2016

ECONOMIC INTELLIGENCE BULLETIN

16th – 30th November 2016

GOVERNMENT OF INDIA
DIRECTORATE GENERAL OF SUPPLIES &DISPOSALS
JEEVAN TARA BUILDING, 5 SANSAD MARG,
NEW DELHI - 110001

SUMMARY OF ECONOMIC INTELLIGENCE BULLETIN

Economic Intelligence Bulletin includes abstracts of important economic/commercial/ technical development and reviews as reported in the issues of financial dailies. The Bulletin pertains to the fortnight ending 30th November, 2016.

1. PRICE TREND

1.162 RUPEE TANKS TO 9-MONTH LOW ON STRONG DOLLAR, OUTFLOWS

Extending its losses for the fourth day, the rupee on 16th November tumbled by 31 paise to close at fresh nine-month low of 68.56 against the dollar due to persistent capital outflows amid a resurgent US currency in global markets.

Robust month-end dollar demand from oil companies along with aggressive hedging strategy adopted by importers in the wake of currency volatility also weighed on the rupee trade, a forex dealer said.

Some caution ahead of the FOMC meeting minutes later in the day also dampened rupee trade, he added.

The Indian currency has fallen by 2.91% since Donald Trump's victory in the US Presidential polls earlier this month mainly due to huge capital outflows after surging US bond yields anda strong dollar.

At the Inter bank Foreign Exchange (forex) market, the rupee opened substantially weak at 68.36 from 23rd November's closing value of 68.25 and kept descending throughout the day with high amount of volatility.

It hit intra-day low of 68.58 in late afternoon deals before ending at 68.56-the level not seen since February 26 when it had ended at 68.62-showing a sharp loss of 31 paise, or 0.45 paise.

(FINANCIAL EXPRESS 24TH NOVEMBER, 2016)

1.163 GOLD RECOVERS; SILVER EXTENDS WEAKNESS

In an otherwise restricted activity, gold prices recovered by Rs.50 to Rs.29,450 per 10 g at the bullion market on 29th November on scattered buying by jewelers and retailers even as the yellow metal weakened overseas. However, silver remained under selling pressure and dipped below the Rs.41,000-mark by tumbling Rs.865 to Rs.40,735 per kg due to reduced offtake by industrial units and coin makers.

Bullion traders said the volume of business has dropped sharply by 75% in view of prevailing cash crunch in the market following the government banning Rs. 500 and Rs. 1,000 notes on November 8 to flush out black money. Globally, gold fell 0.54% to $1, 187. 30 an ounce and silver by 0.15% to $16, 54 an ounce in Singapore.

(FINANCIAL EXPRESS 30TH NOVEMBER, 2016)

2. FISCAL POLICY

2.291 INTEREST_RATES MAY DECLINE BY 100 BPS

Interest rates could decline by 1 percentage point in the next six months due to demonetization of Rs.500 and Rs.1,000 notes, which would flood banking sector with excess liquidity, said New Development bank (NDB) president K V Kamath.

"Good monsoon, inflation coming down, there has been a 70-basis point reduction in headline interest rates (in the last quarter) and with this (demonetization), we would see a further drop in interest rates between now and say,3-6 months, of another percentage point," he said.

According SBI Research, the banking sector could see deposits accumulation of about Rs.5 lakh crore as people queue up to deposit old notes in banks.

The NDB chief said the move would suck out liquidity from the system which should have another positive impact inflation.

(FINANCIAL EXPRESS 16TH NOVEMBER, 2016)

2.292 TAX REVENUE LIKELY TO EXCEED BUDGET TARGET BY Rs.50,000 CR

Tax revenue of the Centre, after the mandatory transfer to states, is expected to exceed the Budget target by at least Rs.50,000 crore, or close to 5%, during the current fiscal, helping the government meet the fiscal deficit target of 3.5% of the gross domestic product rather easily.

