

## Daily Economic News Summary: 21 May 2018

### **1. Good News: India Is Now Sixth Wealthiest Country Of World With This Much Wealth**

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

India is the sixth wealthiest country in the world with a total wealth of USD 8,230 billion, while the US is the richest nation globally, says a report. According to the AfrAsia Bank Global Wealth Migration Review, the US is the wealthiest country in the world with a total wealth of USD 62,584 billion, followed by China (USD 24,803 billion) at the second place and Japan (USD 19,522 billion) at the third place. “Total wealth” refers to the private wealth held by all the individuals living in each country. It includes all their assets (property, cash, equities, business interests) less any liabilities. We exclude government funds from our figures. Larger countries have an advantage due to higher populations. Other countries in the top 10 wealthiest list includes the UK USD (9,919 billion), Germany (USD 9,660 billion), India (USD 8,230 billion), Australia (USD 6,142 billion), Canada (USD 6,393 billion), France (USD 6,649 billion) and Italy (USD 4,276 billion). Factors that will help in wealth creation in India include, a large number of entrepreneurs, good educational system, a robust outlook for IT, business process outsourcing, real estate, healthcare, and media sectors which will result in a 200 percent rise 10-year wealth growth forecast, according to the report. In the coming decade, China is expected to witness a significant rise in total wealth to USD 69,449 billion by 2027, while the wealth of the US would be around USD 75,101 billion.

### **2. Steel, Aluminium Duties Row: India Plans To Hit Back With Hike On 20 US Products**

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

In a retaliatory move, India has told the WTO that it proposes to raise duties by up to 100 per cent on 20 products such as almonds, apple and specific motorcycles imported from the US from next month, if Washington does not roll back high tariffs on certain steel and aluminium items. The additional duty proposed to be hiked on these items ranges from 5 per cent to 100 per cent. “India hereby notifies the Council for Trade in Goods of its decision to suspend concessions or other obligations ... that are substantially equivalent to the amount of trade affected by the measures imposed by the United States,” according to a communication by India to WTO. It said that the proposed suspension of concessions would be in the form of “an increase in tariffs on selected

products originating in the US". It also said that India reserves its right to further suspend substantially equivalent concessions and other obligations based on the measures of the US. India has earlier urged the US to exempt it from the decision to raise import duties on certain steel and aluminium products. The country has proposed this move under the WTO's Agreement on Safeguards. India has also dragged the US to the World Trade Organisation's dispute settlement mechanism over the imposition of import duties on steel and aluminium. India has stated that the decision will impact exports of these products to the US and it is not in compliance with global trade norms. India's exports of steel and aluminium products to America stood at about USD 1.5 billion every year. India's exports to the US in 2016-17 stood at USD 42.21 billion, while imports were USD 22.3 billion.

### **3. Finance Ministry Expects Banks To Get Back Over Rs 1 Lakh Cr With Resolution Of 12 Major Npas**

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

Enthused by successful conclusion of Bhushan Steel case, the Finance Ministry expects banks to write back more than Rs 1 lakh crore after the resolution of all 12 NPA cases referred to insolvency proceedings by the RBI in its first list. Last week, Tata Group acquired controlling stake of 72.65 per cent in the debt-ridden Bhushan Steel Ltd for around Rs 36,000 crore will help in cleansing the banking system as well as boost lenders profitability. The remaining 11 NPA cases which are in the pipeline will easily bring to the table over Rs 1 lakh crore and the amount coming from resolution under the Insolvency and Bankruptcy Code (IBC) will directly add to the bottomline and help in reduction of NPAs of the public sector banks, a senior Finance Ministry official told PTI. Last year in June, RBI's internal advisory committee (IAC) identified 12 accounts, each having more than Rs 5,000 crore of outstanding loans and accounting for 25 per cent of total NPAs of banks. Following the RBI's advisory, banks referred Bhushan Steel Ltd, Bhushan Power & Steel Ltd, Essar Steel Ltd, Jaypee Infratech Ltd, Lanco Infratech Ltd, Monnet Ispat & Energy Ltd, Jyoti Structures Ltd, Electrosteel Steels Ltd, Amtek Auto Ltd, Era Infra Engineering Ltd, Alok Industries Ltd and ABG Shipyard Ltd to NCLT.

