Daily Economic News Summary: 9 May 2018

1. India Fastest Growing Economy At 7.4 Per Cent In 2018: IMF
Source: The Economic Times (Link)

United Nations, The International Monetary Fund (IMF) reaffirmed on May 9 that India will be the fastest growing major economy in 2018, with a growth rate of 7.4 per cent that rises to 7.8 per cent in 2019 with medium-term prospects remaining positive. The IMF's Asia and Pacific Regional Economic Outlook report said that India was recovering from the effects of demonetisation and the introduction of the Goods and Services Tax and "the recovery is expected to be underpinned by a rebound from transitory shocks as well as robust private consumption." Medium-term consumer price index inflation "is forecast to remain within but closer to the upper bound of the Reserve Bank of India's inflation-targeting banda of four per cent with a plus or minus two per cent change, the report said. However, it added a note of caution: "In India, given increased inflation pressure, monetary policy should maintain a tightening bias." It said the consumer price increase in 2017 was 3.6 per cent and projected it to be five per cent in 2018 and 2019.

2. India Drops To 6th Spot In Business Optimism Index; Sentiment Weakest Since 2014, Says Grant Thornton Survey
Source: Firstpost (Link)

With business sentiment at its "weakest" in four years, India slipped to the sixth position globally in the business optimism index for the first quarter of this year, says a survey. Business optimism is however at an "all-time high" globally with the index at net 61 percent, the highest figure recorded in 15 years of research, as per Grant Thornton's quarterly global business survey released on May 8. Noting that business sentiment in India has been the weakest since 2014 in the first quarter, the advisory firm said the confidence has been shaken since the third quarter of 2017 with weakening currency and a surge in oil prices. With a score of 89, India is at the sixth place in the index. The top five nations are Austria, Finland, Indonesia, the Netherlands and the US. The conclusions are based on a quarterly global business survey of 2,500 businesses in 37 economies. With regard to India, Grant Thornton said the underlying pessimism is reflected in other parameters as well including revenue, selling prices, profitability, employment and exports expectations. Indian businesses have been citing regulations and red tape, availability of skilled workforce, lack of ICT infrastructure and a shortage of finance as the biggest growth constraints.

3. India To Have Talent Surplus Of 245 Mn Workers By 2030, Says Study
Source: Financial Express (Link)

India is projected to have a skilled labour surplus of 245 million workers by 2030, mainly on the back of "vast supply of working age citizens", even as most of the developed and developing economies are expected to grapple with talent crunch at that time, says a study. Organisational consulting firm Korn Ferry today said there is likely to be a "talent deficit of 85.2 million workers" by 2030 across the 20 major developed and developing economies that were covered in the study. While noting that India is expected to overtake China to become the world's most populous country in the next six years, the study said India's median age is predicted to be just over 31 by 2030, meaning it has a vast supply of working-age citizens. The government has also been announcing programmes to boost workers' skills and capacities, it added. "Industries, where the talent surplus will be the most visible in India, include the financial services with a surplus of 1.1 million, technology, media, telecommunications (TMT) at 1.3 million and manufacturing at 2.44 million of extra manpower in 12 years," the study said. It also noted that by 2030, all countries except India would be gripped by TMT talent deficits.

4. Amazon Infuses Rs 26 Bn In India, Jeff Bezos Shows He Still Means Business
Source: Business Standard (Link)

After losing out to Walmart in acquiring online marketplace Flipkart, Amazon's Chief Executive Jeff Bezos is keen to show that he still means business in India and has charged up the company's local e-commerce unit with fresh funds. Amazon Seller Services, the marketplace unit of the US online retail giant in India, saw a cash infusion of Rs 26 billion (approximately $390 million) late last month, according to documents filed with the Registrar of Companies (RoC) that was sourced from business intelligence platform Paper.vc on May 8. The Seattle-headquartered company, earlier this month, is learnt to have made a bid to acquire a controlling stake in Flipkart with an investment of around $12 billion along with a $2 billion break-away fee. However, Flipkart board preferred to go with Walmart as the investors and founders were afraid that a deal with Amazon would run into regulatory hurdles. With Walmart gaining an entry into India with Flipkart, Bezos will be going up against his biggest adversary who not only has the financial muscle but can also give Amazon a run for its money on the sourcing and marketing front.