Thanks to a likely fiscal bonanza, estimated to be up ward of Rs.2 lakh crore after demonetization of high-value currency notes, the government would also stick to the 3% fiscal deficit target for FY18, sources said

Net tax receipts are budgeted at Rs.10.54 lakh crore for FY17. This target would be exceeded as the recently concluded income declaration scheme could fetch Rs.15,000-20,000 core, while indirect tax receipts are likely to be Rs.30,000-35,000 crore higher than budgeted, mainly because of the robust growth in excise collections on the back of the rate increases for petroleum products effected last year.

"This estimate (Rs.50,000 crore additional tax revenue) is without factoring in likely extra tax proceeds from demonetisation. While the income tax department has already started issuing notices to those who made cash deposits above Rs.2.5 lakh crore in their bank accounts after November 10, many businesses could be showing higher turnovers after the crackdown on black money," an official said

In the April-October period, the center's gross tax revenue receipts (before 42% devolution to states) stood at Rs.8.62 lakh crore or 53% of the current year's target, compared with Rs.6.93 lakh crore or 48% of the relevant target in the previous year.

Official data showed that the centre's gross excise duty collections rose 45% year-on-year during the period as against an 11% growth required of meet the annual target of Rs.2.14 lakh crore.

On November 8, the government withdrew the legal tender status of existing Rs.500 and Rs.1,000 notes, constituting about Rs.14.2 lakh crore or 86% of total notes in circulation as on March31,2016.

Despite a likely shortfall in revenue from strategic sale of PSUs (the budgeted figure is Rs.20.500 crore), the overall disinvestment target might be almost met because of aggressive buyback of shares by some cash-rich PSUs and the sale of the government's stake in private forms held through SUUTI.

(FINANCIAL EXPRESS 21ST NOVEMBER, 2016)

2.293 FDI ROSE BY 60% AFTER MAKE IN INDIA CAMPAIGN

FDI went up 60% to $77.86 billion after the launch of Make in India initiative in September 2014, the government said on 21st November. Commerce and Industry minister Nirmala Sitharaman said that after the launch of this intiative, there has been an "unprecedented" increase in FDI into the country.

"During the period October 2014 to September 2016, total FDI equity inflows of $77.86 billion was recorded as against $48.47 billion received during the preceding 24 months with an increase of 60%," she said in a written reply to the lokSabha. Replying to a separate question, she said a total of 19,666 complaints were received by the National Consumer Helpline during April-October this year. In 2015-16, this number was 23,955.

(THE ECONOMIC TIMES 22ND NOVEMBER,2016)

2.294 FIPB CLEARS FDI PROPOSALS WORTH ₹94 CRORE

Foreign Investment Promotion Board (FIPB) on 24th November said it has approved four FDI proposals entailing overseas investments of about Rs.93.81 crore including that of Dr Reddy's and Oxford University Press.

Based on the FIPB recommendations "in its 241st meeting held on October 27,2016 the Central Government has approved four FDI proposals. The proposals approved included Dr Reddy's Laboratories Ltd's foreign investment worth Rs.36 crore," a finance ministry statement said.

The Board also cleared proposals of M/s Quintillion Business Media Pvt Ltd and M/s BMJ Group India Pvt Ltd. Headed by economic affairs secretary Shaktikanta Das, FIPB also cleared Oxford University Press foreign investment proposal worth Rs.44.41 crore.

Four other proposals which were rejected included that of Harris Communications Systems India Pvt Ltd, Schoeller Technologies India Pvt Ltd and Barracuda Camouflage Pvt Ltd. Besides, eight proposals, including that of Flag Telecom Singapore Pte Ltd were deferred.

(FINANCIAL EXPRESS 25TH NOVEMBER, 2016)

2.295 FPIS SELL $2-BN DEBT IN NOV AS FED MOVES CLOSER TO HIKE RATE

With the Fed fund futures indicating a 96% probability of an 25-basis-point interest rate hike in December, foreign portfolio investors (FPIs) have net sold $2.06 billion of debt instruments in the Indian market in November alone, after significantly investing in domestic debt last month.

Between November 11 and November 23, there was not even one session in which FPIs net bought Indian debt, having sold close to $2,6 billion. This comes after a period of sustained buying in September, when FPIs net bought close to $1.6 billion of debt securities.

