

Daily Economic News Summary: 23 April 2018

1. Narendra Modi's Reforms Get Another Thumbs Up! 'Indian Elephant Ready To Run Faster Than Chinese Dragon'

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

Global investors feel that the Indian “elephant is ready to run” after sustained economic reforms, a top IMF official has said, but underlined the need for implementing these reforms and having a sound banking sector balance sheet for a steady growth path. Changyong Rhee, Director of the Asia and Pacific Department at the International Monetary Fund (IMF), also praised the Modi government for doing well in the area of reforms. Changyong — who oversees the IMF’s work in the region including its lending operations and bilateral and multilateral surveillance of economies ranging from China, Japan, and India to the Pacific Islands — said that investors are telling him that after four years of impressive economic reforms, “the elephant is now ready to run”. “I think, I would rather emphasise implementation. If India can lead global growth like China in the last decade; you have the potential, you have the population, you have the market size...everything. Implementation is actually the key,” he said. Referring to the 7.4 per cent growth rate, he said, at this moment it was one of the highest growth rates among large emerging economies. “Now India’s growth rate is higher than China’s growth rate. Many countries are looking at India, whether India can be another growth leader as China in recent decades,” he noted. Responding to a specific question on the recent scandal in the Indian banking sector, he refuted the impression that the Indian banking sector is facing a crisis. “Not a crisis. But Indian banks, especially the state-owned banks, need to address the nonperforming asset (NPA) issue and the balance sheet.

2. India's GDP Expected To Reach USD 5 Trillion By 2025: Economic Affairs Secretary

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

With economic reforms adopted in the last few years starting to bear fruit, India is poised to remain the fastest growing large economy in the world, and its GDP is expected to reach USD 5 trillion by 2025, a top Indian official has told the World Bank. “India is poised to remain as the fastest growing large economy in the world. In 2018, we expect India to grow at over 7.4 per cent,” Economic Affairs Secretary Subhash Chandra Garg told the 97th meeting of the Development

Committee of the World Bank here on April 21. Giving an overview of the South Asian countries – Bhutan, Nepal, Bangladesh and Sri Lanka – Garg said India continued to be a beacon of growth in the region. “In the last few years, India has undertaken massive structural reforms toward formalisation of the economy and fostering digital financial inclusion,” he said, adding that the country had grown at an average of 7.2 per cent per annum in the last four years and was continuing on the trajectory of sustained growth. India’s massive leap in the Ease of Doing Business rankings from 142 in 2014 to 100 in 2017 is testimony to India’s commitment to long-term reforms for an open and vibrant economy. This is also reflected in strong FDI inflows which have grown from USD 34.3 billion in 2012-13 to USD 60.1 billion in 2016-17, he added. In the arena of financial inclusion, the Jan-Dhan Yojana, launched in August, 2014, has rapidly expanded banking services for the hitherto deprived sections, he said

3. Economic Recovery On Firm Footing: RBI Governor Urjit Patel

Source: Livemint ([Link](#))

India is witnessing a revival in investment activity after several quarters of downturn, putting the nation’s economic recovery on a surer footing, Reserve Bank of India (RBI) governor Urjit Patel said at the International Monetary and Financial Committee meeting in Washington DC. “There are now clearer signs that the revival in investment activity will be sustained. Global demand has been improving, which should encourage exports and boost fresh investments. On the whole, real GDP growth is expected to expand at 7.4% in 2018-19, with risks evenly balanced,” Patel said, speaking on behalf of finance minister Arun Jaitley, who missed the spring meeting of the International Monetary Fund due to health reasons. Private investment activity in India has been bogged down by excess capacity and firms’ stressed balance sheets. Economic growth has till recently been heavily dependent on consumer spending and public investment by the government. Patel said several factors are likely to influence India’s inflation outlook, including a possible moderation in food prices if the monsoon turns out to be normal and is supported by effective food supply management. “Countervailing this, upside risks emanate from the distinct hardening bias in crude oil prices, the steady firming up of inflation ex-food and fuel mirroring pick-up in domestic demand, and spillovers from financial volatility as markets re-price the path of monetary policy normalization by systemic central banks,” he added.

