Daily Economic News Summary: 6 July 2017

1. India, Israel sign seven key strategic partnership pacts during Modi visit
Source: Business Standard (Link)

India and Israel on Wednesday elevated their ties to the "strategic partnership" level with a vow to do "much more together" to combat growing radicalisation and terrorism and pitched for "strong measures" against those financing and providing sanctuaries to terror groups. The issue of terror and "strategic threats" along with various other topics like cooperation in defence and security, water, agriculture, space and West Asia figured prominently in the talks between Prime Minister Narendra Modi and his Israeli counterpart Benjamin Netanyahu here on Wednesday. After the wide-ranging talks, the two sides signed seven pacts covering areas like innovation, water conservation, agriculture and space. India and Israel also agreed to set up a $40 million fund for industrial Research and Development, and innovation fund, with both countries contributing $20 million each. "Our goal is to build a relationship that reflects our shared priorities and draws on enduring bonds between our peoples," Modi, who is the first Indian Prime Minister to visit Israel, said in a joint media appearance with Netanyahu.

2. UN survey finds Singapore near-perfect in cybersecurity, India ranks 25th
Source: Live Mint (Link)

Singapore has a near-perfect approach to cybersecurity, but many other rich countries have holes in their defences and some poorer countries are showing them how it should be done, a UN survey showed on Wednesday. Wealth breeds cybercrime, but it does not automatically generate cybersecurity, so governments need to make sure they are prepared, the survey by the UN International Telecommunication Union (ITU) said. "There is still an evident gap between countries in terms of awareness, understanding, knowledge and finally capacity to deploy the proper strategies, capabilities and programmes," the survey said. The United States came second in the ITU's Global Cybersecurity Index, but many of the other highly rated countries were small or developing economies. The rest of the top 10 were Malaysia, Oman, Estonia, Mauritius, Australia, Georgia, France and Canada. The ranking was based on countries' legal, technical and organisational institutions, their educational and research capabilities, and their cooperation in information-sharing networks.Russia ranked 11th. India was 25th, one place ahead of Germany, and China was 34th.

3. After black money, GST, government to clean up 'opaque' political funding next
Source: The Economic Times (Link)

The government has now set its eyes on cleaning up political funding in the country and will soon announce some measures to root out this problem, finance minister Arun Jaitley told businessmen and bankers on Wednesday. "We are looking at some major steps to be announced by which we want to cleanse the entire political funding in India," Jaitley said via video link at the SBI Banking and Economics Conclave in Mumbai. "For the last 70 years, the world's largest democracy has survived on funding which really brings no credit to the democracy. And I think it has been the prime minister's insistence that this has to be one of the subjects that the government has to take up now as a top priority." He was responding to a question from SBI chairman Arundhati Bhattacharya on major reforms that can be expected after GST and demonetisation. Spending on political activity has soared in recent years and even risen faster than per capita income, but bulk of political expenditure remains off the books. Jaitley's Budget in February had contained some measures including caps on cash donations and an electoral bond that will be issued by certain banks for contributions to political parties…"After demonetisation the manner in which India has taken difficult decisions and implemented them showed our resilience," the finance minister said. "These two (demonetisation & GST) reforms have made reform process far easier and I believe that the next one or two years will be the period of implementation and net impact would be the buoyancy in the tax collections."

4. Japan seeks more projects in North-east
Source: Financial Express (Link)

Japan is keen to get involved in more initiatives, including 'viable connectivity projects' in the North-East in states such as Assam, Meghalaya and Manipur, to boost trade between the two sides. Improving the road network is a priority to ensure that local residents have a lifeline and for economic development. A highly placed source told FE: "The plan is to improve connectivity between Asia and Africa through the Dawei SEZ – developed jointly by Japan, Thailand and Myanmar — using the free and open Indian-Pacific Ocean region. The North-East's direct connectivity with the SEZ would also mean enhanced economic activity in the region." While the

'Look East policy' under Prime Minister Narendra Modi has been attracting investors from Asean member countries, Japanese investments in NE, especially in infrastructure, will help facilitate India's policy. Japan is also in talks with the government for securing infrastructure projects such as development of smart cities in other North-Eastern states. "Connectivity is the main pillar of relationship with India," a source said…Another source said: "We are working on projects in the North-East with the help from Japan International Cooperation Agency (JICA) for the improvement of the infrastructure, including roads in Meghalaya and Mizoram. Preparatory research for the roads project in Meghalaya has already been completed."

5. Big boost for Narendra Modi government, IMF says India growth prospects improve key reforms pay off
Source: Financial Express (Link)

India's economic growth outlook has improved as impact of demonetisation is fading and some key reforms are paying off, but concerns are growing on corporate debt and banking system vulnerabilities, the IMF said today. In its 'Surveillance Note' prepared for the G20 leaders ahead of their two-day summit on July 7-8 in Hamburg, Germany, the International Monetary Fund (IMF) said there is 'cautious optimism' about the global economy but policy efforts are still needed to strengthen the recovery. "The global recovery continues, even as the composition of growth is shifting among the large economies… we expect global growth to be around 3.5 per cent this year and next," IMF Managing Director Christine Lagarde said. Even though global growth momentum remains on track, the IMF said some of the forces driving the recovery are adding to already high vulnerabilities and external imbalances. "At the same time, weak productivity growth and a lack of inclusiveness limit the growth outlook going forward," it said, adding that other downside risks include an abrupt adjustment of financial vulnerabilities and the risk of anti- globalisation sentiment feeding into inward-looking policies. Touching upon the situation in emerging economies, including India and China, the IMF said the outlook remains for a pick-up in growth. "In India, the outlook has improved as the impact of demonetisation seems to be fading and recent key structural reforms continue to pay off," the multilateral lender said.

