Daily Economic News Summary: 14 May 2018

1. India Largest Remittance-Receiving Country In The World
Source: The Economic Times (Link)

India was the largest remittance- receiving country in the world, with migrant workers from the country sending home USD 69 billion in 2017, according to a report, which said remittances to the Asia-Pacific region amounted to USD 256 billion last year. The report 'RemitSCOPE Remittance markets and opportunities - Asia and the Pacific' said India (USD 69 billion), China (USD 64 billion) and the Philippines (USD 33 billion) are the three largest remittance- receiving countries in the world in 2017. Pakistan (USD 20 billion), and Vietnam (USD 14 billion) are also in the top 10. About 70 per cent of remittances sent to Asia and the Pacific come from outside the region and in particular from the Gulf States (32 per cent), North America (26 per cent) and Europe (12 per cent). By 2030, around USD 6 trillion in remittances are expected to be sent to developing countries by 2030: over half of these flows will arrive in the Asia Pacific regions, very often in small towns and villages. Remittances are particularly crucial in rural areas where poverty is the highest. Worldwide, an estimated 40 percent of the total value of remittances go to rural areas. However, in the Asia- Pacific region, remittances go disproportionally to countries with a majority of rural populations such as Nepal (81 per cent), India (67 per cent), Vietnam (66 per cent), Bangladesh (65 per cent), Pakistan (61 per cent) and the Philippines (56 per cent). Remittances to rural areas are generally costlier due to expenses associated with offering access points in distant locations.

2. Chinese State-Run Bank Launches India-Dedicated Investment Fund
Source: Business Standard (Link)

A state-run Chinese bank has launched the country's first India-dedicated publicly offered investment fund, saying the Indian market offers the best opportunity for Chinese investors due to the prospects of double-digit growth. The fund, named the Industrial and Commercial Bank of China (ICBC) Credit Suisse India Market Fund, will "invest in exchange-traded funds listed on more than 20 exchanges in Europe and the US that are based on the Indian market".

The fund will invest in the future of the Indian economy and track the distribution of the industrial structure across the Indian market, the report quoted a fund manager as saying. The move, regarded as significant by observers to boost investments in India comes just about a fortnight after the first ever informal summit between Prime Minister Narendra Modi and Chinese President Xi Jinping at Wuhan. The bank while launching the fund has given an upbeat picture of India's economic growth path. The Indian stock market underwent a correction in the first quarter, which means it offers a good opportunity for opening positions, it said. The bank listed sectors for investments specifically, in terms of the major industries weighted distribution of the index.

3. Dutch PM To Visit India With Biggest Ever Business Mission
Source: The Economic Times (Link)

The visit of Dutch Prime Minister Mark Rutte this month with four cabinet ministers, 15 CEOs and about 220 participants in the business delegation, is the biggest Dutch trade mission to India ever and will further strengthen the relations in agriculture, smart cities, water management, health and R&D. The Netherlands and India have historical relations going back to the early 17th century and Netherlands is the fourth largest investor of FDI in India. India and Netherlands have been sources of agro exports/imports for each other. India exports seven times more agro produce than Netherlands exports to India. The Netherlands exports mostly inputs for agriculture, like agro-tech, agro-knowledge, high yield seeds, seed potatos, semen to India. Together India and the Netherlands are a natural fit in Agro. The requirement of imported apple plants in Kashmir, Uttarakhand and Himachal Pradesh is in excess of 5 mln plants per year, of critical importance to farmers. However, the imported plants are required to be kept in Post Entry Quarantine (PEQ) to be created by the importer, for prescribed periods ranging from 9 months to 2 years. The focus is to further strengthen the relationship with India, we strive to contribute to the development of Indian agriculture. Indian government’s programme ‘Make in India’ aims to boost foreign investment. The Netherlands wants to ‘Make in India’ and by doing so transfer knowledge and technology, also in agriculture.

4. Middle East, Africa Seek India's Help To Light Up Their Villages
Source: Livemint (Link)

Impressed by India's rural electrification drive, West Asian countries such as Jordan and Syria and some countries in sub-Saharan Africa have evinced interest in state-run Rural Electrification Corporation (REC) bringing electricity to their villages, said a person aware of the development. This comes in the backdrop of electricity finally reaching all of India's 597,464 census villages on 28 April, setting the stage for universal household electrification. REC, India's largest power sector lender, is the nodal agency that executed the scheme. "Given our experience and expertise in the field of electrification, we are prepared to provide a range of services and financing for developing power sector in other emerging economies," said P.V. Ramesh, chairman and managing director, REC. With some areas in Jordan yet to be electrified, the country has sought REC's help. Also, some sub-Saharan African countries are interested in REC doing the entire rural electrification package ranging from financing to technology transfer, detailed project report (DPR) preparation to execution. India has been stepping up its engagement with Jordan, seen as part of India's extended neighbourhood to its west. Prime Minister Narendra Modi had visited the Gulf Arab states of Jordan, Palestine, the United Arab Emirates and Oman in February this year.

