

Daily Economic News Summary: 18 August 2017

1. Why India must take China's warning of a trade war seriously

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

India has not taken Chinese bullying over Doklam seriously. For the last several weeks, China has been warning of helping insurgents in India, invading border areas in Uttaranchal and Kashmir, and a war breaking out soon. It is clear China cannot afford a war over Doklam. That's why India has not responded to China's belligerence in equal measure. However, there is one war which can break out and India cannot afford it—a trade war with China. Recently, India imposed anti-dumping duties on 93 Chinese products. China is not going to tolerate this measure and is likely to respond. State-owned Chinese media has urged Chinese firms to reconsider the risks of investing in India and warned New Delhi to be prepared for the “possible consequences for its ill-considered action”...India's trade deficit with China rose to \$46.56 billion last year. China's exports to India totaled \$58.33 billion, registering a meager increase of 0.2% compared to \$58.25 billion in 2015. India's exports to China dropped 12% from 2015 to \$11.76 billion.

2. FDI reforms: Narendra Modi government mulls relaxing food retail norms, may allow retailers to sell non-food items

Source: ([Link](#))

The government is weighing a proposal to relax foreign direct investment (FDI) guidelines in food retail to allow a certain percentage of locally-produced non-food items along with the edible products. Although a final decision is yet to be taken by the government, it could allow a FDI-backed retailer to sell locally-produced non-food items worth around 20-25% of its investments at the farm-gate level, said a source. However, some feel the government should keep the rule simple and allow the sale of non-food items at a fixed percentage of overall FDI, instead of the investments at the farm-gate level. Monitoring compliance with the rule would be easy in this case, they argue. It's not clear what the government would finally decide, as consultations are still on. The liberalisation of the FDI regime is in sync with the government's announcement in the Budget for 2017-18...the government could soon allow up to 100% FDI in single-brand retail under the automatic route, said another source. However, there is no clarity yet on further liberalisation of FDI rules in multi-brand retail, as officials are tight-lipped on the issue. Currently, while up to 100% FDI is allowed in single-brand

retail, investment beyond 49% needs the government approval. In multi-brand retail, up to 51% FDI is allowed, via the government route. Recently, the government approved proposals of Amazon, Big Basket and Grofers, entailing total investments of \$695 million, for retailing food items.

3. India hopes to shoot up in World Bank's 'ease of doing business' ranking

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

Improved efficiency in granting construction permits, starting a business and resolving insolvency is expected to improve India's overall ranking in the World Bank's 'ease of doing business' survey 2018, which will be published in October this year. The GST regime implemented from July 1 this year, however, will not influence India's ranking as the period of evaluation ended May 31, a government official...In last year's ranking, India had moved up just one rung, to 130 among the 190 countries evaluated. Improvements were recorded in four of the ten parameters, which included getting electricity, paying taxes, trading across borders and enforcing contracts. The other criteria for judging performance are starting a business, registering property, resolving insolvency, giving out construction permits, getting credit and protecting minority investors...To improve ease of doing business, India has sharply cut down on the time taken to grant construction permits. According to the Department of Industrial Policy & Promotion (DIPP), which works closely with the World Bank in submitting data for the report, it now takes only 60 days following eight online procedures to get a construction permit in Delhi and Mumbai as opposed to more than 160 days earlier. Concrete steps have also been taken to improve ease of starting a business. Earlier this year, the Income-Tax Department had tied up with the Ministry of Corporate Affairs to issue a Permanent Account Number and a Tax Deduction Account Number within a day to improve ease of doing business in India.

4. Korean business team in Telangana

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

A business delegation from South Korea is in India to explore business and investment opportunities in the country. The delegation from the Korea Federation of Textile Industries, led by Kihak Sung, met Telangana Industries and IT Minister KT Rama Rao on Wednesday. The Minister asked the Korean team to consider investing in the upcoming Textiles Park in Warangal. He made a presentation on the facilities the 2,000-acre park will offer as also the incentives that the State government will extend to new industrial units. To a query from the delegation, the Minister said the State government would speak to the Centre to get the Warangal airstrip operational as early as

possible. The delegation held discussions with officials of the Industries, Handlooms and Textiles Departments, a statement said.

5. India's weight in MSC emerging market index to rise in coming years: Morgan

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

India's weight in the MSCI Emerging market index is expected to rise in the coming years and the equity market will attract more foreign fund inflows going ahead, says a Morgan Stanley report. While India ranks among the top three in the emerging market basket in terms of GDP, it barely makes it into the top 15 in terms of index weight. "We are arguing that as India gains GDP versus the rest of the world, its index weight will rise," Morgan Stanley Investment Management said in a research note...According to the report, part of this underrepresentation problem is India's smaller free float — the portion of equity which is in the hands of public shareholders. The gap between index weight and GDP rank is likely to keep closing, while India's GDP weight is also gaining share. Indeed, India's foreign free float should also rise as new securities get listed and enter the index," the report added.

