Daily Economic News Summary: 11 June 2018

1. India To Bring Together 8-10 WTO Countries To Work On Future Trade Agenda
Source: Business Standard (Link)

India is considering to bring together a group of 8-10 member countries of the WTO to prepare an agenda for creation of a conducive atmosphere in Geneva to ensure smooth functioning of the global trade body, a top government official said. It would be an informal group within the World Trade Organisation (WTO), which may also include countries like Brazil, China, South Africa, China, Indonesia and Columbia. "We are thinking about taking 8-10 countries together to look at a way forward for the global trading system. Nobody is suggesting anything, only attacking each other. We will take the initiative within the WTO. We will prepare an agenda," the official said. The official added that the main idea would be to create a proper structured agenda forward which will be acceptable to all countries to reduce the tension on June 10. The commerce ministry would be discussing the issue internally and work on the structure. "The main objective is to create a conducive atmosphere so that global trading system works well," the official said. The initiative assumes significance as trade tensions have escalated after the US imposed high customs duties on certain steel and aluminium products. Other WTO members too have retaliated, which is leading to trade war-like situation.

2. NITI Aayog Seeks Views On Rationalisation Of Trade Margins In Medical Devices
Source: Livemint (Link)

With a view to achieve the overall goal of affordable ‘healthcare for all’, government think tank Niti Aayog on June 9 sought suggestions for rationalisation of trade margins in medical devices. The Aayog in a concept note titled ‘Rationalisation of Trade Margins in Medical Devices—A Concept Note’ said the government intends to make available critical and lifesaving medical devices to the needy masses at affordable prices. “The aim is to ensure reasonable prices to consumers and at the same time allow reasonable profits to all stakeholders in the medical device industry, including those involved in the supply chain by rationalising trade margins and thereby passing the benefits of the reduced cost to the final consumer,” the note added. The trade margin is the difference between the price at which the manufacturers/importers sell to trade (price to trade) and the price to patients (maximum retail price). The note pointed out that the issue of unreasonably high trade margins in medical devices has been adversely affecting both the industry as well as consumer interest. "Various representations regarding rationalisation of trade margins on medical devices from industry/trade associations/indigenous manufacturers/importers have also been received. The Niti Aayog said that stakeholders can submit their comments or suggestions by 15 June, 2018. As per the note, the medical devices industry has been growing at a rapid pace and is currently estimated to have a market size of $10 billion and it is likely to reach a size of $20 billion in next couple of years.

3. GST Amendments In Monsoon Session To Make Returns Simpler
Source: Livemint (Link)

The government is set to table amendments to goods and service tax laws in the monsoon session of Parliament to simplify GST returns filings, modify the composition scheme under which small traders can pay tax based on their revenue, and eliminate ambiguities in the laws. The proposed GST changes will do away with the need for filing tax returns on purchases made by businesses, called GSTR2, and comprehensive returns called GSTR3. At the moment, these returns have been kept in abeyance and businesses only file sales returns, called GSTR1, and GSTR3B summary returns. The GST Council had in May approved a new system where all taxpayers need to file a single return and small businesses need to file quarterly returns, after a six-month transition period, under the composition scheme. The focus has now shifted from tax rate changes, an official familiar with discussions in the GST Council said on condition of anonymity.

4. Coffee Export Likely To Take 10-15% Hit On Poor Production
Source: Business Standard (Link)

Coffee export is likely to fall 10-15 per cent this year, as production has been hit due to dry weather in growing regions of Karnataka. Karnataka accounts for 60 per cent of total production in the country. Coffee Board of India recently cut output estimates by 10 per cent to 316,000 tonnes for 2017-18, from the earlier estimate of 350,400 tonnes. However, the total estimated output will be higher by 1.3 per cent over last year. According to the estimate, output of the Arabica variety is pegged at 95,000 tonnes and that of Robusta at 221,000 tonnes. "Due to dry weather conditions, production has been affected adversely, which will result in lower output. There is also lower carry-over stock. These two factors are likely to pull down exports by 10-15 per cent in the current calendar year," Ramesh Rajah, president of the Coffee Exporters' Association said. India exported 379,876 tonnes of coffee worth Rs 61.25 billion in 2017. Average realisation per tonne was Rs 161,257 during last year. India exports around 70 per cent of its production. Italy is the largest market for Indian coffee, with 20 per cent of the total exports. Germany, Russia, Belgium, Turkey and the US are other key areas to which Indian coffee is exported.

