

Daily Economic News Summary: 5 July 2018

1. Volkswagen's Skoda To Invest \$1.2 Billion To Revive India Sales, Plans To Expand Manufacturing Unit In Maharashtra

Source: Firstpost ([Link](#))

European automaker Skoda plans to produce a new mid-sized sport utility vehicle in India, it said on July 2, as part of a 1-billion-euro (\$1.16 billion) investment by its parent Volkswagen to revive sales in one of the world's fastest growing automobile markets. Volkswagen also plans to expand its manufacturing unit at Aurangabad in western India and set up a new engineering center to help raise its market share to 5 percent by 2025. Skoda's expansion comes as its Wolfsburg, Germany-based parent embarks on a decentralisation drive aimed at handing responsibility for managing different global regions to its various brands. Skoda's vehicle sales in India rose 30 percent in 2017, powered by demand for Skoda Rapid cars as well as Kodiaq SUVs. VW, however, has lagged rivals including Ford and Toyota in India despite growing sales marginally last fiscal year. Though Skoda and India's Tata Motors scrapped a proposed partnership last August to develop cars for emerging markets, the company remains open to tie-ups, Maier said. Skoda is not currently in talks with other parties, he added.

2. RBI Grants Licence To Bank Of China To Set Up Branch In India

Source: Livemint ([Link](#))

The Reserve Bank of India has issued licence to Bank of China to launch operations in India, people familiar with the matter said on July 4. Prime Minister Narendra Modi had made a commitment to Chinese President Xi Jinping to allow Bank of China to set up branches in India when they met on the sidelines of the Shanghai Cooperation Organisation (SCO) summit in Chinese city of Qingdao last month. "The RBI has issued licence to Bank of China to set up its first branch in India. It was a commitment made by the prime minister to the President of China," said a source. Bank of China is one of the very few state-owned commercial banks in China. India and China have been focusing on expanding their economic ties notwithstanding differences on several sticky issues including on the boundary dispute. After last year's Doklam standoff, both the countries have stepped up dialogue at various levels to reset the ties.

3. China's Growing Clout In Internet Business Worries Indian Regulators

Source: Livemint ([Link](#))

The government is preparing a policy framework to regulate foreign investments more closely in internet and smartphone businesses, especially in view of the increasing Chinese presence in these sectors, said three people familiar with the matter. Government agencies including the defence ministry, information technology ministry and the Telecom Regulatory Authority of India (Trai), besides the Reserve Bank of India (RBI), are working on new policies, the people cited above said on condition of anonymity. The proposed policies are meant to deal with the increasing digital colonization of India, said the people cited above. The aim is not to stop or restrict foreign investments but to install safeguards that will ensure India's security is not compromised, they said. This assumes significance as Chinese and American companies either directly control large parts of the internet business or have tremendous influence as investors in local start-ups, even in strategically important areas such as financial services and content. Over the past 18 months, after Japan's SoftBank Group, Chinese companies led by Alibaba Group, Tencent Holdings and Xiaomi Inc. have become the most influential investors in the start-up ecosystem. Xiaomi is also currently the highest-selling smartphone brand in India.

4. Google Taking Abroad Public Wi-Fi Experience From India, Say Sources

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

After deploying Wi-Fi at 400 railway stations, infotech giant Google is taking its Google Station project outside India to other countries, including Indonesia and Mexico. Sources mention Southeast Asia, Latin America and some other countries in this sub-continent. The company is also in talks with multiple companies for deployment of the public Wi-Fi in India. In 2015, it had collaborated with RailTel for free Wi-Fi at 400 stations. "We are constantly looking at other areas. We are talking to a lot of people, including telecom companies," said K Suri, Google India, director, partnership, Next Billion Users. Most of the markets it is now looking at in hopes of gaining the next billion internet users have demographics similar to that of India. So, it would be easier to roll-out Wi-Fi there, sources said. Google is also in talks with the governments of Delhi, Telangana, Uttar Pradesh, Maharashtra and Karnataka to deploy public services. The company has commissioned a study with Analysys Mason states that deployment of public Wi-Fi is expected to

connect 40 million new users to the internet by 2019, and translate into tangible benefits to gross domestic product by around \$20 billion. "Around 100 million people would be willing to spend an additional \$2-3 billion per year on handsets and a similar amount on cellular mobile broadband services," the report said.

5. Government Committed To Growth Of Agriculture Sector: PM Modi On MSP Hike
Source: The Economic Times ([Link](#))

Prime Minister Narendra Modi on July 4 said the government has fulfilled its promise of hiking the minimum support price to 1.5 times the production cost of farming produce and is committed to the development of the agriculture sector. The government on July 4 hiked the minimum support price for paddy by a steep Rs 200 per quintal as it looked to fulfil its poll promise to give farmers 50 per cent more rate than their cost of production. The decision, taken by the Union Cabinet headed by Prime Minister Modi, comes less than a year before the next general elections. "I am very happy that the promise made by the government to our farmer brothers and sisters of giving minimum support price at 1.5 times the production cost has been fulfilled. There has been a historic increase in the MSP. Congratulations to all farmers," he tweeted in Hindi. The government is committed to taking all initiatives needed for the development of the agriculture sector and farmers' welfare, he said.