4. New Industrial Policy To Up Investment, Manufacturing Share In GDP, Says Suresh Prabhu

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

Union Commerce Minister Suresh Prabhu on April 21 said that the upcoming industrial policy was expected to bring new investment and increase the share of manufacturing in the country's GDP. He also assured industry that outstanding issues on Goods and Services Tax would be taken up at the GST Council and would be properly addressed. "The new industrial policy has been approved by the Commerce Ministry and it is at the stage of inter-ministerial consultation. It is hoped that it will be approved by the Cabinet very soon," he said. "This will result in new investment coming into the industrial sector and would improve the contribution of manufacturing to GDP in a big way," Prabhu told PTI after presenting the Chemexcil Export Awards. The minister said the government had taken a number of initiatives to promote the chemical industry but added that the key task of penetrating new markets would have to be taken care of by the industry itself. Stating that India would become a USD 5 trillion economy in the next 7-8 years, Prabhu said that the nation cannot afford to be governed by the trade rules for a poor country. Prabhu also pointed out that the Make in India initiative was expected to foster growth in Indian chemical industry by enabling duty rationalisation for feedstock, improving infrastructure and research and development and skill development along with ease of regulation for setting up "Reverse SEZs" and tax incentives for R&D investments.

5. Modi Government Is Working On New Labour Law Protecting Dignity Of Workers; Details Here

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

The government has drafted a new labour law, with the overriding objective of ensuring workers' dignity and well-being at the workplace. The draft code on occupational safety, health and working conditions (osh) proposes to make the workplace free from hazards that can cause injury or occupational disease for the workers. The osh code, the last among the proposed four aimed at amalgamating 44 extant central labour acts, also makes it mandatory for establishments having at least 10 employees furnish to every worker an appointment letter. Analysts said the proposal would not only ensure dignity of labour, it would also ensure formalisation of the workforce in the country, which currently stands at around 10% of the total estimated fifty crore workforce. The

government has already introduced the code on wages, which proposes a universal minimum wage for the entire working population, including unorganised sector workers, in the lok sabha. The code on industrial relations that will allow firms employing up to 300 people against 100 now to retrench/lay off workers and/or close down without government approval and the code on social security & welfare, that aims to bring almost all workers under the social security net, are yet to get the cabinet's clearance for introduction in parliament.

6. President Kovind Approves Fugitive Economic Offenders Ordinance

Source: Livemint ([Link](#))

The President on April 22 promulgated an ordinance that empowers the government to attach properties of fugitive economic offenders within and outside India. This is expected to aid the government in its battle to bring back economic offenders like Vijay Mallya, Nirav Modi and Mehul Choksi, to stand trial in India. The Indian government has been trying, with little success so far, to bring back these people against whom investigation agencies are pursuing cases. The Fugitive Economic Offenders Ordinance 2018 will narrow the escape routes for such offenders as it gives the government powers to attach all properties of the offenders, even those that are not proceeds of crime. Only those cases where the amount involved is more than Rs100 crore will be covered under this ordinance. The Fugitive Economic Offenders Bill 2018 was tabled in the Lok Sabha in the recently concluded budget session of Parliament but could not be taken up after both the houses faced continuous disruptions. "The need for the ordinance has arisen as there have been instances of economic offenders fleeing the jurisdiction of Indian courts, anticipating the commencement, or during the pendency, of criminal proceedings," said a finance ministry statement.

