

Weekly Compendium of Research

For the week ending 22nd December 2018

PHD Research Bureau disseminated information to members of PHD Chamber & other industry stakeholders on various economic and business developments at International, National and Sub-national arena such as states' startup rankings, sustainable development goals India Index, developments in tourism sector, banks recapitalization outlay, federal reserve action on interest rates, along with various government initiatives and schemes, such as release of report by NITI Aayog on India at 75, among others. The details of disseminated information during the week ending 22nd December 2018 is appended.

India and World Economy

- **States' Startup Ranking 2018 Announced-** The Department of Industrial Policy and Promotion (DIPP) announced results of the first ever States' Start-up Ranking 2018 at an event in New Delhi. DIPP began this exercise from January, 2016. States have been identified as leaders across various categories such as Start-up policy leaders, incubation hubs, seeding innovation, scaling innovation, regulatory change champions, procurement leaders, communication champions, North-Eastern leader, and hill state leader. Gujarat was rated as the best performing state.
- **Kerala and Himachal Pradesh topped in SDG India Index: A Baseline Report 2018 by NITI Aayog-** A composite score is computed for each State and UT of India based on their aggregate performance across 13 of the 17 SDGs. The SDG Index Score for Sustainable Development Goals 2030 ranges between 42 and 69 for States and between 57 and 68 for UTs. Among the States, Kerala and Himachal Pradesh are the front runners with an SDG India Index score of 69. Among the UTs, Chandigarh is a front runner with a score of 68.
- **Hon'ble Union Home Minister chairs High Level Committee meeting for Central assistance to Odisha and Tripura-** The High Level Committee chaired by Hon'ble Union Home Minister, Shri Rajnath Singh approved the additional assistance from National Disaster Response Fund (NDRF) of Rs 1023.59 crore to Odisha and Rs. 268.63 crore to Tripura. The meeting was held to consider the additional Central Assistance to these two States, which were affected by cyclone Titli and floods and landslides in the recent months. The Hon'ble Union Finance Minister, Shri Arun Jaitley, Hon'ble Union Minister for Agriculture, Shri Radha Mohan Singh, Hon'ble Union Home Secretary, Shri Rajiv Gauba and senior officers of the Ministries of Home Affairs, Finance and Agriculture were present in the meeting.
- **"Strategy for New India @ 75": A Report by NITI Aayog-** The NITI Aayog unveiled its comprehensive national Strategy for New India in a report named "Strategy for New India @ 75", which defines clear objectives for 2022-23. It is a detailed exposition across forty-one crucial areas, that recognizes the progress already made, identifies binding constraints, and suggests the way forward for achieving the clearly stated objectives. The overarching focus of the Strategy document is to further improve the policy environment in which private investors and other stakeholders can contribute their fullest towards achieving the goals set out for New India 2022 and propel India towards a USD 5 trillion economy by 2030. The forty-one chapters in the document have been disaggregated under four sections: Drivers, Infrastructure, Inclusion and Governance.
- **Decisions taken by the Union Cabinet-** Cabinet approves Memorandum of Understanding between

India and France in the field of new and renewable energy; Cabinet approves Memorandum of Understanding between India and Afghanistan in the field of human resource development; Cabinet approves establishment of two new AIIMS at Tamil Nadu & Telangana under Pradhan Mantri Swasthya Suraksha Yojana; Cabinet approves signing of MoU between India and Australia for Cooperation in the Disability Sector; Cabinet approves expansion of beneficiaries list under Pradhan Mantri Ujjwala Yojana; Cabinet approves construction of New 4 - Lane Bridge (Parallel to the Existing MG Setu) with its approaches from km 0/0 to km 14/500 across river Ganga on NH-19 at Patna in the State of Bihar on EPC Mode.

