

# India's economy set to reclaim top spot for growth this year: poll

REUTERS, Bengaluru

INDIA will reclaim its position as the fastest growing major global economy this year, partly propelled by benefits from a new tax system and bolstered by an expected central bank interest rate cut, a Reuters poll showed.

Having been in the offing for close to two decades, the goods and services tax (GST), which the government touts as the biggest domestic tax reform since independence, was introduced on July 1 and has bolstered economists' outlook.

The new national tax will replace multiple cascading taxes levied by the central and state governments which economists in the poll were unanimous in saying would have either a positive or very positive effect on long-term GDP growth.

The median forecast from the poll of over 35 economists showed India's economy is expected to expand 7.3 percent in the fiscal year ending March 2018, after slowing sharply at the start of 2017 following last year's government move to scrap high-value banknotes.

While that is a downgrade from the previous poll's forecast of 7.5 percent, it is better than the International Monetary Fund's projection of 7.2 percent.

It is also stronger than a similar Reuters poll of economists predicting China will grow by 6.6 percent in calendar year 2017.

"The GST is likely to add one-two percentage points to GDP growth in the medium to long term with dismantling of tax barriers and by creating a unified market, further improving the competitiveness of exporters and in general, the ease of operating in India," said Tushar Arora, senior economist at HDFC Bank.

Indian shares are on the rise for the same reasons.

The NSE Nifty hit a record high on Monday. It has surged 20 percent so far this year and a separate recent Reuters poll showed the rally is expected con-



A metro train leaves Changampuzha Park station in Kochi, India on June 7.

REUTERS

tinue over the remainder of the year.

Adding to the brighter outlook, monsoon rains this year are forecast to be above average - a boon for the farm sector that accounts for about 15 percent of India's \$2 trillion economy and employs more than half the country's 1.3 billion people.

If the rains are good, that would lead to bumper grain production and a further slide in food prices which economists said could lend support to Asia's third-largest economy.

India's annual retail inflation eased to 1.54 percent in June, its slowest pace in more than five years, but is expected to begin rising again through to mid-2018.

With inflation currently well below its target, the central bank is expected to cut borrowing costs by 25 basis points (bps) at its next meeting on Aug. 2. It last cut rates, by the same amount, to 6.25 percent in October 2016.

Having changed its monetary policy stance to neutral from accommodative at

the start of the year, the Reserve Bank of India (RBI) softened its position on policy in June in view of the sharp drop in retail inflation.

"We believe the RBI has space to undertake some modest easing over the next few months and yet meet its 4 percent target comfortably," noted Pranjul Bhandari, chief economist at HSBC Securities and Capital Markets.

After the expected cut in August, analysts believe the RBI will stand pat until at least the end of next year.

## UK's May seeks to ease Brexit fears at new business council

REUTERS, London

BRITISH Prime Minister Theresa May will chair a discussion on Brexit and the economy at the first meeting of a new business council on Thursday, a bid to rebuild bridges with companies concerned over Britain's departure from the European Union.

After losing the governing Conservatives' parliamentary majority at an ill-judged election last month, May has stepped up efforts to engage with business after some firms criticised her government for failing to address their worries over Brexit.

Many companies have urged the government to push the European Union to agree a clear and lengthy transitional arrangement after Britain leaves the bloc in 2019 to help them make investment decisions.

The meeting marks a shift for May, whose former aides had wanted to break what they felt was an overly cosy relationship between big business and government before her authority was weakened at the June election.

"Theresa May will tomorrow chair the first meeting of a new business council, which will provide a direct link to business on the government's Brexit strategy, as well as looking at wider issues such as the development of a modern industrial strategy and steps to boost the nation's economy," May's spokesman said.

The council would meet regularly and its cast list would change on a "rolling basis to ensure broad representation across different sectors and industries over time," the spokesman added.

Alongside the new business council, there will be regular meetings with Britain's five main trade organisations chaired by finance minister Philip Hammond, business minister Greg Clark and Brexit minister David Davis to focus on Brexit.

