

## Daily Economic News Summary: 30 May 2018

### **1. Narendra Modi's 5-Day Tour Of South-East Asia To Help Consolidate Defence, Space Ties**

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

Prime Minister Narendra Modi on May 29 embarks on a five day visit to Indonesia, Malaysia and Singapore to consolidate India's ties with three important strategic partners in the Southeast Asia region with key agreements expected in the areas of defence and space. Modi's first stop will be Indonesia—the largest country in the region and a close maritime neighbour. According to estimates, the shortest distance between India's Andaman Islands and Indonesia's Aceh province is not more than 80 nautical miles. Indian naval ships make regular visits to Indonesian ports and joint patrolling of the seas has been going on for some years now. A key highlight of the visit could be an agreement that allows India access to the strategic island of Sabang at the northern tip of Sumatra and close to the Malacca Strait. That Indonesia could give India access to the island was indicated in a recent speech in New Delhi by visiting Indonesia's coordinating minister for maritime affairs Luhut Pandjaitan. India is looking to invest in the port and the economic zone here and if this agreement is clinched during Modi's current visit, it will give New Delhi a foothold in a region. It will come as a shot in the arm for the Modi government's 'Act East' policy. Such a foothold in the region is also expected to offer greater scope for India to raise its profile in the Indo-Pacific region.

### **2. Agriculture Ministry Mills To Make Buying Jute And Cotton At MSP Must For Textile Industry**

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

The agriculture ministry is weighing an option to mandate the textile industry to buy cotton and jute from farmers at least at the minimum support prices (MSPs) fixed by the Centre. The move is part of the efforts to make the government's promise of ensuring a 50% profit to farmers over their cost of production a reality, without letting the Centre's procurement expenses spiral out of control. Inter-ministerial consultations are currently being held on procurement-based price support schemes for agricultural crops. The ministry's proposal — fraught as it is with serious

implementation challenges could spell trouble for the labour-intensive textile and garment industry by inflating the cost of cotton, a key input. The sale of raw materials to industry at state-fixed prices is currently adopted in cane where sugar mills are bleeding while footing the bill for the profligacy of states and the Centre. MSP for cotton will increase by at least 28% for 2018-19 from the current level if the government's promise to farmers is to be met. A back-of-the-envelope calculation suggests cotton accounts for roughly 60% of yarn costs, and yarn makes up for 50% of fabric costs. Fabric, in turn, makes up for 50% of garment costs. So higher cotton prices will push up costs in the entire value chain and jeopardise its competitiveness.

### **3. Power Ministry Launches Web Portal 'Praapti' To Track Discom Payment Dues**

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

In a bid to rein in errant distribution companies (discoms) that delay payments to power generation companies, the Power Ministry has launched the Praapti web portal. 'Praapti' stands for 'Payment ratification and analysis in power procurement for bringing transparency in involving of generators'. "This portal will help power distribution companies be apprised of invoicing by generators and also bring transparency in their payments to them," said Minister of State (Independent Charge) for Power and Renewable Energy, RK Singh. "The power distribution companies can clear the invoices and reply to claims raised by the generators on this portal," he added. A Ministry official said the portal will also compare and rank State discoms on outstanding bills and the frequency of clearing them. To start with, it will not give the stated reason for the delay in payments. In a demonstration of the portal's working, February 2018 data was shared. A bulk of the claims for outstanding payments were to independent power producers and NTPC Ltd.