- **MHA approves new tourist and trekking routes in Ladakh, Jammu & Kashmir**- The Government of J&K has taken leap by proposing to open up more tourists/trekking routes in the region of Ladakh with the aim of recapturing the glory, rich culture and beauty of the region. The move was buoyed by the success of many tourism initiatives under Prime Minister's Development Package-2015. With the objective of giving fillip to the tourism sector and enhancing the economic activity in the "Land of High Passes" (Ladakh region) of J&K, the Ministry of Home Affairs has approved the proposal of State Government of J&K to open up more tourists/trekking routes in the region.
- **Hon'ble PM unveils important projects relating to housing and urban development in Maharashtra**- The Hon'ble Prime Minister, Shri Narendra Modi, unveiled important projects related to housing and urban transportation during his visit to Maharashtra. At a public meeting in Kalyan, the Hon'ble Prime Minister laid the Foundation Stone of two important metro corridors, the Thane-Bhiwandi-Kalyan Metro; and the Dahisar-Mira-Bhayander Metro. In Kalyan he also launched the 90,000 units' EWS and LIG Housing scheme under the Pradhan Mantri Awas Yojana. The total worth of projects for which the Foundation Stone laid in Kalyan is about Rs 33,000 crore. The hon'ble PM reiterated the Union Government's vision of "Housing For All" by 2022.
- **Hon'ble Shri Nitin Gadkari inaugurates/lays the foundation for projects worth Rs 9533 Crore in Arunachal Pradesh**- Hon'ble Union Minister for Road Transport & Highways, Shipping and Water Resources, River Development & Ganga Rejuvenation Shri Nitin Gadkari inaugurated/ lay the foundation for national highways projects worth Rs 9533 crore at separate events in Roing and Ziro in Arunachal Pradesh. He was accompanied by the hon'ble state Chief Minister Shri Pema Khandu and hon'ble Union Minister of State for Home Affairs Shri Kiren Rijju.

Finance

- **Federal Reserve increases its key interest rate to 2.5%**- The Federal Reserve Committee of Fed, USA has raised the target range for the federal funds rate from 2.25% to 2.5% in December 2018 in view of realized and expected labor market conditions and inflation. Information received since the Federal Open Market Committee met in November indicated that the labor market has continued to strengthen and that economic activity has been rising at a strong rate. Job gains have been strong, on average, in recent months, and the unemployment rate has remained low. Household spending has continued to grow strongly, while growth of business fixed investment has moderated from its rapid pace earlier in the year. On a 12-month basis, both overall inflation and inflation for items other than food and energy remain near 2%. Indicators of longer-term inflation expectations are little changed, on balance.
- **Government enhances bank recapitalisation outlay**- The Government has moved a proposal in Parliament for the enhancement of bank recapitalisation outlay from Rs. 65,000 crore to Rs. 1,06,000 crore in the current financial year to propel economic growth, cementing India's position as the fastest growing economy of the world. This would enable infusion of over Rs. 83,000 crore in the coming few months in Public Sector Banks (PSBs). The enhanced provision is aimed at: Meeting regulatory capital

norms, Providing capital to better-performing PCA Banks to achieve 9% Capital to Risk-weighted Asset Ratio (CRAR); 1.875% Capital Conservation Buffer and the 6% Net NPA threshold, facilitating them to come out of PCA, Facilitating non-PCA banks that are in breach of some PCA thresholds to not be in breach, Strengthen amalgamating banks by providing regulatory and growth capital.

- [RBI caps ECB limit at 6.5% of GDP at USD 160 billion for the current financial year-](#) RBI has decided in consultation with the Government of India to have a rule-based dynamic limit for outstanding stock of External Commercial Borrowings (ECB) at 6.5 per cent of GDP at current market prices. Based on the GDP figures as on March 31, 2018, the soft limit works out to USD 160 billion for the current financial year. The outstanding stock of ECB as on September 30, 2018 stood at USD 126.29 billion
- [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 supersession of the notification of the Central Board of Indirect Taxes and Customs No.96/2018-CUSTOMS (N.T.), dated 6th December, 2018 except as respects things done or omitted to be done before such supersession, the Central Board of Indirect Taxes and Customs 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 21st December, 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.
- [Government notifies issue price of Sovereign Gold Bond 2018-19 Series-IV-](#) The Sovereign Gold Bond Scheme 2018-19 - Series IV will be opened for subscription for the period from December 24, 2018 to December 28, 2018. The nominal value of the bond based on the simple average closing price [published by the India Bullion and Jewellers Association Ltd (IBJA)] for gold of 999 purity of the last three business days of the week preceding the subscription period, i.e. December 19-December 21, 2018 works out to Rs.3,119/- (Rupees Three Thousand One Hundred Nineteen only) per gram.

