

Weekly Compendium of Research

For the week ending 7th December 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 nine point agenda suggested by India to G-20 for action against fugitive economic offences and asset recovery; government of India and Asian Development Bank Sign \$85 million loan to support Odisha Skill Development Project; Government of India and Republic of Peru signs co-operation and mutual assistance in customs matters; gross bank credit grows at 13.1% in October 2018; RBI releases half yearly report on Management of Foreign Exchange Reserves for April-September 2018; ECBs stand at USD 1.4 billion during October 2018; fifth bi-monthly Monetary Policy Statement, 2018-19; growth of global merchandise exports could reach 10.4% in 2018: UNCTAD; exchange rate of foreign currency relating to imported and export goods notified; among others.

India and World Economy

- [Nine Point Agenda Suggested By India to G-20 for Action Against Fugitive Economic Offences And Asset Recovery-](#) The 2018 G20 Buenos Aires summit is the 13th meeting of Group of Twenty (G20), a two day event (30th November 2018 to 1st December 2018) in the city of Buenos Aires, Argentina. At the second session of the G-20 Summit on 30th November, 2018, Hon'ble Prime Minister, Shri Narendra Modi suggested nine point agenda to G-20 for action against fugitive economic offences and asset recovery:
- [World Bank Group Announces USD200 billion over Five Years for Climate Action-](#) The World Bank Group announced a major new set of climate targets for 2021-2025, doubling its current 5 year investments to around USD200 billion in support for countries to take ambitious climate action. The new plan significantly boosts support for adaptation and resilience, recognizing mounting climate change impacts on lives and livelihoods, especially in the world's poorest countries.
- [Government of India and Asian Development Bank Sign \\$85 Million Loan to Support Odisha Skill Development Project-](#) The Government of India and the Asian Development Bank (ADB) signed a \$85

million loan on 3rd December 2018, to improve the skill development eco-system in Odisha and establish an advanced skill training center, the World Skill Center (WSC), in Bhubaneswar.

- **[50% increase in the number of patents granted by India: UN's World Intellectual Property Organisation \(WIPO\) Report](#)**- In 2017, an estimated 1.4 million patents were granted worldwide, up 3.9% on 2016 figures, and represent 17 consecutive years of growth. China (420,144) issued the largest number of patents in 2017, followed by the U.S. (318,829), Japan (199,577), the Republic of Korea (120,662) and the EPO (105,645). These five offices issued more than 1.16 million patents between them – 83% of the world total.
- **[Ministry of Road Transport and Highways notifies Dual- Fuel usage for Agricultural and Construction Equipment Vehicles](#)**- The Ministry of Road Transport & Highways, Government of India has notified dual-fuel usage for agricultural and construction equipment vehicles. This move will give a boost to vehicles run on bio-fuel, and help in reducing both cost and pollution.
- **[Ministry of Finance releases Discussion Paper entitled “3 Essential “S”s of Climate Finance - Scope, Scale and Speed: A Reflection” on the sidelines of COP 24 in Katowice, Poland- A Discussion Paper entitled “3 Essential “S”s of Climate Finance](#)** - Scope, Scale and Speed: A Reflection” on the sidelines of COP 24 to UNFCCC at Katowice, Poland, was released by Department of Economic Affairs, Ministry of Finance. The Discussion Paper examines analytically the scope, scale and speed required in climate finance.
- **[Government of India and Republic of Peru signs Co-operation and Mutual Assistance in Customs Matters](#)**- Agreement between the Government of the Republic of India and the Government of the Republic of Peru on Co-operation and Mutual Assistance in Customs Matters was signed, on the side-lines of the 80th Session of the Policy Commission meeting of the World Customs Organisations (WCO) which is taking place in Mumbai, India, from 3rd-5th December 2018.
- **[Annual Startup India Venture Capital Summit 2018 to be held in Goa](#)**- The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce and Industry and the Government of Goa, is hosting the annual Startup India Venture Capital Summit in Goa on December 07, 2018. The theme of the Summit is ‘Mobilizing Global Capital for Innovation in India.’ The event will showcase the Indian startup opportunity for funds from around the world.
- **[Hon’ble Union Home Minister chairs High Level Committee meeting for Central assistance to Kerala, Nagaland and Andhra Pradesh](#)**- The Hon’ble Union Home Minister, Shri Rajnath Singh chaired a meeting of the High Level Committee (HLC) at New Delhi to consider the additional Central Assistance to the States of Kerala, Nagaland, and Andhra Pradesh, which were affected by floods, landslides and cyclone Titli respectively during the recent months.

