

Daily Economic News Summary: 16 May 2018

1. As Piyush Goyal Takes Charge As Finance Minister, 3 Immediate Key Tasks That Lie Ahead

Source: Financial Express ([Link](#))

Key troubleshooter for Bharatiya Janata Party (BJP) and Karnataka poll incharge Piyush Goyal has been entrusted with the additional responsibility of handling finance ministry as Arun Jaitley, who underwent a renal transplant surgery on May 14, recovers. Being the finance minister of the country in Arun Jaitley's absence, Piyush Goyal needs to work out immediate solutions for the various ailments plaguing the economy. Here are the three key challenges in front of Piyush Goyal:

Banking sector: Finance Minister Piyush Goyal will have to work out solutions to improve the health of the country's beleaguered banking sector. **GST and demonetisation shocks:** Finance Minister Piyush Goyal will have to come in with new solution to iron out glitches in the new indirect tax regime. **Rising inflation:** The inflation is surging its head of late. Inflation in wholesale prices rose to a 4-month high at 3.1 percent compared with 2.4 percent growth in the last month. In April, inflation in retail prices increased to 4.5 percent which is higher than 4.2 percent growth in the last month. The government needs to work out immediate action plan to look into the supply-demand scenario.

2. UK Pushing For More Investments In India, Says British Deputy High Commissioner Bharat Joshi

Source: Financial Express ([Link](#))

The United Kingdom was pushing for more investments in India, connecting entrepreneurs from both the countries, a senior UK diplomat said on May 15. "We are trying to encourage investment rather than focusing on individual big deals," British Deputy High Commissioner, Bharat Joshi told reporters. He was responding to a query on the impact of Walmart's acquisition of online retailer Flipkart for USD 16 billion last week. Elaborating, he said, "to be honest, all those big deals do not require involvement of government participation. They happen between businesses." "What we are trying to do is connect entrepreneurs in both directions," he said. In the biggest deal in the booming e-commerce sector, Walmart had on May 9 announced that it was buying 77 per

cent stake in Flipkart for about USD 16 billion (Rs 1.05 lakh crore). Later in a brief interaction with PTI, Joshi who would be leaving office in September upon completing his tenure, said it was an amazing experience to serve a diversified country like India.

3. High Crude Oil Prices To Fuel India's Remittances Purse, To Rise 4-5%

Source: Business Standard ([Link](#))

The surging international crude oil prices are projected to fuel inward remittances to India this year topping the \$69 billion of net remittances clocked during 2017 calendar. Last year, India had topped the international list of remittance receivers at \$69 billion, followed by China (\$64 billion), Philippines (\$33 billion), Mexico (\$31 billion) and Nigeria (\$22 billion). “There is a direct link between crude oil prices and remittances to India. The current spate of high crude oil prices would certainly boost inward remittances given the large number of Indian migrants working in the oil-rich Gulf nations,” global money transfer company MoneyGram head (India & Subcontinent) Sheshagiri Malliah told *Business Standard* here on May 15. Remittances to India stood at \$72 billion in 2014, when the crude oil prices were ruling high above \$100 dollars a barrel, however, the remittances fell to \$64 billion and \$62 billion in 2015 and 2016 respectively when oil prices subsided following demand squeeze and robust production. “The World Bank has already projected the remittances to India to rise by 4-5 per cent this year, which would peg the remittances to \$72-73 billion,” he added. Currently, the oil prices have been ruling firm following output cuts by oil cartel Organisation of Petroleum Exporting Countries (OPEC) and other geopolitical factors, including looming US sanctions against Iran coupled with strong market demand.

4. Niti Aayog Governing Council To Discuss 'New India 2022'

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

NITI Aayog, the government’s premier think tank, plans to hold the fourth meeting of its governing council next month to discuss the agenda for ‘New India 2022’ to expedite economic growth over the next four years. Prime Minister Narendra Modi, the chairman of the Aayog, is likely to chair the meeting, which is expected to be attended by key Union ministers and senior bureaucrats, people aware of the matter said. The Aayog has been working on the strategy document or

development agenda for 'New India 2022' for a while. Earlier, it had planned to come out with three documents a three-year action agenda, seven-year medium term strategy paper and a 15-year vision document. The meeting is likely to highlight to all states the key flagship programmes of the government and their impact on socio-economic development of the country. The World Bank had in a recent report said India needed a decisive structural reform momentum that succeeded in stimulating investment and export growth while maintaining macroeconomic stability to sustain an 8% GDP growth rate. "Sustaining a growth rate higher than 7.5%, and reaching an aspirational growth rate of 8% or higher will require contributions from all domestic sectors and support from the global economy," the report said.