### **4. India May Have To Immediately End Export Promotion Schemes If Found Prohibited In WTO**

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

India's export promotion programmes have come under the global trade watchdog's scanner and would need to be stopped if found prohibited as per World Trade Organisation (WTO) norms. Based on the US' request, the WTO on May 28 referred Washington's complaint on India's export promotion schemes to the Dispute Settlement Body by establishing a panel to look expeditiously in the matter. Failing to find a mutually agreed solution in the stipulated 30 days to India's export

promotion programmes which the US claims harm American workers, the US had requested the establishment of a panel ten days ago. The SCM agreement provides for accelerated procedures with several shorter time-periods. Regarding prohibited subsidies, the complainant, the US in this case, can request the establishment of a panel if consultations have not led to a mutually agreed solution within 30 days. Further, the panel has to circulate its report to all WTO members within 90 days of the date of its composition and the establishment of its terms of reference. “This means we have smaller time period for compliance and if any subsidies are found to be prohibited, then we will have to stop them as soon as possible. This is difficult,” said an expert on WTO issues. Under existing WTO rules, a country can no longer offer export subsidies if its per-capita GNI has crossed \$1,000 for three years in a row. In 2017, WTO notified that India’s GNI was \$1,051 in 2013, \$1,100 in 2014 and \$1,178 in 2015.

#### **5. Petrol, Diesel Prices Cut For The First Time In 16 Days**

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

Indian Oil Corp. Ltd the country’s top refiner and fuel retailer, has marginally cut pump prices of petrol and diesel around India, its website showed on Wednesday. In New Delhi, a cut of less than 1 percentage point means that petrol will cost Rs77.83 per litre on Wednesday, while diesel will be sold at Rs68.75 per litre. Fuel prices vary from state to state due to local taxes. Domestic petrol and diesel prices touched a record high on May 25. Petrol and diesel prices in India are linked to Singapore gasoline prices and Arab Gulf diesel prices, which mostly track movements in crude oil prices. Oil prices fell to about \$75 a barrel as Saudi Arabia and Russia said they were ready to ease supply curbs that have pushed crude prices to their highest since 2014. India’s three state-run fuel retailers -Indian Oil, BPCL and Hindustan Petroleum Corp. Ltd—control most of India’s fuel retail market and tend to move their fuel prices in tandem.

#### **6. Exports May Reach \$ 350 Bn This Fiscal: FIEO**

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

India’s exports are expected to record a growth of about 15-20 per cent and touch \$ 350 billion in the current fiscal on account of a host of factors including rise in commodity prices, exporters body FIEO said on May 29. Federation of Indian Export Organisations (FIEO) President Ganesh Gupta

said despite increasing global protectionism, the country's exports would continue to register healthy growth rates. "Growth is looking promising this fiscal. Indian exports, which are hovering at around \$ 300 billion, should show 15-20 per cent growth so as to reach \$ 350 billion in this fiscal," he told reporters in New Delhi. He said the northward movement in petroleum and commodity prices and the recent depreciation of Indian rupee are supporting exports. He also urged the government to provide fiscal and non-fiscal incentives to boost the shipments in both advanced and emerging markets.

### **7. Pradhan Mantri Awas Yojana: Over 1.65 Lakh People Used Credit Linked Subsidy Scheme**

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

More than 1,65,000 people have availed the Credit Linked Subsidy Scheme (CLSS) vertical of the Pradhan Mantri Awas Yojana (Urban) during 2015-18 compared to only 18,166 people who benefitted from the interest subsidy scheme that existed during 2008-2013, the housing and urban affairs ministry said. Adequate funding has been ensured for the CLSS vertical of the housing mission as Rs 31,505 crore has been provided for the mission (Rs 6,505 crore from budgetary sources and Rs 25,000 crore from Extra Budgetary Resources(EBR)) with a provision for additional funding beyond the Rs 25,000 crore under EBR during this financial year, it said. The funds through EBR would be drawn in phases, as per requirement, throughout the financial year and a mechanism has been devised to optimally utilise the funds under the mission, the release said. While Rs 1,900 crore had been allotted for the CLSS vertical for the current year, more funds are permitted to be drawn from the earmarked Rs 25,000 crore under EBR, based on requirement.