Trade

- [India – Turkey trade should be balanced and sustainable: Hon'ble Union Commerce Minister-](#) Hon'ble Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu, said that India will address all the concerns of Turkey, from agri products, banking issues, trade deficit and greater investments. During the bilateral meeting Hon'ble Union Minister of Commerce, Shri Suresh Prabhu said that he will lead a high level business delegation to Turkey in February 2019 and will work with his Turkish counterparts to make sure that all the issues being raised in the bilateral meeting by the Turkish side are addressed. The Hon'ble Union Commerce Minister requested the Minister of Trade of Turkey to organize the next India – Turkey Joint Committee for Economic and Technical Cooperation meeting as early as possible so that regular discussions on issues of concern between the two countries can be dealt with.

Our Voice

India is moving towards shared prosperity, which can be seen through its continuous efforts towards achieving global sustainable development goals. India has made remarkable strides in reducing poverty levels and malnutrition. The country is continuously moving towards ensuring inclusive and equitable quality education. Equal access to essential health, clean water and sanitation services continue to be a priority for India. The lead macro-indicators are in positive trajectory; industrial production is growing; retail inflation is under-control; exports have recently shown a significant growth with stability in trade deficit. Going ahead, there is a need to focus on fostering economic growth, creation of employment opportunities and making a sustainable and prosperous India.

Economy so far

- **India extends \$1.4 billion assistance to Maldives-** Hon'ble Prime Minister Narendra Modi announced USD 1.4 billion financial assistance to Maldives after he held extensive talks with President Ibrahim Mohamed Solih during which both sides vowed to deepen security cooperation in the Indian Ocean region. The two countries also inked four pacts, including one on visa facilitation.
- **India making constant efforts to gain inroads into Chinese market: Suresh Prabhu** - India is making constant efforts to gain market access in China for various commodities and an agreement was signed in November for the export of fish products, Commerce and Industry Minister Suresh Prabhu said. The government has been consistently making efforts to obtain market access for various Indian agricultural products, animal feeds, oil seeds, milk and milk products, pharmaceutical products, IT and IT-enabled services, etc, in light of the potential of these products and services in the Chinese market.
- **Hon'ble PM Modi says most articles to be taxed at 18% or lower-** The hon'ble Prime Minister Narendra Modi pledged a further rationalisation of the goods and services tax (GST) to ensure that items of regular use won't face the top 28% rate. All things related to common man will be 18% or below, 99% articles will be 18% or below 18% rate, that could mean cement, marble, air conditioners, dishwashers and other items becoming cheaper. Only 1% or 0.5% of luxury items will remain outside the 18% slab, hon'ble PM said, flagging planes, expensive cars and cigarettes that will likely continue to be levied at 28%. There are about 40 broad categories of goods that are in the top GST slab.
- **Agri schemes not disjointed but linked at various stages: Agri Min-** The government's agriculture schemes are "not disjointed" but linked at various stages of the farm sector, informed hon'ble Agriculture Minister Radha Mohan Singh. Indian agriculture is confronted with high price volatility and climate risk for which adequate preparedness has been in place. Due to steps taken by the government, despite climate risks, the overall crop production in the country is on the increasing trend. Various supporting programmes for farmers welfare have been provided by the government to cover the entire agri sector from pre-production to post-harvesting in tandem with a view to enhance economics of production, marketing and improving income of the farmers. To reduce the dependence of farmers on private money lenders, the government has taken several measures to increase institutional credit flow and bringing down the interest rate on farm loans. With a view to provide better insurance coverage to crops for all stages, the government has launched crop insurance scheme under which Rs 16,967.92 crore claims was settled during Kharif 2017.
- **Govt committed to protect bonafide investments into startups: DIPP-** The Department of Industrial Policy and Promotion (DIPP) has taken up with the department of revenue, the issue of taxation of angel investors and notices being sent to startups, DIPP has again taken up this matter of issue of IT notices with the DoR so that there is no harassment of Angel Investors or Start-ups. Government is committed to protecting bonafide investments into start-ups. The statement comes in the wake of certain startups raising concerns regarding taxation of angel funds under Section 56 of the Income Tax Act, which provides for taxation of funds received by an entity. As per the Act, if a closely held company issues its shares at a price more than its fair market value, the amount received in excess of the fair market value will be charged from the company as income from other sources.
- **Government likely to make additional capital infusion in PSU banks: Subhash Chandra Garg-** The government is likely to make additional capital infusion in the public sector banks, Economic Affairs Secretary Subhash Chandra Garg said. This will be over and above Rs 1.35 lakh crore capital

