# Daily Economic News Summary: 9 May 2017

**1. India to grow at 7.7 per cent in 2018-19: IMF**
**Source: The Economic Times (Link)**

India's growth is expected to rebound to 7.2 per cent in the 2017-18 fiscal and 7.7 per cent in 2018-19 after disruptions caused by demonetisation, the IMF said today, while recommending the removal of long-standing structural bottlenecks to enhance market efficiency. The temporary disruptions (primarily to private consumption) caused by cash shortages accompanying the currency exchange initiative are expected to gradually dissipate in 2017 as cash shortages ease, the International Monetary Fund said in its regional economic outlook. Such disruptions would also be offset by tailwinds from a favourable monsoon season and continued progress in resolving supply-side bottlenecks, the IMF said. The investment recovery is expected to remain modest and uneven across sectors as deleveraging takes place and industrial capacity utilisation picks up, it noted. "In India, growth is projected to rebound to 7.2 per cent in FY 2017-18 and further to 7.7 per cent in FY 2018-19," the IMF said.

**2. FDI momentum may slow this year: HSBC**
**Source: Financial Express (Link)**

India's FDI inflow momentum may slow down this year and exports too may not revive with "full gusto" as domestic bottlenecks remain, says a report. Although higher world growth is likely to buoy exports, a strengthening rupee and worsening domestic bottlenecks could limit the increase, it said. "Stronger exports and higher FDI inflows have likely contributed to the strong performance of the INR is recent times. While both are likely to remain buoyant, we believe it is important to note that incremental gains over the short term may not be limitless," HSBC said in a research note. The global financial services major noted further that world growth explains just a third of India's exports performance and as long as domestic bottlenecks remain a constraint, exports may not revive with full 'gusto'. Besides stalled investments, domestic constraints include cotton availability for textiles, irrigation facilities for agriculture, FDI for engineering goods, human capital for software exports and tariff rates for all. FDI inflows doubled to USD 46 billion in 2016 from USD 22 billion in 2013. Moreover, FDI outflows have also been falling, resulting in a rapid rise in net FDI gains for the economy. So much so, net FDI alone has completely funded. India's current account deficit over the last three years, HSBC said. Though incremental inflows may not be as rapid as was seen in 2016, overall FDI inflows this year are likely to be strong enough to finance India's current account deficit. Over the longer term, FDI inflows are likely to rise, given India's reform momentum, bright growth prospects, enhanced macro stability, sustained increase in FDI limits, and easier regulations.

**3. India poised to overtake Japan as No. 3 solar PV market in 2017**
**Source: The Hindu: Business Line (Link)**

With 8.8 GW of projected capacity addition (growth of 76 per cent over 2016) in 2017, India is set to become the third largest solar PV market, overtaking Japan, according to a report by solar energy consulting firm Bridge to India. By the end of 2017, India's solar power capacity is expected to touch 18.7 GW, which will be about five per cent of global solar capacity, growing by 89 per cent over last year. As of March 2017, India had installed 12.2 GW of utility scale solar capacity. "Indian solar market has grown by an average 72 per cent in the last three years and is now worth about 8-9 GW per annum," said Vinay Rustagi, Managing Director, Bridge to India. "Growing market size and strong government commitment to the sector have attracted the world's leading private sector players as well as resulted in lower tariffs for consumers," he added. "As the sector matures, however, there is a formidable new challenge arising in the form of how to absorb rising share of intermittent energy into the grid," Rustagi felt.

**4. To banish India's CV, PM Narendra Modi turns focus on job creation**
**Source: The Economic Times (Link)**

PM Narendra Modi has directed that all proposals sent to the cabinet must state the number of jobs they can generate, in a renewed bid to push employment generation to the centre of policymaking and project conceptualisation. The government, which will soon complete three years, is going all out to ensure it delivers on the promise of creating 1 crore jobs. Every proposal that entails some expenditure must lead to job creation and needs to include a jobs estimate, commerce and industry minister Nirmala Sitharaman told ET. "The prime minister asks in every cabinet meeting 'what jobs are going to be created?' when a proposal comes up for discussion," Sitharaman said. A Crisil report said more than 1.5 million people enter the job market every month in the country and the rapid adoption of automation, which reduces the dependence on labour, is aggravating the situation. “We are the youngest country with 65% of our population below 35 years of age. We are the world’s largest democracy and we have a huge domestic market to feed. No country has such an opportunity as India to create jobs with human capital and abundant natural resource,” Modi had said earlier.

