

Daily Economic News Summary: 26-27 April 2018

1. GST, Demonetisation Brought 1.8 Mn More People Into Income Tax Net: India Informs UN

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

India has informed the UN that the Goods and Services Tax reform implemented by it, coupled with the demonetisation of high-value currency notes, has brought 1.8 million more people into the income-tax net. Additional Secretary in the Ministry of External Affairs A Gitesh Sarma, addressing the ECOSOC Forum on Financing for Development Follow Up, said India is currently implementing a wave of reforms. Apart from encouraging digital over cash transactions, India introduced the Goods and Service Tax regime which provides for uniform taxes. He said this has led to a 50 per cent increase in the number of indirect taxpayers. "Coupled with demonetisation of high-value currency notes, the GST brought 1.8 million more people into the income-tax net," he said at the forum on April 26. He added that India stands firm on its stand on the fundamental principles of the World Trade, including multilateralism, rule-based consensual decision-making, an independent and credible dispute resolution and appellate process, the centrality of development, which underlies the Doha Development Agenda, and special and differential treatment for all developing countries. He said the global economic recovery is progressing gradually, with improved resilience and emergence of new sources of growth.

2. China-India Trade Volume Rises 15% To \$22.1 Billion In Q1

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

After hitting historic high of \$84.44 billion last year, China's trade with India saw a robust growth in the first quarter this year, with bilateral trade netting \$22.1 billion, up 15.4 per cent year-on-year, a top Chinese official said on April 26. The growth continued from the upward momentum seen last year, when bilateral trade reached a record high of \$84.4 billion, up 20.3 per cent from the previous year, spokesperson for the Ministry of Commerce Gao Feng said. "As two large developing countries and major emerging market economies, China and India both have a huge domestic market," Gao said, adding the economies of both countries are highly complementary to each other, creating enormous potential for cooperation. "By the end of 2017, Chinese investments

into India added up to more than \$8 billion, as India has become an important market for infrastructure cooperation among Chinese companies and a major investment destination," Gao was quoted as saying by the state-run Xinhua news agency. His comments came ahead of the two-day informal summit between Prime Minister Narendra Modi and President Xi Jinping in the central Chinese city of Wuhan on Friday, during which a host of issues, including an over \$50 billion trade deficit between the two countries is expected to figure. The trade between the two countries touched the historic high despite bilateral tensions over a number of issues, including the China-Pakistan Economic Corridor (CPEC), China blocking New Delhi's move to designate Pakistan-based Jaish-e-Mohammed terror group chief Masood Azhar a global terrorist, Beijing blocking India's entry into the Nuclear Suppliers Group (NSG) and the Doklam stand-off.

3. Govt Working On Making The Country An Air Cargo Hub: Suresh Prabhu

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

The government on April 24 held a meeting with industry to explore the possibility of the country becoming an air cargo hub and how aircraft manufacturing could be developed here. Briefing newsmen after the meeting, Minister for Civil Aviation, Suresh Prabhu, said the government is also serious about ensuring that passenger rights are protected as air travellers. The government will soon come out with a citizen charter for air travellers, he said. The proposed charter will lay down, among other things, how much financial compensation a passenger is entitled to if his flight is delayed. Later speaking to newsmen, RN Choubey, Secretary, Civil Aviation, said the government had received several queries on the proposed divestment of government's stake in Air India. "We will reply to these queries," he said. He, however, declined to get into specifics on what issues the queries related to. The government released the Preliminary Information Memorandum (PIM) for inviting Expression of Interest (EOI) for strategic divestment of Air India and its shareholding in Air India Express and Air India SATS Airport Services on March 28. It set April 16 as the last date for those interested in bidding for a stake to raise queries. The government is to divest 76 per cent stake in Air India, and its shareholding in Air India Express and Air India SATS Airport Services Ltd. The government's decision to retain a 24 per cent stake has not gone down well with the industry.

4. Export From Special Economic Zones Jumped 18% In FY18

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

Export from Special Economic Zones (SEZs) rose 18 per cent in 2017-18, due to progress in terms of clearances and facilities. Data compiled by the Export Promotion Council of India for Export Oriented Units and SEZs (EPCES) under the ministry of commerce reported total merchandise and software export of Rs 5,513 billion in FY18, from Rs 4,686 bn the previous year. The jump was despite levy of Minimum Alternate Tax (MAT), imposition of Dividend Distribution Tax (DDT) and the impending sword of a sunset clause from 2020, when tax benefits are to end. EPCES has urged the government to continue with the exemptions granted to SEZs and EOUs, and to remove MAT and DDT from these zones. There are 204 of these in the country. "SEZs are the only location where production and services continue without obstruction or hindrance of uninvited, unwanted visitors, a norm in the Domestic Tariff Area (DTA). A safe, secure and peaceful environment, flush with abundant green belts and conducive ambience, definitely helps increase productivity and defect-free products," said Vinay Sharma, officiating chairman of EPCES. In the SEZs, single-window clearance, approachable development commissioners and approval for new units or changes in the Letter of Permission at monthly meetings of unit approval committees are given as reasons for the higher 'Ease of Doing Business'. As against business in the DTA, where one has to deal with multiple authorities and departments.

