

Daily Economic News Summary: 8 February 2017

1. Five things to look out for in RBI's monetary policy today

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

As the Reserve Bank of India (RBI) gears up for its monetary policy announcement on Wednesday, all eyes will be on governor Urjit Patel as the market expects a reduction in interest rates. Apart from the actual rate action though, announcements and commentary around some key issues will also be looked at closely by economists and analysts. Here are five things to look out for in the upcoming monetary policy announcement: Rate cut, Inflation, Demonetisation impact, MPC decisions, Commentary on sectoral issues

2. PM justifies note ban in onslaught on Opposition

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

Prime Minister Narendra Modi on Tuesday stunned the Lok Sabha with his stinging references to the Congress, its Vice-President Rahul Gandhi and Aam Aadmi Party (AAP) MP Bhagwant Mann, even as he described demonetisation as part of his “transformational” policy-making and unique work culture. The usually solemn parliamentary debate on the motion of thanks to the President’s address resembled a public meeting, with the PM addressing MPs as “Bhaiyon aur Behnon (brothers and sisters)” as he compared his government’s performance on social welfare schemes, MGNREGA, infrastructure projects and the farm sector with that of the previous UPA regime. The Opposition staged a walkout from the debate with the CPI(M) attacking the PM for “breaching” Parliamentary norms to whip up “election rhetoric and propaganda”, and the Congress asserting that Modi had only “proved his arrogance in the House”. The PM said demonetisation was not a sudden plan, but part of a well-thought-out strategy against corruption and black money, even as he attacked Rahul for alleging that the ‘Sahara diaries’ contained evidence that he took bribes as Gujarat chief minister. “Finally an earthquake came. I was thinking why it hasn’t come so far since the warning had been given in advance. The mother earth was so troubled, she shook,” said the PM, mocking the Congress Vice-President over his claim that his revelations on the ‘Sahara diaries’ would cause an “earthquake”.

3. Japan's 'green card' welcome for Indian IT professionals, amid US H1B visa reforms

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

If opportunities for Indian Information Technology (IT) professionals are closing in the US with the new regime proposing new laws to reduce the numbers of H1B visas held by foreign workers including Indians, a new window is opening in the East—Japan. Under a plan to attract Indian investment and talent to Japan, the Japanese government is introducing a new law to reduce the waiting time for skilled Indians to only 24-48 months' to obtain a "green card" with permanent residency status. To be sure, the "green card" programme is open and applicable to all nationalities. But Indian tech workers hold an advantage. Not only does India have a pool of such a skilled workforce, Japan has also identified IT as a priority area for Indian investment. The "green card" system is to be introduced next year, said Shigeki Maeda, executive vice-president of the Tokyo-based Japan External Trade Organisation (Jetro) that has an office in New Delhi as well.

4. Food MSP: India seeks nod to take part in US-China row at WTO

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

India has sought permission to participate in the proceedings of the first of its kind dispute at the World Trade Organisation targeting the market price support programme for agriculture produce of a member country. The WTO, recently, agreed to the US' request for a dispute panel against China's price support programme for wheat, rice and cotton which has put India on a state of alert. "New Delhi is keen to follow the negotiations as the future of its own minimum support prices (MSP) programs could be at stake in the future. There is a peace clause giving us some protection against dispute, but it has its limitations," a government official told *BusinessLine*. The establishment of the WTO panel against China underlines why India has been so insistent that a permanent solution to its food security concerns should be reached at the earliest. "We don't want to reach a situation where our food support programmes are challenged," the official added. India, and other developing countries with poor population to support, have been lobbying hard to ensure that the Agreement on Agriculture (AoA) of the WTO is suitably amended to remove limits on public stock holding and food aid.

5. Modi govt allows people to deposit unaccounted cash in parts under amnesty scheme

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

The government has allowed people declaring unaccounted cash under the new black money amnesty scheme PMGKY to deposit in parts the mandatory 25 per cent of the total in a 4-year fund by March 31. Offering one last chance to black money holders, the government has given them time until March end to come clean by paying 50 per cent tax on bank deposits of junk currencies made post demonetisation. Under the Pradhan Mantri Garib Kalyan Yojana (PMGKY), declarants also have to park a quarter of the total sum in a non-interest bearing deposit scheme (PMGKDS) for four years. "The Government has decided to allow declarants to make deposits on one or more occasions in the Pradhan Mantri Garib Kalyan Deposit Scheme (PMGKDS), 2016," said a statement by the Finance Ministry. As per the scheme, taxes will have to be paid first and then the scheme can be availed of on production of tax receipt, unlike the recent Income Disclosure Scheme and other such plans wherein disclosures were made first and taxes were recovered later.

6. Future Projects

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

Budget FY18 has laid strong focus on transparency, governance, unleashing the power of youth. The robust framework presented by the Budget especially on digitalisation, tax reforms for MSMEs, and policy impetus for an entrepreneurial ecosystem can fiscally strengthen the economy and fuel the 'Indian Dream' of inclusive India. The Budget has tried to holistically strengthen the less-cash economy to tidy the system, catalyse transformational impact and accentuate private capital through low-cost credit in order to pass the benefits to the bottom of the pyramid. Significant steps such as promoting the Unified Payments Interface, USSD technology for digital payments, Aadhaar Pay, Immediate Payment Service (IMPS) and debit cards will play a vital role in achieving the ambitious target of undertaking 2,500 crore digital transactions for 2017-18. This will also help small and micro enterprises by enabling greater access to formal credit in the long-term and attaining financial inclusion in true spirit.

6. M&A deals within India to triple by 2019

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

An accommodative stance by the Reserve Bank of India (RBI) and strong domestic demand will help triple both inbound as well as domestic acquisitions into India, making the country a global hotspot in the next three years, US based law firm Baker McKenzie said in a report on Tuesday. The Chicago based firm which is present in 47 countries globally predicts that the total amount of merger and acquisition transactions in India including domestic deals will almost triple to \$49.3 billion in 2019, from \$17.5 billion in 2016, before falling off to \$38.8 billion in 2020. Along with a Global Transactions Forecast, Baker McKenzie along with Oxford Economics surveyed 100 business leaders in Asia Pacific which found that India was the most focused on improving its business environment in the region. “When asked how much economic influence India was expected to have in the next five years across the Asia Pacific region, a full 95% of senior executives see India as having a greater economic influence, including a third who see India as having far greater influence. This compares with 76% of respondents that said China would have more influence in the region, and just 20% who said the US would have more influence, compared with 42% of survey respondents who thought the US would have less or far less influence” the survey said.