Daily Economic News Summary: 8 June 2018

1. VRL Logistics, GATI, Blue Dart, TCI Logistics See Benefits Of GST, E-Way Bill
Source: Livemint (Link)

Surface express transporters who move relatively higher value consignments in a time-bound manner are seeing good growth in their businesses. TCI Express Ltd, which reported a strong double-digit growth in revenues in the March quarter (up 23%), said it expects the good performance to continue in FY19 also. The surface express division of GATI Ltd, another logistics company, registered double-digit volume growth in the second half of FY18 and expects the growth momentum to continue. Nevertheless, growth is not uniform across transporters. Goods transport revenues at VRL Logistics Ltd rose by about 11% last quarter. Consolidated revenues of GATI are up 9.6%. Blue Dart Express Ltd, which offers express air, transportation and distribution services, reported 6% rise in revenues last quarter. Apart from the stabilization after the implementation of the goods and services tax (GST) and a cyclical recovery, the surface express logistics industry is also seeing a leg-up from the shift to organized transporters. After the implementation of GST and the e-way bill, customers can claim input tax credit only when they use organized logistics services. Adoption of new processes and the ability to offer solutions in the new tax regime is helping them attract fresh business, though compliance has raised costs.

2. Psbs Recapitalisation Plan Insufficient To Support Credit Growth, Says Global Ratings Agency Moody's
Source: Financial Express (Link)

Global ratings agency Moody's on June 7 said the government's recapitalisation plan for 21 state-run banks will help them in meeting regulatory capital needs, but will be insufficient to support credit growth. In October 2017, the government had announced a bank recapitalisation plan of Rs 2.11 lakh crore over two fiscals, 2017-18 and 2018-19. In this fiscal, the government has budgeted a capital infusion of Rs 65,000 crore. "The recapitalisation plan will still broadly resolve the regulatory capital needs of the country's 21 public sector banks (PSBs) and help augment the banks' loan-loss buffers, but will be insufficient to support credit growth," the agency's vice president and senior credit officer, Alka Anbarasu, told reporters in Mumbai on June 7. "As disruptions from GST implementation fades, economic activity will recover in the country," Moody's corporate finance group senior vice president, Vikas Halan, said. A GDP growth of 7.3 per cent for 2018 will result in higher domestic sales volumes, which along with new production capacity and supportive commodity prices will support EBITDA growth for corporates over the next 12 to 18 months, he added.

3. IMF Welcomes RBI Decision To Hike Interest Rates, Terms It As An Appropriate Step
Source: Financial Express (Link)

The International Monetary Fund (IMF) on June 8 welcomed the decision of the Reserve Bank of India (RBI) to increase the repo rate by 25 basis point to 6.25 per cent. "We welcome the Reserve Bank of India's decision to increase the policy rate by 25 basis points," IMF Spokesman Gerry Rice told reporters during his bi-weekly news conference here. In the context of rising inflation and additional upside risks to the forecasts due to higher oil prices, exchange rate depreciation and other domestic factors, the IMF thinks that this was an appropriate step by the RBI on June 6, Rice said. He was responding to a question on the decision of the RBI to increase the interest rate for the first time in the last four years. It was in January 2014 that the RBI had increased the repo rate to eight per cent to keep the inflation under check.

4. Government's Sugar Bailout Comes With Strings Attached
Source: Livemint (Link)

The government's bailout for sugar mills did not go all the way, as investors may have expected. The minimum selling price was lower than expected. But the government's main intention is to ensure that farmers' cane arrears are cleared, and for that, it was willing to stabilize sugar prices but not let them spike. The festive season has commenced and a sharp spike in sugar prices can become a thorn in the government's side, with elections due in less than a year. Once all the formal notifications come, the conditions will also become clear. Take the three-million-tonne buffer stock plan. The government will buy from mills but pay farmers directly. Therefore, mills will see no direct benefit but their inventory holding costs will fall. The buffer is sizeable, at about 9-10% of output. But the government can review its plan, based on price and availability. That implies the government is not compelled to buy all the three million tonnes. How the price for the buffer will be determined is also unclear. the government will impose stock holding limits on mills, initially till September. This may be used to ensure that prices are kept in a range. Whether the government separately imposes an obligation on mills to clear cane dues also remains to be seen.

5. As US Sanctions Loom, India And Iran To Begin Trade Talks
Source: The Economic Times (Link)

India will soon begin talks with Iran on a trade accord just as the US has turned hostile toward the Persian Gulf nation, threatening it with renewed sanctions after walking out of a nuclear accord with the country. The first round of formal negotiations on a preferential trade agreement (PTA) will be held between India and Iran by August, said people with knowledge of the matter. Such an accord will see the two giving duty concessions to each other's goods, enabling greater market access for India's pharmaceutical, rice and auto component exports. "We are making our wish lists," said one of the officials. "The first round of text-based negotiations will take place in a month or two." Talks on a PTA began two years ago, then slowed because Iran had concerns about India's indirect tax structure. Iran's major exports to India are oil, fertilisers and chemicals while imports include cereals, tea, coffee, spices and organic chemicals.

