

Daily Economic News Summary: 8 August 2018

1. Narendra Modi Reviews Performance Of Key Infrastructure Sectors Of Energy

Source: Livemint ([Link](#))

Prime Minister Narendra Modi on August 7 reviewed India's key infrastructure sectors of power, renewable energy, petroleum and natural gas, coal; the government said in a statement. "India's energy deficit, which stood at over 4% in 2014, has shrunk to less than 1% in 2018," the statement said while adding, "India now ranks 26th in the World Bank's 'Ease of Getting Electricity' Index, up from 99th in 2014." This comes in the backdrop of National Democratic Alliance (NDA) plan to showcase its success to reach 24x7 power to all in the country. Accordingly, one district will be identified in consultation with the Union ministry of power and the state government and supplied round the clock electricity, *Mint* reported on 24 July. "Progress in household electrification under the SAUBHAGYA initiative, was reviewed. Discussions also focused on last mile connectivity and distribution, in both urban and rural areas," the statement added.

2. Government May Clip Wings Of Wilful Defaulters Soon

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

India may stop wilful defaulters with loans exceeding Rs 50 crore from travelling overseas without prior approval as part of a crackdown on promoters looking to leave the country without meeting repayment obligations. The recommendation has been made by a committee headed by financial services secretary Rajiv Kumar that was formed to suggest ways of preventing this from happening. In March, the central government had directed banks to seek the passport details of borrowers taking loans of Rs 50 crore and more. Any restriction on foreign travel has to be based on reasonable justification and be tenable legally, the committee has said. The committee had representation from RBI, the ministries of home and external affairs, the Enforcement Directorate (ED) and the Central Bureau of Investigation (CBI). Apart from Nirav Modi, who's said to be involved in a Rs 14,000-crore fraud at Punjab National Bank, and Kingfisher Airlines founder Vijay Mallya, several promoters have left the country before being declared wilful defaulters or accused of fraud.

3. Anti-Dumping Move: Government Raises Import Duty On 328 Textile Items

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

India on August 8 doubled import duties on 328 textile products to 20%, the second such hike in a month, as the world's largest cotton producer sought to curb soaring imports from China and focus more on local value addition in the labour-intensive sector. The move comes amid mounting concerns that a trade war between the US and China would further aggravate dumping of cheaper products from the world's second-biggest economy despite a weak rupee. As such, India's textile imports jumped by 16% to a record \$7 billion in the last fiscal, with China accounting for over 40% of the purchases, according to an industry estimate. Also, industry executives have already warned that a 28% hike in cotton prices by the government recently to ensure at least a 50% premium to farmers over costs is expected to raise the basic raw material costs for domestic manufacturers and could hurt our export competitiveness across value chains in the textile and garment sector.

4. IMF Asks India To Consider Simpler GST Rate Structure

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

The IMF on August 8 described the Goods and Services Tax (GST) as a “milestone reform” in India's tax policy, but pushed for a simplified structure, saying the multiple rate structure and other features could give rise to high compliance and administrative costs. In its annual country report, the International Monetary Fund also said that a dual rate structure with a low standard rate and an additional higher rate on select items can be progressive and preserve revenue neutrality. The GST is an indirect tax levied on the supply of goods and services in India. It came into effect on July 1, 2017. The IMF said that GST is a milestone reform in India's tax policy, taking the important step of unifying and harmonising numerous indirect taxes across all states of the federation and the central government. “Yet, the GST has a complex structure with a relatively high number of rates (and exemptions), which could be simplified without sacrificing progressivity of the current GST and with potentially significant gains from lower compliance and administrative costs,” it said.

5. Govt Withdraws FRDI Bill In Parliament Following Backlash

Source: Livemint ([Link](#))

The government on August 7 withdrew the controversial Financial Resolution and Deposit Insurance (FRDI) bill following widespread criticism of its controversial provisions, including a “bail-in” clause that suggests depositor money could be used by failing financial institutions to stay afloat. The lack of clarity over protecting existing levels of deposit insurance for smaller deposits also led to a lot of criticism. At present, deposit insurance is available for all deposits of up to ₹1 lakh but there was no clarity on whether it will be continued in the bill. Minister of state for finance Pon Radhakrishnan moved the proposal for withdrawal of the bill in Lok Sabha, which was accepted by the House. The FRDI bill, 2017 was tabled in the Lok Sabha in August 2017, following which it was referred to the joint parliamentary committee. It was brought in to limit the fallout of the failure of institutions such as banks, insurance companies, non-banking financial companies, pension funds and stock exchanges.

