

Daily Economic News Summary: 30 January 2018

1. Economic Survey 2018: State-wise exports included for the first time

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

Maharashtra, Telangana, Tamil Nadu, Karnataka and Gujarat account for 70% of the country's exports. The prospects of the country's external sector look bright in the coming years as global trade is expected to increase, although the rise in oil prices could create problems, the Economic Survey said today. The survey for 2017-18 was tabled in Parliament on Jan 29 by Finance Minister Arun Jaitley. The Economic Survey 2018 stated that for the "first time in India's history", data on the international exports of states has been dwelt upon in the Survey. Such data indicates a strong correlation between export performance and states' standard of living.

2. Digital services' share in IT export to double to 30% by 2020: Crisil

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

The share of digital services in the export revenue of Indian information technology (IT) service companies are expected to double to around 30 per cent by 2020, says rating agency and research firm CRISIL. This will be supported by initiatives like large-scale reskilling of the tech workforce and more of mergers and acquisitions (M&A) in the digital space. 'Digital' encompasses newer technologies such as Big Data and Analytics, Internet of Things, Artificial Intelligence, machine learning, Robotic Process Automation, Augmented Reality and Virtual Reality. Which organisations are seen increasingly embracing as they digitalise their operations, migrating to a cloud and smartphone environment.

3. First overseas foray: Ola enters Australia to take on Uber

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

Softbank-backed Ola has launched its service in Australia, its first overseas market, as it looks to fulfill its global ambitions in line with the ride-hailing model peers and competitors such as Didi Chuxing, Grab and Uber have built. The company in a press note said that it has begun inviting private hire vehicle owners in the cities of Sydney, Melbourne and Perth to sign up on its service. Commencement of its commercial operations is still subject to necessary regulatory

approvals, Ola added. Ola's expansion drive comes after the company managed to raise \$1.1 billion from investors such as Tencent, Softbank, UC-RNT and Falcon Edge over the last 12-18 months. Moreover, rival Uber has been asked by common investor Softbank to focus on winning in the US and Europe, showing favoritism to other local ride-hailing firms it has invested in.

4. Paytm share sale creates more than 20 millionaires

Source: Livemint ([Link](#))

More than 100 former and current employees of Paytm have become rupee millionaires as India's second largest start-up completed stock sales worth Rs500 crore. This includes Rs300 crore from the latest secondary sale of shares, which valued the digital payments and e-commerce platform at \$10 billion. This is the company's second sale of Esop (employee stock ownership plan) units after a Rs200 crore cash out by staff in mid-2017. The company's existing investors include SoftBank, SAIF Partners, Alibaba Group Holding Ltd and Ant Financial Services Group. In December, India's largest start-up Flipkart completed a \$100 million repurchase of Esops, the largest-ever share buyback programme in the history of the Indian start-up ecosystem.

5. ADIA plans to expand India presence, hire country head

Source: Livemint ([Link](#))

Abu Dhabi Investment Authority (ADIA), the world's second largest sovereign wealth fund, is set to expand its India presence by hiring a new country head and eventually setting up an office here, two people aware of the development said. ADIA, which manages assets worth \$792 billion (about Rs50.3 trillion), has mandated global recruitment firm Egon Zehnder to find a head for its Indian operations, the first of the two people said on condition of anonymity, adding discussions are on with a handful of private equity veterans and infrastructure specialists.

6. Eco Survey: Growth back on track; 50% rise in indirect taxpayers under GST

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

In the Economic Survey for 2017-18, which was tabled in Parliament on Monday, Chief Economic Advisor Arvind Subramanian struck an optimistic note about economic growth going forward. The Survey noted that there were "robust signs of growth" in the second half of the financial year, and predicted that growth for the full 2017-18 financial year would be 6.75 per cent year on year,

higher than the Central Statistics Office's prediction of 6.5 per cent. The Survey further estimated that the fading of shocks to economic activity like demonetisation together with a recovery in global demand and some domestic policy actions would raise growth in the coming financial year to 7-7.5 per cent. If this is borne out, that would mean India would again be the fastest-growing large economy in the world.

