

Daily Economic News Summary: 3 February 2017

1. Arun Jaitley attempts a clean-up job in Budget 2017

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

Presenting the Union Budget for 2017-18 on Wednesday, Finance Minister Arun Jaitley attempted a clean-up job across the board – including on macro-economic indicators, some troubled sectors, and on tax compliance. A major impact on the Budget-drafting process was quite evidently the decision by the government last November to demonetise high-value currency notes. Jaitley chose to deviate from the exact path of fiscal consolidation slightly, budgeting a fiscal deficit of 3.2% of gross domestic product in 2017-18 instead of the previously projected 3%. However, he did still shrink the deficit, and promised to hit the 3% target in 2018-19. The six consecutive years of fiscal consolidation by successive governments add up to a visible and credible commitment to macro-economic stability in India. Jaitley stayed true to fiscal consolidation partly by keeping projected expenditure growth low, at only 6.5% – although overall nominal GDP growth has been projected at 11.75%. In order to finance spending, Jaitley has relied heavily on personal income tax, expected to grow almost 25% in 2017-18.

2. Focus on Infrastructure welcomed

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

Prime Minister Narendra Modi spoke of ‘minimum government and maximum governance.’ “This Budget finally spoke that language,” said Shobana Kamineni, President Designate, Confederation of Indian Industry (CII) & Executive Vice-Chairperson, Apollo Hospitals Enterprise Ltd. “I don’t really expect them to do more. Out of 10, I would rank this budget at high 8,” she told *Business Line*. Infrastructure spending has been increased and only two countries — India and the US — are talking about it. Privatisation of more airports, railway stations, ports, and road will kickstart the economy. They spoke about dispute resolution in public-private-partnership projects. This is an important step in ease of doing business, she said.

3. 'Budget signals entry to digital era'

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

The Budget has paved the way for digital economy and opens scope for banks to expand credit, according to R Subramaniakumar, ED (additional charge MD & CEO), Indian Overseas Bank. “The Budget clearly indicates that we are moving into a digital era. As a banker, I feel it is going to provide enormous opportunities to expand credit because of the various sops given in respect of investments into the infrastructure,” he said while addressing the Southern India Regional Council of the Institute of Cost Accountants of India and All India Tax Payers’ Association. “The Budget measures will trigger demand for housing and indirectly spur the demand for cement, steel and others. Some of the stressed sectors may turn into unstressed ones,” he said.

4. FMCG expects demand recovery in FY18

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

Consumer goods companies in the country are hoping to witness the much anticipated spurt in demand once initiatives announced in the Union Budget for 2017-18 kick in. The thrust on infrastructure development, lower taxes for medium and small enterprises, and lesser income tax for lower middle-class households will impact demand growth for consumer good items, industry leaders said. Varun Berry, managing director, Britannia Industries, said, “The Budget has focused on driving the rural economy with some well-structured consumption boosting measures and programmes. Strong rural demand and consumption is core to the success of many consumer businesses. We have not seen a sustained uptick in demand for a long time.” Poor volume growth in the sector has been a major roadblock for most consumer goods company in the country for the past few quarters, which worsened after demonetisation in November last year.

5. To boost Skill India Mission, Govt sets aside Rs 17,000 crore in Budget

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

The government has set aside over Rs 17,000 crore for skilling, employment generation and providing livelihood to millions of youth who enter the workforce every year, giving Skill India Mission—Prime Minister Narendra Modi's pet project—a major leg up. At least 10 million young people enter the country's workforce every year, but job creation in India has not kept pace with

this influx, making rising unemployment a major challenge for the government. The total sector outlay for 2017-18 has been pegged at Rs 17,273 crore, 16% higher than 2016-17's revised estimate of Rs 14,870 crore. In fact, the ministry of skill development and entrepreneurship, which has been set up by the BJP-led NDA government to implement the 'Skill India Mission' project, has seen a 38% jump in its allocation for the next fiscal at Rs 3,016 crore, as compared with Rs 2,173 crore in the revised estimate of 2016-17.

6. Apple inching closer to iPhone assembly in Bengaluru

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

The government of Karnataka said on Thursday it welcomed a proposal from Apple Inc to begin initial manufacturing operations in the state, in a sign the tech company is slowly moving forward with plans to assemble iPhones in the country. "Apple's intentions to manufacture in Bengaluru will foster cutting edge technology eco system and supply chain development in the state, which are critical for India to compete globally," the government of the south Indian state said in a statement. A source familiar with the matter told Reuters, however, that no deal, or memorandum of understanding had so far been finalised with the Karnataka government.

7. Dairy fund to open up investment opportunities, boost capacity

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

The dairy sector is waiting for clarity on the implementation of the ₹8,000-crore dairy development fund to be set up under Nabard. Finance Minister Arun Jaitley in his speech said a Dairy Infrastructure Development Fund with an initial corpus of ₹2,000 crore quadrupling in three years would be used to enable expansion of milk processing capacity in the country. Vivek Nirmal, Joint Managing Director, Prabhat Dairy, said setting up of the fund with Nabard in a phased manner will open up investment opportunities in the sector and make it more organised. About 80 per cent of milk collected is from unorganised sector. "The fund will help add milk processing capacities, increase milk production and distribution capacities, besides strengthening the rural economy and enhancing dairy farmers' incomes," he added. However, a senior dairy company official said it is not clear whether the money would be used for investment through equity contribution or provide interest subvention against loans raised by dairy companies/promoters. Either way, it would encourage investment in new dairies, he added.

