

Daily Economic News Summary: 17 August 2017

1. CPI, WPI inflation to rise further in the coming months: Morgan Stanley

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

Retail and wholesale inflation accelerated in July and the uptrend is likely to continue in the coming months, limiting the space for further monetary easing, says a Morgan Stanley report. According to the global financial services major, both CPI and WPI inflation have troughed in June and are expected to rise further in the coming months. The wholesale inflation rose sharply to 1.88 per cent in July from 0.90 per cent in June 2017, mainly on account of a turnaround in prices of food articles, especially vegetables. Retail inflation jumped to 2.36 per cent in the month, chiefly driven by the hardening of prices of sugar and confectionery items, pan, tobacco and intoxicants. "We estimate August CPI and WPI inflation to rise further to 3.0 per cent and 2.1 per cent year-on-year, respectively, based on current trends in high-frequency food prices and global commodity prices," Morgan Stanley said in the research note.

2. Govt extends tax exemption for industry in North East, hilly states

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

As many as 4,284 industrial units in the North East and Himalayan States will get GST relief in the form of refund of Central share of CGST and iGST. The Cabinet Committee on Economic Affairs (CCEA) on Wednesday gave its nod for a new scheme to refund the Central share of Central GST (CGST) and integrated GST (iGST) to these units in lieu of the excise exemption lost due to the onset of goods and services tax (GST) and scrapping of excise laws from July 1 this year. A budgetary support of ₹27,413 crore for this scheme has been approved for the period from July 1, 2017 till March 31, 2027, Finance Minister Arun Jaitley told reporters here after a Cabinet meeting. He said the Department of Industrial Policy & Promotion (DIPP) will notify the scheme, including detailed operational guidelines for implementation within six weeks. The 4,284 eligible industrial units were granted excise duty exemption for the first 10 years after commencement of commercial production under the North East Industrial and Investment Promotion (NEIIPP) 2007 and package for special category States for Jammu & Kashmir, Uttarakhand and Himachal Pradesh to promote industrialisation.

3. Cabinet clears MoU between India, Sweden on IPR

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

The Union Cabinet today cleared MoU signing between India and Sweden on intellectual property right (IPR) cooperation, aimed at benefiting entrepreneurs, investors and businesses. The Cabinet meeting, chaired by Prime Minister Narendra Modi, approved the memorandum of understanding (MoU), an official statement said. This will enable India to exchange experiences in innovation and IP ecosystems. “The MoU establishes a wide-ranging and flexible mechanism through which both countries can exchange best practices and work together on training programmes and technical exchanges to raise awareness on IPRs and better protect intellectual property rights,” the statement read. The government hopes that the MoU signing will further the objective of National IPR Policy, 2016, and sees it as a landmark step towards becoming a major player in global innovation...As part of the MoU, a joint coordination committee with members from both sides will be established to exchange best practices, experiences and knowledge on IP awareness among the public, businesses and educational institutions of India and Sweden. Among others, there will be collaboration for training programmes, technical and expertise exchanges, exchange on best practices, experiences and IP knowledge with the industry, universities, research and development organisation and small and medium enterprises (SMEs).

4. New pharma policy may fix drug trade margins

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

In an attempt to make drugs affordable to all, the government has planned a fresh pharmaceutical policy. The policy draft says that the government will fix trade margins for drugs as well. At present, the National Pharmaceutical Pricing Authority (NPPA) is in the process of fixing trade margins for a number of medical devices like orthopedic knee implants and cardiac stents...The Department of Pharmaceuticals (DoP) has sought industry comments and consultations on the draft. The policy draft talks about making the voluntary code for marketing a mandatory requirement for companies operating in India. “Doctors are lured to recommend a particular brand through all expenses paid trips often disguised and called ‘educational conventions’ and such other incentives. While The Drugs & Magic Act prohibits any advertisement of a drug, such ‘educational’ conferences are used to circumvent and play the trick. These add to the overhead cost of the drugs,” it notes. The government also plans to prescribe rules for branding drugs. Companies will be allowed to put

brand names only on fixed-dose combinations. For all other drugs, they will be asked to print only the generic names. Proposal for e-prescriptions is also part of the draft, so that doctors prescribe generic names without any hassle. The NPPA's structure could also be modified with representatives from industry and civil society. This has been a long-standing demand of the pharma sector. However, the NPPA will continue to have the last say on drug pricing.

5. Jobs, tourism, housing: Govt turns to start-ups for solution

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

NITI Aayog, the country's think-tank that finds solutions to problems ranging from economic issues to how Indian athletes can get more Olympic medals — is now looking towards the start-up community to find answers to India's woes. Prime Minister Narendra Modi and NITI Aayog will meet 212 entrepreneurs on Thursday to get their views on almost everything under the sun — jobs, ease of doing business, climate change, tourism, health care, skilling...after Prime Minister's magnum opus event Startup India in January 2016 — where start-up bosses are being called by the PM en-masse. This would lead to a similar programme on August 21-22, where 180 young CEOs would deliberate on six subjects — New India 2022, Digital India, Emerging a Sustainable Tomorrow, Health and Nutrition, Education and Skill Development, and Soft Power. Under the 'Champions Of Change' programme, organised by NITI Aayog, young entrepreneurs have already begun deliberations on the six themes.

