

Weekly Compendium of Research

For the week ending 17th November 2018

During the last week, PHD Research Bureau, the research arm of PHD Chamber of Commerce and Industry focused on various issues and challenges pertaining to the economic and business environment in the country. PHD Research Bureau disseminated information to members of PHD Chamber & other stakeholders on various issues such as launch of support and outreach initiative for MSMEs sector, October 2018 CPI inflation falls to 3.31%, decisions taken by the union cabinet, September 2018 IIP stands at 4.5%, October 2018 WPI inflation grows at 5.28%, RBI reviews minimum average maturity and hedging provisions of External Commercial Borrowings (ECB) Policy, India's Foreign Trade: October 2018, among others.

India and World Economy

- **Launch of Support and Outreach Initiative for MSMEs sector-** The Hon'ble Prime Minister, Shri Narendra Modi, recently launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSMEs) sector. As part of this programme, the Prime Minister unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country. The Prime Minister said that the 12 decisions will mark a new chapter for the MSMEs sector. The Hon'ble Prime Minister said that there are five key aspects for facilitating the MSME sector. These include access to credit, access to market, technology upgradation, ease of doing business, and a sense of security for employees.
- **October 2018 CPI inflation falls to 3.31%-** The all India general CPI inflation (Combined) for October 2018 (Prov.) falls to 3.31% from 3.70% in September 2018. The inflation rates for rural and urban areas for October 2018 (Prov.) are 2.82% and 3.97%, respectively, as compared to 3.27% and 4.31% respectively, for September 2018. Rate of inflation during October 2018 (Prov.) for fuel and light (8.55%), housing (6.55%), transport and communication (7.72%), education (6.24%) and health (7.92%) etc.
- **Decisions taken by the Union Cabinet-** Cabinet approves Agreement between India and Morocco on Mutual Legal Assistance in Civil and Commercial Matters; Cabinet approves signing and ratifying the Extradition Agreement between India and Morocco; Cabinet approves MoU between India and Italy for continuing training and education in the fields of Labour and Employment; Cabinet approves leasing out six airports- Ahmedabad, Jaipur, Lucknow, Guwahati, Thiruvananthapuram and Mangaluru through PPP; Cabinet apprised of India joining as Member of Advanced Motor Fuels Technology Collaboration Programme under International Energy Agency; Cabinet approves Procurement Quota to M/s ITI Ltd. in procurements made by BSNL, MTNL and BBNL; Cabinet approves strategic disinvestment of 100% Govt. of India's equity in the Dredging Corporation of India Ltd. (DCIL); Cabinet approves Amendment to the Central Universities Act, 2009 for setting up of Central Tribal University in Andhra Pradesh; Cabinet approves filling of Padur Strategic Petroleum Reserves at Padur, Karnataka by overseas National Oil Companies; Cabinet approves Laying down procedure and mechanism for sale of enemy shares.
- **September 2018 IIP stands at 4.5%-** Growth in industry output, as measured in terms of IIP, for the month of September 2018 stands at 4.5% as compared to 4.6% in August 2018. The growth in the three sectors mining, manufacturing and electricity in September 2018 stands at 0.2%, 4.6% and 8.2% respectively over September 2017. Primary goods growth stands at 2.6%, capital goods growth stands at 5.8%, intermediate goods growth stands at 1.4%, infrastructure/construction goods growth stands at 9.5%, consumer durables stands at 5.2% and consumer non-durables growth stands at 6.1% during September 2018 as compared to the previous year.
- **World Development Report 2019: The Changing Nature of Work-** According to World Development Report 2019 by World Bank, many jobs today, and many more in the near future, will require specific skills—a combination of technological know-how, problem-solving, and critical thinking as well as soft skills such as perseverance, collaboration, and empathy. The days of staying in one job, or with one company, for decades are waning. In the gig economy, workers will likely have many gigs over the course of their careers, which means they will have to be lifelong learners.
- **October 2018 WPI inflation grows at 5.28%-** The WPI inflation grows at 5.28% in October 2018 as compared to 5.13% in September, 4.62% in August 2018, 5.27% in July 2018, 5.68% in June 2018, 4.78% in May 2018 and 3.62% in April 2018. The

rise in WPI inflation in the month of October 2018 is attributed to rise in the prices of Potato (93.65%), Fruits (0.93%) and Petrol (19.85%).