6. Vistara Signs \$340-M Deal For GE Engine

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

Full service airline Vistara has signed a \$340 million deal with GE Aviation to purchase GEnx-1B engines for its 787-9 Dreamliner fleet of aircraft. Vistara, a joint venture between Tata Sons and Singapore Airlines, intends to use the Boeing 787-9 Dreamliners on medium-haul and long-haul international routes. The firm engine order, valued at more than \$340 million, is Vistara’s first order for GEnx-powered aircraft, with delivery expected between 2020 and 2021. GE Aviation has sold more than 2,000 GEnx engines since launching the programme, solidifying it as the fastest selling high-thrust GE engine in history, said the company “The order from Vistara is yet another demonstration of the trust that airlines around the world have in our products. GE has been a long-term partner in the growth of India’s commercial aviation space. There are over 450 engines in service across India using GE technology and another 200 on order with local Indian carriers. GE engines set the industry standard for fuel efficiency, reliability and outstanding service,” said Jason Tonich, VP Sales - Asia Pacific Region, GE Aviation.

7. Ikea's India Debut Tomorrow In Hyderabad, 6 Mn Shoppers Expected Annually

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

In a milestone that's been more than a decade in the making, India's first Ikea store will open Thursday, bringing inexpensive Nordic-inspired furnishings and food to the world's fastest-growing middle class. Ikea expects to welcome as many as 6 million visitors a year to its 13-acre complex in Hitec City, on the outskirts of Hyderabad, India's fourth-biggest city. The 400,000-square-foot showroom contains some 7,500 products, of which about 1,000 will sell for less than 200 rupees (\$2.91) apiece. It's the first of 25 stores Ikea plans to open across the nation by 2025. Ikea's launch comes at least 12 years after it started studying India, which is poised to overtake the US to become the world's second-largest middle-class market by 2022. By then, sales of homewares and home furnishings will probably reach \$15.3 billion from \$12.9 billion last year, according to researcher Euromonitor International. Ikea's competitors in India include Godrej Group's Godrej Interio, Future Group's HomeTown, Nilkamal Ltd.'s @Home, and Durian Industries Pvt Ltd.'s namesake furniture business, along with "mom-and-pop" proprietors vying for an indoor furniture market predicted to expand about 8.8 per cent annually through 2022, according to Euromonitor.

8. Traders To Keep An Eye On Independence Day Sales By E-Commerce Companies

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

In the run-up to the finalisation of the e-commerce policy for the digital retail and technology sectors, traders, retailers, and other stakeholders affected by the onslaught of online marketplace firms are gathering as much evidence against them as they can against these players. The draft e-commerce policy, which contains the recommendations of mostly e-commerce players such as Ola, Paytm, companies such as MakeMyTrip, has left a host of other stakeholders dissatisfied, with many complaining it to be one-sided and favouring Indian firms. Global investors, including SoftBank Group, Sequoia Capital, Tiger Global and others, are all planning to build a common front to take on the draft e-commerce policy which they believe is heavily tilted towards Indian founders of the firms they have invested in. Experts believe that while these companies have Indian founders, they are run mostly with the money brought from foreign investors. So having a 'protectionist' attitude after selling stake to expand firms is unfair. The task force that has

formulated the draft policy consists of founders and senior management executives of companies, including Ola, MakeMyTrip, Zoho, UrbanClap, Paytm, Snapdeal, among others.

9. Modi Govt Introduces Four Bills In The Lok Sabha To Simplify GST Returns

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

The government on August 7 introduced four Bills in the Lok Sabha to amend the goods and services tax (GST) laws, to provide for simplified returns and raise a threshold for the composition scheme under the indirect tax system. A draft framework for the simplified return was put in the public domain recently. Micro, small, and medium enterprises (MSMEs) that have annual turnover of up to Rs 50 million will be able to file quarterly returns once the Bills are passed. The Central GST (Amendment) Bill, the Integrated GST (Amendment) Bill, the GST (Compensation to States) Amendment Bill, and the Union Territory GST (Amendment) Bill are likely to be passed in the current session of Parliament. Also, those with annual turnover of up to Rs 15 million will be allowed to opt for the composition scheme. Now, the threshold is Rs 10 million. The scheme provides for a flat and concessional GST rate, but does not give input tax credit.