Daily Economic News Summary: 10 January 2018

1. World Bank Says India Has Huge Potential, Projects 7.3% Growth In 2018
Source: The Economic Times (Link)

With an "ambitious government undertaking comprehensive reforms", India has "enormous growth potential" compared to other emerging economies, the World Bank said on Jan 10, as it projected country's growth rate to 7.3 per cent in 2018 and 7.5 for the next two years. India, despite initial setbacks from demonetization and Goods and Services Tax (GST), is estimated to have grown at 6.7 per cent+ in 2017, according to the 2018 Global Economics Prospect released by the World Bank in Washington on Jan 10. Ayhan Kose, the Director of the Development Prospects Group, World Bank, told PTI in an interview that "In all likelihood India is going to register higher growth rate than other major emerging market economies in the next decade. So, I wouldn't focus on the short-term numbers. I would look at the big picture for India and big picture is telling us that it has enormous potential."

2. Paytm Launches Investment Arm, To Invest $10 Million
Source: Livemint (Link)

Paytm Money is in the process of seeking approval from the Securities and Exchange Board of India to act as an investment advisor. Paytm, run by One97 Communications Ltd, has set up a new entity called Paytm Money Ltd that will offer investment and wealth management products and will invest close to $10 million upfront in the new entity. Paytm Money is the fourth product from One97's stable after Paytm Mall, Paytm Payments Bank and Paytm wallet; it will be available as a separate mobile application to users, said Vijay Shekhar Sharma, founder of One97 Communications. The company is already in discussions with leading asset management companies to offer mutual fund investment products. According to Jadhav, only 15 million people are invested in mutual funds today and he aims to take this number to 200-300 million users with Paytm Money.

3. New industrial policy in few months: Suresh Prabhu

Source: The Economic Times (Link)

The new industrial policy which seeks to promote emerging sectors will be released within a few months, Commerce and Industry Minister Suresh Prabhu said on Jan 10. "The new industrial policy should be releasing in next few months," he told reporters in New Delhi. The proposed policy, the draft of which has been prepared by the ministry, will completely revamp the Industrial Policy of 1991. Among other things, it would endeavour to reduce regulations and bring in new industries currently in focus. The Department of Industrial Policy and Promotion (DIPP) in August 2017 floated a draft industrial policy with the aim of creating jobs for the next two decades, promote foreign technology transfer and attract USD 100 billion FDI annually.

4. 10-Year Tenor Likely; Exim Bank India May Opt For Billion-Dollar Bond Issue
Source: Financial Express (Link)

Exim Bank India is considering tapping the dollar bond market to raise close to a billion dollars by issuing a long tenor paper, sources aware of the matter told FE. "Exim Bank India might go for a billion-dollar bond issue with a tenor of about 10 years. The issue is likely to be a Reg S/144A," a source said. Exim Bank India was established in 1982 by the government and meets the credit needs of exporters and importers. The lender states that its objective is to provide financial assistance to exporters and importers and function as the principal financial institution for coordinating the working of institutions engaged in financing export and import of goods and services.

5. Budget 2018: Middle Class Can Hope For Tax Relief
Source: Business Line (Link)

The proposals before the ministry is to hike the tax exemption limit from the existing Rs. 2.5 lakh per annum to at least Rs. 3 lakh. Middle class can hope for a big relief in 2018-19 Budget, which will also be the last regular Budget of the NDA government, as the Finance Ministry is contemplating to hike personal tax exemption limit and tweak the tax slabs, according to sources. The proposals before the ministry is to hike the tax exemption limit from the existing Rs. 2.5 lakh per annum to at least Rs. 3 lakh if not 5 lakh, they said. Besides, the tinkering of tax slab is also being actively considered by the ministry to give substantial relief to middle-income group, especially the salaried class, to help them tide over the impact of retail inflation, which has started inching up. Among other things, chambers have suggested re- introduction of the standard deduction for salaried employees to at least Rs. 1 lakh to ease the tax burden of them and keeping in mind the rate of inflation and purchasing power of the salaried individual, which is dependent on salary available for disbursement. Standard deduction, which was available to the salaried individuals on their taxable income, was abolished with effect from assessment year 2006-07.

6. Narendra Modi May Finally Crack The Job Code In This Budget
Source: The Economic Times (Link)

Budget 2018-19 is an opportunity for the Modi government to address issues that might hit the BJP's electoral base, and lack of jobs could be one such issue. Budget 2018-19 is an opportunity for the Modi government to address issues that might hit the BJP's electoral base, and lack of jobs could be one such issue. The pace of job creation fell to a six-year low in 2015 with 135,000 new jobs being created compared with 421,000 in 2014 and 419,000 in 2013, according to a quarterly survey of industries by the Labour Bureau of the Labour Ministry. There are indications that the government will make major announcement regarding jobs in this budget. A national employment policy is likely to be announced in the Budget. The policy will outline a comprehensive road map for creation of quality jobs across sectors through economic, social and labour policy.