- **Hon'ble Prime Minister inaugurates major road projects in Varanasi**- The Hon'ble Prime Minister, Shri Narendra Modi, visited Varanasi and laid the foundation stone of projects worth over Rs. 2400 crore. He dedicated the Multimodal Terminal on the River Ganga, to the nation, and received the first container cargo. He inaugurated the Varanasi Ring Road Phase 1, and the development and construction for four laning of Babatpur-Varanasi Section of NH-56. He also inaugurated and laid the Foundation Stone for various other development projects in Varanasi. The Eastern Uttar Pradesh is now connected with the Bay of Bengal, through the water route.
- **Hon'ble Union Agriculture Minister launches NCDC's new scheme to promote young entrepreneurs in cooperatives**- The National Cooperative Development Corporation (NCDC) has come up with a youth-friendly scheme 'Yuva Sahakar-Cooperative Enterprise Support and Innovation Scheme' to cater to the needs and aspirations of the youth, thereby attracting them to cooperative business ventures. NCDC has created a dedicated fund with liberal features enabling youth to avail the scheme.
- **Hon'ble Union Minister Smt Harsimrat Badal inaugurates M/s Paithan Mega Food Park in Aurangabad District in Maharashtra**- Hon'ble Union Minister for Food Processing Industries Smt Harsimrat Kaur Badal inaugurated the second Mega Food Park in Maharashtra. The Park is located in in Wahegaon and Dhangaon village in Paithan Taluka of Aurangabad district. A 3rd Mega Food Park has been sanctioned by the Ministry in Maharashtra and is under implementation in Wardha District while the first Park was inaugurated on 1st of March 2018 in Satara district.
- **Two important North East Circuits under Swadesh Darshan Scheme of Central Tourism Ministry inaugurated in Arunachal Pradesh**- Two important projects under Swadesh Darshan Scheme of Ministry of Tourism, Government of India were inaugurated at PTSO Lake in Tawang, Arunachal Pradesh. These projects are Development of North East Circuits: Bhalukpong- Bomdila - Tawang Project & Nafra- Seppa- Pappu, Pasa, Pakke Valleys- Sangdupota- New Sagalee- Ziro-Yomcha Project. These projects were jointly inaugurated by the Hon'ble Union Minister of State (IC) Tourism, Shri K.J. Alphons; Hon'ble Chief Minister of Arunachal Pradesh, Shri Pema Khandu and Hon'ble Minister for Tourism, Government of Arunachal Pradesh, Shri Jarkar Gamlin.
- **NITI Aayog Constitutes Himalayan State Regional Council**- NITI Aayog has constituted the 'Himalayan State Regional Council' to ensure sustainable development of the Indian Himalayan region. The Council has been constituted to review and implement identified action points based on the Reports of five Working Groups, which were established along thematic areas to prepare a roadmap for action.
- **Rural Jharkhand declared Open Defecation Free, West Bengal commits to become Open Defecation Free by December 2018**- A regional review meeting of the Eastern States was held in Kolkata, West Bengal. The workshop comprised discussions on sustaining Open Defecation Free (ODF) status, Solid and Liquid Waste Management (SLWM), and rural water supply. Teams from West Bengal, Jharkhand, Bihar and Odisha joined the review. Key aspects of sustainability such as geo-tagging, verification of ODF villages, conversion of dysfunctional toilets, IEC expenditure, Swachhagrahi engagement were reviewed.

Finance

- **RBI reviews minimum average maturity and hedging provisions of External Commercial Borrowings (ECB) Policy**- This is in reference to paragraphs 2.4.1, 2.4.2 and 2.5 of Master Direction No.5 dated January 1, 2016 on "External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers", as amended from time to time, in terms of which certain eligible borrowers raising foreign currency denominated ECBs under Track I, having a minimum average maturity requirement of 5 years, are mandatorily required to hedge their ECB exposure fully.
- **RBI allows partial credit enhancement to bonds issued by Non-Banking Financial Companies and Housing Finance Companies**- This is in reference to the circular DBR.BP.BC.No.40/21.04.142/2015-16 dated September 24, 2015 on Partial Credit Enhancement to Corporate Bonds and other associated circulars issued subsequently on the subject. It has now been decided by RBI to allow banks to provide partial credit enhancement (PCE) to bonds issued by the systemically important non-deposit taking non-banking financial companies (NBFC-ND-SIs) registered with the Reserve Bank of India and Housing Finance Companies (HFCs) registered with National Housing Bank.
- **Real Time Gross Settlement (RTGS) System - Implementation of positive confirmation**- Presently, the National Electronic Funds Transfer (NEFT) system provides for sending a positive confirmation to the remitter of the funds regarding completion of

the funds transfer, thus giving an assurance to the remitter that the funds have been successfully credited to the beneficiary account. It has now been decided by RBI that banks will provide the same facility to the remitter of funds under the RTGS system as well.

