Daily Economic News Summary: 17 May 2018

1. US Companies Top In Leasing Office Space In India
Source: The Hindu, Business Line (Link)

American companies are the biggest leasers of commercial office space in India, occupying about 45 per cent of the grade 'A' space, as they continue to expand operations leveraging the low costs and highly-skilled resource base in the country. "The long-term average shows that companies from the US lease 40-45 per cent of the grade 'A' office space in India. This is followed by domestic companies, which account for 35 per cent of the office real estate absorption," Ashutosh Limaye, Head of Research & REIS at JLL India, told *BusinessLine*. Companies from the European Union take the third spot with 10-15 per cent, while APAC countries and the rest of the world account for about 5 per cent. "India remains one of the top outsourcing destinations in the Asia-Pacific Region. and US corporates account for most of the office-leasing activity due to India's inherent low costs and skilled resource base," said Ram Chandnani, MD, Advisory & Transaction Services, India. Some of the biggest US companies that have leased office space in India include Microsoft, IBM, Cognizant, Convergys, Bank of America, JP Morgan, Wells Fargo and Blackstone. Large American firms have set up shared services centres, GIS centres and other facilities in India and their percentage has gone up over the years. According to CBRE, in 2016, Amercican corporates accounted for 39 per cent of the overall office absorption of 43 million sq ft and this went up to 45.6 per cent in 2017.

2. Malaysia Scraps GST, Experts Advise Caution To Indian Govt
Source: Business Standard (Link)

Malaysia deciding to scrap the goods and services tax (GST) on May 16, three years after its roll-out, may prompt India to tread with caution over the next few years to stabilise the new indirect tax regime implemented in July last year. Although the development in Malaysia may not have any direct impact on India, experts suggest the government should closely study the Malaysian experience, take 'necessary precautions', and come up with additional reforms to expand GST in a phased manner. "The Indian GST is now stabilising, tax base is expanding, inflation is largely under control, and there has hardly been any resistance from businesses," said Jain. Malaysia announced it would scrap the 6 per cent GST rate, in line with the electoral promise by Prime Minister Mahathir Bin Mohamad that helped him win the elections last week. The tax rate will be zero from June 1. Considering Malaysia was the last country prior to India to have introduced the GST, it may come as a warning to policymakers in India, said another tax expert. “Expansion of the GST may take longer than expected as the government will tread with caution and ensure it takes the industry along in the reform,” he added. India studied the Malaysian model before implementing the GST and borrowed the anti-profiteering clause to ensure GST benefits are passed on to the end-consumer by the industry.

3. Singapore Agency To Prepare Development Plan For Pune
Source: Financial Express (Link)

The Pune Metropolitan Region development plan will be prepared by Surbana Jurong, an agency of the Singapore government. Maharashtra chief minister Devendra Fadnavis and Singapore minister-in-charge of trade relations S Iswaran signed an MoU in this regard on May 16. The Pune Metropolitan Region Development Authority (PMRDA) signed the MoU with International Enterprise Singapore (IES) for a concept plan for the Pune metropolitan region (covering an area of 7,357 sq km) for the next 50 years. It will also work on development of demonstrative centres in the region. Fadnavis said in the last 50 years, Mumbai was the growth engine of Maharashtra, and in the next 20-30 years, this role will be played by Pune. Surbana Jurong, a global expert, has been entrusted with the master plan of the Pune metro region. Iswaran said the agency would start with Pune master plan but soon expand in the airport and housing sectors. The draft master plan will be prepared in 10 months and will be finally approved in two years. The master plan being prepared for the next 50 years will include residential areas for projected population of 20 million, logistics park and container depots, water supply and solid waste management, connectivity to Purandar airport, giving boost to tourism and increasing employment generation through planning of new growth centres. A joint working group comprising representatives of both the governments will be set up.

4. Four Years Of Modi: These 5 Ministries Get Stellar Score From People, And Finance Is Not Among Them
Source: Financial Express (Link)

After a 10-year-long United Progressive Alliance (UPA) government, Narendra Modi offered a refreshing change to India's 81.45 voters in the world's biggest election in 2014. Whether it was the promise of 'Achhe Din', or 'Minimum Government or Maximum Governance', India stood behind the three-time state chief minister and voted him to power with a thumping majority. Four years on, even as Narendra Modi's charisma has deteriorated marginally, his work in some areas score well with the people of the country. Ironically, while the Narendra Modi government was often lauded globally for implementation of the Goods and Services Tax (GST) and Insolvency and Bankruptcy Code (IBC) along with a big leap on ease of doing business index, the work done by the Finance Ministry is not among the top performers. The Finance Ministry was ranked 12th with a score of 3.8 on the scale of 5.

