Daily Economic News Summary: 6 December 2019

1. Southeast Asian corridor eyes business opportunities with Delhi via Bay of Bengal
Source: The Economic Times (Link)

India's decision to stay out of the Regional Comprehensive Economic Partnership (RCEP) may increase Southeast Asia's dependence on China, but a recently opened corridor between Thailand and Myanmar could ease those concerns by bringing new business opportunities for five ASEAN countries and India. The new bridge - part of the East-West Economic Corridor between Thailand and Myanmar that opened a few weeks ago will give Cambodia, Laos, Myanmar, Thailand and Vietnam access to the vast Indian market and reduce heavy reliance on China, ET has learnt. The East-West Corridor is a project to build a large economic bloc along a 1,700-km land route from Vietnam to Myanmar via Laos and Thailand. From there, Southeast Asian states can gain access to India over the Bay of Bengal.

2. FMCG firms tap overseas business to boost growth
Source: Livemint (Link)

Overseas business, led by better performance in markets such as Bangladesh and Indonesia, helped fast-moving consumer goods (FMCG) makers tide over weak demand in the domestic market, with Marico Ltd, Godrej Consumer Products Ltd (GCPL) and Emami Ltd posting 7-20% growth in their international business. International markets contribute between 20% and 50% of sales for some domestic FMCG companies that have over the last decade bolstered their presence in West Asia, Africa, Latin America and south-east Asia, catering to increased demand for packaged consumer goods. Companies such as Marico and GCPL have stepped up launches and product innovations in international markets, especially Bangladesh and parts of Asia, over the last one year. This, executives said, helped them hedge weak demand on their home turf.

3. Government is examining Direct Taxes Code: FM Nirmala Sitharaman
Source: The Hindu, Business Line (Link)

Sitharaman on 5 December said that the proposed new Direct Taxes Code (DTC) to replace the existing income tax law (enacted in 1961) was "under examination" of the Finance Ministry. "We are looking into the report of the Task Force and is under examination of the Ministry," Sitharaman said during her reply to the discussion on the Taxation Laws (amendment Bill in the

Rajya Sabha. The Finance Minister's latest remarks is a clear pointer towards the government's plan to have a modern income tax law is still on the table and not off its radar, said economy watchers. The upper house later returned the Bill to the Lok Sabha, paving the way for the replacement of the September 20 ordinance that among other things introduced a new 15 per cent corporate tax rate regime for new companies in the manufacturing sector.

4. Finance Commission submits interim report for fiscal 2020-21
Source: Financial Express (Link)

The 15th Finance Commission on 5 December submitted its interim report on devolution formula for the financial year 2020-21 to President Ram Nath Kovind. The devolution formula spells out how the Centre plans to share the taxes collected by it with the States. Since, the formula is to be applied in the new Budget, the award has not been made public. However, it is believed that the devolution could be less than the 42 per cent prescribed by 14th Finance Commission. Normally, the government accepts the award in toto, however, it is free to accept or reject other suggestions in the report. A government statement said that Chairman of the 15th Finance Commission NK Singh along with Members comprising Ajay Narayan Jha, Ashok Lahiri, Ramesh Chand, Anoop Singh and Secretary Arvind Mehta called on the President and submitted the report for the financial year 2020-21. "The Commission apprised the President of the recommendations contained therein," it said.

5. Canada's CPPIB to invest up to $600 million in Indian infrastructure fund
Source: Business Standard (Link)

Canada's biggest public pension fund is investing up to $600 million in India's National Investment and Infrastructure Fund (NIIF), as it seeks to grow its infrastructure bets in Asia's third-largest economy. The deal includes a commitment of $150 million in NIIF's Master Fund and co-investment rights of up to $450 million in future opportunities to invest alongside the Master Fund, Canada Pension Plan Investment Board (CPPIB) said in a statement on 5 December. The NIIF is majority-owned by institutional investors, but says is anchored by India's government, which is also an investor in its Master Fund. India needs investments worth about $778 billion for highways, urban transport and renewable energy by 2022, according to the India Brand Equity Foundation, a government body. With CPPIB's investment, NIIF's Master Fund now has $2.1 billion in commitments, it said.

6. RBI's policy surprise: Pause on rate cuts may hit real estate, auto sectors
Source: Business Standard (Link)

The Reserve Bank of India's (RBI's) move to pause rate cuts will hit the beleaguered real estate and auto sectors hard. These sectors were expecting another rate cut by the central bank to help revive sagging consumer demand. CEOs said benefits from the previous rate cuts are yet to play out completely and the real estate industry is still reeling from the liquidity crisis as consumers are not coming forward to buy new houses or cars. Real estate developers were expecting a rate cut of 50 to 100 basis points which would have provided a boost to the government's recent initiatives to rev up the economy. "One-time roll over to restructure bad loans would have been a logical step across industries. Thus, the decision to wait and watch the outplay of the previous cuts will go against the current sentiments," said Niranjan Hiranandani, MD of real estate firm Hiranandani Constructions.

7. Govt open to further reforms for making India a more attractive investment destination: Nirmala Sitharaman
Source: Money Control (Link)

The Commerce Ministry has launched an investigation into imports of radial tyres from Thailand to decide on imposition of anti-dumping duty on the product to discourage below-cost shipments. The Automotive Tyre Manufacturers Association has filed an application before the directorate on behalf of the domestic industry alleging dumping of radial tyres from Thailand. According to a notification of the Directorate general of Trade Remedies (DGTR), the association has requested for imposition of anti-dumping duties on the imports. The commerce ministry's investigation arm DGTR has initiated anti-dumping probe on imports of "new pneumatic radial tyres of rubber for buses and lorries, with or without tubes and/or flaps" originating or exported from Thailand, the notification said.

8. Japan government approves economic stimulus package to combat overseas risks
Source: Money Control (Link)

Japan's cabinet approved an economic stimulus package worth 26 trillion yen ($239 billion) with fiscal spending of 13.2 trillion yen, aimed at preventing overseas risks from damaging both exports and domestic demand, government officials said. The government said the new economic package would boost real domestic product by 1.4% through the fiscal year to March 2022.

9. SEBI proposes to introduce performance benchmarking, standardisation of draft documents by AIFs
Source: Firstpost (Link)

With an aim to create a conducive environment for a sound Alternative Investment Fund (AIF), market regulator SEBI has proposed to introduce minimum benchmarks for disclosure of performance history of such asset class and standardisation of draft document issued to investors by them. AIFs are privately-pooled investment funds which collect funds from investors, whether Indian or foreign, for investing in accordance with a defined investment policy for the benefit of their investors. There are three different categories of AIFs. The Securities and Exchange Board of India (SEBI) noted that investments by registered AIFs have grown 75 percent year-on-year in the last two years. Total investments made by AIFs have increased from over Rs 35,000 crore in March 2017 to Rs 61,400 crore in March 2018 to Rs 1.1 lakh crore in March 2019.