Trade

- **India looking for a balanced trade agreement with RCEP members-** The Hon'ble Union Minister for Commerce & Industry and Civil Aviation, Shri Suresh Prabhu, is leading the delegation for the meeting for trade Ministers of RCEP member countries which is taking place in Singapore on November 12-13, 2018. The Regional Comprehensive Economic Partnership (RCEP) is a pact that aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights. Trade Ministers of the 16 member RCEP are meeting in Singapore to continue to exert all efforts towards meeting the targets set. The chief negotiators had recently concluded the 24th round of meeting in Auckland, New Zealand, last month.
- **India's Foreign Trade : October 2018-** India's exports during October 2018 were valued at USD 26.98 Billion as compared to USD 22.89 Billion during October 2017 exhibiting a positive growth of 17.86 per cent. India's imports during October 2018 were valued at USD 44.11 Billion (Rs 3,24,774.78 crore) which was 17.62 per cent higher in Dollar terms.
- **Exchange rate of foreign currency relating to imported and export goods notified-** In exercise of the powers conferred by Section 14 of the Customs Act, 1962 (52 of 1962), and in super-session of the Notification of the Central Board of Indirect Taxes and Customs (CBIC) No.90/2018-CUSTOMS (N.T.), dated 1st November, 2018 except as respects things done or omitted to be done before such super-session, the Central Board of Indirect Taxes and Customs (CBIC) hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 16th November, 2018, be the rate mentioned against it in the corresponding entry in Column (3) thereof, for the purpose of the said section, relating to Imported and Export Goods.

Our Voice

- **PHD Chamber appreciates fall in inflation to 3.31%, growth of IIP at 4.5%-**The fall in CPI inflation from 3.7% in September 2018 to 3.31% in October 2018 is highly appreciable as benign inflation conditions and strong footing in the industrial development are expected to boost further the sentiments of investors and increased FDI and FII inflows in the coming months. Growth of IIP at 4.5% in September 2018 and the average growth of April-September 2018 at 5.1% is indicative of strong footing of the industrial growth and consistency. The reforms undertaken by the government are highly appreciable and breakthrough in Ease of Doing Business with an improvement of 23 spots this year to rank at 77th from 100th rank last year is expected to boost the sentiments of producers and growth of IIP is expected to become stronger in the coming months. Going ahead, we expect the IIP numbers to improve for the month of October 2018 vis-à-vis festive demand. Stability in retail inflation would help strengthening of macroeconomic environment and pave the way for soft monetary policy regime, going forward.
- **PHDCCI compliments the PM for the historic stimulus announced for MSME sector, describing them as critical milestones for their growth-** Announcement of host of measures: the "12-Mantra" package, for revival of MSMEs will transform the entire micro, small and medium enterprises and push them substantially upward to enhancing their contribution far more to national GDP and employment generation. The launch of TReDS and compulsory on-boarding of CPSEs on GeM portal; simplification of filing of returns under prevailing labour laws; special relaxation in environment clearances for MSMEs; special provisions for the pharma sector are still other moves that the Chamber welcomes.
- **Trade pact with RCEP nations will boost India's merchandise exports to member nations to USD 100 billion-** RCEP trade agreement will boost trade in goods and services, increase investments, strengthen economic and technical cooperation between the member nations. The trade pact will open new avenues for Indian exporters in the RCEP economies and export potential is anticipated to be realized. Though imports are significantly higher than the exports to RCEP nations, trade pact with RCEP would provide better market access and benefit our exports. Keeping in view the rising role of services sector in the economy, India's bilateral trade in services with RCEP member nations is likely to boost post RCEP trade pact.
- **18% Growth in Exports Encouraging-** The trade facilitation measures in India are inspiring and there is a great scope to enhance our exports growth trajectory, going forward. Global growth projection by IMF at 3.7% in 2018 and 2019 indicate that demand in the global economy will remain steady and there is an opportunity to strengthen our exports in the coming times. As teething problems of GST are almost over, the export trajectory is expected to gain momentum in the coming months. Going ahead, the continuous pace of reforms at domestic front and recovery in the international markets would help India to remain in positive exports growth trajectory in the coming months.