5. Cabinet Approves National Biofuel Policy
Source: Financial Express (Link)

The Cabinet on May 16 approved the National Policy on Biofuels which allows doping of ethanol produced from damaged foodgrains, rotten potatoes, corn and sugar beet with petrol to cut oil imports by Rs 4,000 crore this year alone. Till now only ethanol produced from sugarcane was allowed to be mixed in petrol. A meeting of the Union Cabinet, headed by Prime Minister Narendra Modi, approved the new policy which categorises biofuels as First Generation (1G), which produce bio-ethanol from molasses and bio-diesel from non-edible oilseeds. Second Generation (2G) ethanol can be produced from municipal solid waste and Third Generation (3G) fuels like bio-CNG. The policy also encourages setting up of supply chain mechanisms for biodiesel production from non-edible oilseeds, used cooking oil and short gestation crops. Mixing of one crore litre of bio-ethanol in petrol saves Rs 28 crore of foreign exchange on oil imports. "The ethanol supply year 2017-18 is likely to see a supply of around 150 crore litres of ethanol which will result in savings of over Rs 4000 crore of forex," the statement said. Besides, it will lead to 30 lakh tons of lesser carbon emissions. "By reducing crop burning & conversion of agricultural residues/wastes to biofuels there will be further reduction in Green House Gas emissions," it said. It is estimated that annually 62 million tonnes of municipal solid waste gets generated in India. There are technologies available which can convert waste/plastic and municipal solid waste to drop in fuels.

6. Cabinet Okays Use Of Surplus Foodgrain For Producing Ethanol
Source: The Economic Times (Link)

Food grains can now be used for producing ethanol during surplus production years, according to the national policy on biofuels that was approved by the Cabinet on May 16. The policy has expanded the scope of raw materials that can be used for producing ethanol, including sugarcane juice, sugar beet, sweet sorghum, corn, cassava, damaged food grains like wheat, broken rice, and rotten potatoes unfit for human consumption. Currently, ethanol is mainly produced from molasses. Food for fuel has often been a controversial policy matter across the globe as many believe using grains for ethanol raises food inflation risk. By limiting use of grains for fuel production only in surplus production years, the government has tried to limit the risk. India has for years trailed the official target of blending 5 percent ethanol and biodiesel in petrol and diesel respectively to cut pricey oil import and save foreign exchange. The current blending ratio is about 2% for petrol and less than 0.5% for diesel. India imports 83 percent of its domestic crude oil requirement. The policy has also encouraged setting up of supply chain mechanisms for bio-diesel production from non-edible oilseeds, used cooking oil, and short gestation crops.

7. India Shows To The World How Digitisation Is Done! Here's What IMF Has To Say
Source: Financial Express (Link)

India is one of the two countries in the world that has been lauded by the International Monetary Fund for their push to digitisation. "…the experiences of India and South Africa show how digitalization can help improve social protection and the delivery of public services," said IMF in its April Fiscal Monitor report. Digital tools can improve the quality and delivery of public services, such as communicating with beneficiaries and monitoring public servants. In this regard, use of Biometric technology to "identify and authenticate" individuals can help reduce leakages and improve coverage of social programs, the IMF said. While digitisation is less common in low-income groups, IMF said, "With more than 1.2 billion registered citizens in India's biometric identification system, Aadhaar, the country stands out as a leader in this area." India has applied digital tools in the distribution of social benefits, IMF said, adding, Estonia and Kenya have taken the advantage of new technologies and pursued digital strategies that fundamentally affect the delivery of public services. Digitalisation helped reduce leakages in two ways, IMF said. By starting Aadhaar system, the government was able to prevent claims of benefits for ghost beneficiaries or multiple claims of the same benefit. And, the government eliminated the dual pricing system and made electronic transfers of the subsidy directly to the Aadhaar-linked bank account of beneficiaries, bypassing dealers.

