

Daily Economic News Summary: 2 February 2017

1. What impact will Budget 2017 have on the economy?

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

The budget this year has come at a challenging time for the Indian economy. The tailwinds which supported the economy over the past few years, such as low oil and commodity prices, are gradually turning into headwinds now, even as legacy issues such as the pile of bad debt continue to delay a broad-based investment revival. And to top it all, the shock of demonetisation seems to have hit aggregate demand and consumer sentiment, necessitating palliatives. Finance minister Arun Jaitley was therefore presented with the daunting challenge of aiding a recovery in new investments, growth, and jobs, without compromising macro-economic stability at a time of growing global uncertainties. **The big takeaways:** The single biggest takeaway from the budget is that it is unlikely to hinder the recovery of the Indian economy. Jaitley has missed his own target for cutting down the fiscal deficit (or the net addition to public debt) but the deviation is not large. The fiscal math behind the budget projections are slightly optimistic but not over the top. He has also budgeted a big increase in capital expenditure, which can crowd in private investments and boost growth, if all goes to plan.

2. Budget 2017: Focus on digitalization to help economy in long run, says N Chandrasekaran

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

It was an ‘historic Budget’ not only for the reasons specified by the finance minister, but also for the transformative leadership displayed by this government in sustaining the momentum of reforms. Transformative leadership is about driving sustainable change and the government has identified digital, the rural economy, financial inclusion, opportunities for the youth, and ease of doing business. It is now working systematically to bring about the transformation. There was also a clear attempt to make the economy more transparent and, thereby, more efficient and dynamic. Driving the nation to a digital future continues to be a priority for GoI, which will help bring the informal economy into the formal framework. Use of digital platforms will increase with new programmes announced, including two schemes to promote the new payments app Bharat

Interface for Money (BHIM), a merchant version of the Aadhaar-enabled payment system, and duty-free imports allowed of point-of-sale and other digital authentication equipment.

3. Govt to abolish Foreign Investments Promotion Board: Prime Minister

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

The Foreign Investment Promotion Board (FIPB) has been decided to be abolished, Finance Minister Arun Jaitley declared in his budget presentation on Tuesday. While, the FIPB had the final say in approving Foreign Direct Investment (FDI) proposals in the country for long, its power has been systematically reduced under the current government. Most notably, back in June, 2016 the government had announced relaxed FDI norms in single brand retail, civil aviation, airports, pharmaceuticals, animal husbandry and food products. It had allowed up to 100% FDI in defence through the approval route, 100 per cent FDI in food product e-commerce, 100 per cent FDI in greenfield pharma via the automatic route, 100% in brownfield pharma — of which 74% will be through automatic route — 100 per cent FDI in scheduled airlines, and up to 49 per cent FDI in airlines through automatic route. In the last two years, the government has brought major FDI policy reforms in a number of sectors, including defence, construction development, insurance, pension sector, broadcasting sector, tea, coffee, rubber, cardamom, palm oil tree and olive oil tree plantations, single brand retail trading, manufacturing sector, limited liability partnerships, civil aviation, credit information companies, satellites - establishment/operation and asset reconstruction companies. Incoming FDI grew 27 per cent in the first seven months of the fiscal to \$27.82 billion, from \$21.87 billion a year ago. Manufacturing accounted for 41.5 per cent of the total equity inflows into the country during April-October, according to the Department of Industrial Policy and Promotion's (DIPP) year-end review.

4. Towards a cash-less, digital future

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

That the 'digitisation push' would have pride of place in Finance Minister Arun Jaitley's Budget presentation, following Prime Minister Narendra Modi's demonetisation move and thrust on a 'less cash' economy, was a foregone conclusion. Jaitley expectedly announced a slew of measures, including tax rebates for manufacture of electronic items, launching of Aadhaar Pay and setting up of a special task force to address cyber security concerns in the financial sector. In his Budget speech, Jaitley said: "Promotion of a digital economy is an integral part of government's strategy to clean the system and weed out corruption and black money...This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now on the cusp of a massive digital revolution." He said the government was creating an ecosystem to make India a global hub for electronics manufacturing and over 250 investment proposals for electronics manufacturing had been received in the past two years, totalling an investment of ₹1.26 lakh crore.

1) Booster steps & 2) Stress on security.

5. Government to launch new scheme to fund export infrastructure

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

A new scheme will be launched in 2017-18 to create infrastructure for exports, a move aimed at reducing transaction costs for traders."A new and restructured central scheme with a focus on export infrastructure, namely, Trade Infrastructure for Export Scheme (TIES) will be launched in 2017-18," Finance Minister Arun Jaitley said in his Budget speech. Indian exporters face huge challenges in terms of infrastructure, particularly in states. Inadequate infrastructure pushes their transactions costs, impacting competitiveness of Indian goods in the global markets. Exporters body FIEO said the scheme will help create modern infrastructure like last mile connectivity to ports, testing labs and certification centres. "This is a welcome move. The scheme will help in modernising infrastructure in states for exporters," Federation of Indian Export Organisations (FIEO) DG Ajay Sahai said.

6. Key points of Budget 2017 explained

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

Finance Minister Arun Jaitley has just announced Union Budget 2017. Here are the highlights:
1) 10 key focus areas, 2) Personal income tax, 3) Black money/NPA, 4) Political funding, 5) Corporation Tax, 6) Digital economy, 7) Rural economy, 8) Financial sector, 9) Railway, 10) Infrastructure, 11) Poor and underprivileged classes, 12) Youth energisation.

7. 20 things Jaitley changed in India through this budget

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

There were many things that Finance Minister Arun Jaitley said during his budget speech but there are many more that went unsaid. Here is a list of 20 things that could have a direct or indirect impact on your life: - Please check the link for details.

By Rajnee Narula