#### **4. Google Still Searching For An Answer On Flipkart Minority Stake Buy**

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

Still considering the pros and cons of buying into the most-valued online marketplace in India, Alphabet Inc, the holding company that owns tech giant Google, has not yet decided on whether to acquire a minority stake in Flipkart, even as Tiger Global and Walmart Inc are making an effort to bring the search engine giant on board. According to sources, both Tiger Global and Walmart have had at least five rounds of discussions with Alphabet to convince it to make an investment, which would be to the tune of \$1 billion to \$2 billion. “Google, which has already access to user data, is still trying to figure out what Flipkart would bring to the table. However, it is still considering buying a stake in Flipkart as it is the principal opponent to Amazon in India and with the right kind of tech push it would be able to take on Jeff Bezos-led tech giant,” said a source. Google declined to comment on whether or not it would buy a stake in Flipkart. The other thing that the firm is concerned about is that the deal between Flipkart and Walmart has not been completed as SoftBank Group is still considering whether it wants to get out of the firm or not. Sources said that SoftBank Chief Executive Officer Masayoshi Son is yet to decide on selling the whole 21 per cent stake in Flipkart even as the time it took to think about it is up. Reports suggested that Son had asked for 10 days to decide what exactly he wanted to do with his stake. “Google wants the deal to fructify before it can take forward the discussion with Walmart,” sources added.

#### **5. Petrol, Diesel Prices Hit All-Time High On Seventh Straight Day Of Rate Hike**

**Source: Livemint ([Link](#))**

Petrol price on May 20 touched a record high of Rs76.24 per litre and diesel climbed to its highest ever level of Rs67.57 as the oil retailers passed on four weeks of relentless rise in international oil prices to consumers. Petrol price on May 20 increased by 33 paise a litre in New Delhi—the highest since the daily price revision came into force in mid-June 2017, and diesel by 26 paise, according to price notification issued by state-owned oil firms. Rates vary from state to state depending on the incidence of local sales tax or VAT. Prices in New Delhi are the cheapest in all metros and most state capitals. With this increase, petrol has touched an all time-high, breaching the previous high of Rs76.06 touched in New Delhi on 14 September 2013. Diesel rates are also at the all-time

high level. This is the seventh straight day of price increase since state-owned oil companies on 14 May resumed daily price revision after a 19-day pre-Karnataka poll hiatus. In all, petrol price has been raised by Rs1.61 a litre and diesel by Rs1.64 in last one week. In India, petrol is the costliest in Mumbai where high local taxes have led to a price of Rs84.07 per litre. Petrol has breached Rs80 mark in Bhopal (Rs81.83 a litre), Patna (Rs81.73), Hyderabad (Rs80.76) and Srinagar (Rs80.35), according to the price notification. Petrol in Kolkatta costs Rs78.91 per litre while it is priced at Rs79.13 in Chennai. On May 18, economic affairs secretary Subhash Chandra Garg refused to say if the government will cut excise duty on auto fuel to ease the burden on consumers. The government is watching the situation developing from oil prices hitting \$80 a barrel the highest since November 2014, and adequate steps will be taken, is all he said without elaborating.

#### **6. Competition Law: Regulatory Conflicts To Ease In Redrafting**

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

The government is planning a major overhaul of the competition law, likely bringing in a framework to ensure greater synergy between sector regulators, including RBI, Sebi, Trai and Irdai, and the Competition Commission of India (CCI), a senior official told FE. The idea is to remove any overlapping role among watchdogs on regulating competition in a relevant market to ensure faster clearances to large merger & acquisition (M&A) deals and better curtailment of anti-market behaviour. A review if not another hike of thresholds beyond which all M&A deals require the CCI approval and of “deterrent penalties” on anti-competitive practices is also expected, analysts said. The government spared small deals from the CCI ambit last year. Companies need not notify the CCI if the assets of the target firm is Rs 350 crore or less or the turnover is up to Rs 1,000 crore. This substantially reduced the work load and prompted the government recently to cut the strength of the CCI board from seven to four, including the chairman. “The next big task is to shape the competition law in such a way that it will reflect today’s realities and be among the best globally,” said the official source. Corporate affairs secretary Injeti Srinivas is learnt to be spearheading this initiative.

