

Daily Economic News Summary: 8 July 2019

1. Budget 2019: India redirects foreign aid to Indian Ocean countries

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

To backstop India's influence in its extended neighbourhood, July 5 Budget has raised the allocation for providing financial aid to friendly regional countries by over 26 per cent. Last year's revised allocation of Rs 6,667 crore has been upped to Rs 8,415 crore in 2019-20. The aid Budget has not just been raised, but redirected as well. While Bhutan retains its slot as India's largest aid recipient, Indian Ocean island countries and littoral states feature high on the list of large aid recipients. After Bhutan, which has been allocated Rs 2,802 crore this year, tiny Mauritius will be the second-largest recipient of Indian aid, with Rs 1,100 crore allocated. Another island nation, the Maldives, is in the fourth place with Rs 576 crore allocated. Seychelles has been allocated Rs 100 crore, while Rs 450 crore has been budgeted for African countries.

2. Oyo founder in talks to buy back \$1.5 billion shares

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

Ritesh Agarwal, founder of Oyo Hotels & Home, is in the midst of buying back shares from early investors Sequoia Capital and Lightspeed Venture Partners to bulk up his ownership, said three people familiar with the matter. The move, unprecedented among leading privately held, new-age Indian startups, will help Agarwal raise his stake to around 30% from the current 10%. This may go up to as much 32-33%, including the stakes held by the management and employees. To finance the buyback, the 26-year-old founder has been in talks with financial institutions and banks in India, Japan and Europe to shore up \$2 billion in secured debt, sources close to the matter said on condition of anonymity.

3. Budget 2019: Visa, Mastercard brace for serious blow after Sitharaman's e-payment push

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

The government's move to do away with bank charges on electronic payments for businesses with an annual turnover of Rs 50 crore could hit Mastercard and Visa hard as merchants will

now find it more profitable to accept UPI and other local e-payments. Large retailers (with a turnover of over Rs 50 crore) are the mainstay of retail credit card transactions. These retailers have been paying fees by way of merchant discount rate (MDR) of close to 2%. The finance minister Nirmala Sitharaman in her budget said that it would be mandatory for such large companies to provide their customers with low-cost electronic payment options. These include Bhim UPI (unified payments interface), UPI-QR Code, Aadhaar Pay, certain debit cards, NEFT (national electronic funds transfer), and RTGS (real time gross settlement).

4. Posco continues to be cautious on India's greenfield steel plant

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

Having tripped on land and captive mines last time, Posco will tread cautiously when it comes to setting up a greenfield steel plant in India. Posco officials had visited Andhra Pradesh to explore the possibility of setting up an integrated steel plant but it was more of a recce. “The government wanted Posco to consider investing in a joint venture with RINL (Rashtriya Ispat Nigam) and we just went to check out. We have not decided on the specifics. Building a greenfield steel mill in India is not easy,” said G H Bang, managing director, Posco Maharashtra. Exploratory talks with state-owned RINL had, in fact, started last year when a delegation led by the South Korean ambassador was at the plant site but Posco is yet to firm up plans. What's possibly coming in the way is its past experience with regard to setting up an integrated steel plant in India.

5. Monsoon deficiency falls to 21%; east, northeast see lowest rainfall: IMD

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

Monsoon has covered almost the entire country, but three-fourths of MeT department's sub-meteorological divisions still fall under the “deficient” rainfall category, the India Meteorological Department's data shows. The overall monsoon deficiency, which was 33 per cent at the start of the month, has dipped to 21 per cent. No sub-division in the country recorded “large deficiency”. According to the Central Water Commission, of the 91 major reservoirs in the country, 62 water bodies reported 80 per cent or below of normal storage. The IMD has four divisions, which are further divided into 36 sub divisions. Twenty-four have received “deficient” rainfall. The deficiency was highest in east and northeast India-36 per cent followed by 30 per cent in the southern peninsula. The data also indicates that central India has received fairly good rainfall over the last week. East and northeast divisions of the IMD comprising the states of West Bengal, Bihar, Jharkhand and all the north-eastern states have reported deficient rainfall.