6. Amazon invests Rs 1,680 crore more in its India unit
Source: Live Mint (Link)

Amazon, the world's biggest online retailer, has invested another Rs1,680 crore in its Indian unit as part of its commitment to invest $5 billion to expand its local business, which is locked in a battle with arch-rival Flipkart to dominate what is seen as the world's last major unconquered Internet market. Amazon Seller Services Pvt. Ltd (Amazon India) received the funds last month, according to regulatory documents filed with the ministry of corporate affairs. In June 2016, Amazon.com Inc. had said it would invest an additional $3 billion in India after the company exhausted its earlier investment pledge of $2 billion made in 2014. Since Amazon chief executive Jeff Bezos made that initial $2 billion investment commitment in July 2014, Amazon India has already received more than Rs15,000 crore ($2.31 billion)… "We remain committed to our India business with a long-term perspective to make e-commerce a habit for Indian customers and to invest in the necessary technology and infrastructure to grow the entire ecosystem," said an Amazon India spokeswoman.

7. Labour dept data shows job creation has declined: JM Financial
Source: The Economic Times (Link)

Despite the government seeking to deflect criticism that higher economic growth is not creating jobs, the labour department data shows employment generation has been declining, says a report of brokerage JM Financial. As per the labour department data collated by JM Financial, the ratio of the number of degree-holders (undergraduates and above) to new jobs created has worsened from 9x for the three-year period FY11-13 to 27x for FY14-16. Further, according to the latest employment surveys, job creation at 0.19 million (excluding banks) in the first nine months of FY17 is much short of the 8.8 million who graduated in FY16. "Clearly, the gap between demand for labour and its supply can only increase as the number of graduates far outnumber the jobs being created," says the JM Financial report…Notably, Niti Aayog vice-chairman Arvind Panagariya, while addressing an event at the RBI last week, had termed the jobless growth criticism by a section of economists and the opposition as "bogus" and had claimed that the 7-8 per cent growth rate was benefiting the labour market a lot. "The whole point we continuously make about jobless growth is a little bit bogus. There is some substance to it, but a little bit bogus," Panagariya had said.

GST Special:

8. Industry to add $280 billion to GDP from GST in 8-9 years
Source: The Economic Times (Link)

Industry is expected to contribute $280 billion to Indias GDP in eight to nine years due to a positive fallout of the Goods and Services Tax (GST) as structural changes in the ease of doing business will propel growth, a study said on Wednesday. The study was done by ASSOCHAM-Ashvin Parekh Advisory Services. The Mumbai-headquartered body is a global management consulting firm with footprint in India and the UK…"It will bring a systematic approach and enhance transparency which will aid growth of business and would help the industry to concentrate on its core business," the paper said. "We believe that GST is a structural reform and is expected to accelerate the pace of GDP growth in India, despite implementation challenges in the near term. It would usher in lower taxes, seamless input tax credit, logistics savings and market share swings from unorganized to organised players," the paper said…The paper said that notwithstanding the teething troubles, the GST would make even the micro, small and medium enterprises (MSMEs) more efficient and confident, integrating them well into the mainstream of the economy.

9. CGST won't apply on items not registered under trademark law
Source: Financial Express (Link)

The finance ministry on Wednesday clarified that goods exempt under the Goods and Services Tax (GST) will attract a levy of 5% only if such items are sold as packaged goods bearing a registered brand name. For instance, goods such as chhena, paneer, natural honey, wheat, rice, pulses and cereal flours are not taxed under GST. However, if these items are packaged in 'unit container' that carries a registered brand name, it will attract 5% GST. Doubts are being raised as to the meaning of a registered brand name, the finance ministry said in a statement. It added that the extant law clearly defined "registered brand name" as a brand name or trade name, which is registered under the Trade Marks Act, 1999. "Thus, unless the brand name or trade name is actually on the register of trademarks and is in force under the Trade Marks Act, 1999, the GST rate of 5% will not be applicable on the supply of such goods," the finance ministry said.

10. GST: Consumer goods firms in a fix over MRP sticker rules
Source: Live Mint (Link)

Packaged consumer goods makers such as Dabur India Ltd, Marico Ltd and Godrej Consumer Products Ltd are worried about the impact of new guidelines issued by the government on displaying the maximum retail price (MRP) of products under the new Goods and Services Tax (GST) regime. Aimed at ensuring that companies and retailers have a way of dealing with older (so-called pre-GST) stock, and preventing profiteering, the guidelines, announced on Tuesday, allow companies to print, stamp, or use stickers to show the new MRP on a product package. They also insist that companies issue ads in at least two newspapers if they are raising the prices of any products—and that they feature both the new (post-GST) and old (pre-GST) MRPs on the new packaging. The companies are worried the first will make them break the rules of Legal Metrology Organisation, a state government department that oversees weights, measures, and price displays on packs. According to these, stickers aren't allowed on top of the maximum retail price (MRP) and tampering with MRP is an offence. Logistically too, experts say, it will be a challenge for manufacturers who started billing under the new tax system to put the stickers on millions of packages that are already in the retail stores. "For staple companies, putting new stickers on millions of packs is a challenge. It would be cumbersome to change prices of packs overnight," Abneesh Roy, senior vice president and research analyst (institutional equities) at Edelweiss Securities Ltd, said in a report on 5 July…Ideally, the government should have notified the use of stickers under The Legal Metrology Act, according to Safir Anand, senior partner at law firm Anand and Anand. Under this act, goods with stickers can be confiscated, he added. According to Anand, the challenge with stickers is ensuring authenticity as they can be tampered with. Even in the case of new packaging, companies will have to go back to the drawing board and redesign their artwork and packaging to show old and new pricing.