Economy so far

- **Govt may announce changes in gold monetisation scheme in next few days-** The government is planning a re-launch of the gold monetisation scheme (GMS), launched three years ago, because of its slow progress. The Ministry of Finance is likely to announce changes in the GMS in the next few days. The re-launch will identify 40-50 cities where banks will push the scheme and there will be one designated branch for accepting gold deposits, which will be based on the certificate provided by the collection centre.
- **MOU between India and Republic of Korea-** The Ministry of Tourism signed a Memorandum of Understanding with the Ministry of Culture, Sports and Tourism, Government for the Republic of Korea for strengthening cooperation in the field of Tourism and Sports in New Delhi.
- **Ministry of Finance likely to finalise second round of capital infusion in PSBs this month-** Ministry of Finance is likely to finalise the second round of capital infusion for public sector banks (PSBs) towards the end of this month taking into account the latest quarter's performance. In this round of fund infusion, most of the banks would be getting growth capital for expanding their lending, particularly to micro, small and medium enterprises (MSMEs).
- **FPI outflow hits 2-year high in October 2018; total withdrawal crosses Rs 1 lakh crore-mark in 2018-** Overseas investors pulled out Rs 38,900 crore (over USD 5 billion) from the capital markets in October 2018, the steepest outflow in nearly two years. The reason for this could be attributed to rising crude oil prices, depreciating rupee and worsening current account deficit. With this, the total outflow from the capital markets (equity and debt together) has reached over Rs 1 lakh crore so far this year.
- **No anti-dumping duty on PTFE resin from India, China: US International Trade Commission-** The US International Trade Commission has ruled against putting anti-dumping duty on the imports of a synthetic fluoropolymer, a key ingredient in non-stick coating for pans and other cookware, from India and China, as it realized that these products from India and China were sold in the US at less than fair value.
- **RBI eases rules for infrastructure firms-** The Reserve Bank of India has liberalised the rules governing external commercial borrowing for infrastructure firms in terms of both tenure and the hedging requirements in yet another sign of reconciliation of differences between the regulator and the government. The central bank reduces the minimum tenor for borrowing through the ECB route to three years from five years and the tenure required for exemption from mandatory hedging is cut to five years from 10 years.
- **Government set to further amend companies law and CSR spending-** The government plans to make more amendments of "urgent nature" to the companies law, including to certain provisions regarding CSR spending.
- **Coal stocks plunge to 5-year low as power demand rises-** Amid a sudden rise in coal demand from the power sector, the coal stocks fell to a 5-month low of 21 million tonne (mt) in the month of October 2018, triggering fear of power plant outages.
- **NBFCs push credit demand by 14.4% to a 5-year high-** Despite the overall increase in lending rates, for first time in over five years, bank credit rose by a healthy 14.41% during the fortnight to October 26th 2018; this growth is at a five-year high, after the 16.6% achieved by the system in October 2013.
- **Government extends paperless processing of export documents to all ICES locations-** The Revenue Department, Ministry of Finance has decided to extend the facility of uploading digitally signed documents for all types of exports under Indian Customs EDI System (ICES) with a view to improve ease of doing business and promote paperless processing. The ICES is operational at 134 major customs locations handling nearly 98 per cent of India's international trade in terms of import and export consignments.
- **US allows India, 7 other nations to buy oil from Iran even after sanctions-** The US government has agreed to let eight countries, including South Korea and Japan, as well as India, keep buying Iranian oil after it re-imposes sanctions on Tehran from next week. A list of all countries getting waivers is expected to be released officially.
- **India is your best destination: PM Modi to fintech companies in Singapore-** Hon'ble Prime Minister Shri Narendra Modi arrived in Singapore on Wednesday for a two-day visit where he will be attending the 13th East Asia Summit (EAS). During the keynote speech at the event, Hon'ble Prime Minister spoke extensively on the role of technology in reforming lives of Indian citizens and lauded digital transaction and rapidly rising need of a digital economy.
- **Niti Aayog plans policy for coal self-sufficiency-** Niti Aayog plans to come out with a policy prescription on how India should meet its demand for coal in domestic power and non-power sectors to cut imports of the fossil fuel over the next 10 years. The aim is to arrive at the policy prescriptions on the issue and to have more focused feedback for future policy-making.
- **Union Agriculture Minister launches NCDC's new scheme to promote young entrepreneurs in cooperatives-** To cater to

the needs and aspirations of the youth, the National Cooperative Development Corporation (NCDC) has come up with a youth-friendly scheme 'Yuva Sahakar-Cooperative Enterprise Support and Innovation Scheme' for attracting them to cooperative business ventures. Under the scheme, Rs 1000 crore CSIF fund has been created and has special incentive for cooperatives of North Eastern region, Aspirational Districts and cooperatives with women/SC/ST/PwD members.