However, the latest funding can be read as a sign that Amazon isn't stepping on the brakes in India, and if anything, is only going to ramp up its investments to try and win in the country.

5. GST, Bank Balance Sheet Problems Pushed India's Economic Growth Downward But Recovery Expected: UN
Source: The Economic Times (Link)

The Goods and Services Tax (GST) as well as protracted issues of corporate and bank balance sheet problems pushed India's economic growth downward in 2017 but a gradual recovery is expected and the country's economy is forecast to grow at 7.2 per cent in 2018, according to a UN report. According to estimates in the UN Economic and Social Commission for Asia and the Pacific's (ESCAP) flagship publication the Economic and Social Survey of Asia and the Pacific, India's GDP grew at 6.6 per cent in 2017, down from 7.1 per cent in 2016. The report said that India's GDP is forecast to grow 7.2 per cent in 2018 and 7.4 per cent next year. In India, the recently introduced GST as well as weak corporate and bank balance sheets resulted in modest economic growth, but signs of recovery emerged in the second half of 2017, it said. On the problem of India's bad loans, the report said the share of non-performing loans in the country has doubled, and defaults on corporate bonds and syndicated loans have surged in recent years. By mid-2017, distressed bank loans reached a record high of 9.5 trillion rupees (USD 148 billion), but more recent revelations suggest that the actual figure may be higher.

6. Doing Business In Thailand: Indian Firms Are Reaping The Benefits Of Betting On The ASEAN Nation
Source: Firstpost (Link)

For Vijay Shah, CMD, Hitech Group, heading to Thailand to invest around Rs eight crore in a reverse osmosis (R/O) plant there was the best decision he took as far as investing outside of India is concerned. That was 18 months ago. "The ease of doing business in Thailand is unbelievable," he said. Shah's company focusses on a B2B (business-to-business) model where his firm assembles imported components required for R/O and sells it to water purifier makers. Thailand, as it turns out, doesn't impose import duties. And that is why many businesses like Shah's have made that nation their export base. "Thailand has business-friendly investment policies and infrastructure, which is a boon for startups. There is government involvement and support, besides skilled labour," Shah told *Firstpost*. He heaped praises on Thailand's Board of Investment (BOI) and said that the best thing for him, besides the professional work culture in that country, is the fact that tax rates are not cumbersome. His firm received a seven-year tax exemption. The best things in Thailand, said Shah, are the long-term corporate income tax benefits, simple import duty structure, support for startups and, more importantly, the availability of long-term work visas and work permits. "The Indian government should also create a business-friendly environment, push stable economic and business policies, promote manufacturing and re-export," which would help entrepreneurship and boost the government's 'Make in India' programme, he said.

7. Electric Vehicles Market In India Set To See Several New Entrants
Source: Business Standard (Link)

The electric vehicles (EV) market in India is set to see the entry of a flurry of new players of foreign origin and home-grown start-ups in the two- and three-wheeler segments, even as the established Indian automobile firms such as Hero MotoCorp, Bajaj Auto and TVS Motor Company have chosen to adopt a calibrated and wait-and-watch approach before they jump onto the EV bandwagon. The government's ambitious National Electric Mobility Mission Plan 2020 envisages achieving 6-7 million sales of hybrid and electric vehicles by 2020. A series of flip-flop on policies and a non-existent charging infrastructure are the biggest challenge in achieving the target. But is not deterring the newer entrants. The auto market's size and potential for electric vehicles in countries like India and rest of South Asia has prompted Terra Motors to set up its base in India. Akihiro Ueda, managing director, Terra Motors, told Business Standard, "We are looking to bring all the functions of the headquarters to India so that we can tap the South Asian market better," adding that the company has been encouraged by the Indian government's push for electric vehicles and the commitment to curb air pollution.