The selling has primarily because of building of market expectations of an interest rate hike by the US Federal Reserve next month. Infact, Fed fund futures are currently indicating a 96% chance of a rate hike in December, having surged to as high as 100% in the aftermath of the US presidential elections.

The Indian rupee closed at a three-year low of 68.75 against the greenback on 24th November after having fallen to lifetime-low of 68.86 during the session, tracking falls in local equities and other Asian and emerging market currencies, which were all down because of withdrawal of investment by foreign investors.

On 24th November, the 10-year benchmark yield closed at a seven-and-a-half year low of 6.19%, a level last seen in April 2009. Despite foreign investors selling domestic bonds, bond prices have continued to rise because the demonetization of high-denomination currency notes has resulted in a spike in deposits across the banking system, pushing banks to buy government bonds.

Bond yields and prices move in opposite directions. Rxperts are now predicting that the benchmark yield could fall to levels of around 6% in immediate term.

(FINANCIAL EXPRESS 25TH NOVEMBER, 2016)

2.296 IDS FETCHES Rs.3,500 CRORE OF TAXES TILL MONDAY

The first Instalment of tax Payment from those who have availed of the Income Declaration Scheme (IDS) 2016 stood at Rs. 3,500 crore as of 28th November. This according to officials, could swell to Rs. 7,500 crore by 30th November, the last date.

The exchequer is expected to get Rs.30,000 crore from declarations worth Rs.65,250 crore under IDS in three instalments. Of this, Rs.15,000 crore would come in the current financial year through two instalments of Rs. 7,500 crore each.

As many as 64,275 individuals availed of the four-month amnesty window that closed on September 30,2016 under which they would escape prosecution under the income tax Act, Wealth Act and Benami Act by paying 45 per cent tax in three instalments running up to September 30,2017.

The government's tax kitty will swell from tax payment under IDS and Pradhan Mantri Garib Kalyan Yojna (PMGK). The latter calls for 50 per cent penalty for those depositing old Rs.500 and Rs.1,000 currency notes and declaring their black money. As much as 25 per cent of the total sum would also be locked-in for four years in PMGK and the tax assesse will not get any interest on it. The tax kitty will also get a boost from the Seventh Pay commission award.

However, tax officials are of the opinion that direct tax collections would meet the Budget target of Rs. 8.47 lakh crore in 2016-17. This would be 12.6 per cent higher than Rs.7.52 lakh crore collected in 2015-16. This is so because the expected slowdown in the economic growth in the third quarter and part of the fourth quarter might hit tax collections.

The government received Rs.3.77 lakh crore in direct tax collections till October this year, up 10.6 per cent from the year-ago period.

(BUSSINESS STANDARD 30TH NOVEMBER,2016)

2.297 FPIs PULL OUT $3 BN FROM BOND MARKETS SINCE NOVEMBER 8

With yields on government bonds plummeting, foreign portfolio investors (FPI) have been offloading gilts, reports Yoosef KP in Mumbai. FPIs have pulled out $3 billion from the bond markets since November 8, when the government announced the de-monetization of high currency notes. The spread between the local yields and that on the US treasury has contracted following the sharp rise in US bond yields after Donald Trump was elected president.

28th November marked the 11th successive day of FPI selling with $513 million worth of paper being offloaded; taking the total value of their sales to $3.6 billion in 2016. Market observers attribute FPI selling in indian debt to the spread between the indian G-Sec and the US-10 year bond yield contracting to a multi-year lows.

They observe that given the depreciation in the rupee and the cost of hedging, FPIs would be left with little in terms of return, with foreign funds selling both debt and equities, the rupee has lost value and hit a record low of 68.86 against the greenback last Thursday(24th November).

Bloomberg's dollar index climbed 3.7% after November 8, while the rupee fell nearly 3% during the same period. Among emerging markets, india suffered the biggest outflows since November 8, followed by Thailand, which saw $2.2 billion moving out, and Indonesia that witnessed $1.7 billion being pulled out.