- **MSME lending, PCA issue: RBI, Government trying to reach common ground-** The government and Reserve Bank seem to be veering around to reach an agreeable solution particularly with respect of relaxation of the Prompt Corrective Action (PCA) framework and easing of lending norms for the MSME sector ahead of the RBI board meeting on November 19, 2018.
- **Cash growth during Diwali week highest ever, Currency to GDP ratio returns to pre-demonetisation levels-** Cash in circulation has almost doubled during the Diwali week ending November 09, 2018 to Rs 49,420 crore from Rs 28170 crore in the Diwali week last year. In October, there was a 10-12% increase in ATM and retail cash volumes as against September and corresponding to a 5-6% increase over prior months. The latest levels of money in circulation are at Rs 20.2 lakh crore, which even in terms of percentage of GDP is close to pre-demonetisation level of 12% of GDP.
- **Government mulls delinking investment from FTAs, seeks legal opinion-** The government is exploring ways to delink investment from the Free Trade Agreements (FTAs) with an aim to make trade arrangements more effective, regarding which the Department of Economic Affairs has sought an opinion from the Ministry of Law and Justice. Though it will not be easy to isolate a part of the agreement, a decision will be taken once the legal opinion is given.

Markets so far

Indicators	Yearly			Monthly			Daily		
	2015	2016	2017	Aug 18	Sep 18	Oct 18	(14-11-2018)	(15-11-2018)	(16-11-2018)
BSE SENSEX	26118	26626	34056	38645	36227	34442*	35141	35260	35457
GOLD (10 GRMS)	24994	29419	28966	30226	30296	31698*	30759	30906	30912
CRUDE OIL (1 BBL)	2431	2924	3317	4969	5240	4869	4042	4056	4074
EXCHANGE RATE (INR/USD)	64.15	67.21	65.11	70.99	72.91	73.45	72.31	71.98	71.92

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (*Data pertains to 31-October-2018)

Unemployment and Consumer Sentiments Indices

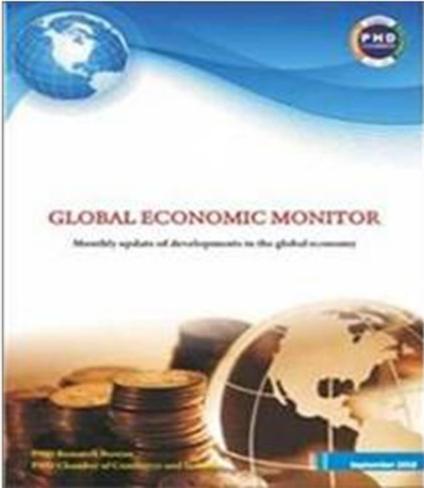
Indicators	14-11-2018			15-11-2018			16-11-2018		
	India	Urban	Rural	India	Urban	Rural	India	Urban	Rural
Unemployment Rate	6.80	7.36	6.51	6.79	7.41	6.47	4.75	5.26	4.49
Consumer Sentiments	99.65	97.01	101.64	99.65	97.01	101.64	99.82	97.01	101.64

Source: PHD Research Bureau, compiled from BSE

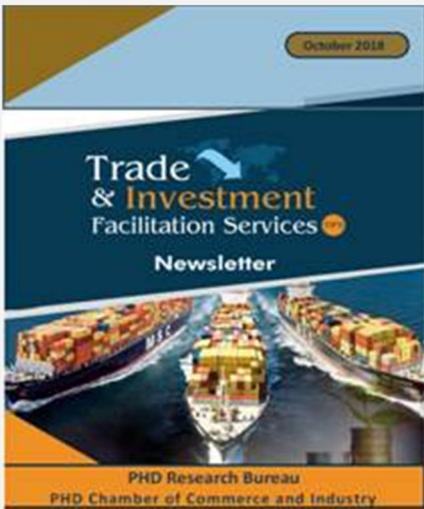
Newsletters

PHD Research Bureau, has released a newsletter to provide a broad view of developments related to foreign exchange affairs of the Indian economy.

[GLOBAL ECONOMIC MONITOR FOR THE MONTH OF OCTOBER 2018](#)



[TRADE AND INVESTMENT FACILITATION SERVICES FOR THE MONTH OF OCTOBER 2018](#)



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Warm Regards,

Dr S P Sharma
Chief Economist



"Towards a Prosperous India"



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