

Daily Economic News Summary: 19 April 2018

1. Cash Crunch: Modi Govt, RBI Say No Shortage, But SBI Research Pegs Shortfall At Whopping Rs 70k Cr

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

Even as government and Reserve Bank have asserted that there is no currency shortage, SBI Research on April 18 pegged the cash shortfall in the system at a whopping Rs 70,000 crore, which is a third of the monthly withdrawals at ATMs. In a note that comes a day after reports of currency shortages made national headlines, it depended on nominal economic growth, currency with the public and the rise in digital transactions to arrive at the shortfall estimate. A 9.8 per cent nominal GDP growth would have taken the currency available with the public to Rs 19.4 trillion by March 2018, as against the actual availability of Rs 17.5 trillion, it said, stressing that the gap of Rs 1.9 trillion is not the shortfall. The proportion of digital transactions stands at a low Rs 1.2 trillion only, much down the immediate months following the November 2016 note-ban. “The apparent shortfall thus could be around Rs 70,000 crore or even less,” it said. It can be noted that in a statement, the [RBI](#) had on April 16 attributed the shortage to “logistical issues” in both replenishing ATMs with cash and also recalibrating those to accommodate the Rs 200 notes.

2. India Using ‘Right Policies’ To Lower High Debt Level: IMF

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

India has “quite a high” debt to GDP ratio, but New Delhi is trying to lower it using “the right policies”, the International Monetary Fund has said. India’s general government debt remained relatively high, at 70 per cent of the GDP in 2017, Abdel Senhadji, Deputy Director, IMF Fiscal Affairs Department, told reporters at a news conference here. “The debt level is relatively high (in India), but the authorities are planning to bring it down over the medium term with the right policies,” Senhadji said. In fiscal year 2017-18, India is planning to continue with the consolidation in the current fiscal year and over the medium term, the top IMF official said. “They are, in fact, targeting their federal deficit of three percent over the medium term, and they are targeting also a debt ratio of 40 per cent over the medium term at the federal level, which corresponds to about 60

per cent at the general government level. And we believe that those targets are appropriate,” the IMF official said.

3. India Seeks To Join China In Dispute Over US Tariff Hikes

Source: Livemint ([Link](#))

After failing to get an exemption on tariff hikes by the Donald Trump administration, India on April 17 raised the issue of US imposing higher tariffs on certain steel items at the committee of safeguards of the World Trade Organisation (WTO) seeking consultation. On 8 March, the United States issued a presidential proclamation indicating that steel articles are being imported into US in such quantities as to threaten to impair its national security. To address this situation, the US imposed a 25% tariff on certain steel articles with effect from 23 March. However, a Delhi-based trade expert, on the condition of anonymity, said that India can only “name and shame” the US by raising the matter in the safeguards committee as the panel does not have any adjudicating power. “For seeking compensation of business loss, India needs to drag the US to the dispute settlement mechanism,” he added. India’s trade minister Suresh Prabhu on April 17 said it is working with the US to resolve all trade issues through dialogue. “We have special relation with the US, which is multi-faceted, multi-dimensional and also very strategic. We are working with the US to address the trade issues,” he told reporters.

4. In-Flight Wi-Fi Over Indian Airspace Moves Closer To Reality

Source: Livemint ([Link](#))

Flyers will soon be able to avail data services during flights with the Telecom Commission, the highest decision-making body at the department of telecommunications (DoT), set to approve the much-awaited proposal at its next meeting scheduled on 1 May, a person aware of the matter said, requesting anonymity. “We have taken approvals from all (including ministry of home affairs)... we will initially allow data services but slowly get into voice services also,” the person said. As soon as DoT approves the plan, airlines would be free to offer Wi-Fi services to passengers. Moreover, the pricing would be left to airlines, the person said, adding that the DoT would sign a licence contract with the particular provider, similar to what it has with telecom and internet service providers. The DoT had in August asked the Telecom Regulatory Authority of India (Trai) to

furnish its recommendations on licensing terms and provision of in-flight connectivity for voice, data and video services and associated issues related to entry fee, licence fee and spectrum. Currently, telecom service providers pay 3-6% and 8% of their adjusted gross revenue as spectrum usage charges and licence fee to the DoT, respectively. The regulator had also recommended that internet services through in-flight Wi-Fi should be made available when electronic devices are permitted to be used, only in-flight or airplane mode and an announcement regarding this should be made after boarding is completed and the aircraft is about to taxi. This would ensure no encroachment on the scope of terrestrial internet service provided by telecom service providers.

5. India Must Fully Implement GST To Avoid Tax Revenue Underperformance: IMF

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

India, which has recovered from disruptions caused by demonetisation and the rollout of the GST, must fully implement the new nationwide indirect tax to avoid tax revenue underperformance resulting in cuts to capital expenditures, the IMF said on April 18. In its Fiscal Monitor report titled ‘Capitalising on Good times’, the International Monetary Fund (IMF) said that relatively buoyant revenues supported by base-broadening efforts and lower capital expenditures were offset by higher spending (including higher compensation to states for the rollout of the GST) and lower profit transfers from the Reserve Bank of India due to costs incurred during the demonetisation. In India, fiscal consolidation was paused in fiscal year 2017/18 at the federal level as the economy recovered from disruptions related to demonetisation and the rollout of the GST, it said. “In India, a return to a gradual path of growth-friendly fiscal consolidation is desirable to create fiscal space, but full and smooth implementation of the new goods and services tax is necessary to avoid tax revenue underperformance resulting in cuts to capital expenditures,” the IMF said.