8. Tatas To Divest Five Steel Business Units In Europe
Source: The Times of India (Link)

Tata Steel continues with its divestment efforts of its loss-making European operations. On May 8, the $18-billion company said that it has started a process of seeking buyers for five of its business units housed under its European arm. The five business units, spread across the UK, Germany, Sweden, Canada and Turkey, employ 1,000 people. Earlier, Tata Steel had sold the speciality steels and long products businesses to Liberty Group and Greybull Capital respectively. The proposed sale of the five assets will leave Tata Steel to channelise its resources on its strip products business which is in the midst of forming a joint venture with Thyssenkrupp. The five business units are electrical steels manufacturing and processing facilities in the UK, Sweden and

Canada; an aluminium roofing and cladding business in Germany; a steel coating outfit in the UK; an engineering steels service centre also in the UK and a metals company in Turkey. Tata Steel had entered the European market through the $13-billion acquisition of Corus (now Tata Steel Europe) in 2007. However, with the European business not turning out to be profitable, the company started selling its assets one by one.

9. UK Trade Promotion Officials In India Face Job Cuts
Source: Business Standard (Link)

Hundreds of British officials in charge of promoting trade on the ground in countries like India, China and Brazil face losing their jobs as part of cost-cutting measures by the UK government. The Department for International Trade (DIT) staff have been told to expect up to 10 per cent of trade promotion jobs may be slashed because of a budgetary squeeze, with experts warning it would adversely impact post-Brexit UK trade, according to a media report. The DIT has more than 3,000 staff and has trade promotion employees based in more than 100 countries and in 174 locations. The fear of job cuts comes weeks after Prime Minister Narendra Modi's UK visit last month, during which the DIT hailed a "huge boost for the UK economy" as a range of new Indian investments worth more than 1 billion pounds into Britain were unveiled. The department also launched a new India-UK Trade Partnership, which builds on the recommendations that followed the completion of a Joint Trade Review (JTR) between the two countries earlier this year. The Indian side has also conceded that the broad contours of a new UK-India free trade agreement (FTA) are under discussion but a lot remains predicated upon the final Brexit deal that is struck between Britain and the EU. And, there is growing concern that the UK has very little resources to tackle much more beyond the ongoing Brexit negotiations.

10. Mallya Loses £1.1-B Asset Case Filed By Indian Banks In London Court
Source: The Hindu, Business Line (Link)

Vijay Mallya’s efforts to challenge the registration of a ruling by India’s Debt Recovery Tribunal in the UK, and the freezing of international assets failed on Tuesday, as a court in London ruled against him, in what will be seen as a legal victory for a consortium of Indian banks seeking to recover £1.145 billion worth of assets. The applications in the Commercial Court Queens Bench division in London had been running separately to the Indian government’s efforts to extradite him to India to face allegations of fraud and money laundering. Mallya had sought to challenge the registration of the Debt Recovery Tribunal’s judgment from January 2017, and a worldwide freezing order that prevented him from removing or diminishing his assets in England and Wales. “In dismissing Mallya’s application, the High Court has demonstrated its willingness to recognise judgments granted by courts in other jurisdictions, giving parties opportunities to enforce their judgments against any assets held here,” said Paul Gair, partner at TLT, a UK-based law firm that represented the 13 Indian banks, including in securing the registration and freezing order on November 23 last year. While the extradition efforts focus specifically on an alleged fraud centring around loans provided by IDBI Bank, the debt-recovery and asset freezing efforts related to the ruling on Tuesday are being pursued by 13 banks led by the State Bank of India and include Bank of Baroda, Corporation Bank, Federation Bank, IDBI Bank, Indian Overseas Bank, Jammu & Kashmir Bank Ltd, Punjab and Sind Bank, Punjab National Bank, State Bank of Mysore, UCO Bank, United Bank of India and JM Financial Asset Reconstruction.