Daily Economic News Summary: 4 August 2017

1. FDI in textile doubled to $619 million in 2016-17
Source: Financial Express (Link)

Foreign direct investment (FDI) in textile sector more than doubled to $618.95 million during 2016-17 from $230.13 million in the previous fiscal, Parliament was informed today. In a written reply to Lok Sabha, Minister of State for Textiles Ajay Tamta said during the first two months of current fiscal, the sector received $21.41 million foreign inflows. He also said textile exports during 2016-17 too rose to $36 billion from $23.9 billion in the previous financial year. In a separate reply, he said in rupee terms export of textiles and garments increased by 3.2 per cent in 2016-17. With a view to enhance investment, production and export of the textile industry, the government has launched a Rs 6,000-crore package for apparel and made-ups segments, he added.

2. India's renewable energy sector can create 300,000 new jobs by 2020
Source: Business Standard (Link)

Over 300,000 Indians could find jobs in the wind and solar industry over the next five years if the country works towards its 2022 target of 160 GW. Currently, wind and solar together account for almost 14% of India's installed power capacity.Over the next three years alone, the sector can generate jobs for about 80,000 Indians. The industry employed over 21,000 people in India in 2016-2017 and is expected to employ an estimated 25,000 people more in 2017-18, according to an analysis by the Council on Energy, Environment and Water (CEEW), a not-for-profit research organisation based in New Delhi, and the Natural Resources Defense Council (NRDC), a nonprofit. About 64% of India's population is expected to be in the working age-group of 15-59 years by 2026, according to Ernst and Young, a professional services consultancy. It is also likely to have the world's largest workforce in the world by 2025. The green sector, with its employment potential, could absorb a significant chunk.

3. Chinese media tells investors: Update your knowledge about India, it is much better than you think
Source: Financial Express (Link)

An article in China's state-sponsored Global Times has urged Chinese companies to update their knowledge about India before making investment decision. The article says that the popular image of India, the investors gather from media reports, doesn't tell everything about the country. In fact, India's condition is much better than what is often reported. While noting that number of rich people in India is "much bigger" than what many imagine, it said, "Many Chinese people think that India is a highly populated poor country characterized by diverse cultures, with frequent power cuts and a weak industrial base that is far inferior to China's. That picture is true, to some extent, but it's only a partial picture." "According to the 2017 ranking of the world's richest people by the Hurun Report, India has 100 billionaires, the fourth-highest number of super rich in the world," it added. Compared to China's government-led market development model, it said, "India's federal government is slow to reach decisions. Yet, India's development model allows innovative entrepreneurs to change the market from the bottom up." "Companies that grow big in the domestic market can go out to compete in the world and become driving forces for the country's economic growth. As the market can offset flaws in governance, India's entrepreneurship can compensate for its political deficiencies," the article argued while advising Chinese companies to learn about India not just from media reports. "In addition to learning from the media, Chinese companies with plans to invest in India need to have a better understanding of the country from more sources, which may provide more data points for their investment decisions." The article published on Wednesday also said that India-China cooperation is being hampered by "misconception."

4. Centre looks to trim drug input imports from China
Source: The Hindu: Business Line (Link)

In the wake of heightened tensions in Indo-China relations, the Centre is working to reduce the Indian pharmaceutical industry's dependence on Chinese raw material imports. "All government agencies are keen on this. On the directions of the Ministry of Commerce, Pharmexcil and the CSIR-Indian Institute of Chemical Technology (IICT) are working on a Detailed Project Report," R Udaya Bhaskar, Director-General, Pharmexcil, told…The Ministry of Commerce recently conducted a meeting and roped in research laboratories and other stakeholders to work on a roadmap to realise this strategic objective. The Council for Scientific and Industrial Research (CSIR) will take up the matter with domain experts on August 12. Indian drug exports to China are insignificant in value terms, but Indian drug manufactures import raw materials worth $6 billion, according to the Pharmaceuticals Export Promotion Council (Pharmexcil)… While the drug industry faces no disruption from recent border tensions, there is concern over the fallout of these developments. This assumes significance in the wake of India’s decision to keep in abeyance a $1.3-billion deal under which Chinese company Shanghai Fosun Pharmaceuticals was to take over Hyderabad-based Gland Pharma. “If tensions escalate, we worry it will cast a shadow on business,” said an executive whose company imports raw materials from China.