On Thursday, May will meet Terry Scuoler from manufacturing lobby group EEF, Stephen Martin from the Institute of Directors, Carolyn Fairbairn from the Confederation of British Industry, Mike Cherry from the Federation of Small Businesses and Francis Martin from the British Chambers of Commerce.

Ralf Speth from Jaguar Land Rover, John Pettigrew from the National Grid, Paul Manduca from M&G Investments, Luke Johnson from Risk Capital, Kathryn Parsons from Decoded, Dave Lewis from Tesco, Roger Carr from BAE Systems and Vivian Hunt from McKinsey would also take part, the spokesman said.

## Google Glass reborn for the workplace

AFP, San Francisco

AFTER spending two years on the sidelines, Google Glass internet-linked eyewear is back in the game, this time aimed at helping workers do their jobs.

General Electric, Volkswagen, and Boeing are among more than 50 businesses taking part in testing a Glass Enterprise Edition in a limited program, project lead Jay Kothari said Tuesday in a blog post.

Three years ago, an Explorer program let developers and other "early adopters" try out the glasses, in an

early test of potential business applications. But that initiative was eventually put on ice in 2015.

"Workers in many fields, like manufacturing, logistics, field services and health care find it useful to consult a wearable device for information and other resources while their hands are busy," Kothari said.

The team at Glass, which is back to being part of the X lab innovative new technologies unit at Google-parent Alphabet, has spent the past two years customizing the eyewear for workers.

Feedback from businesses taking part in the program has prompted a

decision to make Glass Enterprise Edition available to more companies, according to Kothari.

Financial details of the program were not disclosed.

After the Explorer program ended, corporate restructuring put the division devoted to "moonshots" such as internet-linked eyewear and self-driving cars under corporate parent Alphabet.

Glass -- hotly anticipated by some, mocked by others -- became available in the United States in early 2014 to anyone with \$1,500 to spare and a desire to become an "explorer."

## IMF hikes 2017 growth forecast for Spain

AFP, Madrid

The International Monetary Fund (IMF) on Tuesday raised its 2017 growth forecast for Spain, citing strong exports, a rebound in consumer demand and a booming tourism sector.

The IMF now expects the eurozone's fourth-largest economy to grow by 3.1 percent this year, compared with its April forecast of 2.6 percent.

The Washington-based body said it could not rule out that the growth could be even higher than its latest

estimate as a result of the "momentum" created by the government's economic reforms.

It predicted the Spanish economy will expand by 2.5 percent in 2018, up from a previous IMF forecast of 2.1 percent.

"Spain's economic recovery remains strong, with consumption, investment, and net exports all contributing to a more balanced growth pattern," the IMF said.

"A dynamic services sector, much of which is export-oriented, has replaced an outsized construction sector, and together with a recovery in

manufacturing contributed to the sustained improvements in the current account balance."

Spain's economy grew by 3.2 percent in 2016 and in 2015 as it recovered from a severe crisis caused in part when a property bubble burst in 2008.

Tourism, which accounts for around 11 percent of Spain's economic output, has benefited from a surge in visitor numbers as security concerns in some other rival Mediterranean holiday destinations such as Turkey and north Africa diverted tourists to the country.

## Japan, China, S Korea bankroll Indonesia's coal despite Paris pledge

REUTERS, Bangkok

JAPAN, China and South Korea are bankrolling environmentally destructive coal-fired power plants in Indonesia despite their pledges to reduce climate-changing emissions under the Paris climate deal, analysts told the Thomson Reuters Foundation.

Australia-based environmental finance organisation Market Forces said it analysed 22 coal power deals in Indonesia since January 2010 and found state-run financiers for the three nations were involved in 18 of them.

In all, foreign banks, both commercial and state-owned, are providing 98 percent of the debt finance for the projects, amounting to \$16.7 billion.

Indonesian banks provided just 2 percent of the financial resources for the projects, according to the Market Forces analysis published this week.

Japan, China and South Korea "are on board with the Paris climate change agreement. They make all the right noises politically," Julien Vincent, executive director of Market Forces, told the Thomson Reuters Foundation in a phone interview. But "these are the same governments underwriting new coal development elsewhere", he said, calling the actions "egregious".