6. Ministers' Group To Finalise Views On Reverse Charge Mechanism, Discount On Digital Payment On July 8
Source: The Hindu, Business Line ([Link](#))

A final view on the Reverse Charge Mechanism (RCM) and GST discount on digital payment is expected to be taken on July 8 at the meeting of the Group of States' Finance Ministers. If finalised, these recommendations will be discussed during the 28th Meeting of the GST Council scheduled on July 21. The Group, headed by the Deputy Chief Minister and Finance Minister of Bihar, Sushil Kumar Modi, has Finance Minister of Punjab, Manpreet Singh Badal, Finance Minister of Kerala, Thomas Issac, and Finance Minister of West Bengal, Amit Mitra as members. The group met in April on RCM and May on GST discount, but could not arrive at a consensus. Now, there is an expectation that the July 8 meeting of GoM will give a concrete proposal on both the issues for the GST Council. Reverse charge is a mechanism where the buyer of the good or service will have to

pay GST, which is otherwise paid by the seller. The charge is applicable on a registered dealer, if he buys goods from a dealer not registered under GST. However, the receiver of the good is eligible for input tax credit, while the unregistered dealer is not. The scheme may look simple, but generated enough debate leading to the GST Council in its 22nd meeting held on October 6 to defer it till March 31, 2018. It was also decided that the scheme would be reviewed by a committee of experts. Date for suspension has been extended twice and now the new date is September 30.

7. India Looks To Engage With US On Iran Curbs

Source: Livemint ([Link](#))

India aims to engage with the US on its proposed new sanctions on Iran over its nuclear and missile programme with an American delegation expected to visit Asia's third-largest but fuel import-dependent economy later this month. Any decision to cut fuel imports from Iran will be based on national interest, two people familiar with the development said. India's energy security, ties with Iran that India views as a gateway to landlocked Afghanistan and Central Asia and New Delhi's relations with Washington are factors that will be considered as New Delhi formulates a strategy in this regards, two people familiar with the developments said separately. "We expect, as a major importer of energy from Iran, to be similarly engaged," said one of the two people cited above. Iran is India's third-largest oil supplier after Iraq and Saudi Arabia. Iran supplied 18.4 million tonnes of crude oil between April 2017 and January 2018. India was eyeing a visit from such a team given the statement by Brian Hook, director of policy planning in the US state department, on July 3 that teams from the US state and commerce departments would engage with countries on the sanctions targeting Iran, according to the person quoted above.

8. IKEA's 1st India Store To Be Opened In Hyderabad On July 19

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

July 19 will mark the debut for IKEA, the world's largest furniture retailer into India, with its first store being launched officially in Hyderabad, the capital of Telangana, the newest State. Coincidentally, the store has seen an investment of Rs 1,000 crore. It will have 1,000 employees, and has been designed after teams visited 1,000 Indian homes across cities to study peoples' choices and needs and house the biggest restaurant in IKEA's worldwide chain with a 1,000 seater.

The much-awaited store has taken the Swedish major's at least four years of efforts, with around 1,000 days into land acquisition, design and construction, product sourcing and recruitment to get everything up and going. The staff will be gender equal with 50 per cent of the 1,000 strong employees across all departments being women, Peter Betzel, the new India CEO, said. The company will source up to 20 per cent of the products from local manufacturers. It will offer a wide range of 7,500 products, several of them made to typical Indian needs jointly by teams here and back home in Sweden, Betzel explained to a group of journalists at the store on July 4.

9. Govt Extends Timeline For Implementation Of Solar Parks

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

Following multiple requests from the industry, the Ministry of New and Renewable Energy (MNRE) has extended the timeline for implementation of solar parks and Ultra Mega Solar Power Projects with total capacity of 40 GW by two years, from the initial deadline of FY2020 to FY2022, the Ministry of New and Renewable Energy said on July 4. The timeline has been extended without any additional financial implication, the Ministry order noted. This new order will provide more time to all parties in the development of solar parks and ultra-mega parks, including agencies responsible for tendering the projects such as SECI and NTPC and private developers facing challenges with land acquisition and securing power evacuation from the plants. The programme approved by the government in March 2017 aimed at enhancing solar park capacity from 20,000 MW to 40,000 MW by setting up at least 50 parks of 500 MW and above by FY20 with the government sanctioning ₹ 8,100 crore.

10. 25 Countries In Global Banks' 'High Risk' List

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

China, UAE, Cyprus and significantly, Mauritius, along with 21 other countries have been tagged as “high-risk jurisdictions” by global banks acting as custodians for foreign funds which comprise the largest group of investors in the Indian stock market. Large investors and beneficial owners of these funds entering India through these high-risk jurisdictions will face close scrutiny while non-resident Indians and persons of Indian origin will run into new hurdles in participating in funds set up in these countries for trading on Indian exchanges. A week ago, the main custodian banks

shared a list of 25 countries with the capital markets regulator Securities and Exchange Board of India (Sebi), two persons aware of the development told ET. HSBC, Deutsche Bank, Citi, Standard Chartered and JP Morgan are among the banks that compiled the list. Sebi-registered foreign portfolio funds invest in India through 56 countries. Of these, 25 are now considered 'high risk'. While this is aimed at curbing the use of these jurisdictions for fund round-tripping, some fear it could impact genuine investors.