5. No more freebies: Modi government plans to crackdown on marketing by drugmakers
Source: The Economic Times (Link)

India, one of the world's largest markets for pharmaceuticals, is drawing up its first set of marketing rules for drugmakers, restricting gifts and trips offered to doctors and pharmacists to Rs 1,000 rupees, according to a draft proposal seen by Reuters. While such rules are common elsewhere in the world and adhered to by large pharmaceutical companies, they are not set in stone in India, where campaigners have long demanded a crackdown on unethical selling practices. These have included gifts ranging from electrical appliances to foreign junkets to encourage doctors and pharmacists to prescribe and stock certain medications. Currently, India has only a voluntary marketing code that critics say is ineffective. "In India, corruption and bribery of doctors is widespread," said Samiran Nundy, one of India's leading gastrointestinal surgeons. "I've seen a range of ways in which this works, from presents to doctors to paying for them to attend conferences in places like Thailand."…Apart from limiting marketing spending, the draft proposal drawn up the Department of Pharmaceuticals and being reviewed by India's law ministry would also forbid drugmakers from making misleading claims around the curative abilities and efficacy of drugs.

6. ‘Digitally savvy Indian consumers to drive consumption in the next 10 years’
Source: The Hindu: Business Line (Link)

Retailers and consumer goods companies could unlock $2.95 trillion in value for the industry and consumers over the next decade by accelerating digital transformation, according to a new report by Accenture Strategy. This, the study says, will be driven by investments in new, digitally-driven business models that gives consumers greater choice around how they purchase goods and services, and enable companies to deliver profitable, differentiated experiences. The report, 'Painting the Digital Future of Retail and Consumer Goods Companies', is based on an analysis for the World Economic Forum, which quantified the impact of digital transformation on consumer industries over the next decade. The study further adds that Indian consumers who already use technology in some form or other, would lead this growth for various retail and FMCG players. “Globally, as well as in India, technology has disrupted many facets of the customer’s life. As consumers crave for their own unique experiences, companies will have to re-visit their business models and continuously innovate. By effectively leveraging disruptive technologies, companies will be able to deliver the desired consumer experiences,” said Anurag Gupta, Managing Director & Lead – Consumer Goods and Retail, Accenture Strategy, India…According to the study, today, over half (51 per cent) of Indian consumers allow companies to collect their personal data via intelligent devices in return for a better experience or financial reward. Another 65 per cent would subscribe to a service that constantly looks for the best pricing deals on their behalf, and actively recommends which company to switch to, and when. About 56 per cent of Indian consumers would use sensor-based digital services that pre-emptively address their needs without human intervention. Another 58 per cent would subscribe to brands that analyse their shopping history to select products especially for them, and orders them automatically.

7. GST Impact: Services PMI plunges to 45.9 in July
Source: The Hindu: Business Line (Link)

Service sector activity in July fell to its lowest level in nearly four years, evidently under the impact of the introduction of the Goods and Services Tax (GST), according to a private monthly survey. The Nikkei India Services PMI Business Activity Index plunged to 45.9 in July, its lowest level since September 2013. In June, it was at an eight-month high of 53.1. An index reading above 50 indicates expansion, while an imprint below the benchmark denotes contraction. The manufacturing sector similarly contracted in July, with the Nikkei India Composite PMI Output Index falling to 46 that month from 52.7 in June. “The launch of the GST was mentioned by services firms as having caused a contraction in new work, leading to lower activity,” a Nikkei statement noted on Thursday. Factory orders decreased in July and at the quickest pace since February 2009, it added. The data come a day after the Monetary Policy Committee announced a 25-basis points cut in the repo rate to help boost investments.