**5. Price-capping ate into pharma industry growth, says new CII President**
**Source: The Hindu: Business Line (Link)**

The industry is paying a heavy price for the capping of essential medicine prices, according to Shobana Kamineni, the new President of the Confederation of Indian Industry (CII). Kamineni, who is the Executive Vice-Chairperson of the healthcare behemoth Apollo Group, told *BusinessLine* that the pharmaceutical industry lost about 5 percentage points in growth due to capping of drug prices.“The pharmaceutical industry grew about 10 per cent last fiscal. The industry could have grown much more. About 5 per cent was taken out by price capping, so the actual growth could have been 15 per cent,” she said. She further added that concerns over the Goods and Services Tax impacting the industry were minor. Price caps are a bigger concern. “I am a firm believer in universal right to healthcare, but if you want quality healthcare you don’t want to take out the access to the best medicines,” she said.

**6. Indians 6th biggest private spenders on health among low-middle income nations**
**Source: Financial Express (Link)**

Indians were the sixth-biggest out-of-pocket health spenders in the low-middle income group of 50 nations in 2014, according to an IndiaSpend analysis of two recent studies by The Lancet, a British medical journal. The Lancet had conducted two studies — published on April 19 — across 184 nations on public and private spending on health. The first showed that while total health spending varies directly with economic development, there is substantial variation among countries. The second predicted that government spending in low-income countries will need to grow substantially, because private per capita health spending in these countries will not grow as fast as required. Among the 184 nations surveyed, Indians, along with Bangladeshis, stood sixth among the biggest out-of-pocket spenders. At 65.6 per cent, private expenditure on health by Indians stood 37.45 percentage points higher than the world median of 28.15 per cent. In the South Asia region comprising Bangladesh, Bhutan, India, Nepal and Pakistan, the out-of-pocket health expenditure of Indians and Bangladeshis was 10.2 percentage points more than the region's median of 55.4 per cent, our analysis showed. Indians also topped the BRICS group (Brazil, Russia, India, China and South Africa) in out-of-pocket health expenses, shelling out 31 percentage points more than the group median of 34.6 per cent…The Indian government aims to increase health spending to 2.5 per cent of GDP, from 1.16 per cent in 2015, according to the new national health policy released in March. The WHO recommends spending five per cent of GDP.

**7. 'On track for July 1 GST rollout'**
**Source: The Hindu: Business Line (Link)**

The Goods and Services Tax (GST) is on schedule for implementation from July 1 and will not lead to any significant increase in prices of goods although cost of some services may see a marginal hike, Finance Minister Arun Jaitley said today. Addressing the CII-Kotak investors' round table here, Jaitley said that the GST Council will in the next few days finalise the rates of tax for different goods and services and the country is on track to roll out the simplified indirect tax regime from July 1. "The current indirect tax structure in India is fairly complicated...those who transacted in either goods or services would have to deal with multiple authorities. "The whole country was divided into multiple markets. So a free movement of goods and services was not possible. Now, the idea of GST was that let there be just one tax in the country," Jaitley said.

**8. New Delhi trailing Beijing by 13 years: China**
**Source: The Economic Times (Link)**

Lack of a favorable growth and environment combined with slow implementation of policies has hampered India's Gross Domestic Product (GDP) growth in the last decade, said Chinese ambassador to India, Luo Zhaohui. "Now the GDP of India is roughly that of China in 2004, some 13 years ago. China leads India by 13 years mainly because we started reform and opening-up 13 years earlier," he said while addressing a session at the United Service Institution of India here. According to Luo, the current trend of anti-globalisation and anti-free trade is not in line with

India's open-up efforts, which is a significant drawback for the democracy. Furthermore, fluctuation in political policies has also instigated a lag in development. Lauding the Centre's 'Make in India' initiative, Luo suggested that the One Belt One Road Initiative (OBOR) and regional connectivity could provide China and India with fresh opportunities and highlights for the bilateral cooperation.