(FINANCIAL EXPRESS 30TH NOVEMBER, 2016)

3. IMPORT AND EXPORT POLICY

3.174 EXPORTS UP 9.59% IN OCT; TRADE DEFICIT WIDENS TO 10-MONTH HIGH

The country's merchandise exports grew a robust 9.59% in October to $23.51 billion and imports rose for the first time since November 2014, lending credence to the claim that a slowdown may have bottomed out.

Importantly, while overall imports rose 8.11% to $33.67 billion non-oil imports rose 9.28% in October, suggests growing appetite of the economy.

Higher growth in October also partly narrowed a sharp decline in non-oil imports to just 9.33% between April and October. Gold imports, too, rose 108% to $3.5 billion in October, as jewllery ramped up purchases to cater for demand in the build up to Dhanteras.

Similarly, non-oil exports rose 9.9% in October, improving from a 5.44% rise in the previous month and driving up growth in this segment to 1.8% in the April-October period from a year earlier. As many as 18 of the 30 key product categories witnessed a rise in exports in October.

The rise in imports widened the trade deficit to $10.16 billion, the highest since December last year. Exports rose for the first time in June and then in September after falling in each month since December 2014. Imports continued to fall since December 2014.

Services exports touched $13.77 billion in September, recording a 2.93% expansion from a year before, according to the official data. Services imports rose 3.10% in October to $8.30 billion.

(FINANCIAL EXPRESS 16TH NOVEMBER, 2016)

3.175 MERCHANDISE EXPORT RISES 9.6% IN OCT; IMPORT UP 8.1%

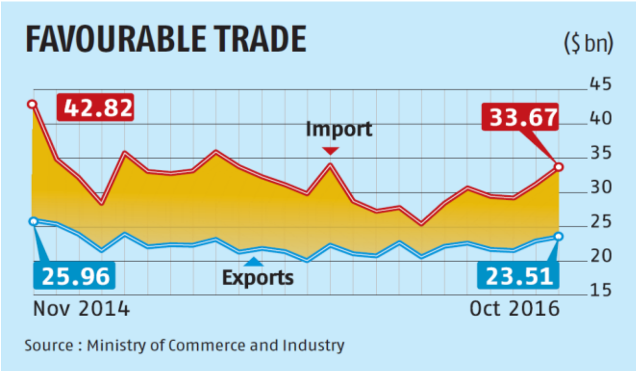
Merchandise export rose for a second consecutive month in October, growing by 28-month high of 9.6 per cent to $23.5 billion, from $21.45 bn in the corresponding period last year.

In September, export rose by 4.6 per cent, only the second occasion in the 22 months since December 2014, when a chronic fall started. Cumulative export for April-October, first seven months of this financial year, 2016-17 was $154.9 bn. It was $155.2 bn for the corresponding period in FY16. Import rose 8.1 per cent to $33.7 bn in October, compared with the year-ago period when it was $31.1 bn. Cumulative import in April-October was $208.1 bn, compared with $233.4 bn the previous year.

Gold import exploded in October, growing by 108 per cent, after falling by a large margin for eighth months in a row. The import touched $3.4 bn, compared to $1.7 bn a year before. The yellow metal's price has fallen a massive 77.5 per cent in August. The demonetization move may also fuel gold import in November onwards.

Non-oil and non-gold import, taken as a proxy for industrial demand, rose by 1.90 per cent to $23.04 billion from $ 22.61 billion a year ago. As compared to this, it had fallen by 3.05 per cent in the previous month after declining by 1.5 per cent in August.

Trade deficit in October widened to a ten-month high of $10.2 billion.



(BUSSINESS STANDARD 16TH NOVEMBER,2016)

3.176 IRON ORE PRODUCTION JUMPS 25%

The mining sector has seen a healthy growth in the current fiscal, a top government official said here on 16th November.

"Iron-ore production in the first half of the current fiscal (April-September 2017) was up by 25.8% to 84 million tonnes," Union mines secretary Balvinder Kumar said on the sidelines of CII-organised IMME & Mining Conclave here.

He said exports have also jumped up sharply to 7.5 million tonnes during April-August '17 compared to 5.45 million tonnes in the entire last year.

Import during the first five months of the fiscal was down to 1.59 million tonnes compared to 7.09 million tonnes in 2015-16 he said.