### **7. Aadhaar, PAN Mandatory For Customs Broker Licence: Tax Dept**

**Source: The Hindu, Business Line ([Link](#))**

The revenue department has made unique identity number Aadhaar and PAN mandatory for persons seeking a customs broker licence, according to a notification. ‘Customs broker’ is a person licensed to act as an agent on behalf of importer/exporter for transaction of business relating to entry or departure of conveyances or goods at any customs station, including audit. According to the Customs Brokers Licensing Regulations, 2018, notified by the Central Board of Excise and Customs (CBEC) recently, an applicant seeking to get a licence for customs broker should hold Aadhaar as well as PAN card. The Directorate General of Performance Management, as per the regulations, in April every year, invites applications for conducting examination and subsequent grant of licence to act as customs broker. The licence issued under the regulations is valid for 10 years. A broker is obliged to verify identity of the client and functioning at the declared address by using “reliable, independent, authentic documents, data or information”. The regulations further said that a customs broker should hire only those persons who have at least passed 12th standard and possess Aadhaar.

### **8. ISMA Writes To Centre: Sugar Mills Unable To Crush Cane**

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

Sugar mills across states have expressed their inability to start operations in the next marketing year starting October, ahead of the crucial 2019 Lok Sabha election, and perhaps for the first time, sought an end to the practice of fixing fair and remunerative price (FRP), blaming it for having inflated cane costs to exorbitantly high levels. In a letter to food secretary Ravi Kant on May 18, Indian Sugar Mills Association director general Abinash Verma has warned of a collapse of mills’ finances due to a 96% hike in the FRP in the past eight years when sugar prices haven’t kept pace and have fallen 25-30% in the current marketing year alone. Consequently, FRP-linked cane costs have reached 90-100% of sugar sales realisation, and based on the state advised prices (SAP) fixed by Uttar Pradesh, the raw material costs are even higher, as they have always been. Cane arrears jumped to as much as Rs 21,675 crore as of April 15 and Verma said many mills might soon face closure or be dragged to insolvency courts. Given the crisis, Verma has asked for fixing the price of cane at up to 75% of sugar sales proceeds, which is in sync with the formula suggested by the

Rangarajan panel in 2012. He also said mills across states must be allowed to have the flexibility of clearing dues in three installments, a practice currently followed in Gujarat.

### **9. RBI May Lean Towards A Rate Hike On Spike In Crude Price, Inflation**

**Source: Livemint ([Link](#))**

With crude oil prices touching \$80 per barrel and core inflation rising, economists have revised their expectations from the Reserve Bank of India (RBI), ahead of a crucial meeting of its monetary policy committee (MPC) on 4-6 June. While some economists expect the MPC to assume a more hawkish tone, others expect a 25 basis points hike in key policy rates. Minutes of MPC's April meeting revealed how some members had signalled a more hawkish stance. Deputy governor Viral Acharya who called for this change in stance said he is likely to shift decisively to vote for a beginning of "withdrawal of accommodation" at the next meeting in June. If indeed the RBI does effect a rate hike, it will trigger a series of lending rate increases by banks, pinching the politically important middle class and weakening the already lagging investment climate in the country. According to Goldman Sachs, the RBI will shift its policy stance to a hawkish one, keeping key rates on hold. However, chances of a rate hike will increase if international crude prices rise further or the rupee depreciates significantly. "Although better activity data, higher inflation, and rising crude oil prices all point towards a more hawkish RBI and could warrant a policy rate hike, we think the RBI will await clarity on minimum support price (MSP) hikes for summer crops, monsoon outturns, and more inflation data before embarking on a rate hiking cycle," said the foreign bank in its latest research report.

### **10. Tariff Battle: India May Target US Apples, Almonds And Bikes**

**Source: The Hindu, Business Line ([Link](#))**

In a retaliatory move, India has told the WTO that it proposes to raise duties by up to 100 per cent from next month on 20 products imported from the US such as almonds, apples and specific motorcycles if Washington does not roll back high tariffs on certain steel and aluminium items. It may hike the duty from 5 per cent to 100 per cent. "India hereby notifies the Council for Trade in Goods of its decision to suspend concessions or other obligations that are substantially equivalent to the amount of trade affected by the measures imposed by the US," said a communication by

India to the WTO. It further said the proposed suspension of concessions would be in the form of “an increase in tariffs on selected products originating in the US”. It also said that India reserves the right to further suspend substantially equivalent concessions and other obligations based on the measures taken by the US. India had earlier urged the US to exempt it from the decision to raise import duties on certain steel and aluminium products. The country has proposed this move under the WTO’s Agreement on Safeguards. On March 9, US President Donald Trump signed two proclamations that levied a 25 per cent tariff on steel and a 10 per cent tariff on aluminium imported from all countries except Canada and Mexico. The move sparked fears of a global trade war.