5. Fitch Keeps India Rating At BBB- For 12th Year; Says GST To Drive Mid-Term Growth, But There's A Caveat

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

Rating agency Fitch on Friday kept India's sovereign rating unchanged at BBB-, the lowest investment grade for the 12th year with stable outlook even as it praised the implementation of the Goods and Services Tax (GST). It said that the GST will drive the mid-term growth once the teething troubles are resolved. "Weak fiscal balances, the Achilles' heel in India's credit profile, continue to constrain its ratings," Fitch said while reaffirming India's rating for the 12th year. It forecast India's GDP growth to rebound to 7.3% in FY19 and 7.5% in FY20, as a "temporary drag will fade" caused by demonetisation and the GST in 2016 and 2017 respectively. "The GST is likely to support growth in the medium term once teething issues dissipate. India's five-year

average real GDP growth of 7.1% is the highest in the APAC region and among ‘BBB’ range peers,” Fitch said. However, India’s Per capita GDP is the lowest among its ‘BBB’ range peers, the rating agency said. Fitch said that if the government reduces its debt over the medium term and achieves higher sustained investment and growth rates without the creation of macro imbalances, it would make a strong case for an upgrade in rating.

6. Top Three IT Firms Returned \$9.75 Billion To Investors In FY18

Source: Livemint ([Link](#))

Tata Consultancy Services Ltd (TCS), Infosys Ltd and Wipro Ltd returned \$9.75 billion to their shareholders in the year ended 31 March, the highest ever in their history, under pressure from investors after they failed to deploy their cash hoard to grow their business. The decision to return money to shareholders, through dividends and share buyback, also appears to have contributed to a reversal in performance of these stocks. After posting negative returns in 2016-17, TCS shares outperformed the benchmark BSE Sensex while Infosys shares matched the Sensex’s 11% return and Wipro returned 9% gains. The IT firms are likely to continue with their practice of returning cash to shareholders. Infosys said that in addition to returning 70% of free cash flow its generates in a year, the company will return an additional \$2 billion to shareholders in the current year while Wipro said that the company intends to return up to half of its net income to shareholders. The three companies together have more than \$12 billion in cash, in addition to generating about \$7.5 billion in cash every year, suggesting that these companies have enough cash to reward their shareholders. The three companies together have more than \$12 billion in cash, in addition to generating about \$7. billion in cash every year, suggesting that these companies have enough cash to reward their shareholders.

7. India Wants US To Reconsider Plan To Ban Spouses Of H-1B Holders From Working

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

India is hopeful that the US will drop its plan to disallow spouses of H-1B non-immigrant visa holders to work in the country as the matter was of great concern for families located there, Commerce & Industry Minister Suresh Prabhu has said. New Delhi has already communicated its concerns to Washington and would like to have the reality put into perspective that Indian

companies in the US are contributing significantly in the growth of the US economy, Prabhu said at an event organised by American Chamber of Commerce in India. “The US decision to put certain restrictions on visas is quite disappointing and we hope that the US will take corrective actions,” he said. US Citizenship and Immigration Services Director Francis Cissna, in a recent letter to US Senator Chuck Grassley, pointed out that the Trump administration was planning to terminate the provision allowing spouses of H-1B visa holders to work in America. New Delhi is already in discussions with the US at the World Trade Organization over its decision to impose additional duties on imports of steel and aluminium from India. The US is India’s top export destination with shipment worth \$ 47.9 billion shipped to the country in 2017-18, a growth of 13 per cent over the previous year. India’s imports from the US were at \$ 26 billion in 2017-18 which was 16.5 per cent higher than the previous year.

