

Daily Economic News Summary: 29 September 2017

1. India's flagging economy draws dire warnings of recession

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

Minister Narendra Modi came to power on a euphoric wave of promises to boost India's economy, add millions of jobs and bring "good times" to the developing nation. Three years later, India's economic prospects look decidedly grimmer. India's economic expansion has slowed to its lowest level in three years. Small businesses are struggling, or even shutting down, after overhauls of the nation's currency and sales tax system. Modi's own allies warn of a dire outlook, with some raising the specter of an economic depression. "A hard landing appears inevitable," Yashwant Sinha, a BJP lawmaker and former finance minister, said...He accused the government of rushing through poorly planned economic reforms, which he said will hobble home-grown businesses for years to come. "Private investment has shrunk as never before in two decades, industrial production has all but collapsed, agriculture is in distress, construction industry, a big employer of the work force, is in the doldrums ... exports have dwindled," he said...Last week, the Organization for Economic Cooperation and Development scaled back its economic growth forecast for India to 6.7 percent for the 2018 fiscal year, down from 7.3 percent predicted earlier this year. Other organizations and banks have made similar downward revisions...Economists have said the country needs to maintain 8 percent growth to add enough jobs for some 12 million young people joining the work force every year.

2. Amid economic slowdown, Modi govt sticks to FY18 borrowing target

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

An economic slowdown following the launch of a nationwide Goods and Service Tax (GST) in July have put federal revenues under pressure, raising worries that New Delhi will struggle to trim its fiscal deficit. Separately, the Reserve Bank of India said on Thursday it would raise the foreign investment limits for government bonds by 80 billion rupees to 2.5 trillion rupees for the October-December quarter. The action came after current quotas were almost fully exhausted amid strong buying by foreign investors, as India offers high yields at a time of globally low interest rates. In February, Finance Minister Arun Jaitley had budgeted to raise 5.8 trillion rupees (\$88.57 billion) in 2017/18 via bond sales to bridge the fiscal deficit of 3.2 percent of GDP. However, the deficit has

already crossed 92 percent of the full-year target. Adding to the concern, GST collections fell 3.6 percent in August from July.

3. RBI increases foreign investor limits in G-secs

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

The Reserve Bank on Thursday increased foreign portfolio investors' investment limits in central and state government securities by an aggregate Rs 14,200 crore for the October-December period. Limits for investment by FPIs for the December quarter have been increased by Rs 8,000 crore in Central government securities and by Rs 6,200 crore in state development loans, the central bank said in a notification. Accordingly, the aggregate FPI limits have gone up to Rs 2,89,300 crore (Rs 2,893bn) from the earlier Rs 2,75,100 crore (Rs 2,751bn). After the expansion the total investments permissible in G-secs will now stand at Rs 2,50,000 crore (Rs 2,500bn), while the same for state governments will be Rs 39,300 crore (Rs 393bn) , it said. The G-secs limits include a cap of Rs 1,89,700 crore (Rs 1,897bn) in general securities, up from Rs 1,87,700 crore (Rs1,877bn) earlier, and Rs 60,300 crore (Rs 603bn) in long term securities, up from the earlier Rs 54,300 crore (Rs 543bn)

4. 'French firms keen to invest in defence, infra, green energy'

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

French companies are exploring investment opportunities in India in areas of defence, infrastructure, renewable energy, and waste & water management & recycling. A 45-member French delegation from sectors such as transport, logistics, ports & shipping, energy, environment, construction, infrastructure, digital sector, bank, insurance and legal services is in the city. "We are visiting India to take advantage of the very good momentum created between India and France. We've most of the solutions to the challenges India faced in sectors like defence, infrastructure for rail, roads, ports, renewable energy, waste and water management. We can provide technologies in these sectors," MEDEF (French federation of entrepreneurs) president Pierre Gattaz told...The aim of the delegation is to explore new investment opportunities and broaden the scope of bilateral co-operation, Gattaz said...India has been having trade surplus with France for the past 10 years and the bilateral trade stood at 2.2 billion euros in 2015, down from 2.5 billion euros in 2014. India's main exports to France include textiles and textile articles, mineral fuels and oils, machinery & mechanical appliances and electrical equipment, chemical & allied products, animal, vegetable & food products, footwear, leather articles and gems & jewellery.