### **8. Exporters GST Refund: Second Phase Of Fast Track Clearance Drive From Thursday**

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

With an estimated Rs 20,000 crore exporters' refund still stuck, the government will launch the second phase of refund fortnight beginning May 31 to fast-track clearances. "Special Refund Fortnight" to be organised from May 31 to June 14 in which Center and state GST officers will strive to clear all GST refund applications received on or before April 30, 2018," GST@GoI, which is the official twitter handle for GST related matters, tweeted. Federation of Indian Export Organisations (FIEO) President Ganesh Gupta earlier in the day said refund of over Rs 20,000

crore is pending on account of IGST (integrated GST) and ITC (input tax credit). In the first phase of refund fortnight observed between March 15 to March 30, the Central Board of Indirect Taxes and Customs (CBIC) had cleared refunds totalling Rs 17,616 crore. The FIEO president also said that since the GST refund process had considerably "slowed down", the federation has urged the Finance Ministry to look into the refund problem and organise a clearance drive to liquidate the pendency and bring the refund process on track. A majority of the problems, Gupta said, relate to ITC refund which have to be done by the states as well.

### **9. US Squeezes India To Set Zero Import Duty On Harleys**

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

The Donald Trump administration has in recent months been firing away on all cylinders to get India to lower import levies on Harley-Davidsons. Succumbing to the deafening roar of US criticism, the Modi government complied in February. But now, New Delhi is under pressure to waive import duty on America's iconic motorbike in its entirety. "The Trump regime believes the import tariff reduction on motorbikes that India implemented in February is not enough. The US Trade Representative's (USTR) office wants the demand for zero import duties on the Harley-Davidson to be part of the agenda of the meeting between the USTR and Commerce and Industry Minister Suresh Prabhu," a government official told *BusinessLine*. Prabhu will meet USTR Robert Lighthizer in Washington in two weeks. But his ministry is undecided on how to respond to the demand. Tariff elimination will be difficult, given the adverse commercial and political fallout. "Import tariffs are high on motorcycles as it is felt that our domestic industry needs to be protected, and manufacturing and job creation within the country needs to be encouraged," the official said. "If duties are to be eliminated for Harley-Davidson, it has to be done for all high-end motorcycles imported from all countries. This could deal a severe blow to our domestic industry."

### **10. Two-Day Bank Strike From Today, Salary Credit May Take A Hit**

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

Nearly 1 million bank employees will go on a two-day nationwide strike starting Wednesday, disrupting transactions across the country. Nine bank employee unions across 21 public, 12 private and 7 foreign banks will participate in the strike, said C.H. Venkatachalam, general secretary, All

India Bank Employees Association (AIBEA). The bank strike was called after unions refused to accept an offer of a 2% wage hike for junior level officers up to Scale III. “From unions we made it clear that the Indian Banks Association (IBA) offer of 2% is not acceptable since it does not make any basis for meaningful negotiations since (in) the last settlement, the hike was 15%,” said Venkatachalam. The latest round of wage revision for all banks is due from 1 November 2017. On 5 May, the IBA refused to revise wages for all officers, citing poor financial conditions at banks. Large public sector banks like the State Bank of India (SBI), Punjab National Bank, Bank of India had reported huge losses in the fourth quarter of the fiscal year 2018 owing to mounting bad loans. Failure of the talks means the branches of 40 banks will remain closed on both May 29 and May 30. Several banks including the SBI and Bank of India, have informed the stock exchanges that their services are likely to be impacted due to the strike. “However, impact may not be substantial due to non-branch activities like internet banking. However, those customers dependent on branch banking like RTGS (Real Time Gross Settlement), demand draft, etc. will be affected,” said V.G. Kannan, chief executive, IBA.

