST Council may lower tax rates if high collections continue'**

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

The all-powerful GST Council may consider lowering tax on items of common consumption if the high trajectory of collections continues over the next few months, an official said today. The first-month collection under the new Goods and Services Tax (GST) regime has been encouraging and if the rising trend continues till December, it would make a case for reduction of tax rate, he said. The tax reduction could be either on items of common consumption or a cut in headline rate which will benefit consumers, said the official who did not wish to be identified. The GST Council headed by Finance Minister Arun Jaitley could look at the aspect once the clear trend is available, the official said, adding that it would be evident from the November tax collection. India's maiden GST revenue mop-up got off to a strong start with collection of Rs 92,283 crore in July from just 64.42 per cent of the total taxpayer base... July was the first month from which a unified Goods and Services Tax (GST) was implemented across the country, replacing more than a dozen central and state levies like excise duty, service tax and VAT.

**11. GST India's biggest economic reform measure ever: Modi**

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

Prime Minister Narendra Modi on Monday said that the Goods and Services Tax (GST) introduced in July this year is the biggest economic reform ever in India. "India is changing fast into one of the most open economies in the world today," Modi said while addressing the BRICS Summit. "Foreign direct investment inflows are at an all-time high, rising by 40 per cent," he said. Stating that India has moved up in the World Bank index of ease of doing business and up 32 spots in last two years in

the Global Competitiveness Index, Modi said: "The Goods and Services Tax that was introduced in July is India's biggest economic reform measure ever. In one stroke, a unified market of 1.3 billion people has been created." He said that programmes like Digital India, Start-up India and Make in India were changing the economic landscape of the country.

## **12. India pitches 'spiritual leadership' for training of seafarers**

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

India will make a pitch to the International Maritime Organisation (IMO) for the introduction of 'spirituality leadership' as a competency in maritime education and training, positioning it as a 'Made in India' programme to tackle issues facing the global shipping industry and help create new managers. In an industry best known for hiring human resources from multi-racial, multi-lingual and multi-cultural backgrounds to run ships, "the incompatibility of crew to get along" pose a serious challenge to the safe operation of vessels...Lack of team work, according to Capt Achuthan, has almost always been identified as a primary cause for poor performance on board ships. "Incident analyses (accidents and near misses) have revealed that a high percentage is related to lack of effective leadership, management and motivation," he said...The DG Shipping has to follow some international conventions adopted by the IMO to make any course mandatory. In this case, it is the standards of training, certification and watch-keeping (STCW), the compulsory training requirements for seafarers...IMO has published model courses on leadership competences. Spiritual leadership is one method or mode of leadership. There is another model course yet to be written at the management level — leadership in managerial skills.

## **13. \$100 million Brazilian firm Grupo Priority brings premium shoe brand to India**

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

Brazilian shoe-maker Grupo Priority has brought its flagship men's shoe brand West Coast to India in a tie-up with the distribution arm of footwear retailer Metro Shoes Ltd, a company executive said. The brand was soft-launched in May and is now available in 122 department stores in the country including the top six metros and tier 2 and tier 3 cities like Baroda, Siliguri, Coimbatore and Visakhapatnam, said Eduardo Schefer, director of operations at Grupo Priority...West Coast shoes are primarily leather shoes with some canvas ones as well, and include flip-flops, slip-ons and lace shoes for men. The products start at Rs2,000-3,000 for the flip flops and at Rs4,000-6,500 for shoes.