6. Clean Energy Sector Misses Capacity Target For Second Consecutive Year

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

The renewable energy sector has missed its capacity addition target for the second year in a row. Against the target of 14,450 MW for 2017-18, the new capacity addition from all major segments stood at 11,754 MW, effectively achieving only 81 per cent of the target for the year ended March 31, according to data available with the Union Ministry of New and Renewable Energy. However,

the capacity addition in FY18 was slightly higher than the 11,320 MW added (against the target of 16,660 MW) in FY17. Solar (ground-mounted), which continues to be the driver of clean energy capacity addition, and bio-power segments exceeded the capacity addition targets during 2017-18. Solar (ground-mounted) ended the year with new capacity addition of about 9,010 MW, marginally higher than the the target of 9,000 MW. The rooftop solar segment added only 353 MW against the target of 1,000 MW. New bio-power capacity in 2017-18 stood at 519 MW against the target of 340 MW. Small hydro power added a new capacity of 106 MW, higher than the target of 100 MW. In solar, the capacity addition is likely to fall by about 40 per cent to 4-4.5 GW during this fiscal, mainly due to the subdued trend in tendering of solar projects since June 2017. Also, uncertainty over the safeguard duty is a cause for concern, pointed out a report from rating agency ICRA.

7. India, UK Agree To Build On Trade, Security Cooperation

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

India and the UK will build on the recommendations of a joint trade review to reduce barriers, while Prime Minister Narendra Modi pledged that there would be no dilution in the importance of the UK to India post-Brexit, during a bilateral meeting on April 18. Brexit and the potential to grow bilateral trade figured in discussions between the two Prime Ministers during the first of two bilateral meetings ahead of the Commonwealth Heads of Government Meeting (CHOGM). A UK-India Tech Partnership was also agreed. Downing Street said that May offered reassurances that the transition period to leaving the EU, set for the end of 2020, would give Indian firms and investors the visibility they needed up to this period. “Prime Minister Modi said there would be no dilution in the importance of the UK to India post-Brexit,” said Downing Street in a statement. The visit is the third bilateral between the two Prime Ministers since 2015, as Britain has sought to emphasise the potential for growth in trade with non-EU partners once Britain leaves the EU. Ahead of the briefing, Britain said that technology cooperation, trade and education would figure on the agenda. “We have a living bridge growing between us, trade growing by 15% a year, the economic advantages and of course massive ties of culture and kinship and all the rest of it and now we want to build on that by working on that incredible tech sector where both India and the UK are making giant strides together,” said Boris Johnson.

8. Prabhu Promises Exporters To Take Up GST Refund Issue

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

Commerce and Industry Minister Suresh Prabhu on April 17 assured exporters of taking up the issue of Goods and Service Tax (GST) refund with the finance ministry and said he plans to call a ministerial meeting to discuss export related issues. As exports dipped in March after a gap of four months, Prabhu sought a detailed action plan from exporters of all sectors in an interaction with them here. "I have asked exporters to give me the details of the pending refund. GST refund is a major issue for exports. I will take it up with the finance ministry," he said. Exporters have claimed that over 60% of their refunds are stuck with the government complaining that delay in GST refund has blocked their working capital. Speaking to members of the Federation of Indian Export Organisations here, the minister asked them to prepare a detailed action plan of all sectors and sub-sectors suggesting ways to promote their exports. Exporters raised issues related with GST refund, increasing logistics costs and inadequate infrastructure at ports.

9. Supreme Court Says Biometric Authentication Of Aadhaar Prone To Misuse

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

If biometric authentication is attached to every transaction entered into by a person, it would "form a wealth of information" necessitating the need for data protection, the Supreme Court observed on April 18. A five judge bench headed by Chief Justice Dipak Misra, hearing a clutch of petitions challenging Aadhaar and its enabling 2016 law, apprised the UIDAI of its apprehensions saying biometric authentication of Aadhaar number in every transaction could lead to aggregation of meta data of citizens, which can be collated and used for many purposes including surveillance. "Fingerprint by itself does not disclose any information. But, when it attaches with all the other information, it forms a wealth of information and then comes the need for data protection," the bench, also comprising Justices A K Sikri, A M Khanwilkar, D Y Chandrachud and Ashok Bhushan, said. During the day-long hearing, the bench asked whether the storage of biometric and demographic details under Aadhaar law amounted to "invasion of right to privacy" and said "minimal intrusion with legitimate interests have to be ensured". "Any system which involves biometrics will require storage of biometrics, either at a single point or multiple points," Dwivedi replied.