

Daily Economic News Summary: 17 August 2018

1. Japan, South Korea Steel Exports To India Surge On Tariffs, High-End Demand

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

India is being hit by a wave of steel from producers in Japan and South Korea, a government document showed, as mills there redirect supply after US President Donald Trump slapped an import duty on the alloy earlier this year. During the first quarter of the fiscal year starting in April, India's steel imports from South Korea rose 31 per cent from a year earlier, while those from Japan climbed 30 percent, according to an internal document from the Ministry of Steel that was reviewed by Reuters. The flood of imports is so big that the government in New Delhi is considering measures to control imports, Minister Chaudhary Birender Singh told Reuters. The flood of imports is so big that the government in New Delhi is considering measures to control imports, Minister Chaudhary Birender Singh told Reuters.

2. Rupee Closes At New Record Low Of 70.16 Amid Volatility In Currency Markets

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

The rupee continued to weaken further to close at a new record low of Rs 70.16 against the US dollar on August 16, reflecting the volatility in global currency markets triggered by the crisis in Turkey and concerns over India's rising trade deficit. The Indian currency opened above Rs 70 and stayed over that crucial threshold through the day's trading, according to Clearcorp Dealing Systems data. It slumped to an all-time low of 70.40 per dollar (intra-day) on persistent foreign fund outflows but recovered subsequently. Besides the upheaval in the international currency markets, weak data for India's merchandise trade for July also shaped the sentiment, said foreign exchange dealers. Trade deficit expanded to \$18 billion in July, from \$16.6 billion in June, partly due to higher oil import bill.

3. Railways May Propose ₹56,000-Crore East Coast Freight Corridor Next Year

Source: Livemint ([Link](#))

Indian Railways is going to propose the inclusion of India's third freight corridor between Kharagpur and Vijaywada sections to be built at a cost of about ₹56,000 crore next year. The project, which is also called the East Coast Corridor, will be 1,114km in length and is part of the

Golden Quadrilateral project of Indian Railways. “The Dedicated Freight Corridor Corporation of India Ltd (DFCCIL) has sent a proposal to Indian Railways to undertake the third dedicated freight corridor project. Indian Railways is going to put the project before the finance ministry for its inclusion in Budget 2019-20,” DFCCIL managing director A.K. Sachan said. The decision was taken as the Kharagpur-Vijaywada section is one of the busiest routes in East Coast. The project will be funded using equity from Indian Railways and loans.

4. RBI Governor Urjit Patel Unveils UPI 2.0 Version; Will Allow Customers To Use Overdraft Limit For Making Payments To Merchants

Source: Firstpost ([Link](#))

Reserve Bank of India Governor Urjit Patel on August 16 unveiled UPI version 2.0 which will allow customers to use overdraft limit for making payments for merchants. The second version of the Unified Payments Interface (UPI) will also enable customers to check the invoice sent by merchant prior to making payment, National Payments Corporation of India (NPCI) said in a statement. Delivering the presidential address at the event, Patel outlined that the launch has been the result of the calibrated approach adopted by the RBI - in the initial years as a developer and in later years as a catalyst and facilitator. He said that the payment systems in India are not only comparable to any system, anywhere in the world, they also do set standards and good practices for others to emulate.

5. Japan To Get Interest Forever On Low-Cost Funds Extended To The Railways

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

Japan will get interest repayment in perpetuity or forever for the low-cost loan that it extended to India for building the western dedicated rail freight corridor. The interest will be about ₹2,800 crore every year. This is similar to the dividend that the Indian Railways pays to the Consolidated Fund of India, which was also termed “interest in perpetuity”. The revenue of Dedicated Freight Corridor Corporation of India Ltd (DFCCIL), will be in the form of “track access charges”, which it will receive from the Railways. Track access charges are being finalised by the Railways and the national carrier is expected to earn revenue by moving trains carrying containers, fertiliser, and other goods on the track, which are built for carrying higher load and longer freight trains. For the 190-km stretch that was commissioned on August 15, the Railways’ container train operator ran a

double stacked train on the track. As freight corridor gets operationalised, the revenue and profitability of Railways is expected to sharply increase, helping it attract more freight traffic.