(FINANCIAL EXPRESS 17TH NOVEMBER, 2016)

3.177 GOLD WORTH $2.1 BN IMPORTED IN 9 DAYS

The demonetization move seems to have brightened jewellers' for tunes, with many selling gold at 40-60 per cent premium, against accepting the banned currency notes.

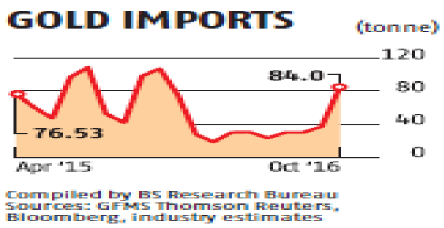
Even after the note ban, gold imports have been strong According to estimates by GFMS Thomson Reuters, gold worth $2.8 billion has been imported in the first 17 days of November. Of this, $2.1 billion worth of gold was imported nine days after demonetization.

In November last year, 98 tonnes of gold valued at $3.54 billion was imported. In October 2016, imports stood at 84 tonnes worth $35 billion.

With prices falling, traders calculated that the tariff value of gold to be announced on November 15 would be lower. The tariff was set at $394 per 10 gm, which was 4.8 per cent lower than the tariff on October 31, and good volumes of gold, valued between $800 million and $1 billion, are estimated to have been cleared on November 16, according to trade sources.

Due to a sharp inflow of gold in the past few days. Some orders which were not delivered might have been cancelled. "This is because prices fell further on Thursday(24th November) and Friday(25th November)," said a source in the know.

The government has started issuing notices to those who have deposited high amounts of cash. In such cases, clarity is emerging that selling gold against old currency notes with predated billing practices will stop.



(BUSSINESS STANDARD 21ST NOVEMBER,2016)

3.178 STEEL IMPORTS DROP 39% TO 4.5 MT IN APR-OCT

Helped by steps to protect the industry, steel imports have declined 39% to 4.5 million tonnes during April-October of this fiscal over the same period a year earlier "The government has taken various steps in the interest of the domestic steel industry from unfair foreign competition and same have yielded positive results, "Steel Minister Chaudhary Birender Singh said in a reply to the Lok Sabha. Price realistaion has improved, Imports of steel have declined by 39% to 4.5 milion tonnes (mt) during April-October 2016 as against the corresponding period last year, the minister said. Since the beginning of 2014-15, the Indian steel industry has witnessed severe stress due to surge in imports from countries saddled with excess capacity and fall in domestic prices.

(THE ECONOMIC TIMES 22ND NOVEMBER,2016)

3.179 CASH CRUNCH PUTS BRAKE ON INDIA'S COTTON EXPORTS

EXPORTS of 1 million bales of cotton from top producer India have been delayed after a government move to ban high-value currency notes Prompted farmers, who prefer cash payments, to postpone sales, industry officials told Reuters.

The supply crunch has driven up prices in India to levels higher than in the global market and could force buyers to switch to other producers like the United States, Brazil and African countries. It could also curb India's total exports in the 2016-17 marketing year that started on October 1.

Earlier this month, Prime Minister Narendra Modi scrapped Rs.500 and Rs.1,000 bills to crack down on corruption. But the move disrupted trading of farm commodities like cotton and soybean as most farmers prefer payments in cash.

Expecting a bumper crop of 35 million bales, traders had contracted 2 million bales for exports to China, Vietnam, Bangladesh and Pakistan for shipments in November to January. But traders have managed to ship only around 300,000 bales and nearly 1 million bales that were due to ship in November and December are getting delayed, three exporters told Reuters.

India's inability to ship promptly could force buyers to switch to other suppliers like Brazil and the United State, said Keith Brown, principal at cotton brokers Keith Brown and Co in Moultrie, Georgia. "In fact, this may be one reason why US cotton is going higher at harvest time,"

The surge in local prices is also marking signing new exports deals difficult for India as overseas prices are lower than local prices, Jaydeep Cotton's Patel said. Reuters.

