



High Commission of India, Kingston

Economic Newsletter, February 2017

Budget 2017: Salient points

1. **Digital economy:** In order to promote transparency in transactions, merchants are being encouraged to resort to digital payment modes. A new mobile app 'BHIM' has been launched. Merchants switching over from cash to digital payments are encouraged through cash-back scheme for their digital initiative.

2. **Rural Economy** Total allocation for Rural, Agricultural & Allied sectors for 2017-18 is a record Rs.1,87,223 crores (US\$ 28 billion) up 24 per cent from last year. Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) allocation increased to Rs 48,000 Crores (US\$ 7.4 billion) from Rs 38,500 crore (US\$ 5.9 billion) to alleviate poverty in rural areas.

3. **Railways:** Allocation for Capital and development expenditure of railways is at Rs. 1,31,000 crore (US \$20 billion) ; New railway lines with a length of 3,500kms is going to be commissioned. Railways to implement end-to-end connectivity for some commodities with the help of logistics firms.

4. **Infrastructure:** Rs 64,000 crore (US\$ 9.8 billion) allocated for expansion of national highways; Total infrastructures allocation increased to Rs 3.96 lakh crore (US\$ 61 billion)

5. **Poor and underprivileged classes:** Towards a major push to make affordable housing available to low-income categories allocation has been considerably increased to Rs 1,84,000 crore (US\$ 28 billion) giving it infra status.

7. **Youth energisation:** Innovation fund for secondary education; University Grants Commission(UGC) reforms -- Colleges to be identified

based on performance rankings and given autonomy; an allocation of Rs 4,000 crore (US\$61.5million) set aside for skills acquisition.

To boost Skill India Mission, provision of Rs. 17,000 crore (US\$ 2.61 billion)

The government has set aside over Rs 17,000 crore for skilling, employment generation and providing livelihood to millions of youth who enter the workforce every year, giving Skill India Mission - Prime Minister Narendra Modi's pet project- a major leg up.

The total sector outlay for 2017-18 has been pegged at Rs 17,273 crore, 16% higher than 2016-17's revised estimate of Rs 14,870 crore. Finance Minister Arun Jaitley, in his budget speech announced at least half a dozen skilling initiatives not just for the youth but also for women to ensure gender parity. The biggest initiative under the programme is the launch of SANKALP (Skill Acquisition and Knowledge Awareness for Livelihood Promotion Programme) at an investment of Rs 4,000 crore to provide market relevant training to 350 million youths. Besides, the ministry would set up 100 India International Skills Centres that will conduct advanced courses in foreign languages to help youngsters prepare for overseas jobs.

Govt abolishes two decades old FIPB, to ease Foreign Direct Investment.

Finance minister Arun Jaitley has proposed abolition of the Foreign Investment Promotion Board (FIPB), a move that sets the stage for more reforms in the FDI policy. Housed in the finance ministry's Department of Economic Affairs, the FIPB is an inter-ministerial body responsible for processing of FDI proposals and making recommendations for government approval. The government is also considering further liberalization of the FDI policy and will make necessary announcements in the due course, the minister said. Experts said they will wait to see if abolition of the FIPB will bring about ease of doing business and to simplify procedures.

ISRO launches 104 satellites in a single mission to create world record.

India's space agency Indian Space Research Organisation (ISRO) successfully launched 104 satellites in a single mission, setting what it says is a world record of launching the most satellites at one go. Of the 104, 101 are foreign satellites to serve international customers as India seeks a bigger share of the \$300 billion global space industry. Prime Minister congratulated the ISRO team "This is a great moment for each and every one of us. Today we have created history," he said "India salutes our scientists", who three years ago pulled off a low-cost mission to send a probe to orbit Mars (Mangalyaan) that succeeded at the very first attempt. ISRO's low prices attracted international customers to launch 75 satellites last year from Sriharikota in the southern state of Andhra Pradesh. The launch of PSLV-C37 in a single payload, including

the Cartosat-2 series and 103 co-passenger satellites, together weighed over 650kg. Out of 101 nano satellites, 96 were from the United States and one each from Israel, Kazakhstan, the Netherlands,

Government to play active role in making India a global semiconductor hub.

The Ministry of Electronics and Information Technology (Meity) is revising its policy framework towards making India a global semiconductor hub, which will see the government taking a more active role, including initial investment, in a bid to attract private sector players. Research firm Frost & Sullivan estimates that India's semiconductor demand would bring economic opportunity worth \$50 billion by 2020 across segments that include \$30.3 billion from telecom products and equipment alone. Chip-level manufacturing is core to Prime Minister Narendra Modi's ambitious **Make in India** programme that may attract big-ticket investment with the entire ecosystem including design and re-search & development, and potential job opportunities.

FDI inflow zooms 18% to \$46 billion in 2016: DIPP

Foreign direct investment (FDI) in India grew 18 per cent during 2016 to touch \$46 billion, data released by the Department of Industrial Policy and Promotion (DIPP) showed. The country attracted FDI of \$39.32 billion in 2015. The main sectors which

attracted the highest foreign inflows include services, telecom, trading, computer hardware and software and automobile. Bulk of the FDI came in from Singapore, Mauritius, the Netherlands and Japan. The government has announced several steps to attract foreign inflows. The measures include liberalization of FDI policy and improvement in business climate. The Finance Minister had announced in the Budget 2017-18 to further relax foreign investment norms and phase out the Foreign Investment Promotion Board (FIPB). Foreign investments are considered crucial for India, which needs around \$1 trillion for overhauling its infrastructure sector such as ports, airports, and highways to boost growth. A strong inflow of foreign investments will help improve the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

Microsoft keeps India on the highest cloud.

Microsoft chief executive Satya Nadella reaffirmed the company's commitment to India by unveiling a slew of India focused product rollouts, including a lighter version of Skype in Mumbai. Skype Lite, a lighter version of the video and voice calling software, has been especially designed for use in India's patchy telecom networks. With just a 13 MB footprint, the app allows communication and collaboration over low bandwidth networks including 2G connections and has features

specifically designed for India including managing SMS by removing clutter, mobile data and WiFi usage monitoring, India-focused Skype bots and power saving functionality. The app will also have Aadhaar based verification feature built-in, with Microsoft partnering with India stack for this feature. In keeping with the Indian government's ambition of enabling smart cities, Microsoft is also looking to leverage its cloud technologies to work with the Maharashtra government on the 'Smart Villages' program.

India's simplified laws attracting FDI from China.

The simplification of Indian laws and regulations towards ease of doing business has drawn "significant" interest from Chinese companies to make investments in the country. The interest of Chinese companies in investing in India has enhanced significantly following the simplification of laws and regulations and the Indian government's determined stance to attract foreign direct investment (FDI)," says China's former Vice Foreign Minister Lu Xinhua. The bilateral trade between India and China crossed \$70 billion during 2015-16, while India's trade deficit with China stood at \$53 billion. Of the total \$288.51 billion FDI equity inflows that India received during April 2000-March 2016, China contributed \$1.36 billion.

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