

Daily Economic News Summary: 23 January 2017

1. Modi may lower taxes to spur demand in his budget sops

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

Taxes are anything but certain for Prime Minister Narendra Modi. Faced with a slump in demand after his shock clampdown on cash, he's expected to lower taxes in the 1 February budget to spur consumption. The risk is that a cut will rob Modi of a short-term revenue spurt, which his administration had been touting as proof of success of the currency policy change. "Economic growth is unlikely to accelerate in the near term on its own so the situation for the government is such that in order to improve their own credibility, the government will have to improve demand for goods and services," said Nihal Kothari, executive director at tax firm Khaitan and Co. in Mumbai. "So the personal income tax slabs or rate may be reduced in the budget to give higher purchasing power to consumers." We assess the sustainability of the tax revenue surge amid expectations from the budget.

2. Trump's 'Buy American-hire American' pledge unnerves Indian IT

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

New US President Donald Trump's 'Buy American-hire American' rallying cry has put the USD 150- billion Indian IT industry on edge, which is in wait-and-watch mode to see how the new administration evolves policies around outsourcing and movement of skilled workers. India hopes to have a meaningful engagement with the US, Electronics and IT Minister Ravi Shankar Prasad has said. Given that US market accounts for 60 per cent of India's IT exports, the industry and the government here will spare no efforts in their outreach programme over the next few weeks to showcase the role of Indian technology sector in making the US economy more competitive and highlight its contribution in terms of billions of dollars paid in taxes and creation of local jobs. "Indian IT companies are in 200 cities across 80 countries. They have added big value to the US, and given jobs to lakhs of people including American people there. I am given to understand that they have paid billions of dollars in tax... So they have added value to America in terms of money, by way of tax and also employment," Prasad told PTI in an interview just hours before Trump was

sworn in as the 45th US President. Stating that India wishes to have a meaningful engagement with the Trump government, Prasad said: “We will await unfolding of his views about Indian IT companies’ outreach. We have already conveyed our views to them and we will continue (to do so).”

3. India’s consumption growth de-risks it from global uncertainty: Kamath

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

Confident about India continuing to grow on the back of its consumption-driven economy, veteran banker and BRICS nation’s National Development Bank chief K V Kamath has said the world is going through very uncertain times but that may not have much impact on India. At the same time, he also cautioned against excessive populism and said the country should do “what is right and what is required” and the first focus should be on driving economic growth, and then it can be ensured that fruits of it reach others to deliver inclusiveness of the growth story. Kamath, who was here for the World Economic Forum Annual Meeting last week, also said that the demonetisation move in India would have only a “short-term blip” after which India should be back on a clear growth path. On push for digital economy and the recent demonetisation move and whether the pain would be limited to short-term given the world economy is going through uncertain times, he said: “Clearly the world is enormously uncertain today. Having said that, that uncertainty do not have too much impact on India.” “We are still in consumption mode. We have to consume and grow. That safeguards us a lot from the uncertainty in the outside world,” Kamath told PTI in an interview on the sidelines of WEF meet.

4. IT Industry adopts a ‘wait and watch’ approach

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

As Donald Trump assumes office, the Indian IT industry has adopted a wait and watch approach, given that one of Trump’s major priorities in his first 100 days in office is to direct the Department of Labor to investigate all abuses of visa programmes that undercut the American worker. Over 60 per cent of the Indian IT industry’s \$108-billion export revenue comes from the US. Infosys has adopted a ‘visa-independent’ strategy and continues to focus on local hiring in the US. Of its 1,99,763-strong workforce, 20,000 are located in the US which contributes to 62 per cent of

Infosys' revenue. "We are closely monitoring the developments related to the US visa legislative proposals. Irrespective of the legislative environment, we continue to hire and invest locally. However, given the skill shortages in the US and the availability of technically skilled workforce in various global markets, we also rely upon visa programmes to supplement these skills" said Pravin Rao, COO, Infosys Ltd, in a statement. "For the long term, we are also exploring new operating models to ensure business continuity as we navigate this dynamic environment. This includes reducing our visa dependency and efforts towards making Infosys a preferred employer in the US," he said.

5. In Donald Trump era, India under Modi must join forces with other Asian nations
Source: Live Mint ([Link](#))

Every new occupant of the White House has his—still, unfortunately, “his” —way of looking at the world. America’s allies, friends and rivals have always adjusted to these shifts in worldview. But so far they’ve been relatively straightforward. Some presidents have sought to extend democratic values, others to fight grand strategic battles. The last swore not to “do stupid stuff”. Adjusting to President Donald Trump won’t be that easy. Trump’s foreign policy, especially when it comes to Asia, is both predictable and unpredictable. It’s predictable because he has repeatedly indicated that he questions America’s traditional role as the guarantor of regional security. And it’s unpredictable because no one knows what aspects of that role might be abandoned or negotiated away. The nuclear umbrella in northeast Asia? Support for freedom of navigation in the South China Sea? A continued US troop presence in Afghanistan? Trump will want to prove that he is, in fact, a dealmaker—and all anyone can assume is that everything is now a bargaining chip.

By Rajnee Narula