(FINANCIAL EXPRESS 22ND NOVEMBER, 2016)

3.180 SCRAP GOLD SUPPLY TO HALVE IN INDIA AS CASH CRUNCH BITES

Scrap gold supplies in India, the world's second-biggest consumer of bullion, are likely to halve this quarter as the cash crunch and falling prices make it difficult for consumers to liquidate their holdings.

Lower scrap supplies could force the south Asian country to raise imports, which will support global prices that are near their lowest level in 5-1/2 months.

"In the December quarter, scrap supply could fall by 50 to 60% due to a shortage of hard cash and falling prices," said Sudheesh Nambiath, a senior analyst at metals consultancy GFMS, a division of Thomson Reuters.

Just few weeks back customers use to queue outside Jitendra Jain's tiny scrap gold shop in Mumbai the shop has been deserted since the government got rid of the high value notes.

"Business has been affected badly due to cash crunch. We are able to buy gold only from customers that are accepting payment by cheque," said Jain, who used to buy around 2 kilograms of gold every day, but now manager to buy just 100 to 200 grams.

In the quarter ending in September, the scrap supply hit a record high of 58.8 tones as local prices jumped to their highest level in nearly three years in July, according to GFMS. Local prices have corrected 10% from the July peak.

Last week gold premiums in India jumped to the highest in two years but on Monday gold dealers were offering at a discount up to $5 an ounce.

"People are not able to make gold purchases even for wedding in rural areas. For next few weeks demand will remain subdued," said a Chennai based jeweler, who asked no be identified.

(FINANCIAL EXPRESS 23RD NOVEMBER, 2016)

3.181 GOVT IMPOSES SAFEGUARD DUTIES ON SOME STEEL IMPORTS

The government has imposed a safeguard duty on import of certain varieties of steel – hot rolled flat sheets and plates – with effect from November 23, till May 22,2019.

As in the case of hot rolled (HR) coils, the safeguard duty would be taper, with the peak being 10 per cent. Subsequently, it would taper to eight per cent and six per cent up to 2019.

"The petition for this was filed after the safeguard duty was imposed on HR coils last Year," a producer said.

In September 2015, the government had imposed a safeguard duty of 20 per cent on HR coils for 200 days. This March, a tapering safeguard duty was extended till 2018, with the peak at 20 per cent. The prevailing duty on HR coils is 18 per cent.

Producers say a provisional anti-dumping duty was already in place on HR coils, sheets and plates. However, global prices had increased after a surge in coking coal prices, a key raw material for producing steel through the blast furnace route. Spot coking coal prices, $90 a tonne in July, have crossed the $300-mark. Global steel prices have moved in line. For instance, in HR coils, the reference price for the anti-dumping duty is $475 a tonne but with the present global price at this level, the addition of duties and freight pushes it to $525 a tonne. Similarly, For cold rolled coils, the reference price for anti-dumping duty is $504 but international prices are $525 and inclusive of duties, would be $619 a tonne.

For plates, however, it might still be viable to import because the reference price is $557 a tonne and the current international price is $388 a tonne, and $465 a tonne with duties.

The ruling price for HR plates, sheets and coils in the domestic market is Rs.39,500, Rs.40,000 and Rs.39,500 a tonne, respectively.

(BUSSINESS STANDARD 25TH NOVEMBER,2016)

3.182 GOVERNMENT APPROVES 6 NEW SEZs FOR IT, BIOTECH

The government has approved six proposals from four developers to set up new special economic zones (SEZs) across three states in areas such as IT and biotechnology. The decision was taken by the Board of Approval (BoA), headed by commerce secretary Rita Teaotia, at its November 9 meeting, an official said. The developers who got nod for new zones include Vaxenic india, EON Kharadi Infrastructure and KRC Infrastructure. GAR Corporation has proposed to set up two IT/ITeS zones in Telangana, while Vaxenic India wants to set up biotechnology and bio pharmaceuticals SEZ in the state. EON Kharadi Infrastructure and KRC Infrastructure too have planned to set up separate IT/ITeS special economic zones in Pune. Information Technology Park has got the approval to set up IT zone in Karnataka.