6. New metro rail policy: Narendra Modi government gives green signal

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

The Cabinet on Wednesday approved a new metro rail policy, making private participation a must for states to get central assistance for new metro rail projects in the country. The policy will focus on innovative models of implementation and financing, as well as standardisation and indigenisation of hardware and software, to create jobs locally, finance minister Arun Jaitley said. “There will be a system-based approach (for sanctions of new projects). Economic internal rate of return (EIRR) should be 14% for approving new metro projects,” Jaitley said. Taking note of substantial social, economic and environmental gains of metro projects, the policy stipulates a shift from the present financial internal rate of return of 8% to EIRR, in line with global practices. The policy empowers states to make rules and regulations and set up a permanent fare fixation authority for timely revision of fares. States can take up metro projects exercising any of the three options for availing central assistance: Public-private partnership (PPP) with central assistance under the viability gap funding

scheme, grant by central government under which 10% of the project cost will be given as lump-sum central assistance and 50:50 equity sharing model between central and state governments.

7. CBEC to build information repository on imports

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

The Central Board of Excise and Customs (CBEC) is undertaking a mammoth exercise to build a central repository to provide a supplier all the information required about norms governing product imports in simple language. This will be available on one site or via a mobile app. “The idea is to make it simple for traders to access information,” a government official told. “Any information about any regulation would be available at the click of mouse or a tap on the mobile.” Though all the information is available, traders need to plough through various ministry and department websites to find it. The official said the effort would be to make regulations navigable and information readily available to traders. The difficulty in finding the information is also seen to be hindering ease of doing business. This exercise is also part of the government's effort at trade facilitation. CBEC has already launched a portal to allow importers and exporters to file a single form at ports for clearances from all government agencies including the Drug Controller General of India, Plant Quarantine and the Food Safety and Standards Authority of India. This programme has also allowed for risk based assessment at customs. India has adopted the National Action Plan for Trade Facilitation, which aims to roll out steps to make it easier to do business.

8. Lenders hold key to India’s economic growth, policy makers say

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

Indian central bank Governor Urjit Patel and Deputy Viral Acharya are pushing commercial banks to cut borrowing costs in a bid to boost investment, after what many economists see as a final policy-rate reduction in this cycle. Both voiced concerns about inflationary pressures from farm loan waivers announced by several state governments and warned this could crowd out private borrowers, according to minutes of this month's meeting published Wednesday. The six-member monetary policy committee had voted 5-1 for an interest-rate cut. The benchmark repurchase rate was lowered to 6 per cent from 6.25 per cent as predicted by 41 of 57 economists in a Bloomberg survey. "Effective transmission of a policy rate cut is the key to achieving the goal of supporting the

non-inflationary growth," Patel said in the statement. "There is still some space for banks to cut their lending rates, especially on the existing loan portfolios."

9. India added one billionaire per month since 2010

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

India has been creating a billionaire a month since 2010. According to a World Economic Forum report, India ranks fourth in the list of countries with the most number of billionaires. Only the United States of America (565), China (319) and Germany (114) have more number of billionaires than India. The Forbes billionaire list has 101 Indians, up from 84 last year. India had 12 billionaires in 2005. According to Fakhri Ahmadov, managing director at Ahmadoff & Company, a UK-based wealth advisory firm, "It's record number historically (and) it means every 33 days brought a new Indian billionaire to the list last year." The World Economic Forum report goes on to state that self-made billionaires have driven much of this growth. A report by Ahmadoff & Company estimates that 70% of the Indian billionaires are self-made... The World Economic Forum report states that India is in middle of a start-up boom. It is the third-largest tech startup located globally. As per the report, it's likely to have around 2,100 tech-startups by 2020. Two things have been major contributors to India's new wealth: fast economic growth in consumer retail goods and redistribution of wealth along billionaire family lines, often creating new billionaires, especially in rupees. The share of Indian billionaires in the global billionaires club touched a whopping 5%, up from 1% in 1996, as per the report.

10. Big boost for Railways, cement makers signing long term freight contracts in droves

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

Cement makers are signing long-term freight contracts with Indian Railways in droves, a development that would help the transporter reverse the recent trend of a decline in cement loading and allow manufacturers of the binder to cut operating costs significantly. Following India Cement and UltraTech Cement which have signed loading contracts with the railways recently, at least three more large cement makers ACC, Ambuja Cement... have inked long-term freight agreements with the transporter. Though the exact quantum of business these contracts will bring to IR is not immediately known, it is certain to benefit from the guaranteed revenue flows. Apart from cement firms, steel makers are also showing interest in IR's long-term contract scheme.