The landmark 2015 Paris Agreement, which came into force in November, seeks to limit the rise in average world temperatures to well below 2 degrees Celsius above preindustrial times.

Coal is the most polluting of the major fossil fuels and scientists say its use must be rapidly phased out to give the world a chance of meeting its goals to curb climate change that is stoking more deadly heatwaves, floods and sea level rise around the world. Indonesia, Southeast Asia's largest economy, is already one of the world's biggest emitters of greenhouse gases.

Market Forces said the Export-Import Bank of China (China Exim) was involved in seven of the coal power deals, the Japan Bank for International Cooperation (JBIC) and the China Development Bank (CDB) in five deals each, and the Korea Development Bank (KDB) in one deal. The Export-Import Bank of Korea (Korea Eximbank) is also involved in one deal, together with JBIC, it said.

## Foreign food chains brave risks for a bite of Iran

AFP, Tehran

For years, Iranians have had to put up with the likes of "Mash Donalds" and "Pizza Hat". Now real Western food franchises have finally arrived, but doing business in Iran is not for the faint-hearted.

Despite strict international sanctions being eased under a nuclear deal with world powers last year, the Iranian economy remains bogged down by red tape and struggles to attract foreign investors.

But a couple of European food franchises have decided the risks are worth taking for a taste of the estimated \$7 billion (six billion euros) Iranians spend in restaurants each year, and which local consultancy ILIA says will double in the next decade. Spain's Telepizza opened its first outlet this month through an Iranian consortium that plans to pump 100 million euros into expanding nationwide.

But one of the first Europeans to really get his hands dirty on the ground is 41-year-old French entrepreneur Amaury de la Serre, who bought the rights to launch Sushi Shop in Iran after falling in love with the country during a visit in 2013.

The first branch of the high-end French chain opened last week in a chic north Tehran neighbourhood, marking the culmination of a bruising 18 months of work.

"There's a strong government will to bring foreign capital and know-how here, but at the day-to-day administrative level, it's hell," de la Serre told AFP. "Everything takes time, everything is complicated. It is very, very difficult to deal with customs. "But no pain, no gain. And things are changing at full-speed here. I love this country and I'm very excited to be a spectator to its evolution."

Getting the supply chains running was certainly complex -- the restaurant uses 150 mostly local suppliers and must ship fresh fish from Norway three times a week.

It took a year just to get the licence to import Japanese sauces, and navigating Tehran's notorious real estate rack-ets was a saga in itself. The government says it is trying to streamline its bureaucracy, but Iran actually fell three places in this year's ease of doing business rankings from the World Bank, down to 120 out of 190 countries.

Still, some of the biggest headaches are back in Europe, where banks are so afraid of US penalties that they freeze accounts at the merest whiff of a link to Iran.

"It's crazy. We went to the French Ministry of Economy



AFP

Iranians are served at a high-end French sushi chain that opened the previous week in northern Tehran, on July 16.

and they gave us a list of all the banks that would agree to work with Iran. But when we called them, every single one said no," said de la Serre. Eventually he found a small private bank willing to handle his transactions because they have no links to the US.

But while he remains bullish on Iran's economic prospects, there are enough storm clouds on the horizon to keep him cautious. "We wanted to launch several brands at once, but then Mr Trump arrived so we're taking the foot off the pedal a little," said de la Serre.

The US president has worried would-be investors in Iran with his aggressive stance against the country.

Just this week, he announced new sanctions over Iran's ballistic missile programme and what it called Tehran's

support for terrorist groups in the Middle East.

Conservatives in Iran still rail against Western "cultural infiltration", even if the time in 1994 when the first post-revolution McDonald's was burned to the ground -- two days after opening -- seems a distant memory.

Today, Iran's affluent middle class has largely rejected ideology and is hungry for foreign brands, while fast-food has spread like wildfire even in remote villages.

And even conservatives recognise the urgent need for jobs with unemployment at 12.5 percent, and far higher for young people. "Expansion in the fast-food sector is a job creator precisely where Iran needs it most," wrote Esfandiyar Batmanghelidj, founder of the Europe-Iran Forum, in a recent briefing note.