5. WTO warns of global ramifications of local labour policies shortcoming

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

The World Trade Organization (WTO) has warned countries of global ramifications due to shortcoming in their domestic labour policies. In its World Trade Report 2017, the organisation said: "Today's labour market problems are largely traceable to domestic policy shortcomings, but a failure to find answers could have global ramifications."... The report showed that India and China have experienced a relative decline in the labour force participation of both men and women. Between 1990 and 2016, China's participation fell from 77% to 71% while India's rate dropped from 59% to 53%. The report showed that the estimated share of jobs at risk of automation is also substantial in emerging economies, such as 69% for India and 77% for and China.

6. India jumps to 14th rank as best country for expats: HSBC

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

India leapt up the global rankings by 12 places to take the 14th spot in terms of best country for expats to live and work in, says a HSBC survey. The list, which is topped by Singapore, is part of HSBC's latest 'expat explorer survey' that covered 27,587 expats from 159 countries and territories in March and April this year. "Driven by strong ratings across a range of economic, experience and family measures, India shines in this year's league table, moving up 12 places since 2016 (to rank 14 as overall best country for expats)," HSBC said. "India draws many expats for work and financial opportunities, but new arrivals here often find their family life improves significantly too," it added. At the same time, the country has emerged among the top 10 countries among expats for professional development. According to survey, about 71 per cent expats in India reported high levels of confidence in the local economy, while 58 per cent exuded optimism on political stability. With an average USD 176,408 gross personal income per year -- one of the highest in the world -- over 50 per cent of the expats said India is a good place to start a business.

7. India's pharma exports are missing the EM sparks

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

Indian pharmaceutical companies had a good run in semi-regulated markets, but have lost that momentum in recent years. The outlook in these emerging market (EM) economies indicates growth will remain under stress in the near-to-medium term, according to a report by India Ratings and Research Pvt. Ltd (Ind-Ra). Weak economic and political conditions in Africa and currency volatility

in Latin America are the main causes for this outlook, with Asia the only region looking relatively better. At a time when sales to the US generic market are under stress, and domestic sales are below normal growth levels, this pocket too is failing to deliver. Semi-regulated markets referred to in this report are spread across Africa, Asia, Latin America, countries in the Commonwealth of Independent States and the Middle East. These markets offer easier access relative to regulated markets, and are a favourite hunting ground for Indian firms looking to grow sales with a relatively shorter lead time.

8. GST revenue likely to surge in coming months, says Arun Jaitley

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

Finance Minister Arun Jaitley today said the Goods and Services Tax (GST) collections in the first two months have met the target and going forward the revenue will see further surge. “We are now just finished second month. As a base year of 2015-16, we had to give two hikes of 14 per cent each to the states, and for both the months (July and August), with some part of the compensation cess, we are well within that figure,” he said...Total GST collection for August touched Rs 90,669 crore (up to September 25, 2017), against Rs 94,063 crore mopped up in the first month of the new indirect tax regime rollout. Of this, as much as Rs 14,402 crore has come in from the Central GST (CGST), Rs 21,067 crore from State GST (SGST), Rs 47,377 crore from Integrated GST (IGST) and Rs 7,823 crore from compensation cess levied on demerit and luxury goods. Of Rs 7,823 crore, Rs 547 crore is compensation cess from imports in August.