7. Modi Government To Allow Holding Company Structure For Air India

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

A new owner of air india will be allowed to operate the airline under a holding company. The entity will also be permitted to co-opt its existing airline brands under the holding company to build synergy. This, the government believes, will allay concerns of potential suitors about the bidding condition, which mandates operating air india at arm's length for three years. "we had

discussions over this clause; the transaction advisor studied airline merger cases and suggested that a holding company structure should be allowed,” said a person involved with the process. According to the conditions set by the government, till the time there is government shareholding in the company, a selected bidder will have to operate air india on a going concern basis and at arm’s length from its other business. The government has decided to hold a 24 per cent stake in air india, which it intends to sell in phases, preferably through a public listing. Bidders have termed the condition onerous; they feel it potentially rules out a merger of operations with a group’s existing brands. Among the possible suitors is tata sons, which has two operating airlines, vistara and airasia india. According to the latest thinking, all forms of commercial partnership will be allowed between air india and a selected bidder’s existing airlines. “all forms of commercial partnership, including code share and interline agreements, will be allowed. We will clarify these in the pre-bid queries,” he said.

8. States Get 'Wallet' For Timely Gem Payments

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

The central government has developed a wallet-like facility for states to ensure timely payment for the goods and services they buy for official use, a move that comes after it was found that less than half of payments for official procurement were being made on time. Commerce ministry-led Government e-Marketplace (GeM) has designed ‘pool accounts’ where states can make advance payment for their purchases but can’t debit, thereby eliminating the chance of non-availability of funds. In January, the ministry raised concerns over delays in payment of orders fulfilled and accepted by buyers. At present only 44% of the payments are being made on time. “The pool account is an automated system where the amount due to the seller is credited and helps states fulfil their contractual part,” GeM CEO Radha Chauhan told ET. The wallet-like facility allows state governments to open separate pool accounts to collect advance payment from the buyer (any government department or agency) and transfer to the supplier on receipt of payment. Buyers can’t debit from this account. Chauhan said she expects the transaction value on the portal to rise to Rs 30,000 crore by March 2019. “Central public sector units are also being integrated with the portal,” Ms. Chauhan said.

9. To Be Ready In 500 Days, Eastern Peripheral Expressway Boasts Of Many Firsts

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

The Eastern Peripheral Expressway -- which is expected to provide major relief to Delhi from vehicular pollution -- is set to be completed in a record time of 500 days as against a sanctioned target of 910 days, NHAI officials said. The 135-km Expressway will boast of many firsts including a closed tolling system in which toll will be collected only on the distance travelled and not on the entire length, National Highway Authority of India (NHAI) Chief General Engineer B.S. Singla told IANS. There will also be provision for electronic collection of toll to ensure disruption-free movement of traffic. "Apart from that, we have also installed weigh-in motion sensors on all entry points which will ensure that over-loaded vehicles are not allowed to enter the Expressway," he said. While some work is still to be completed on the expressway which connects Palwal with Kundli bypassing Delhi, the Expressway is expected to be inaugurated by Prime Minister Narendra Modi on April 29. The 135-km six-lane access-controlled Expressway is built at a cost of around Rs 11,000 crore and will help decongest the national capital.

10. 'Govt Will Roll Out A Red Carpet To Foreign Steel Cos'

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

The government will roll out a red carpet to big foreign players who want to set up greenfield steel projects and the country's steel manufacturing capacity is expected to rise to 150 million tonnes by 2020. Steel Secretary Aruna Sharma said the sector provides huge growth potential against the backdrop of the country becoming the world's second largest alloy producer with increasing consumption. Stating that earlier there had been some issues with greenfield projects, Sharma said that now there is good scope for setting up such projects. "Learning from the past, the land bank issues have also been taken care of now. If anybody wants to set up large units, we will roll out a red carpet for them," Sharma told PTI. No foreign player has yet applied for any greenfield project but such players are watching the market. Foreign players like Posco, ArcelorMittal and Thyssenkrupp have presence in the country. Posco and Thyssenkrupp have set up units in Maharashtra to make value-added auto steel products, but they have not gone for back-end steel

manufacturing. ArcelorMittal has a joint venture with the state-owned steel maker SAIL for auto steel. Speaking on the sidelines of an event here last week, Sharma said: “We are sure that our steel manufacturing capacity will increase from the present 134 mt to 150 mt by 2020.”