### **11. India’s Rural Consumption Surges In Boost For FMCG Firms**

**Source: Livemint ([Link](#))**

Consumption growth in rural India has outpaced urban spending by the widest margin in five years, encouraged by relatively good rainfall last year and an increase in government spending on infrastructure. Rural consumption rose by 9.7% in the year ended 31 March, faster than the 8.6% growth in urban spending, according to market researcher Nielsen. A year ago, rural growth outpaced urban spending by less than half a percentage point. “If we look at growth in volume terms, we have reached the peaks last seen five years ago. Volumes were growing at about 10% then,” Sameer Shukla, executive director at Nielsen India, said in an interview earlier this month. The faster pace of rural growth, if it sustains, is good news for India’s consumer goods companies. Rural consumption had slowed due to droughts in 2014 and 2015, and the twin disruptions of demonetization in November 2016 and implementation of the goods and services tax (GST) from 1 July in the following year, hurting sales of companies such as Hindustan Unilever Ltd (HUL), the nation’s biggest household goods maker. Things have improved in the latter half of the last fiscal year, with consumer goods companies reporting faster growth. Fast-moving consumer goods (FMCG) companies grew sales at 13.5% in the year ended 31 March, the fastest pace in last three years, according to Nielsen data. The growth was led by volume growth, which rose 9.1%, or almost 2.5-3 percentage points faster than the previous two years, according to the data.

## **12. Govt May Allow Data Resale In Boost To Public Wifi Plan**

**Source: Livemint ([Link](#))**

Public WiFi hot spots could mushroom with the government planning to lift an existing prohibition on the resale of internet data, a person aware of the matter said. The department of telecommunications (DoT) is planning to issue an order within a month allowing such resale without double taxation, this person said on condition of anonymity. “Right now, a virtual network operator (VNO) or his equivalent public data office aggregator buys bulk bandwidth (from a telecom service provider, or TSP). The TSP is paying 8% (licence fee), this person (VNO) is also paying 8%. So, we will now move to the GST principle of value addition, where you will be taxed only on value addition. So, if he invests in infrastructure and other things, he will be able to claim input tax credit for the bandwidth,” the person cited above said. A VNO buys bulk bandwidth or talk time from a telco or an internet service provider and utilizes it to sell its own branded services to consumers. It does not own either spectrum or network infrastructure. The new rules could also help struggling state-run telcos such as Bharat Sanchar Nigam Ltd, or BSNL, and Mahanagar Telephone Nigam Ltd, or MTNL, monetize excess unused capacity on their networks. Separately, DoT has set an ambitious target of deploying 500,000 WiFi hot spots by December across the country from the current 38,000.

## **13. World Bank Extends \$300 Mn Credit To Scale Up Energy Efficiency Program**

**Source: The Hindu, Business Line ([Link](#))**

The World Bank Board of Executive Directors approved a \$220 million (Rs 1,496 crore) loan and an \$80 million (Rs 544 crore) guarantee for the India Energy Efficiency Scale-Up Program. The Program, to be implemented by the Energy Efficiency Services Limited (EESL), will help scale up the deployment of energy saving measures in residential and public sectors, strengthen EESL’s institutional capacity, and enhance its access to commercial financing. India’s climate change commitments to reduce carbon intensity by 33-35 per cent by 2030 from 2005 level will require a significant focus on energy efficiency improvements. The investments under the Program are expected to avoid lifetime greenhouse gas emissions of 170 million tonnes of CO<sub>2</sub> and contribute to avoiding an estimated 10 GW of additional generation capacity. This would be over 50 percent of the National Mission for Enhanced Energy Efficiency target of 19.6 GW indicated in India’s



Nationally Determined Contributions (NDCs) under the Paris Accord. The key components of the operation include creating sustainable markets for LED lights, energy efficient ceiling fans, facilitating well-structured and scalable investments in public street lighting, developing sustainable business models for emerging market segments such as super-efficient air conditioning and agricultural water pumping systems and strengthening the institutional capacity of EESL. The Program aims to help increase private sector participation in energy efficiency, including through private sector energy service companies. Under the Program, EESL will deploy 219 million LED bulbs and tube lights, 5.8 million ceiling fans, and 7.2 million street lights, which will be supplied by private sector manufacturers and suppliers.