8. Google To Launch New India Focused Mentorship Program For Tech Start-Ups

Source: Livemint ([Link](#))

Google India will launch an India-focused mentorship and boot camp program for start-ups building both business-to-consumer (B2C) and business-to-business (B2B) tech products, the company said in a statement on April 26. Google’s new mentorship project will focus primarily on start-up products that demonstrate expertise in artificial intelligence (AI) and machine learning (ML). The Google team will mentor these start-ups across various product and business level challenges. The mentorship initiative named ‘Solve For India’ was initially launched in pilot mode in India last year along with participation from Google Developers’ Launchpad Accelerator team. Launchpad Accelerator is a global project that helps start-ups build and scale their products through mentorship from Google network of investors, mentors, industry professionals and representatives from Google Inc. Around 10 Indian tech start-ups working on products around Indic languages, healthcare, fintech, agritech and online content among others took part in its first boot camp hosted on April 26 in Bengaluru. Participating in the first boot camp, were founders of start-ups, including Nebulaa, SlangLabs, PregBuddy, LegalDesk, PaySack, Vokal, FarMart, Meesho, Pratilipi and M-Indicator.

9. Amazon To Add Five Fulfilment Centres In India, Boost Warehousing Capacity

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

Amazon is continuing to pepper India with its warehouses, announcing the opening of five new fulfillment centres, which will be ready in the next six months. This comes at a time when logistics and warehousing is becoming one of the most important investments for e-commerce companies in the country. To be located in Bengaluru, Mumbai, Delhi, Vijayawada and Kolkata, the five new centres will serve Amazon's core e-commerce business and will take the total number of warehouses of the company in the country to 67. The new centres will partly contribute to a 150 per cent increase in storage capacity for Amazon in 2018, when compared to the previous year. “We have been constantly and consistently making investments to expand the fulfillment capacity both for storage and processing for our sellers so that we can deliver larger volumes as we are growing,” said Akhil Saxena, vice-president of customer fulfillment at Amazon India. “Earlier this year, we had also announced the opening of 15 fulfillment centres for our Amazon Now business.” Along with the increase in warehouses and storage space, the company is also growing downstream logistics capabilities and now has over 200 delivery stations across the country.

10. Industrial Schemes For J&K, Himachal Pradesh & Uttarakhand Notified

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

Government has notified new industrial development schemes for Jammu & Kashmir, Himachal Pradesh and Uttarakhand to boost industrialisation, providing cheaper access to credit and interest incentive. The Industrial Development Scheme for Himachal Pradesh (HP) & Uttarakhand, 2017 will run for five years from April 1, 2017 to March 31, 2022. The Industrial Development Scheme for Jammu and Kashmir, 2017 will be effective from June 15, 2016 to March 31, 2022. All new industrial units undertaking substantial expansion in manufacturing sector and services sector including bio-technology and hydel power generation Units up to 10 MW will be eligible for the incentives. There is a negative category of goods that will not be eligible for incentives. The notification issued by the government said that the units in the state will be provided central capital investment incentive for access to credit at the rate of 30% of the investment in plant and machinery with an upper limit of Rs 5 crore. “The project cost will need to be appraised by a

Scheduled Commercial Bank or Financial Institution before the proposal of assistance is approved by the Empowered Committee of DIPP,” the notification said. Preference will also be given to eligible industrial units under the micro, small and medium enterprises. Government will form an empowered committee chaired by secretary, Department of Industrial Policy and Promotion, secretaries of department of expenditure, representative of think-tank NITI Aayog and secretaries of the concerned ministries and the chief secretary of the state, for selection of beneficiaries under the scheme.

11. UAE-Based Aries To Invest \$5 Billion To Set Up 2k Multiplex Screens In India

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

UAE-based Aries Group’s Indywood Consortium is investing \$5 billion to construct 2,000 multiplex screens across India, Aries Group chairman and CEO Sohan Roy told FE. The multiplexes would have an average of 5 screens, with one screen of 8k resolution, he said, adding that the group’s total investments in India and the Middle East would be \$10 billion. Aries Group was started with its flagship unit, Aries Marine, the largest ship design and consultancy firm in the Middle East. “Our multiplexes would have an average of five screens depending on the population of the city. One screen would be of the highest resolution of 8k, which is also known as the digital wall. The rest would be 4k screens. We have already identified land owners who would be part of our consortium,” he said. Construction of the first 8k screen in India has already begun in Udupi, he added. The group currently has a multiplex in Thiruvananthapuram with 4k screen. “We will increase our market share in marine, tourism and entertainment sectors by 2020. In entertainment, we will set up top-notch multiplex screens, home cinemas, films schools in India and the Middle East,” Roy said. Recently, Aries Group acquired Mohanlal’s Vismayas Max Studio and Epic Studios, India’s biggest 3D Stereoscopic Studio facility.