6. India's Oil Import Bill To Jump By \$26 Billion On Rupee Woes

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

India's crude oil import bill is likely to jump by about USD 26 billion in 2018-19 as rupee dropping to a record low has made buying of oil from overseas costlier, government officials said on August 16. Besides, the rupee hitting a record low of 70.32 to a US dollar in the opening deal on August 16 will also lead to a hike in the retail selling price of petrol, diesel and cooking gas (LPG). India, which imports over 80 per cent of its oil needs, spent USD 87.7 billion (Rs 5.65 lakh crore) on importing 220.43 million tonne (MT) of crude oil in 2017-18. For 2018-19, the imports are pegged at almost 227 MT. "We at the beginning of the financial year estimated that crude oil import bill will be around USD 108 billion (Rs 7.02 lakh crore) at an average crude oil price of USD 65 per barrel and exchange rate of Rs 65 per dollar," an official said.

7. India Eyes Kazakhstan, Other CIS Countries For Tea Exports

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

India is sharpening its focus on Kazakhstan and other Commonwealth of Independent States (CIS) countries to boost tea exports to one of the biggest importers of the beverage. For the first time, small tea growers have been brought on board an official promotional initiative as important stakeholders. A 22-member delegation headed by AK Ray, deputy chairman of the Tea Board of India, will attend a two-day session being organised by the Indian Embassy in Kazakhstan's Almaty city from August 23 that will feature a buyer-seller meet, tea testing session, seminar and other business campaigns. Almaty is a major tea hub. The delegation will comprise small tea growers, along with representatives of organised gardens and tea brokers. India exported 46.92 million kg of tea to the region during April-January 2017-18, down from 49.63 million kg in the previous year, even as the total imports in the region went up. "We must regain that (earlier volume)," said Lochan.

8. Dairy Products: Denying Market Access Not The Only Way To Respect Religious Views, US Tells India

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

The US dairy industry rejected India's assertion that it banned dairy products derived from livestock fed on ruminant protein on religious grounds and argued that the same purpose could be served by empowering the people with the information they needed to make the right choice. "Labelling, for instance, is a widely used method for ensuring that consumers are empowered with information they need to purchase the products that align with their values. To date, India has not yet accepted that proposal nor identified another viable resolution," a representative of the US Dairy Export Council pointed out at the last hearing on the review of Generalised System of Preferences (GSP) benefits to India. *BusinessLine* has gone through the minutes of the hearing. US dairy industry and medical equipment industry have objected to the continuation of GSP benefits which allow duty free exports of 1937 products from India worth \$5 billion on the ground that the country puts in place market access barriers for US products. The US dairy industry claims that if India provided market access, its exports would increase by up to \$100 million.

9. Reserve Bank Of India MPC Minutes: Committee Voted For Rate Hike As A Step To Keep Inflation Below 4% Mark

Source: Firstpost ([Link](#))

Reserve Bank of India (RBI) Governor Urjit Patel voted for a rate hike at its policy meet earlier this month as a step towards keeping inflation below the mandated 4 percent mark on a "durable basis", according to the minutes of the meeting released on August 16. Five of the six members of the all-powerful Monetary Policy Committee headed by Patel had voted for a 25 basis points hike in the benchmark lending rate (repo) on 1 August. It was RBI's second consecutive hike in the repo rate, which has risen to 6.5 percent. The central bank had hiked the rate at its June policy meet as well. "As inflation risks have continued to be elevated, I vote for an increase in the policy repo rate by 25 basis points; this action is a necessary step towards securing the mandated 4 percent inflation target on a durable basis," Patel opined.

10. Investors Pulled \$1.3 Billion Out Of India, Other Emerging Markets Last Week: Iif
Source: Livemint ([Link](#))

Investors rattled by events in Turkey, China and South Africa have pulled \$1.3 billion out of emerging market stocks in the last week and \$100 million from bonds, according to the Institute of International Finance, which tracks financial flows. An emerging-market sell-off has picked up pace over the last week as concerns about Turkey and others have compounded longer-term worries about a global trade war, a strong dollar and rising borrowing and energy costs. The Washington-based IIF said the exodus of investment money this week has largely been concentrated in South Africa and China, amounting to \$600 million and \$500 million, respectively. However, India has also turned negative this week as debt flows reversed, and Malaysia, Indonesia, Korea, Philippines, Korea and Vietnam have all seen money leave, albeit at moderate pace.