

Daily Economic News Summary: 26 March 2018

1. China Commerce Minister Arrives: India to Push on Huge Trade Deficit

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

Chinese Commerce Minister Zhong Shan reaches New Delhi on March 26 for official trade talks. In the backdrop of a possible trade war between the United States and China, India is looking to get China to reduce tariffs on our export, senior government officials suggested. The bilateral engagement, under the aegis of the India-China joint economic forum, will be significant for India since Beijing has decided to discuss India's ballooning trade deficit, commerce and industry minister Suresh Prabhu said. India's import from China was \$61.3 billion and exports stood at a much lesser \$10.2 billion, leaving in its wake a massive \$51.1 billion trade deficit in 2016-17. The government has been worried by increasing friction between the US — India's largest export destination — and China, India's largest import source, which could lead to a fall in global demand and rise in the cost of trade. The government is throwing its weight behind a long-term plan of revising the export basket to China. Raw materials like cotton, iron ore and copper have come under scrutiny as the government and exporters try to shift priorities towards value-added products. The ministry has identified key sectors such as hardware, electronics, pharmaceuticals, textiles and auto components to boost export.

2. Uber is said to Reach Agreement on Southeast Asian Sale to Grab

Source: Livemint ([Link](#))

Uber Technologies Inc. has reached an agreement to sell its Southeast Asian ride-hailing business to rival Grab and could announce the deal as early as early as March 26 morning in Singapore, people familiar with the matter said. The agreement—which includes all of Uber's operations in Southeast Asia as well as Uber Eats in the region—gives Uber a stake of between 25% and 30% in the new combined business, the people said, asking not to be identified ahead of an official announcement. The deal, which Bloomberg outlined earlier this month, marks Uber's operational exit from yet another major market and hands a victory to Grab as it battles local competitor Go-Jek. SoftBank Group Corp., a major backer of Grab's and Uber's as well as China's Didi Chuxing,

has pushed consolidation to improve the profitability of a global ride-hailing business that bleeds billions of dollars a year. New entrants and the strength of second-place regional players such as Lyft Inc. in the U.S. has complicated those efforts. Grab, which has more than 86 million mobile app downloads, currently offers services in more than 190 cities across Singapore, Indonesia, the Philippines, Malaysia, Thailand, Vietnam, Myanmar and Cambodia

3. India Plans to Develop 2 Lakh Km of Highways, Says Gadkari

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

India plans to develop 2 lakh km of highways and 12 expressways across the country, said Union Road Transport & Highways Minister Nitin Gadkari on March 24. "The Central government plans to develop 2 lakh km of highways and 12 expressways across the country with the help of state governments," he said at an industry summit on 'The Emerging New Growth Paradigm', organised by the Confederation of Indian Industry (CII) in Bangaluru. Noting that progress in the road sector was growing at 28 km per day in this fiscal, Gadkari said the target would be 40 km per day in 2018-19. The government has also introduced a scheme where water will reach farmlands using pipe system than canals, avoiding land acquisition costs to the tune of Rs 6,000 crore. The summit also deliberated on key areas including regulatory excellence, sustainability and diversity, global shocks, carbon footprint reduction commitment, diversity, job creation, industry 4.0, new-gen technologies, future of work and next generation leadership.

4. PM Modi Promises at Least 1.5x Cost as Minimum Support Price for Crops

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

Prime Minister Narendra Modi has said that the Minimum Support Price (MSP) of notified crops should be remunerative. Addressing the nation in his 42nd 'Mann Ki Baat' on the radio, the PM said: "It has been decided that the MSP of notified crops will be fixed at least one and a half times of their cost." He added: "The MSP will include labour cost of other workers employed, expenses incurred on own animals and on animals and machinery taken on rent, cost of seeds, cost of each type of fertiliser used, irrigation cost, land revenue paid to the State government, interest paid on working capital, and ground rent in case of leased land." "Not only this, the cost of labour of the farmer himself or any other person of his family who contributes in agricultural work will also be added to the cost of production," Modi added.

5. Air India's New Owner to Retain Employees on Payroll after Acquisition

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

The government is likely to include a clause in the share purchase agreement to ensure Air India employees do not lose jobs immediately after privatisation. This would entail that a successful bidder take the employees of Air India and Air India Express on its payroll for a period of one year after the completion of the sale. According to the latest figures available, the two companies together have 13,868 employees. The government has decided to sell the core airline company Air India and its low-cost arm Air Express together. “Employees cannot be asked to resign. While the private player will be given full independence in taking strategic decisions, employees will be asked to be retained for one year,” said a senior government official. In total, Air India and its five subsidiaries have around 22,000 employees, of whom Air India has around 12,000. It includes 897 pilots and 2,750 cabin crew who are termed technical employees. The rest comprises non-technical staff working in ground handling and management.

6. GST: Firms Fear Dispute over Input Tax Credits

Source: Livemint ([Link](#))

Indian companies fear that input tax credit claimed for GST paid on raw materials may be disputed by tax officials later and are considering setting aside funds to cover risks arising from rejection of their claims. Experts say there is no guarantee that the input tax credit and transitional credit (accrued under the earlier tax system) claimed by the companies will be approved when it is scrutinized by tax authorities at the end of the fiscal year. With key features of the goods and services tax (GST)—such as matching of invoices—yet to be implemented, the tax is now based on a self-declaration mechanism. Companies are availing provisional input tax credit until the GST Council brings in the invoice-matching process. “Since provisional credit has been claimed, companies will have to review and audit credit balances, consider provisioning and make sure credit balances are appropriate, given system matching has not yet been implemented,” said Archit Gupta, chief executive officer at online tax-filing portal Cleartax.