5. Duff And Phelps Sets Up Restructuring Business In India

Source: Livemint ([Link](#))

Duff and Phelps Corp., the US-based advisory firm, is setting up its restructuring practice in India, leveraging the business opportunities the Insolvency and Bankruptcy Code (IBC) has opened up for restructuring advisors. One of the largest valuation service providers in the world, the firm is looking to expand its offerings in India and expects the distressed assets segment to provide it the necessary anchor to build its other practices including M&A advisory and corporate finance in the country. "We have been offering valuation services in India and of the 12 big accounts that were referred for resolution under the IBC, we assisted on half of them. Considering that we are already in touch with the creditors and other resolution professionals, it made sense for us to set up the restructuring business in India," said Paul Williams, managing director at Duff and Phelps UK. The firm's UK office, which leads the restructuring practice at Duff and Phelps, is assisting the company in building its India business as well. The firm is also expanding its headcount in India. So far, it employs around 225 people in India. It has 12 people in its core restructuring team.

6. Labour Starved Mills In South India Lean On North East For Manpower

Source: Business Standard ([Link](#))

Textile firms in South India have started looking at the North-Eastern states to address labour shortages in their factories. The mills have said that the Tripura government is the first to respond and that the units would soon come out with a code of conduct for migrant workers. Tamil Nadu accounts for nearly 45 per cent of the spinning capacity in the country, 70 per cent of the knitted

garment manufacturing capacity and 22 per cent of weaving. Around six million people are directly employed by the sector. The sector has been facing labour shortage the past ten years or so, due to exponential growth in manufacturing facilities. In major clusters like Coimbatore, Tirupur, Dindigul, migrant workers account for anything between 30 per cent and 90 per cent of the workforce, depending on the mills. P Nataraj, chairman, SIMA, said that with the increase in demand for migrant workers across the nation, the mills started facing high attrition. Therefore, SIMA has started direct recruitment on its formal placement cell for its members, and is sourcing human resources from Tripura for starters.

7. Oil Widens Trade Deficit To \$13.7 Billion

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

Rising crude oil prices contributed to India's trade deficit widening to \$13.72 billion in April 2018, from \$13.69 billion in March, and compared with the \$13.25 billion shortfall in the same month last year, according to official data released on May 15. Merchandise exports rebounded from a contraction in the preceding month and increased 5.17% year-on-year to \$25.91 billion, from \$24.64 billion in April 2017. Exports had shrunk 0.66% in March 2018 to \$29.11 billion. "Imports during April 2018 were valued at \$39.63 billion (₹2,60,084.67 crore) which was 4.6% higher in dollar terms and 6.43% higher in rupee terms over the level of imports valued at \$37.88 billion (₹2,44,380.52 crore) in April 2017," the government said in a release. While crude oil and petroleum imports increased by 41.5% in April, imports of non-petroleum items saw a contraction of 4.3%. In April 2017, non-petroleum product imports had grown 51.9%, according to CMIE. The trade deficit widened last fiscal to \$156.8 billion, from \$108.5 billion in the previous year, mainly driven by a rising oil import bill.

8. 12 Firms Interested In Building India's Longest Expressway

Source: Financial Express ([Link](#))

As many as 12 top infrastructure companies have evinced interest in the construction of the country's longest proposed expressway the Purvanchal Expressway. The 341-km six-lane (expandable to eight lanes) access-controlled expressway from Lucknow to Ghazipur, to be built on the engineering, procurement and construction (EPC) mode, will not only provide seamless

connectivity to nine of the state's predominantly agricultural districts to the state capital, but also connect them to national Capital Delhi via the 165-km Agra-Greater Noida Yamuna Expressway and 302-km Agra-Lucknow Expressway. The total cost of the project is estimated to be ₹23,349 crore ₹11,800 crore for construction and around ₹6,500 crore as the cost of land. The 12 companies that have placed technical bids for the project are Reliance Infratech, Larsen & Toubro, PNC Infratech, NCC (formerly Nagarjuna Construction Company), BSCPL Infrastructure (formerly B Seenaiah & Company (Projects)), Sadbhav Engineering, Oriental Structural Engineers, Ashoka Buildcon, KNR Constructions, Apco Infratech, Gayatri Projects and Afcons Infrastructure. These firms will place financial bids in June and the selected bidders are expected to start work in July after Prime Minister Narendra Modi inaugurates the project. The project, which is expected to transform the state's most remote and under-developed eastern region has been divided into eight packages. While the first package of 40.47 km has attracted five bidders, the second package of 39.70 km has six bidders, third (41.70 km) five, fourth (43.70 km) five more. The fifth package of 54 km has four bidders, the sixth (28.70 km) has five, seventh (46.08 km) six and the eighth package of 47.97 km also has six bidders.