5. Four Years Of NDA: GST, IBC, JAM … Labouring On
Source: Financial Express (Link)

The NDA government may want to pat itself on the back for the recent rebound in industry and business but much of this comes off a low base; private sector investments remain sluggish, exports remain a drag, private consumption is tapering off, there is distress in the farm sector and very few jobs have been created. Indeed, there are many who believe the government failed to capitalise on the bonanza it reaped from falling oil prices of additional revenue of close to Rs 2.7 lakh crore. Industrial output in 2017-18 grew just 4.3%. To be sure the NDA regime has done some really good work that will allow the economy to grow faster in the coming years; the most notable initiatives are the rollout of the GST, the resolution of stressed assets under the IBC and the re-capitalisation of state-owned lenders. Despite the initial disruption the new tax will help improve India's tax compliance. Moreover, had the twin balance sheet problem not been tackled, the economy would have slowed sharply. However, the NDA hasn't been able to help the corporate sector with amendments to either land or labour laws. And the tardy progress in agri-reforms has left the farm sector in distress. Possibly fearful of acquiring a ‘suit boot ki sarkar’ tag, the NDA has succumbed to populism. While FDI flows have been robust and the government has done well to open up and ease norms for more sectors—defence, railways, insurance the bulk of the flows have come into the services space rather than manufacturing. The much hyped ‘Make in India’ is yet to take off at all and the share of manufacturing as a share of GDP remains more or less where it was in 2015.

6. New Direct Tax Code To Benefit Corporates, Income Tax Payers
Source: Livemint (Link)

Businesses and low-income earners will stand to gain the most from the new direct tax code that the government is working on, two people familiar with the matter said. The proposed direct tax code, the draft of which will be ready by July, will take forward the government’s agenda of lowering corporate tax rate to 25% for all businesses and seek to give further relief to individual income tax payers. The idea is to moderate tax rates for assessees without squandering the recent gains in revenue growth and tax base. Therefore, the proposed tax rate cuts will be incremental over a period of time as compliance and revenue collections grow. Between fiscal 2014 and fiscal 2018, income tax returns filed have risen over 80% to 68.4 million. The highest personal tax slab of 30% for individuals, will, however, stay at current level as it is considered among the lowest in the world, one of the two people cited above said on condition of anonymity. Relief to small taxpayers could prove to be electorally rewarding for the ruling National Democratic Alliance government as the country goes to polls next year.

7. Centre Plans Rs. 9k Cr Sops To Push Eco-Friendly Cars
Source: The Economic Times (Link)

As part of a Rs. 9,400-crore package for electric and hybrid vehicles, the government may offer incentives of up to Rs 2.5 lakh to those scrapping old petrol- or diesel-fired vehicles along with sops for investment to manufacture parts such as motors in the country. Buyers of electric two wheelers that cost up to Rs 1.5 lakh will receive incentives of around Rs. 30,000, a draft policy formulated by the government has proposed. There are more incentives for cab aggregators and bus fleet owners to go green. Buyers of electric cars, which will operate as taxis, are expected to get sops of Rs 1.5 to 2.5 lakh for vehicles that cost up to Rs 15 lakh. The same sops will be available to individuals buying electric cars provided they scrap their pre-BS III vehicles and get a certificate from the approved scrapping centre, sources told The Times of India (TOI). One of the major focus areas of phase-II of Faster Adoption and Manufacturing of (Hybrid & Electric) Vehicles (FAME) will be on public and intermediary transport, which include taxis and threewheelers. The plan awaiting the government approval is expected to come as a major setback to the automobile industry, which wanted sops for all types of electric vehicles. The industry is working out its strategy based on the assumption that the government will offer incentives to make electric vehicle more attractive.