7. Airasia Explores IPO For India Unit
Source: Business Line (Link)

AirAsia will seek approval at the next AirAsia India board meeting to pick a banker to start a preliminary process for an IPO, Fernandes posted on Twitter on Jan 10. While analysts are “giving zero value to AirAsia India”, the unit is a “very valuable asset with huge growth potential", he said in separate tweets, adding the subsidiary “was not far from 20 planes and a potential IPO". Malaysia-based AirAsia Bhd is considering an initial public offering for its India unit and seeking a partner for its services business, the carrier's group chief executive Tony Fernandes said on Wednesday. This is the latest in a series of asset monetisations being undertaken by the budget airline group, which this week received shareholder nod for a reorganisation to make AirAsia

Group Bhd the listed holding company for assets across Asia. AirAsia has already completed a backdoor listing of Indonesia AirAsia TBK PT and finalised a S$119.3 million ($89.38 million) joint venture for its ground-handling business with Singapore's SATS Ltd. Its Philippine unit is looking to raise up to $250 million via an IPO in mid-2018. According to Indian regulations, airlines need to have a fleet of at least 20 aircraft to fly on international routes. AirAsia India, a joint venture with Tata Sons conglomerate, had 14 planes at end-2017. Its revenue last year was expected to double to Rs. 1,200 crore ($188.44 million) and climb to Rs. 1,800 crore in 2018.

8. GST: Reverse Charge Mechanism A Catch-22 Situation For Small Businesses
Source: Livemint (Link)

Tools like e-way bills and reverse charge will tighten the government's ability to track transactions, making survival for some small businesses difficult, while increasing the cost of doing business for others. Worried about the steadily declining goods and services tax (GST) revenue collection, the GST Council, in a meeting in December 2017, advanced the implementation of the e-way bill for interstate movement of goods to 1 February from 1 April. The government suspects large tax evasion, especially by small and medium enterprises, and feels this would help check it. The next step to further plug this revenue leakage could be reintroduction of the reverse charge mechanism. Here, large entities are required to pay taxes on purchase from unregistered smaller companies. Despite GST now being implemented for more than six months, businesses continue to grapple with a slew of challenges, raising doubts about the success of the reverse charge implementation at this time. The fact remains, though, that tools like e-way bills and reverse charge will tighten the government's ability to track transactions, making survival for some small businesses difficult, while increasing the cost of doing business for others.

9. Narendra Modi To Interact With Leading Economists Tomorrow
Source: The Economic Times (Link)

Prime Minister Narendra Modi will interact with leading economists and sectoral experts on Jan 10 to deliberate on economic policy roadmap for promoting growth and employment. The meeting, being organised by government think tank NITI Aayog, will be attended by a host of ministers including Finance Minister Arun Jaitley, NITI Aayog functionaries and leading economists. The select group of economists and various sector experts have been invited by NITI Aayog for the deliberations with the prime minister on 'Economic Policy: The Road Ahead'. According to the statement, the discussion will focus on six broad themes: Macroeconomic Balances, Agriculture and Rural Development, Urban Development, Infrastructure and Connectivity, Employment, Manufacturing and Exports and Health and Education.

10. SEBI Said To Weigh Minimum Market Cap Of Rs10 Crore For Companies To Stay Listed
Source: Livemint (Link)

The Securities and Exchange Board of India (SEBI) plans to impose a limit on the minimum market capitalization for companies to remain listed in an effort to weed out so-called penny stocks, said two people aware of the development, including an official with the regulator. SEBI is considering a free-float market capitalization of Rs10 crore for companies to remain listed, these people said. Free-float market cap is the value of publicly traded shares. At present, there are no such criteria for continued stock liquidity in India. However, exchanges such as BSE and the National Stock Exchange stipulate a minimum market capitalization of Rs25 crore at the time of listing.

11. You Are Seeing A Transformed India: PM Tells PIO Parliamentarians
Source: Business Line (Link)

Prime Minister Narendra Modi on Jan 9 said India is seeing a substantial transformation in the last three-four years and that the focus on the country has grown in an unprecedented manner while the economy has undergone a paradigm shift. “You must have felt a major transformation in India in the last three-four years. The outlook towards India has changed. The focus on us has increased, perception of the world towards us is also changing. India has come far ahead of that era when the thinking was nothing will change in India,” Modi said while addressing the first PIO-Parliamentarian Conference here. He also said his government has taken some far-reaching policy reforms for the growth of Indian the economy due to which the country is witnessing “irreversible change” in the socio-economic set up of the country. He said it is due to these reforms that the foreign direct investment (FDI) inflows into the country reached $60 billion in 2016-17 and India’s ranking in the ‘Ease of Doing Business’ index has improved to 42. On the Goods and Services Tax (GST) rollout, Modi said this has enabled the government to eliminate several other taxes.

12. Telecom Commission Clears Relaxing Spectrum Holding Limits
Source: The Economic Times (Link)

The Telecom Commission, the highest decision-making body in the communications ministry, on Jan 9 agreed with the Telecom Regulatory Authority of India's (TRAI) suggestions, removing the 50% cap on intra-band spectrum holdings of carriers post mergers, but putting a 50% limit on the combined spectrum holding in the 700 MHz, 800 MHz and 900 MHz bands. TRAI had also suggested increasing the overall holding limit to 35% from 25%. Current government rules bar any merged entity from holding more than 25% of the spectrum allocated in a service area or circle, and over 50% of a band.