- [Foundation stone of PUSA 'Kisan Haat' in ICAR's Agriculture Technology Information Centre \(ATIC\) laid by Hon'ble Union Agriculture & Farmers Welfare Minister Shri Radha Mohan Singh](#)- Hon'ble Union Agriculture & Farmers Welfare Minister Shri Radha Mohan Singh Minister laid the foundation stone of Pusa Kisan Haat in ICAR's Agricultural Technology Information Centre (ATIC) in New Delhi. Pusa Kisan Haat will be built across 2.5 acres in which 60 stalls measuring 3m x 3m will be erected in which farmers can sell their agricultural produce and value-added products.

Finance

- [Gross Bank Credit grows at 13.1% in October 2018](#)- Gross bank credit grows at 13.1% in October 2018 as against 11.3% in September 2018. The gross bank credit growth stands at 6.0% in October 2017. On a year-on-year (y-o-y) basis, non-food bank credit increased by 13.4% in October 2018 as against 11.3% in September 2018. Credit to agriculture and allied activities increased by 8% in October 2018 as against 5.8% in September 2018.
- [RBI releases half yearly report on Management of Foreign Exchange Reserves for April-September 2018](#)- The 31st Half Yearly Report on Management of Foreign Exchange Reserves pertains to the period April-September 2018. The foreign exchange reserves stood at USD 424.54 billion as at end-March 2018. During the period under review, reserves followed a declining trend from USD 420.52 billion as at end-April 2018, USD 412.37 billion as at end May 2018, USD 405.74 billion as at end-June 2018, USD 403.67 billion as at end July 2018 and USD 400.10 billion as at end-August 2018. It increased slightly to USD 400.43 billion as at end of September 2018.
- [ECBs stand at USD 1.4 billion during October 2018](#)- Indian firms have raised about USD 1.4 billion through external commercial borrowings (ECBs) by automatic and approval route in October 2018 as against USD 1.7 billion in September 2018. The borrowings stood at USD 4.1 billion in October 2017.
- [RBI maintains status quo in Fifth Bi-Monthly Monetary Policy Statement, 2018-19](#)- On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) has decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent. Consequently, the reverse repo rate under the LAF remains at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.
- [RBI releases guidelines on loan system for delivery of bank credit](#)- With a view to enhance credit discipline among the larger borrowers enjoying working capital facility from the banking system, delivery of bank credit for such borrowers shall be: minimum level of 'loan component' and effective date; sharing of working capital finance; amount and tenor of the loan; repayment/renewal/rollover of loan component; and

risk weights for undrawn portion of cash credit limits.

Trade

- [Amendment of import policy of items under HS code 7108 12 00 under ITC \(HS\), 2017, Schedule – I \(Import Policy\)](#)- In exercise of powers conferred by Section 3 of FT (D&R) Act, 1992, read with paragraph 1.02 and 2.01 of the Foreign Trade Policy, 2015-2020, as amended from time to time, the central government has amended the import policy of items under HS code 7108 12 00 under ITC (HS), 2017, Schedule – I (Import Policy).
- [Growth of global merchandise exports could reach 10.4% in 2018: UNCTAD](#)- Global merchandise exports could grow by 10.4% this year, hitting almost USD 19.6 trillion, according to the UNCTAD Handbook of Statistics 2018. The figures are the result of “nowcasts” based on the most recent information provided by a large number of economic indicators. This follows substantial growth in 2017 when global trade in goods increased by 10% (after two years of decline).
- [Exchange rate of foreign currency relating to imported and export goods notified](#)- 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 7th December, 2018.

Our Voice

India's merchandise exports seen growing at 13-14% in 2018-19: India's exports trajectory is getting momentum once again and exports are seen growing at around 13-14% in the current financial year. Improved global demand and internal factors such as decreased input costs, simpler customs procedures, improvement in the quality infrastructure are the factors facilitating exports. The major export sectors such as drugs and pharmaceuticals, engineering goods, organic and inorganic chemicals along with the petroleum products are growing significantly. India's trade openness has remained intact during the post Lehman period. Indian economy is resilient enough to withstand the external shocks on the back of strong macroeconomic fundamentals and well supported dynamic policy environment. Going ahead, there is a need to focus more on logistics infrastructure to make our exports more competitive in the international market.