9. India, US ‘2+2 Ministerial’ meet unlikely to be held this year

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

The proposed ‘2+2 Ministerial’ meeting between India and the US is unlikely to be held this year as the Trump administration is yet to finalise some of the key positions in his government to oversee its bilateral strategic and geopolitical ties with India. The ‘2+2 Ministerial’ is going to be an annual Cabinet-level meeting between both the governments that will be chaired by External Affairs Minister Sushma Swaraj and Defence Minister Nirmala Sitharaman from India while from the US side it will be chaired by US Secretary of State Rex Tillerson and US Secretary of Defence James Mattis, sources told...This new mechanism has been proposed in lieu of the ‘Strategic and Commercial Dialogue’ (S&CD) that was established under former US President Barack Obama in 2015 in order to deepen the strategic and business ties between the countries other than trade issues, which continue to remain a sore point between both countries...While India has welcomed the

dialogue, it is unlikely to take place this year because the US government has not yet officially finalised the name of Kenneth Juster, former director of the National Economic Council at the White House, as their next Ambassador to India...According to a White House statement, the new ministerial dialogue will enhance peace and stability across the Indo-Pacific region by “elevating” their strategic-level consultations.

10. Arun Jaitley vows crackdown against black money in bank accounts

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

Facing a barrage of criticism including from elements within the ruling coalition for slowing growth, finance minister Arun Jaitley, mounted a strong defence of his handling of the economy. Demonetisation’s object was not synonymous with confiscation of currency, he said, adding that whoever deposited money in excess of their legitimate resources in the banks during the process will have no option but to pay up their taxes. “(The composition of high-denomination bank notes in currency) has altered, and stands compressed,” he said, adding that the process of compression will go on...Stating that the experience with the roll-out of GST — despite some teething problems — has been encouraging, he said the first two months’ GST revenue indicated that few states would need to be compensated for any revenue. The collections were close to the anticipated levels even in these initial months, he noted, adding that these could increase further in the coming months.

11. Chandigarh-Delhi semi-high-speed rail network tenders early next year

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

Tenders for the Delhi-Chandigarh semi-high-speed rail line may be issued early next year, according to SNCF, the French railway firm conducting a study on it. SNCF has almost completed the study for the project, which will see semi-high-speed trains cruising at 200 kmph. The cost is estimated at €1.4 billion (₹ 11,566 crore). It will halve the travel time between the two cities to two hours...The proposed route is largely on the existing route alignment between the two cities although SNCF has proposed some variations to minimise land acquisition. “With higher speeds, some realignments are required to ensure safety,” Lorand said. Of the €1.5 billion cost, broadly a third is expected to be spent on civil work, one third on signalling, telecom and systems and the remaining on rolling stock. SNCF feels there should be a “bespoke” solution for India, with specially made trainsets or electrical multiple units (EMUs) for the country. Haryana has proposed one intermediate

station – Ambala. On funding options for the project, Lorand said... On station modernisation, which is another area of cooperation between France and India, Lorand said that at a basic level, French Railways look at railway stations to promote inter-modal points – where traffic transfers can happen between metros, buses – and trains of different speeds. Incidentally, SNCF, which had also conducted a study for Mumbai-Ahmedabad corridor, had suggested a 200 kmph semi-high-speed network between the two cities.

12. E-commerce may be the winner amid GDP growth gloom

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

Economic growth may be slowing and consumer sentiment tepid, but that hasn't had an impact on e-commerce sales in the key festive season that culminates with Diwali, the Indian festival of lights, on 19 October. The festive season may have also marked a turning point for e-commerce in 2017, as online retail is now set to grow by more than 25% for the full year after a sluggish first-half performance, according to analysts and company executives... For the better part of the past two years, the Indian online retail market has languished and grown at a sluggish pace, largely due to a mismatch between the growth of the number of Internet users and the purchasing power of those very same users. Now, with Flipkart and Amazon India ending their respective sale events on a high, the market has finally shown signs of life, according to several e-commerce experts that *MintAsia* spoke to. For much of the past 24 months, analysts and investors in India's consumer internet economy had overestimated the size and potential of India's e-commerce market. Some had even made outlandish forecasts of Indian e-commerce being a \$100-billion market by 2020.