8. India's Biggest Steelmakers Plan Record Output On Strong Demand
Source: Livemint (Link)

India's biggest steelmakers are set to expand production to a record after reporting solid quarterly earnings amid strong steel prices. JSW Steel Ltd. posted record net income May 16 and outlined a $6 billion plan to raise output. Tata Steel Ltd., which aims to double domestic capacity, swung to profit, helped by a one-time gain. Both mills are ramping up to meet an anticipated surge in domestic consumption with the government set to spend trillions of dollars on expanding infrastructure. Paving the way are the best market conditions in years as prices are bolstered by lower exports from China, the world's biggest producer. Mills around the world are also benefiting. ArcelorMittal, the biggest, posted its best quarterly profit in six years last week, and Thyssenkrupp AG said earnings at its metal-making division more than doubled. JSW sees Indian steel consumption rising by as much as 7.5% in the 2019 financial year, supported by a government push for infrastructure projects and strengthening consumer demand, said joint-managing director Seshagiri Rao. "The medium term demand growth outlook is quite constructive," he said.

9. HUL On The Verge Of Overtaking ITC In Market Cap
Source: Livemint (Link)

Cigarette-to-soap maker ITC Ltd's shares rose 1.5% on May 16, even though its March quarter net profit just about met Street expectations. Worse, revenues were 11% lower than *Bloomberg* consensus estimates. It's not that there were any hidden gems in the company's results; rather, there is a fancy for consumer sector stocks in the markets currently. In fact, ITC is only enjoying a rub-off effect; other consumer goods stocks are doing far better. Hindustan

Unilever Ltd (HUL), ITC’s nemesis in the market cap tables, has caught up dramatically in the past year, as the chart above shows. A year ago, ITC’s market cap was 60% ahead; the gap has shrunk to merely 2.4%.There have been earlier occasions in 2018 when the gap has narrowed, though not to this extent. HUL is on the verge of overtaking ITC at this point, for the first time after it ceded the pole position back in 2005. ITC’s consumer goods business did well with comparable sales growth of 11.3% over a year ago, but it was lower than HUL’s 16% growth. Although this segment’s Ebit growth was impressive, this could change once ITC begins to invest heavily in growing the business, which is its main priority. Still, analysts say that ITC’s consumer goods business Ebit of nearly 3% is rather encouraging.

10. Cabinet Approves Tax Information Exchange Pact With Brunei
Source: The Economic Times (Link)

The Cabinet on May 16 approved signing of tax information exchange agreement between India and Brunei. The agreement enables the competent authorities of India and Brunei to provide assistance through exchange of information, relevant to the administration and enforcement of the domestic laws of the two countries concerning taxes, an official statement said. "The Union Cabinet chaired by Prime Minister Narendra Modi has approved the signing and ratification of agreement between India and Brunei Darussalam for the Exchange of Information and Assistance in Collection with respect to Taxes," the statement said. The information received under the agreement will be treated as confidential and may be disclosed only to persons or authorities (including courts or administrative bodies) concerned with assessment, collection, enforcement, prosecution or determination of appeals in relation to taxes covered under the agreement. The statement said information may be disclosed to any other person or entity or authority or jurisdiction with the prior written consent of the information sending country. The Central government is authorised under section 90 of the Income Tax Act, 1961 to enter into an agreement with a foreign country or specified territory for exchange of information for the prevention of evasion or avoidance of income tax chargeable under the Income Tax Act, 1961.

11. SEBI Proposes Uniform Pricing For Debt Securities; Seeks Public Comments On Proposal
Source: Firstpost (Link)

To deepen the bond markets, regulator SEBI on May 16 proposed a uniform methodology to determine pricing of non-traded and thinly traded non-convertible debt securities. The requirement of such a framework also assumes significance as large number of such investors belong to categories such as mutual funds, insurance companies and pension funds, which have a mandate of daily net asset value (NAV) with an exit facility at any point of time for their investors. This requires a reliable and accurate price of the outstanding securities on a daily basis. As per Sebi, the current practice of pricing of corporate bonds varies for different classes of regulated entities and this impacts trading in the secondary market. Accordingly, it has been recommended that a uniform pricing methodology be evolved, which provides prices on a daily basis and may be followed by all the regulated entities for valuing their corporate bond portfolio. "Availability of such a uniform pricing framework, will ultimately lead to improvement in liquidity in the secondary market and thus will help in deepening the bond markets," the Securities and Exchange Board of India (Sebi) said in a 15-page consultation paper. The regulator has sought public comments on the proposal till 18 June and final regulation will be put in place after taking into consideration views of all the stakeholders.