7. Budget 2018: India's healthcare crisis is holding back national potential

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

India has the world's highest population of stunted children—short for their age—and the country's failing primary healthcare and overburdened tertiary care are ill-equipped to handle the crisis of childhood malnutrition, leaving India unable to fulfil its national potential. This is the backdrop against which Finance Minister Arun Jaitley will present his government's last full budget before the general elections in 2019. The National Health Policy (NHP) envisaged an increase in health expenditure to 2.5% of India's GDP by 2025. Without significant increase in its healthcare budget, India's health targets—reducing its infant mortality rate from 41 deaths per 1,000 live births in 2015-16 to 28 by 2019 and maternal mortality ratio from 167 deaths per 100,000 births in 2013-14 to 100 by 2018-2020, and eliminating tuberculosis by 2025—seem difficult to achieve.

8. At 7-7.5% GDP growth, Survey bets big on FY19

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

The Chief Economic Adviser, Arvind Subramanian, the architect of Economic Survey 2017-18, has painted a more optimistic picture of the economy by scaling up the GDP growth projection for this fiscal to 6.75 per cent and the growth forecast for the next year to 7-7.5 per cent. The Survey was tabled in Parliament by Finance Minister Arun Jaitley on Jan 29. Coming just two days ahead of the government's last full Budget (2018-19) for the current term, to be presented on February 1, the Survey has advocated a modest consolidation in the fiscal deficit and has suggested that the government focus on finishing its ongoing reforms in agriculture and GST. "The outlook for 2018-19 will be determined by economic policy in the run-up to the next national election," said the Survey. Growth could be even higher at close to the medium-term potential of 8 per cent if macroeconomic stability is maintained, ongoing reforms are stabilised, and the world economy remains buoyant, it added.

9. Steel sector is the single biggest defaulter under IBC: Economic Survey

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

Of the 525 cases with total underlying default of ₹1,28,810 crore admitted under the Insolvency and Bankruptcy Code (IBC) so far, the steel sector is the single biggest defaulter in terms of both number of defaulting corporates (45) and total underlying default (₹57,001 crore). Within the steel sector, corporate insolvency resolution process (CIRP) is on in the case of 39 corporates, resolution plan has been approved in the case of 2 corporates, and liquidation order has been passed in the case of three corporates. One case has been closed by appeal/ review. The steel sector is followed by the retail industry, with total underlying default aggregating ₹12,719 crore involving 12 corporates.

10. 50% increase in indirect taxpayer base post GST: Economic Survey

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

The Goods and Services Tax (GST) implementation has increased indirect taxpayer base by more than 50 per cent with 34 lakh businesses coming into the tax net, the Economic Survey on Jan 29. The Economic Survey, authored by Chief Economic Advisor Arvind Subramanian said, preliminary analysis of data shows GST registrants rose mainly on account of large increase in voluntary registrations, especially by small enterprises that buy from large enterprises and want to avail themselves of input tax credits. “The GST has increased the number of unique indirect taxpayers by more than 50 per cent—a substantial 3.4 million,” it said, adding GST embodies and heralds a radical alteration and enlargement in the understanding of the Indian economy.

11. View: What the Economic Survey failed to spell out

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

The Economic Survey paints as bright a picture for India's short and medium term growth, while pointing out some pitfalls. Growth in the current fiscal would be quarter of a percentage point larger than the CSO's advance estimate of 6.5%, owing to a pick-up in exports and the base effect from poor fourth quarter growth in Demonetisation-hit 2016-17. Notwithstanding this, and the better-than-expected growth in GST revenues, India is headed for some fiscal slippage this year: the deficit could miss the target of 3.2% of GDP. This should have induced consolidation next year, but, come on, we are heading towards elections. The Survey makes a rich haul of data and

analysis from GST on subjects ranging from which states export how much to correspondence between state domestic product and GST base. What the Survey does not spell out is that India's political economy is at the root of many ills. States have taken on the debt of electricity boards, raising the fiscal deficit, because they lack the guts to stamp out power theft. Banks have huge bad loans partly because projects are inflated, to divert money to fund the political class.