Economy so far

- **Government brings in three think tanks to strategise for RCEP talks** - The government has roped in three of India's premier think tanks to prepare a road map for negotiating the Regional Comprehensive Economic Partnership (RCEP) trade agreement expected to conclude next year. The think tanks have been brought on board at a crucial time when the conclusion of the agreement has been pushed to next year with

the key issues of goods, services, including easier movement of professionals, and investment still being negotiated.

- **Finished steel exports fall over 23%; imports up 17% in October 2018** - India's finished steel exports fell by 23.4% to 0.596 million tonnes (MT) in October 2018. The country had exported 0.778 MT of finished steel during the same month a year ago. Exports stood at 0.596 MT in October 2018, down by 23.4% over October 2017 and was up by 3.8% over September 2018. As against exports, the imports grew by 17.3% to 0.706 MT in October 2018 from 0.602 MT in year-ago period.
- **Company conversion to LLP a transfer, taxable: I-T Appellate Tribunal** - A new tax ruling threatens to challenge a strategy that allowed thousands of businesses and professionals to reorganise themselves and attract foreign investors. This involved converting closely held companies into limited liability partnerships (LLPs) — a structure that was introduced a decade ago. While LLP was intended to help businesses to scale up, many were also allured by its ability to freely distribute profits to partners as dividend without deducting any dividend distribution tax.
- **Manufacturing PMI jumps to 11-month high of 54 in November, 2018 on strong demand**- Growth in manufacturing activity hit an 11-month high in November as new orders and output rose at a slower pace, according to purchasing managers' index (PMI). The PMI in November continued its northward climb for the third month, going up to 54 from 53.1 in October, 2018.
- **Crisil cuts India growth forecast to 7.4% on weakening global growth**- Crisil cut India's growth forecast for fiscal 2019 to 7.4% from 7.5% estimated earlier. India's growth in the July-September quarter slipped to 7.1% from 8.2% in the April-June quarter. According to Crisil, the forecast has a downward bias given that global growth prospects turning weaker than estimated earlier. Also, if liquidity issues persist in the financial system, demand could get further dented.
- **Government clears Rs 91,149 crore GST refunds to exporters so far; Rs 6,053 crore still pending**- According to the Ministry of Finance, Rs 91,149 crore has been issued so far to exporters as GST refunds, which are 93.77% of total claims with the tax authorities. Rs. 48,455 crore of IGST refunds have been disposed of as on November 28, 2018 which is 95% of the total such claims. As much as Rs 2,473 crore worth of IGST refund claims are held up on account of "various deficiencies" which have been communicated to exporters for remedial action.
- **Government plans to revamp its consumer awareness campaign Jago Grahak Jago**- The government is considering revamping its consumer awareness campaign 'Jago Grahak Jago' to boost its reach and appeal. The government is of the view that the campaign needs to be brought in sync with today's needs for it to evoke interest. The Prime Minister's Office (PMO) feels that the campaign is not being able to attract

enough interest and needs to be refreshed to make the communication effective.

- **Hon'ble PM Modi's big Ease of Doing Business push: These changes in customs duty on cards to help importers, exporters-** Hon'ble Prime Minister Shri Narendra Modi set the target of breaking into top 50 of the World Bank's Ease of Doing Business index by December end. Following this, the government is mulling changes in customs duty to help importers and exporters. The government is looking to make several changes including the automated release of goods and doing away with face-to-face contact with customs officers and tax officials, which is likely to speed up the process of overseas trade.
- **NREGA spend to exceed budgeted amount by Rs 50 billion this year-** According to Shri Arun Jaitley, Hon'ble Finance Minister, the government's flagship National Rural Employment Guarantee scheme (NREGA), will see an outlay of at least Rs 600 billion this fiscal year. This is higher than the Rs 550 billion allocated in the Union Budget 2018-19. To help the poorest, under the Rural Job Employment Scheme, close to Rs 600 billion would be spent on MGNREGA this year.
- **Government notifies dual fuel usage for agriculture, construction vehicles-** The government notified dual-fuel usage for agriculture and construction equipment vehicles in a bid to promote the use of alternative fuels like CNG in tractors, tillers and harvesters. Emission norms for smoke and vapour from these dual fuel vehicles will be the same as prevailing mass emission norms for the diesel mode.
- **RBI moves to boost digital transactions, protect users-** With digital transactions gaining currency, the Reserve Bank of India (RBI) has announced customer-protection measures to promote and improve confidence in the channel that would help New Delhi achieve its objective of nudging the country to a 'less-cash' economy. In two separate programmes, the RBI announced reduced consumer liability in case of reported fraudulent digital transactions, and a grievance redressal mechanism for such modes of payment.
- **RBI says will cut SLR gradually to 18% by mid-2019-** The RBI has decided to reduce statutory liquidity ratio, the portion of funds which banks are required to park in treasury bills and other instruments, by 0.25% every quarter beginning January. The calibrated reduction in statutory liquidity ratio (SLR) will continue till it reaches 18%. The current SLR is 19.5%. This reduction in SLR holding is likely to free up Rs. 1-1.5 trillion of funds in the next one and half year into the banking system.
- **Fitch slashes India growth forecast to 7.2% on reduced credit availability-** Fitch Ratings recently slashed India's GDP growth forecast to 7.2% for current fiscal, from 7.8% projected in September, 2018, citing higher financing cost and reduced credit availability. In its Global Economic Outlook released recently, Fitch estimated India's GDP growth to be 7% and 7.1% in financial years 2019-20 and 2020-21 respectively.
- **India, Iran sign pact for rupee payment-** Following the US waiver to India to import a restricted quantity of