6. Centre Sets Aside ₹200 Crore For Innovation In Steel Sector
Source: The Hindu, Business Line (Link)

The government has set aside ₹200 crore for an innovation fund to increase domestic steel production. Announcing a slew of measures to support the steel industry at an event organised by Steel Re-Rollers Association of Maharashtra (SRAM), Chaudhary Birender Singh, Union Minister of Steel, said that India has huge scope to develop its infrastructure. The target is to increase steel capacity to 300 mt by 2030 from the current levels of 160-170 mt per year. The Steel Ministry has further decided to boost the Micro, Small and Medium Enterprises industry by using steel produced by them in government-backed infrastructure projects. MSMEs contribute about 57 per cent of the country's steel requirements. The Steel Re-Rollers Association of Maharashtra said that the government would be able to save ₹10,000 crore annually by using steel made by MSMEs in all government infrastructure projects. Yogesh Mandhani, President, SRAM, said that by sourcing steel from MSMEs, PSU agencies would get quality steel at a cheaper price of almost by ₹10,000 per tonne.

7. Now Gold Deposits To Become More Attractive! RBI Amends Gold Monetisation Scheme
Source: Financial Express (Link)

The Reserve Bank of India (RBI) has made changes in the Gold Monetisation Scheme (GMS) to make it more attractive. The revamping of the scheme is aimed at enabling people to open a hassle-free gold deposit account. The short-term deposits should be treated as bank's on-balance sheet liability, the RBI said in a notification."These deposits will be made with the designated banks for a short period of 1-3 years (with a facility of roll over). Deposits can also be allowed for broken periods (e.g. 1 year 3 months; 2 years 4 months 5 days; etc.)," it said. The interest rate payable in the case of deposits for maturities with broken periods should be calculated as the sum of interest for the completed year plus interest for the number of remaining days, it added. In 2015, the government launched the GMS with the objective of mobilising the gold held by households and institutions in the country. In the case of MLTGD, it said, the redemption of principal at maturity should, at the option of the depositor, be either in rupee equivalent of the value of deposited gold at the time of redemption, or in gold. "However, any pre-mature redemption of MLTGD shall be only in INR

8. Labour Ministry Puts On Hold Quarterly Jobs Survey
Source: The Economic Times (Link)

Labour ministry's quarterly employment survey (QES), which provides for the number of jobs created in eight sectors that account for over 80% of the country's total organised workforce, has been put on the backburner owing to the more recent payroll data which has projected much higher number of jobs created in the organised sector than the labour bureau survey shows. According to the governments first-ever estimate of payroll count based on Employees' Provident Fund Organisation (EPF) subscription and data from the Employees State Insurance Corporation and the Pension Fund Regulatory and Development Authority, over 35 lakh jobs were added in the formal economy in the six months between September 2017 and March 2018. But the 6th and 7th QES shows a total of two lakh jobs created between April-September 2017. While the periods are not comparable as QES data comes with a lag, the latter is redundant considering its significantly low numbers and time lag. The seventh quarterly employment survey data showed only 1.36 lakh jobs were created across eight sectors, which account for 81% of the country's total organised workforce, in the July-October quarter of 2017. This was more than double the 64,000 jobs created in the preceding quarter and more than four times the 32,000 jobs created a year ago.

9. To Meet WTO Norms, India May Have To Withdraw Popular Export Schemes By Next Fiscal
Source: The Hindu, Business Line (Link)

Popular incentive schemes for Indian exporters targeted by the US at the WTO such as the Merchandise Export from India Scheme (MEIS) and the Export Promotion Capital Goods (EPCG) scheme may have to be withdrawn in just about a year's time if the Trump regime has its way. "While India will try its best to convince the WTO panel that it should get more time to phase out the schemes, the Commerce Ministry is working on a contingency plan which may have to be put in place in the next financial year," an official told *BusinessLine*. The contingency plan, however, is difficult to give shape to, as the schemes to replace the export incentives need to be offered to all players in a targeted sector and not just exporters, and this could be a huge burden on the exchequer. The US lodged a complaint with the WTO's Dispute Settlement Body (DSB) in March, challenging six Indian government programmes, saying these provide financial benefits to Indian exporters, allowing them to sell their goods more cheaply to the detriment of American workers and manufacturers. The WTO does not allow any country which has attained a per capita gross national product (GNP) of more than $1,000 for three consecutive years to give export sops, and India breached the threshold in 2015.

10. Online Retail Sales In India Seen Growing To $32.7 Billion This Year
Source: Livemint (Link)

Online retail sales in India are expected to grow by 31% this year to touch $32.70 billion, led by e-commerce players Flipkart, Amazon India and Paytm Mall, according to a report by marketing research firm eMarketer. However, India's growth rate in e-commerce is yet to catch up with countries such as China and Indonesia in the Asia Pacific market. Flipkart, Amazon and Paytm Mall have been expanding into new sectors, including grocery, and with Walmart's recent $16 billion acquisition of Flipkart, e-commerce in India is expected to launch more offline retail stores with private labels playing a larger role in segments such as fashion and electronic accessories. A combination of factors have contributed to India's growing ranks of digital buyers, including large investments made by companies like Amazon, Flipkart and Paytm Mall, growing internet and smartphone usage, and demographics—the country's young population and burgeoning middle class. The online retail market in India has more than tripled since 2015, but it is only expected to contribute to 2.9% of the total retail sales in 2018. This, however, is expected to change in the coming years. By 2022, the sector will be worth $71.94 billion, which is a 120% growth compared to $32.70 billion in 2018, the research firm added.