5. Andhra Pradesh Govt Against Move To Include Natural Gas In GST Ambit
Source: Livemint (Link)

The Andhra Pradesh government on June 9 opposed the move to bring natural gas within the ambit of the Goods and Services Tax as such a plan would make the state lose substantial revenue. Referring to reports in this regard, state finance minister Yanamala Ramakrishnudu said the proposal was not even circulated to the states. In a statement, Ramakrishnudu also opposed any move to include any petroleum product under GST. Issuing of statements by the officials of the council on such sensitive policy issues cannot be accepted, he said. Andhra Pradesh secured a revenue of Rs523 crore on sale of natural gas in 2017-18. "Being a producer of the natural gas, the state would lose substantial revenue if the gas is included in GST ambit as our ultimate consumption is lesser than the production," Ramakrishnudu said. The state has already lost autonomy in raising fiscal resources with the introduction of GST. Now, inclusion of natural gas in GST will further affect the revenue position. For this reason, we oppose inclusion of other petroleum products also under GST," he added. He claimed that the group of ministers, constituted by the GST council to deliberate on various issues and make recommendations, was issuing statements to the media before they were put up in the council.

6. Violence Cost India's GDP Over $1 Trn On PPP Basis
Source: The Hindu, Business Line (Link)

Violence cost the Indian economy a whopping USD 1.19 trillion (over Rs 80 lakh crore) last year in constant purchasing power parity (PPP) terms, which amounts to roughly USD 595.4 per person, says a report. The findings are part of the report prepared by the Institute for Economics and Peace

(IEP) based on an analysis of 163 countries and territories. Violence impacted USD 1,190.51 billion to the Indian economy in 2017, 9 per cent of the country's gross domestic product (GDP) or USD 595.4 (over Rs 40,000) per person. The economic impact of violence to the global economy was USD 14.76 trillion in 2017, in PPP terms. This is equivalent to 12.4 per cent of GDP, or USD 1,988 per person. The global economic impact of violence is defined as the expenditure and economic effect related to containing, preventing and dealing with the consequences of violence. The estimates include the direct and indirect cost of violence as well as an economic multiplier. "The multiplier effect calculates the additional economic activity that would have accrued if the direct costs of violence had been avoided," the report noted. As per the report, human beings encounter conflict regularly whether at home, at work, among friends, or on a more systemic level between ethnic, religious or political groups. But the majority of these conflicts do not result in violence.

7. Narendra Modi In China: Why Everyone Is Talking About India's IT And Pharmaceutical Sector
Source: Financial Express (Link)

This will be the second visit by Prime Minister Narendra Modi to China in last six week, and certainly there's a lot on the table to discuss from global action against terror networks to boosting trade. Narendra Modi is on a two-day visit to China to attend the Shanghai Cooperation Organisation or SCO summit beginning June 9. But what's being talked about is India's IT and pharmaceutical sectors. Reason: Trade imbalance between India and China. As there are concerns over the large deficit in bilateral trade with China, analysts and even Gautam Bambawale, an Indian envoy in China say that exports from India's IT and pharmaceutical sectors could help bring down the trade imbalance. India has been asking China to open its IT and pharmaceutical sectors to address the trade deficit which climbed to over $51 billion in 2017. "There are some non-tariff barriers in China which need to be removed for this to happen," Gautam Bambawale said. The dragon is projecting the Chinese market as a "historic opportunity for enterprises" to tap the enormous potential for the growth of consumption and import. China expects businesses from over 100 countries including India. Last month, India made a great stride towards pushing India's pharma products in China as the dragon removed import duties on as many as 28 medicines, including all cancer drugs, from May 1.

8. Govt Weighs Selling All Of Its IDBI Bank Stake To LIC, Others
Source: Livemint (Link)

The government is determined to privatize IDBI Bank Ltd. One of the options being discussed is selling its almost 86% stake in the lender to institutions such as state-run Life Insurance Corp. of India (LIC), a person familiar with the development said, adding that the discussions are at an advanced stage. Once privatized, the bank will have a professionally-run board, the person said. The proposals were discussed at a meeting of senior bankers with the government on June 8 in Mumbai. If the move is successful, the government will be relieved of the responsibility of recapitalizing the struggling lender. To be sure, LIC's potential stake purchase will be constrained by rules that restrict it from owning more than 15% in a single entity. LIC held 10.82% in IDBI Bank as of March end, according to BSE data. *Mint* reported on 4 June that the government was exploring a stake sale in IDBI Bank to a clutch of private equity investors as one of the options to slash its stake to less than 50%.IDBI Bank is not governed by the Bank Nationalization Act, making it easier for the government to divest control. The Indian government's stake in IDBI Bank increased to 85.96% from 80.96% after a preferential sale of shares by the bank to the government last month. IDBI Bank has convened its annual general meeting on 13 August. One of the items on the agenda is raising capital through various modes, including qualified institutional placements.