6. Foreign investors pull out Rs 475 crore from Indian markets in first week of July

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

Reversing their five-month buying streak, foreign investors withdrew a net sum of Rs 475 crore from the Indian capital markets in the first week of July amid global trade tensions and pre-Budget anticipation. Prior to this, foreign portfolio investors (FPIs) were net buyers for five consecutive months. FPIs invested a net Rs 10,384.54 crore in June, Rs 9,031.15 crore in May, Rs 16,093 crore in April, Rs 45,981 crore in March and Rs 11,182 crore in February into the Indian capital markets (both equity and debt). As per latest depositories data, FPIs withdrew a net amount of Rs 3,710.21 crore from equities but invested Rs 3,234.65 crore in the debt segment during July 1- 5, resulting in a net outflow of Rs 475.56 crore.

7. Nirmala Sitharaman to address RBI board's post-budget meeting today focus on fiscal consolidation roadmap

Source: Firstpost ([Link](#))

Finance Minister Nirmala Sitharaman is scheduled to address the post-budget meeting of the RBI's central board on July 8 and highlight the key points of the Budget, including the fiscal consolidation roadmap. The government has lowered the fiscal deficit target to 3.3 percent of the GDP as it is expecting net additional revenue of Rs 6,000 crore over the interim Budget estimates. The government in the interim Budget in February had projected a fiscal deficit of 3.4 percent of the GDP for the current fiscal. The Centre also came out with a roadmap to reduce the fiscal deficit - the gap between total expenditure and revenue - to 3 percent of the gross domestic product (GDP) by 2020-21, and eliminate the primary deficit. Primary deficit refers to the deficit left after subtracting interest payments from the fiscal deficit.

8. India looks to lead electric vehicle race with latest push in budget

Source: Livemint ([Link](#))

With a host of incentives unveiled in the Union budget for electric vehicles, India has joined governments in China and Europe that have backed the development of the nascent EV industry by offering extensive fiscal incentives and a favourable regulatory environment. Pushing ahead with its goal to have more electric vehicles to curb rampant pollution afflicting major cities and trim costly oil imports, the government has started from 1 April 2019, the second phase of the Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME 2) scheme, with an outlay of ₹10,000 crore. Although this sum may not be significant compared to some developed

countries, the incentives announced in the budget for this sector will go a long way in restoring the confidence of investors and customers alike.

9. Flights between India, Europe to increase; route profitability remains challenge: Air France-KLM

Source: The Indian Express ([Link](#))

Air France-KLM will increase its passenger-carrying capacity between India and Europe by more than 25 per cent from this winter even as profitability remains one of the biggest challenges for its flights on this route, a senior executive of the airline said. “One of the major challenges in India is the route profitability. From a historical point of view, it has always been a bit of a challenge. Our flights are doing well. But the economical performance is always a bit of a concern,” Welmer Blom, the senior vice-president (Middle East, Gulf and India), Air France–KLM, told PTI. He said India is a “strategic” market for airlines and the conglomerate would be expanding flight connectivity between Europe and India. In India, Air France-KLM had signed a codeshare agreement with the Jet Airways in 2014, which allowed either of the carrier to sell tickets of the other carrier on its website.

10. Centre readies list of land assets for disinvestment

Source: The Indian Express ([Link](#))

The government has prepared a “substantial inventory” of land assets that can be monetised, and the process of such sales will be finalised very soon. The Centre is also keen on strategic sales, and three fresh expressions of interest will be announced next week, Department of Investment Public Assets Management Secretary Atanu Chakraborty told The Indian Express. Chakraborty said many measures in the Budget, like raising the limit of public shareholding in listed companies, will help in attracting fund flows to the equities market. The government has a list of 29 companies that will be put up for strategic sales to private companies. Chakraborty said the government will put out certain land assets to test the market response and then scale up the process.