

## Daily Economic News Summary: 15 March 2017

### 1. Pricier food, fuel push WPI inflation to 39-month high

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

Retail and farm gate prices surged in February as food articles and fuel products became more expensive. Data released on Tuesday revealed that consumer price index (CPI) based inflation rose to a four-month high of 3.65 per cent in February this year as against 3.17 per cent in January. It was, however, much higher at 5.26 per cent in February last year. Meanwhile, the wholesale price index based inflation, which was also released today, jumped up to a 39-month high of 6.55 per cent in February because of costlier food and fuel items. It was 5.25 per cent in January and had contracted by 0.85 per cent in February 2016. The data, combined with expectation of economic growth of 7.1 per cent this fiscal, may leave little legroom for the central bank to lower policy rates. Waiting for the impact of demonetisation to play out, the Reserve Bank of India had left rates unchanged in its last policy review. The Monetary Policy Committee will now meet on April 5 and 6.

### 2. India refuses Canada's proposal of signing investment deal before free trade pact

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

Disagreement between India and Canada over the sequencing of the bilateral investment treaty and the free trade agreement being negotiated could hold up both pacts if neither side relents. While the Canadian international trade minister, in his recent visit to New Delhi, insisted that the investment pact — formally called the Foreign Investment Promotion and Protection Agreement (FIPPA) — be signed first, his Indian counterpart Nirmala Sitharaman was not willing to fall in line, a government official told *BusinessLine*. “The Indian negotiators clearly told the Canadians that both agreements have to be agreed upon simultaneously as only that would result in a balanced outcome,” the official said. The Comprehensive Economic Partnership Agreement (CEPA), which involves liberalisation of trade in goods and services by bringing down tariffs and investment barriers, also has a separate chapter on investments, but a FIPPA exclusively focuses on investments. The proposed FIPPA between the two countries will basically aim to protect

Canadian investments in India and help them establish commercial presence which is covered under mode 3 of supply of services, the official explained.

### **3. GST: Industry sees no relief on compliance**

**Source: Live Mint ([Link](#))**

With the central government keeping many regressive provisions in the final draft of the goods and services (GST) law to get reluctant states on board, the ambitious tax reform may not ease the compliance burden or improve the ease of doing business as significantly as earlier thought. Revision of GST orders for three years, permitting officials to check vehicles in transit, levy of up to 2% tax collected at source on e-commerce marketplaces and the requirement of service providers to register in every state are some of the provisions in the draft law included at the insistence of states despite severe opposition from industry, said two officials familiar with the draft. GST aims to remove barriers and ensure seamless movement of goods and services across the across states, thereby improving the ease of doing business.

### **4. Note ban hinges on higher tax compliance: CEA**

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

Chief Economic Advisor Arvind Subramanian has said demonetisation can be called successful only if the amount of currency in circulation comes down over time and there is an increase in tax compliance. “Before demonetisation, the cash to GDP ratio was something like 12 per cent. Going forward, that should come down if demonetisation is to be deemed successful,” he said while addressing a gathering here last night. Underlining that there are cost and benefits of the note ban move, the CEA said the cash circulation in the economy is easily measurable. He also said the number of taxpayers needs to go up for the cash ban move to be called a success. Though the Reserve Bank has remonetised only under 70 per cent of the cancelled money, it has lifted all the curbs on withdrawals from yesterday. The move seeks to signal a “regime shift”, Subramanian said, adding that tax compliance should also increase as a result of it. “The general culture of non—compliance and illicit money creation should also improve through demonetisation, which was trying to signal a regime shift that in future this behaviour will be less tolerated,” he warned.

**5. German cosmetic brand BeYu back in India**

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

BeYu, a €20-million German colour-cosmetic company of the €170-million ARTDECO group, is partnering Kaunis Marketing Services Pvt Ltd for an India entry next month. This is the German brand's second coming. BeYu debuted in India in 2009, in partnership with Elder Health Care, but exited in 2012, as it failed to make a dent in the market. Short for 'Be Yourself,' BeYu sells 500 cosmetic aids in 40 countries and these will be available in India starting April 10 across 150 outlets, including top-end general trade stores and large trade chains like Health & Glow, Central, Lifestyle and NewU. BeYu plans to launch a special set of 230 make-up items to suit the Indian skin tones, and these will be available in 300 stores by the year end.