8. China's Plans To Import Indian Drugs Fail To Enthuse Indian Pharmaceutical Firms
Source: Financial Express (Link)

China's much-publicised announcement to slash tariffs on 28 medicines, including cancer drugs from India, has failed to create any buzz among the Indian pharmaceutical firms here as exports to China are possible only after lengthy field trials and approvals, which could take years, an official at an Indian firm has said. On May 4, China, the second largest market for pharmaceuticals after the US, said it has removed import duties on as many as 28 medicines, including all cancer drugs, from May 1, a move which would help India to export these pharmaceuticals to the neighbouring country. "China has exempted import tariffs (duties) for 28 drugs, including all cancer drugs, from May 1. Good news for India's pharmaceutical industry and medicine export to China. I believe this will help reduce trade imbalance between China and India in the future," Chinese Ambassador to India Luo Zhaohui said in a tweet. Luo's announcement generated optimism that India's persistent demand from China to provide opening for Indian pharmaceutical firms to market their economically priced drugs compared to the multinational firms may be realised. India has been asking China for long to open up its IT and pharmaceutical firms to reduce the trade deficit which has claimed to over USD 50 billion. But ahead of Luo's announcement, China's Cabinet or State Council on April 12 has approved a proposal that China will exempt import tariffs on all cancer drugs and encourage the import of more innovative drugs. From May 1, import tariffs on all common drugs including cancer drugs, cancer alkaloid-based drugs, and imported traditional

Chinese medicine will be exempted, state-run Xinhua news agency quoted an official statement as saying

9. Maruti Suzuki Gets Lion's Share Of Suzuki R&D Budget
Source: Livemint (Link)

Most of the $1.5 billion allocated by Suzuki Motor Corp. for its research and development (R&D) activities will be spent on its most profitable unit Maruti Suzuki and help the Indian firm maintain its 50% market share amid increasing competition from European and Korean manufacturers. The money will be used to upgrade Maruti Suzuki's existing models to Bharat Stage VI emission norms most stringent globally by 2019, to develop an entire range of hybrid vehicles and other alternative technologies, two people aware of the matter said. *Reuters* on 10 May reported that Osamu Suzuki, chairman, Suzuki Motor Corp., in a post-earnings conference call said the company needs to find ways to maintain its current market share in India till 2030 when the Indian passenger vehicle market is tipped to touch the 10-million mark annually. According to one person aware of the matter, Maruti Suzuki has a huge task at hand in upgrading its existing 14 models to comply with the BS-VI emission norms, which will takes effect on 1 April 2020. According to one person aware of the matter, Maruti Suzuki has a huge task at hand in upgrading its existing 14 models to comply with the BS-VI emission norms, which will takes effect on 1 April 2020.

10. Crackdown On Shell Companies: Narendra Modi Government, Regulators Now Plan This Move
Source: Financial Express (Link)

As multiple agencies and regulators probe suspected use of 'only-on-paper' firms for financial irregularities, the government is looking to put in place a proper definition for 'shell companies' so that investigations are not hampered and prosecution can withstand scrutiny in courts of law. A number of entities accused of using 'shell companies' for money laundering and other financial wrongdoings have challenged the regulatory action against them in recent months and there is a feeling that all regulatory gaps must be filled to avoid delay in bringing the guilty to book, officials said. One key issue hampering the investigations and prosecution has been lack of a proper and uniform definition for 'shell companies' a term generally used for companies that are set up for financial manoeuvrers only or are kept dormant for some future use. The Ministry of Corporate

Affairs (MCA) has received preliminary suggestions from a multi-agency task force comprising officials from the Enforcement Directorate (ED), Financial Intelligence Unit (FIU), Directorate of Revenue Intelligence (DRI), capital markets regulator Sebi (Securities and Exchange Board of India) and the Income Tax Department, among others, officials said. The suggestions, which include a list of possible parameters for defining shell companies, will now be further discussed by the Corporate Affairs Ministry, the Finance Ministry, Sebi and the RBI.

11. House Panel To Examine 'Bail In' Clause Of FRDI Bill, To Meet Today
Source: The Economic Times (Link)

The Parliamentary Joint Committee will examine the controversial 'bail in' clause of the Financial Resolution and Deposit Insurance (FRDI) Bill, 2017 in the light of concerns being raised over the security of bank deposits and panic withdrawal of cash by depositors over the last few months. Highly placed sources who are privy to the workings of the joint committee told ET that the issue will be examined closely even though the government may have issued a clarification on the same. The committee is set to hold its tenth meeting on May 14. The FRDI Bill was referred to a joint committee of the Parliament which is consulting all the stakeholders on the provisions of the FRDI Bill. The committee has been asked to submit its report to Parliament by the last day of the Monsoon Session, 2018. Sources, however, indicated that the committee is unlikely to finalise its recommendations before the winter session as complete political consensus is yet to be achieved on many concerns. The committee has already sought two extensions of time but ET has learnt it is likely to take longer to address all concerns related to the Bill. The FRDI Bill was introduced in the Lok Sabha on August 10, 2017 by the Modi government in a bid to establish a resolution corporation and a comprehensive resolution regime to enable timely and orderly resolution of a failing financial firm. The move, the government has stated, is being made as there is no comprehensive legal framework for resolution and liquidation of financial firms in India.