infusion announced by the government for the public sector banks (PSBs) in October last year to meet global capital risk norms called Basel III. Additional capital infusion would be done through recapitalisation bonds as has been the practice since October 2017. This does not have any impact on the fiscal position of the government as recap bonds are part of below the line items. According to sources, the government is considering additional capital infusion of up to Rs 30,000-40,000 crore in PSBs as they have been unable to raise required funds from the markets.

- **Niti Aayog for setting up of agri tribunal, replacing MSP with crop auction at reserve price-** Government think tank, Niti Aayog pitched for setting up an agricultural tribunal and auctioning of farm produce in mandis by fixing minimum reserve price. In its 'Strategy for New India@75' document released by Finance Minister Arun Jaitley, the Aayog suggested many reform measures to increase the farm sector growth and double farmers' income by 2022. The government should consider replacing the Commission on Agricultural Costs and Prices (CACP) by an agriculture tribunal in line with the provisions of Article 323B of the Constitution," it said.
- **Government working on action plans to support SMEs: Suresh Prabhu-** Delving on the significance of being a part of the global value chains for SMEs, Suresh Prabhu, Minister of Commerce & Industry and Civil Aviation said that the government is working on action plans that will support the SMEs to take this vision forward. The minister spoke of the small and medium enterprises being the backbone of the entire industrial economic system and how exports are an integral element for SMEs.
- **Niti Aayog strategy document estimates 8% average GDP growth during 2018-23-** Niti Aayog estimated economic growth rate of about 8% on average during 2018-23 in its much awaited strategy document for a new India by 2022. This will raise the economy's size in real terms from USD 2.7 trillion in 2017-18 to nearly USD 4 trillion by 2022-23 and Increase the investment rate as measured by gross fixed capital formation (GFCF) from the present 29% to 36% of GDP by 2022.
- **Gujarat best state in providing strong ecosystem for startups: DIPP ranking-** Department of Industrial Policy and Promotion (DIPP) has awarded Gujarat as the best performer in Start-up Ranking 2018. Other states ranked top performers were Karnataka, Kerala, Odisha, and Rajasthan. As per DIPP's statement, it has begun the ranking exercise since January 2016 and it announced the results for the first ever States' Start-up Ranking 2018 at an event in New Delhi.
- **Public sector banks recover \$8.69 billion of bad loans in April-September-** Indian public sector banks recovered Rs 60,730 crore (USD 8.69 billion) of outstanding bad loans in the April-September period. Financial Services Secretary Rajeev Kumar said the government would give funds to four to five banks under a prompt corrective action plan after considering their financial results. He also said banks have raised Rs 24,440 crore from the market this fiscal year.
- **Startups required to seek tax exemption from inter-ministerial board: DIPP secy-** Amid concerns being raised by budding entrepreneurs on angel tax, the commerce and industry ministry said that startups need to seek the exemption from an inter-ministerial board set up for the purpose. Several startups have again raised concerns on taxation of angel funds under Section 56 of the Income Tax Act, which provides for taxation of funds received by an entity.
- **Assam announces Rs 1,000-crore schemes to boost farm credit-** Assam will launch three schemes for farmers, including a partial loan reimbursement programme and another that will make crop loans effectively interest-free, aiming to give a fillip to the flow of agricultural credit. These schemes together will cost Rs 1,000 crore to the state government. The state cabinet has approved the Assam Farmers' Credit Subsidy Scheme (AFCSS), 2018, under which the government will

reimburse 25% of the loans taken or repaid by farmers this financial year, with a limit of Rs 25,000. This scheme will cover 4 lakh farmers and involve a financial outgo of Rs 500 crore.