crude oil from Iran for the next six months, the Persian Gulf nation has signed a memorandum of understanding with India to accept payments in rupee. Domestic refiners will pay Iran through a UCO Bank account of the National Iranian Oil Co. The money deposited in this account will be used by Iran to pay for imports from India as even during the sanctions.

- **India claims top ten in list of world's fastest-growing cities: Oxford Economics Report-** When it comes to the top 10 cities for economic growth, India is set to dominate over the next two decades. Surat would see the fastest expansion through 2035, averaging more than 9%. All of the 10 fastest over that period would be in India. While economic output in many of those Indian cities would remain rather small in comparison to the world's biggest metropolises, aggregated gross domestic product of all Asian cities would exceed that of all North American and European urban centers combined in 2027.

Markets so far

Indicators	Yearly			Monthly			Daily		
	2015	2016	2017	Sep 18	Oct 18	Nov 18*	(05-12-2018)	(06-12-2018)	(07-12-2018)
BSE SENSEX	26118	26626	34056	36227	34442	36194	35884	35312	35673
GOLD (10 GRMS)	24994	29419	28966	30296	31698	30240	30855	30987	31050
CRUDE OIL (1 BBL)	2431	2,924	3317	5240	4869	3597	3746	3730	3658
EXCHANGE RATE (INR/USD)	64.15	67.21	65.11	72.91	73.45	69.58	70.46	70.90	70.80

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

Unemployment and Consumer Sentiments Indices

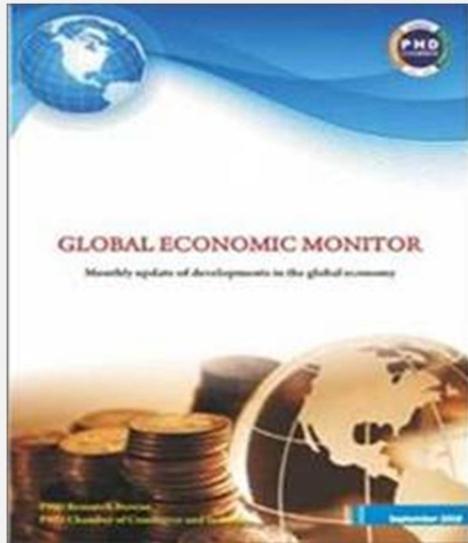
Indicators	27-11-2018			28-11-2018			29-11-2018		
	India	Urban	Rural	India	Urban	Rural	India	Urban	Rural
Unemployment Rate	6.55	7.46	6.07	6.53	7.46	6.05	6.54	7.46	6.06
Consumer Sentiments	100.53	97.34	102.37	100.7	97.51	102.55	100.53	97.67	102.37

Source: PHD Research Bureau, compiled from BSE

Newsletters

PHD Research Bureau, has released a newsletter to provide a broad view of industrial developments.

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



PHD Research Bureau Subscription Opportunities

- [PHD Research Bureau Subscription Opportunities](#): PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the Government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments. Subscribers of PHD Research Bureau would receive daily updates on various international, national and sub-national business and economic developments, monthly newsletters related to international, national and sub-national economy, forex markets and trade and investments, analytical information on various developments, etc.

Warm Regards,

**Dr S P Sharma
Chief Economist**



"Towards a Prosperous India"



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