9. UDAY Scheme: Discoms Cut Losses, But Their Dues To Gencos Mount
Source: Financial Express (Link)

Electricity distribution companies (discoms) under the Ujwal Discom Assurance Yojana (UDAY) scheme may have reduced their financial losses by Rs 17,352 crore or 50% annually by March-end, but their outstanding dues to power generators have surged by over 150% to Rs 32,071 crore in the same period. Payments of Rs 27,832 crore to gencos are pending for more than 60-days. Irregular and often delayed payments by discoms have been cited as the primary reason behind private generation assets becoming stressed. Power projects worth Rs 1,80,000 crore are now stressed, including non-performing assets of some Rs 70,000 crore. Although it is not immediately known who much of the unpaid dues were reckoned by the discoms as 'payables' as they reported the reduction in losses, industry sources said their losses would have been significantly higher if generation companies were paid in time. Apart from the above-mentioned dues, discoms would also have to pay about Rs 8,000 crore to power producers after electricity regulators clear a clutch of pending appeals on allowing pass-through of costs by generators under 'change in law' provisions While outstanding receivables of state-run power producer NTPC stands at Rs 9,479 crore, the same for 10 independent power producers (IPPs), including Tata Power, Adani Power, GMR and Jindal Steel and Power, are more than Rs 14,000 crore. Another Rs 7,000 crore needs to be paid to state-run NHPC. DVC, NEEPCO and SJVNL.

10. ICICI Bank CEO Chanda Kochhar Faces Max ₹25 Crore Fine If Found Guilty
Source: Livemint (Link)

The Securities and Exchange Board of India (Sebi) has powers to impose a penalty but not demand the resignation of ICICI Bank Ltd chief executive Chanda Kochhar if it finds she and the bank did not abide by fair disclosure norms in its ongoing probe. A maximum penalty of ₹25 crore, or three times the ill-gotten gains, can be levied under Sebi rules, but in this case, the quantum of the penalty may be at the discretion of Sebi's adjudicating officer, according to two executives familiar with the development. "Only a financial penalty can be levied as under the current notice, there is no provision for asking the CEO to step down," said the first of the two executives, both of whom spoke on the condition of anonymity. On 24 May, Sebi sent a notice to ICICI Bank and Kochhar, seeking clarification with regard to disclosure of price-sensitive information from the bank and the CEO allegedly not abiding by the bank's code of conduct. ICICI Bank managing director and CEO Kochhar can also ask for a settlement by paying a fine and without admitting to any wrongdoing, said the second executive. Sebi is investigating if Kochhar had disclosed to the bank's board about her husband, Deepak Kochhar's partnership in a firm, NuPower. Venugopal Dhoot, the owner of Videocon group, was the second founding partner of NuPower.

11. Ayushman Bharat: States May Combine Their Health Cover Schemes With Centre's
Source: The Economic Times (Link)

States such as Gujarat, Himachal Pradesh, Assam, Tamil Nadu and Andhra Pradesh may combine their existing health insurance programmes with the prime minister’s ambitious scheme to provide health coverage to 100 million poor families. The move is expected to expand coverage under the existing state health schemes, according to Ayushman Bharat National Health Protection Mission (ABNHPM) CEO Indu Bhushan. Gujarat, Tamil Nadu and Andhra Pradesh are expected to sign memoranda of understanding (MoUs) with the Centre to this effect this month. Himachal Pradesh and Assam signed such agreements in May, he said. The merging would happen in a way that key features of both schemes will be retained, according to him. Combining two schemes will provide greater coverage because, even if some states have health insurance schemes, none of them offer as much as Rs 5 lakh coverage so far, he said. A merger will allow patients to avail the scheme’s benefits in different states through the national portability feature and may also expand the number of treatment packages in some of states currently offering 700-800 treatments, he added. In case the package rates offered under existing schemes are higher than the ABNHPM rates, states are at liberty to revise the Centre’s proposed rates to match their own, Bhushan said. Rajasthan, Himachal Pradesh, Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and Assam have their own health schemes.

12. National Skill Development Corporation Gets International Recognition
Source: The Economic Times (Link)

Ministry of skill development and entrepreneurship’s training institute National Skill Development Corporation (NSDC) that trains youngsters in almost all districts of India to make them employable, has been endorsed by the Indian National Commission for Cooperation with UNESCO as a member of the UNEVOC network. The UNESCO-UNEVOC International Centre is one of seven UNESCO institutes working in education located at the United Nations Campus in Bonn in Germany. The organisation has been scouting for organisations that it can work with for the last few years. It finally zeroed in on NSDC and gave it full endorsement last week, official sources said. UNESCO-UNEVOC works towards developing and strengthening technical and vocational training and undertakes its activities through a global network of institutions imparting skill education with a mandate to provide sustainable education. This endorsement, said top government officials, will increase the engagement with Indian authorities and international experts to bring best ideas and technology related to skilling in India. There are 27 sectors in which NSDC skills youngsters, of which those related to manufacturing, service sector and technology are popular at the grassroots. Apart from this, a representative from Germany will also be stationed at NSDC in New Delhi from this year to look at “the best possible ways to customise the best of German skill training model in the Indian ecosystem,” Kumar said.