- Maharashtra government announces Rs 150 crore compensation package for onion farmers-** Maharashtra state cabinet announced a Rs 150 crore compensation scheme for onion farmers, who sold onions between November 1 to December 15. As prices fell to as low as Rs 1/kg due to oversupply in the market, farmers couldn't recover even the cost of transporting onion from farm to the markets. As most of the onion sold at throw away prices during past few months belonged to the stores stocks, which the farmers were carrying from past six months, they had to bear complete losses. Though the government has said that the scheme will be applicable for 75 lakh tonnes of onion. However, the industry estimates, the arrival of onion during November 1 to December 15 in Maharashtra would be around 5 lakh quintals only.
- Jharkhand announces Rs 2,250-crore scheme to help farmers-** Hon'ble Jharkhand Chief Minister Raghubar Das announced a Rs 2,250-crore scheme to help 22.76 lakh medium and marginal farmers of the state double their income by 2022. The state government will give Rs 5,000 per acre to 22.76 lakh medium and marginal farmers from the next financial year. The new initiative has been taken to help farmers procure seeds, fertilisers and other requirements for agriculture purposes without depending on anybody, adding that beneficiaries can avail the money as per their choice of crop every year from the next fiscal.
- Himachal Pradesh, Tamil Nadu and Kerala top ranking states in SDG index: Niti Aayog-** Niti Aayog has ranked Himachal Pradesh, Tamil Nadu and Kerala as top performing states to comply with the United Nations' Sustainable Development Goals in first of its kind India Index for SDGs. The NITI Aayog along with ministry of statistics has developed the SDG India Index which is a comprehensive Index to measure progress of States / UTs, through a single measurable Index and the First Baseline Report for 2018, prepared with the support of Global Green Growth Institute and UN in India.
- Government aims to boost methanol economy to Rs 2 lakh cr: Hon'ble Shri Gadkari said-** India endeavours to take the Rs 11,000 crore methanol economy to about Rs 2 lakh crore in five years in a bid to promote cleaner fuel and cut down on the huge crude oil import bills. The transport minister, who inaugurated electric vehicle expo here, cautioned the manufacturers not to compromise on quality by importing substandard parts from China. The minister said the electric mobility space has seen many changes in the last one year with e-rickshaws reaching every nook and corner of the country besides the advent of electric auto-rickshaws and bikes.

Markets so far

Indicators	Yearly			Monthly			Daily		
	2015	2016	2017	Sep 18	Oct 18	Nov 18*	(19-12-2018)	(20-12-2018)	(21-12-2018)
BSE SENSEX	26118	26,626	34,056.83	36227	34442	36194	36484.33	36431.67	35742.07
GOLD (10 GRMS)	24994	29419.95	28966.08	30296	31698	30240	31043.00	31040	31114
CRUDE OIL (1 BBL)	2,431	2,924.63	3,317.11	5240	4869	3597	3292.00	3377	3225
EXCHANGE RATE (INR/USD)	64.15	67.21	65.11	72.91	73.45	69.58	70.54	69.69	70.17

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (*Data pertains to 30-November -2018)

Unemployment and Consumer Sentiments Indices

Indicators	19-12-2018	20-12-2018	21-12-2018
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	India	Urban	Rural	India	Urban	Rural	India	Urban	Rural
Unemployment Rate	7.0	7.61	6.68	6.98	7.60	6.66	7.19	7.61	6.96
Consumer Sentiments	102.5	96.7	106.2	102.8	96.7	106.4	101.9	96.7	105.7

Source: PHD Research Bureau, compiled from BSE

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Warm Regards,

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