9. First Oil Cargo For India's Strategic Reserve In Mangaluru Sails From UAE

Source: Livemint ([Link](#))

The first consignment of 2 million barrels of crude oil that is en route from United Arab Emirates (UAE) for India's strategic petroleum reserve at Mangalore, will help the world's third largest oil importer's energy security programme. With India building around 39 million barrels of strategic crude oil storage facility, the 5.86 million barrels supplied by state-run Abu Dhabi National Oil Company (ADNOC)—the only one to partner with India on its crude oil reserve programme till date, can be used during an emergency. According to a 12 May Indian government statement the loading of the first crude consignment was witnessed by petroleum minister Dharmendra Pradhan who is currently on a visit to the gulf nation. Indian Strategic Petroleum Reserves Ltd (ISPRL) has an agreement with ADNOC under which ADNOC will store around 5.86 million barrels of crude oil in India's Strategic Petroleum Reserve (SPR) facility at Mangalore at its own cost. This agreement was signed during Prime Minister Narendra Modi visit to UAE in February this year. With India's energy demand expected to grow at 4.2% over the next 25 years, energy majors are

scouting for opportunities here. A case in point being world's biggest oil producer—Saudi Arabian Oil Co., or Saudi Aramco that is planning to set up one of the largest global refinery and petrochemical complex at Ratnagiri in Maharashtra at an investment of \$44 billion, in partnership with a consortium of Indian state-run companies.

10. Trade Facilitation Pact In Services At WTO To Push Global Economy, Says Suresh Prabhu

Source: Financial Express ([Link](#))

Commerce and Industry Minister Suresh Prabhu on May 15 pitched for inclusion of the trade facilitation pact on services in the World Trade Organisation (WTO) saying it would help promote growth of the global economy. “We are working on trade facilitation in services sector at WTO. We feel WTO will not be doing full justice to the economic development of the world unless services sectors are taken on board, so we are trying to work on that,” he said. He was speaking at the inauguration of Global Exhibition on Services, organised by the commerce ministry and industry body CII. He said that the proposed agreement would help professionals move smoothly from one place to another. On the lines of the trade facilitation pact in goods, India has submitted a detailed proposal to the WTO to negotiate a trade facilitation agreement in services (TFS). The TFS proposal aims at liberalising rules for movement of professionals and other steps to reduce transaction costs with a view to boost growth of the services sector. It will focus on issues like liberalised visa regime, long-term visas for business community and freer movement of professionals for the greater benefit of both India and the world, among others. India is pitching for this pact as the sector contributes over 60 per cent to the GDP and 28 per cent to total employment. Prabhu also said that the commerce ministry is working on state-wise plan to promote the services sector. He said the country's economy would reach USD 5 trillion in the coming years and out of this services segment would contribute about USD 3 trillion. Speaking at the event, Maharashtra Chief Minister Devendra Fadnavis said that the services sector will help in leapfrogging economic growth of the country.

11. Tata Steel To Acquire Bhushan Steel Through Its Step-Down Subsidiary Bamnipal Steel After Nclt Approval

Source: Firstpost ([Link](#))

Tata Steel, whose bid for debt-ridden Bhushan Steel was approved by NCLT, would implement the resolution plan through its step-down subsidiary Bamnipal Steel Ltd. "As per the terms of approved Resolution Plan, Bamnipal Steel Limited (BNPL), a wholly-owned subsidiary of Tata Steel, will initially subscribe to 72.65 per cent equity share capital of BSL at face value i.e. at Rs 2 per share, for an aggregate amount of Rs 158.89 crore," Tata Steel said in a filing to the BSE. In an identical filing, Bhushan Steel confirmed the development saying Tata Steel shall implement the resolution plan through Bamnipal Steel Ltd, a wholly owned subsidiary of Tata Steel. The principal bench of NCLT on May 15 approved Rs 32,500-crore deal along with 12.27 per cent equity in Bhushan Steel offered by Tata Steel. Bamnipal Steel will subscribe to the equity share capital of Bhushan Steel on a preferential basis at a price of Rs 2 per share, and provide additional funds in the form of inter-corporate loans of which up to Rs 9,000 crore loans have an option of conversion into equity shares of BSL.