(FINANCIAL EXPRESS 30TH NOVEMBER, 2016)

4. MISCELLANEOUS

4.400 CPI INFLATION MODERATES TO 14-MONTH LOW OF 4.2% IN OCT

RETAIL and wholesale price inflation eased in October on lower food inflation, brightening prospects of a rate cut by the monetary policy panel as early as December, as the government's demonetization move is expected to keep short-term price pressure under control.

While the consumer price index (CPI) rose 4.2% in October – the lowest since August last year- wholesale price inflation dropped for a second straight month to 3.39%,

This CPI inflation moderation was driven by a drop in food inflation to 3.3% (drop of 60 bps)-especially in vegetables, fruits and pulses. However, core inflation, a key input in monetary policymaking, inched up a tad to 5% in October.

The monetary policy committee (MPC) reduced the policy rate by 25bps to 6.25% at its October 4 meeting.

Retail inflation may undershoot the inflation trajectory (the CPI inflation target approved by Parliament is 4%+/-2% until March 2021), leaving enough room for a more accommodative policy.

Crisil Research wrote: "..we think the positive impact of a favourable monsoon this year is reflection in lower food prices. Further, the recent demonetization measure, we believe, will curb demand and put downward pressures on inflation in the short run. Going ahead, we expect inflation to trend lower and average 4.8% in the second half of fiscal 2017."

(FINANCIAL EXPRESS 16TH NOVEMBER, 2016)

4.401 GDP GROWTH TO DROP TO 5.5% IN Q3 FY17: FIN MIN

Prime Minister Narendra Modi's government is bracing itself for a sharp decline in economic growth in the third quarter of the current financial year, as the manufacturing sector and consumer demand decelerates after the demonetization drive.

The government expects the gross domestic product (GDP) to fall to 5.5 per cent in the October-December quarter, against 7.2 per cent in the corresponding period of the previous financial year, and 7.1 per cent in the first quarter of this financial year. It would be at least a nice-quarter low.

The government had expected the economy to grow by 7-7.75 per cent in the current financial year against 7.6 per cent in 2015-16, but this was before demonetization.

The minders of the Modi government's economic policy believe it would take seven to eight quarters – or till around late 2018 – for the economy to reap the rewards of demonetization, top finance ministry sources said. The Lok sabha elections are due by mid-2019.

(BUSSINESS STANDARD 22ND NOVEMBER,2016)

4.402 GOLDMAN FORECASTS DECELERATION IN GDP GROWTH TO 6.8% IN FY17

Goldman Sachs has forecast a deceleration in India's GDP growth to 6.8% this fiscal, down from 7.6% last financial year due to demonetization of Rs.500 and Rs.1,000 banknotes. According to the global financial services major, post the 'dramatic currency reform' the liquidity shortage would be a significant constraint on domestic activity, which in turn would affect GDP growth.

"In the short term, the liquidity shortage appears likely to be a significant constraint on domestic activity, leading us to forecast a deceleration in GDP growth to 6.8% in FY17 (below consensus), down form 7.6% in FY16," Goldman Sachs said. Eventually, the currency reform should help to move economic activity into formal channels, accelerate financial inclusion, and increase government revenue, it said.

The "large, young, lower income" economies of India, Indonesia, and the Philippines have higher growth potential – in theory. But in practice, much will depend on domestic policy and pace of economic reform, it said.

(FINANCIAL EXPRESS 24TH NOVEMBER, 2016)

4.403 INDIAN ECONOMY GREW 7.1% IN FIRST SIX MONTHS OF FY17

India's economy grew at 7.1% in the first six months of the current financial year despite subdued growth in the world economy, Union minister Nirmala Sitharaman said on 28th November. Noting that the government has been taking steps to boost industrial production and growth, she said the county's economy grew 7.1% during the April-September period of current fiscal which ends on March 31,2017.

"Despite subdued growth in the world economy, india has maintained a GDP growth rate of 7.2% in 2014-15, 7.6% in 2015-16 and 7.1% during April to September of 2016-17," the commerce and industry minister said in a written reply during Question Hour in the Loksabha.

(FINANCIAL EXPRESS 29TH NOVEMBER, 2016)