7. GST Relief: Businesses with Zero Tax Liability May Get to File Returns Bi-Annually
Source: Financial Express ([Link](#))

Businesses having zero tax liability for six consecutive months under GST may soon get relief once the proposal to allow such entities to file returns only twice a year gets the GST Council's nod. According to recent data, as much as 40 per cent of return filers under the Goods and Services Tax (GST) regime have nil tax liability and will not have to file monthly returns once the new simplified return filing procedure is finalised. The GST Council, headed by Finance Minister Arun Jaitley and comprising his state counterparts, will at its next meeting consider the proposal to simplify the GST return forms. "Taxpayers whose liability is nil for six consecutive months will be required to file six-monthly return," an official told PTI. As per the proposal prepared by the revenue authorities, the return filing date would be spread out. Businesses having annual turnover of up to Rs 1.5 crore will have to file return by 10th of next month, while others can file return by 20th, the official added. The number of returns filed by both small and large taxpayers would be 12 in a year. When GST was implemented on July 1, businesses were mandated to file three returns a month, and one annual return, taking the total number of returns in a year to 37.

8. How Cyber Attacks Can Derail Digital Payments Systems
Source: Financial Express ([Link](#))

The Indian banking and financial services sector has seen its digital infrastructure expanding exponentially in recent years. Digital services such as Pradhan Mantri Jan Dhan Yojna, Inter-bank ATM transactions through National Finance Switch (NFS), Immediate Payment Service (IMPS), etc., have brought banking to the customer's doorstep like never before. At the same time, cyber threats are also increasing and the nascent ecosystem is already facing sophisticated cyber attacks. For instance, a Rs 25 crore heist at a bank recently was traced to a bug in a digital payment application that allowed pilfering small amounts from multiple accounts. Again, a mobile wallet company suffered a loss of Rs 19 crore due to vulnerabilities in its own online payment system. These incidents require stakeholders to gear up, prepare and collaborate to provide secure and reliable prepaid payment instruments to end-consumers. It was in this backdrop that Data Security Council of India (DSCI) and PayPal jointly launched a report titled 'Securing India's Digital Payment Frontiers'. The key objective of this study was to analyse India's journey in digital

payments and its cybersecurity dynamics, prevailing cyber threat landscape, policies, regulations, standards along with future trends and best practices at the enterprise level.

9. Now, India is the Third Largest Electricity Producer Ahead of Russia, Japan

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

India's electricity production grew 34% over seven years to 2017, and the country now produces more energy than Japan and Russia, which had 27% and 8.77% more electricity generation capacity installed, respectively, than India seven years ago. India produced 1,160.10 billion units (BU) of electricity—one BU is enough to power 10 million households (one household using average of about 3 units per day) for a month—in financial year (FY) 2017. Electricity production stood at 1,003.525 BU between April 2017-January 2018, according to a February 2018 report by India Brand Equity Foundation (IBEF), a trust established by the commerce ministry. With a production of 1,423 BU in FY 2016, India was the third largest producer and the third largest consumer of electricity in the world, behind China (6,015 BU) and the United States (4,327 BU). Power sector has a 100% foreign direct investment (FDI) permit, which boosted FDI inflows in the sector. Total FDI inflows in the power sector reached \$12.97 billion (Rs 83,713 crore) during April 2000 to December 2017, accounting for 3.52% of FDI inflows in India, the report said.

10. Vehicle Scrap Policy to Go for Cabinet Nod in a Month, Says Union Minister

Nitin Gadkari

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

The proposed vehicle scrap policy for mandatory disposal of more than 20 years old commercial vehicles will go for the Cabinet nod in a month and once brought in, will result in additional flow of Rs 10,000 crore into government coffers, Union minister Nitin Gadkari said. The much-awaited policy was given 'in-principle' approval at a high-level inter-ministerial meeting at the PMO to pave way for scrapping of 20 years old commercial vehicles (CVs) from April 1, 2020. "Old commercial vehicles are responsible for 65 per cent of the vehicular pollution. The policy to scrap these has got nod at a Secretary-level meeting at the PMO. Now stakeholders consultation will be done in a fortnight and it will go to the Cabinet in about a month's time," Road Transport, Highways, Shipping, Water Resources and Ganga Rejuvenation Minister Nitin Gadkari told PTI

in an interview. After the Cabinet nod this will be placed before the GST Council as the concessions that “we are liable to give to buyers of new vehicles in lieu of the scrapped ones” is linked to state governments and the Government of India, the minister said. The GST Council will decide the amount of concession that the Centre and the states will offer in this regard. “I am not in a position to say the exact benefits to the buyer of such vehicle at this moment” but assess that the benefit of buying one in place of scrapped one could be anything ranging between 15 to 20 per cent, he said. “The policy once it comes into force will result in increase in Rs 10,000 crore revenue to the government. Production of new vehicles will jump by 22 per cent... The automobile industry at present is a Rs 4.5 lakh crore industry in India, will swell to a Rs 20 lakh crore industry,” the minister claimed.