8. GST rates on sweets, garments: CBEC gives this clarification
Source: Financial Express (Link)

Sandesh, the famous sweet made from concentrated milk, will attract 5% goods and services tax (GST) even when prepared with a chocolate layer, the Central Board of Excise and Customs (CBEC) clarified on Thursday. It added that any ingredient male prepared from concentrated milk will be taxed at 5%. The clarification on GST rates was issued by CBEC through a set of frequently-asked questions (FAQs). "The sweet shops in Kolkata were under panic because there were apparently different GST rates based on the type of sweet and ingredients. Now the government has clarified that GST rate on all Bengali sweets is 5%," Archit Gupta, founder and CEO of ClearTax, said. Additionally, the department also clarified rates of certain items that fell under two different categories. For instance, while fresh tamarind will attract 0%, dry tamarind will be levied with 12% GST, CBEC said. Similarly, it was clarified that ready-made garments would be taxed on the actual sale value and not on the maximum retail price. "The sale value referred to in the notification refers to the transaction value and not the retail sale price of such ready-made garments," CBEC said. If a wholesaler supplies ready-made garments for a transaction value of Rs 950 per piece to a retailer, the GST levy would be at 5%, CBEC said. It added that if the retailer sells such garments for Rs 1,100 per piece, the GST levied on this will be 12%. "Clarity is still needed for many items such as automobile repairs, movie halls. Local bodies are allowed to levy their own tax thus bringing the total taxes to 58% in places like Tami Nadu (28% GST+30%). There is still no clarification regarding the various state tax holidays and state benefits enjoyed by many industries," Gupta said.

9. Arun Jaitley indicates scope for rationalization of rates under GST
Source: The Economic Times (Link)

Finance minister Arun Jaitley on Wednesday said there is scope to rationalise goods and services tax (GST) and rolling 12 per cent and 18 per cent slabs into one as implementation of the country's most comprehensive indirect tax reforms progresses. "I do concede that as it (GST) moves forward, there will be scope for rationalising the rates. There, probably, will be scope that the two standard rates of 12% and 18 per cent, after some time, could be clubbed into one. That is a fair possibility and a suggestion," Jaitley said replying to debate on the two bills related to GST in J&K…The current GST has 5 per cent, 12 per cent, 18 per cent and 28 per cent rates, plus one for luxury and sin goods. There are some that are zero rated, or nil rate. Jaitley said if the two rates had been merged into one its inflationary effect would have been high. "Therefore, we did not get into this exercise," he said responding to criticism over several slabs in the GST rates. Jaitley said there can't be a single slab in a country like India which has a large population below poverty line (BPL)…The finance minister also wondered why certain manufacturers have hiked the prices of small hybrid cars even though the duty has been reduced. He added that a hybrid car is priced higher and those who buy it can afford to pay a little more. He said one of the GST objectives is to assist domestic products and the government does not want to just allow cheap foreign products to come in.

10. RBI says it's comfortable with currency in circulation
Source: The Economic Times (Link)

The Reserve Bank of India said it's comfortable with the currency currently in circulation, reaffirming the contention that notes won't get back to pre-demonetisation levels. "The currency in circulation is showing early signs of normalisation," said deputy governor Viral Acharya at the post-policy media briefing. "There remains however much surplus liquidity in the system that the Reserve Bank has been managing," said Acharya. Total currency in circulation was Rs 15.41 lakh crore on July 28, according to central bank data, about 86 percent of the amount on November 4 last year. Four days later, the government had announced the decision to pull Rs 500 and Rs 1,000 notes out of circulation to eradicate black money, counterfeits, corruption and terror financing. "We were clearly remonetising and we had to wait and assess when the system is actually reaching a stable level of currency in circulation," said Acharya.

11. Mars Chocolate over moon after toppling Mondelez in India in modern trade segment
Source: The Economic Times (Link)

Mars Chocolate, the world's largest chocolate confectionery maker, has dislodged rival Mondelez in market share across modern trade chains in India in the filled bar category. According to market researcher Nielsen's data, Mars Chocolate had 48 per cent share on an all-India basis in the category in 2016, moving up from 45.4 per cent a year ago. Mars' brands Snickers, Mars, Bounty and Twix have overtaken Mondelez's 5-Star and Cadbury Fuse, which compete in the same filled bars category nationally across modern trade chains. "We are now leaders in the filled bars category across modern trade chains on an all-India with 48 per cent share," said Andrew Leakey, general manager, Mars Chocolate. "We've grown on improved availability, distribution and responding to consumer choices." Mars' India portfolio includes Snickers, Galaxy, Mars, Bounty, Twix and now M&M's. The country accounts for 5 per cent of overall sales of Mars across segments. "India is an invest market for Mars Inc and within our top 10 focus markets," Leakey said…The chocolate category in India, valued at close to 8,000 crore, is highly competitive with Mondelez, Mars, Ferrero, Nestle and Amul fighting for share across geographies and formats.