### **11. Whatsapp Payment Service May Launch In India Next Week**

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

Facebook Inc. is set to launch its WhatsApp payment services to the whole of India as early as next week in an attempt to win market share from rivals Paytm and Google Tez, even though its partners aren't all ready, said people familiar with the matter. WhatsApp Pay will partner HDFC Bank Ltd., ICICI Bank Ltd. and Axis Bank Ltd. to process the transfers, and State Bank of India (SBI) will join once it has the necessary systems in place, the people said. Facebook was aiming for a full rollout with four partners but decided to go ahead with just three as its rivals were racing ahead, the people said, asking not to be named as the information isn't public. The entry of WhatsApp into India's payments space has been likened to WeChat, which reshaped payments in China when it expanded beyond messaging. The pilot version of WhatsApp Pay started with 1 million users in February received rave reviews, threatening the market share of incumbents Google Tez and Alibaba-backed Paytm, which lack the benefits of a social network. More than

200 million Indians already use WhatsApp messaging, equivalent to 60% of the US population and a daily active usage that Forrester Inc. estimates to be about 20 times higher than Paytm's.

## **12. India Turns HotSpot For Global Firms Offering Smart Mobility**

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

India's quest for smart mobility has made the country a hot spot for international companies to offer their latest technologies such as pod taxis, hyperloop, electric vehicles, cable cars and ropeways. One such firm, skyTran, is a Nasa technology partner and is developing a pod car system—a driverless vehicle that runs along a pre-determined route. The company has shown interest in building a 1km pilot track in India at its own cost to showcase its technology. According to skyTran, its product can be used as a mass rapid transit system, transporting people at 120km per hour for inter-city commuting and at 200-250km per hour for intra-city travel. Virgin Hyperloop One, formerly Hyperloop One, founded in 2014 and headquartered in Los Angeles, also plans to set up its low pressure or vacuum tubes, which could help move freight and people through magnetically levitated pod-like vehicles, at a speed of 1,000-1,200km per hour. The credit for the interest shown by overseas tech majors goes to minister for road transport and highways Nitin Gadkari, who had decided to experiment with new and faster technologies for transportation from the time he assumed office in 2014.

## **13. TN Govt's Decision To Shut Down Sterlite Plant To Roil Domestic Industry**

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

The Tamil Nadu government's decision to permanently shut down Vedanta's copper smelter in Thoothukudi has significant implications for domestic industry. The unit has a capacity of 400,000 tonnes, of which 45 per cent is exported mainly to China and the Far East and West Asia, while the balance 55 per cent is sold to domestic customers. "A sudden permanent shutdown of this kind has led to disruption in the supply chain of copper. Clients have been informed, but most do not have immediate alternative arrangements," a Vedanta executive said. The company caters to 800 small and medium enterprises (SMEs) across the country. The installed capacity for copper in the country is estimated at 1 million tonnes, according to the mines ministry. In 2017-18, India produced 0.84 million tonnes of copper, of which 60 per cent was consumed domestically, while

40 per cent was exported, according to *Bloomberg* data. If Sterlite's plant remains shut, India may emerge as a net importer of copper, from being a net exporter. According to industry experts, companies in sectors such as consumer durables (fans, air-conditioners), power cables and the electrical industry will be hit, given that they are big users of copper.

#### **14. Parking Hurdle For Govt Push To Revamp Transportation Systems**

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

The changing urban landscape, with rising vehicle population and shrinking spaces, has added to the parking woes of cities, big and small. Experts say the government's push for smart mobility initiatives in India could, in fact, hit a wall without smart parking solutions. "Mobility should be looked holistically. If you provide public buses, but no space to park them, it is not a solution. It is similar for personal vehicles. These days, roads have become a parking lot," said a senior government official, on the condition of anonymity. "Therefore, since land is a state subject and municipal corporations are the ones responsible for it, they need to be roped in," he added. While municipal corporations are being prodded by the government to provide vertical parking spaces with multi-level parking, they must also insist on building parking spaces before approving plans for both residential and commercial units. Besides, emerging internet of things (IoT) solutions may also prove to be beneficial. And driving the technology initiatives for end-to-end parking solutions are a bunch of start-ups, including ParkZebra, Get My Parking, Parking Rhino and Parkwheels. While app-based services have already been rolled out for advanced booking options, wherein commuters are just required to post a request and pay online before heading out to get a parking without hassle, these start-ups are also working on parking infrastructure and management solutions.