6. Economic growth, inflation may trend higher in next 6-12 months: Nomura

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

Economic growth and inflation are expected to trend higher in the next 6-12 months and the Reserve Bank is likely to stay on a prolonged pause, says a Nomura report. According to the Japanese financial services major, the MPC minutes suggest low inflation and growth concerns led to policy easing earlier this month, and going ahead the RBI is expected to stay on hold. Most MPC members voted for a rate cut in August owing to low inflation momentum and signs of weaker growth. However, a neutral policy stance was retained owing to expectations of a higher inflation trajectory in the coming days, the report noted. According to Nomura, July inflation data confirmed that inflation troughed in June, and going ahead inflation is expected to see an uptrend due to rebound in vegetable prices...Most MPC members voted for a rate cut in August owing to low inflation momentum and signs of weaker growth. However, a neutral policy stance was retained owing to expectations of a higher inflation trajectory in the coming days, the report noted...Nomura expects the GST-related activity disruption to also wane, and growth and inflation to trend higher in the next 6-12 months.

7. Forex reserve may cross \$400-bn by first week of September: Morgan Stanley

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

If the present pace of dollar accretion to the forex kitty continues, which crossed past the \$393 billion, the reserves may hit the \$400-billion mark by the week to September 8, 2017, says a report. Forex reserves have been rising with a total accretion of \$4.389 billion to the kitty since July 14, 2017. It had touched a record high of \$393.448 billion after it rose by \$581.1 million in the week to August 4, 2017. The pace of forex accretion has been the strongest since 2015 and this has also been one of the strongest in Asia ex-Japan in the past 12 months, the report said. The surge in the reserves is on account of high inflows from overseas investors. On a 12-month trailing sum basis, foreign direct and institutional flows remained robust at \$63 billion and \$17 billion. This robust inflow of capital coupled with weak credit off take (credit growth was 6.2 per cent as of July 21) has meant interbank liquidity remains in strong surplus mode of \$42 billion, the report said.

8. Young entrepreneurs suggests more Public Private Partnership to NITI Aayog

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

India's young entrepreneurs called for the greater involvement of the private sector and more public-private partnerships (PPP) as part of suggestions to prepare a new policy template for the country. More than 200 of them pitched for leveraging the strength of non-state entities to develop India's soft power, improve education levels and help mitigate climate change. Under the Champions Of Change programme organised by Niti Aayog, 212 young entrepreneurs were grouped into six sectoral themes — Soft Power: Incredible India 2.0; Education and Skill Development; Health and Nutrition; Energizing a sustainable tomorrow; and Digital India; New India by 2022...Niti Aayog CEO Amitabh Kant said the think tank was documenting the suggestions and that this government-business partnership would be taken forward. "These bright, young #ChampionsOf-Change are committed to India; driven to enable radical transformation in their sectors," he said...The Champions Of Change proposed to increase transparency in the education system and enable students to take part in the decision-making process. The entrepreneurs said there was a need create 20-100 million new jobs through connectivity, accessibility and data usage and in 2022, the country would need value-added manufacturing...To harness India's soft power, the young entrepreneurs emphasised the need to debunk myths and create brand Handmade India on the lines of Make in India and leverage private brands. The Champions Of Change suggested the government replace capital

subsidies and give tax incentives to enable consumption of green power. To address climate change, they said the private sector can create cost-efficient, carbon and water positive prototypes for smart cities.

9. American crude oil shipment opens new vistas in India-US relationship

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

The first shipment of American crude oil is likely to reach India in the last week of September, opening new vistas in the Indo-US ties. With this India, the world's third-largest oil importer, joins Asian countries like South Korea, Japan and China to buy American crude after production cuts by OPEC drove up prices of Middle East heavy-sour crude, or grades with a high sulphur content. The first lot of two million barrels costs USD 100 million, but given the volume being contemplated by Indian companies, this new development is expected to boost the bilateral oil trade to USD 2 billion. While the 40-year-old ban on export of American oil was lifted by the then US President Barack Obama in December 2015, the real move started during the maiden meeting between Prime Minister Narendra Modi and US President Donald Trump on June 26 when the two leaders agreed to deepen the engagement in the energy sector. Soon thereafter, Indian companies started purchasing crude from the US. Two Indian oil giants, Indian Oil Corporation and Bharat Petroleum, placed orders for over four million barrels. The development was welcomed by Trump in his phone call with Modi.

10. India sees over 15% growth in foreign tourist arrivals

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

India has registered a growth of over 15 per cent in foreign tourist arrivals from January to July this year, with many opting for e-visa facility, the tourism ministry said in a statement. The highest number of tourists arrived from Bangladesh (20.12 per cent), followed by the US (16.26 per cent), the UK (10.88 per cent) and France (3.01 per cent), said the statement which was released yesterday. Foreign Tourist Arrivals (FTAs) from January to July, 2017, were 56.74 lakh, recording a growth of 15.7 per cent as compared to 49.03 lakh in the corresponding period last year, it said. A total of 7.88 lakh foreign tourists arrived in India in July, an increase of 7.4 per cent as compared to the same month last year, it said. The ministry said foreign tourists, who arrived on e-visa, also substantially increased in July. A total of 1.19 lakh tourists came on e-visa last month as compared to 0.68 lakh in July 2016, registering a growth of 73.3 per cent. From January to July this year, a total of 8.36

lakh tourists arrived on e-visa as compared to 5.40 lakh during the corresponding period last year, recording a growth of 54.7 per cent, the statement said.