

## Weekly Compendium of Research

For the week ending 12<sup>th</sup> April 2019

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 India's GDP is forecasted to expand in FY2019/20 as per the World Bank, remittances to low and middle income countries reached a record high in 2018 and RBI releases Minimum Standards for setting up new Currency Chests among others. The details of disseminated information during the week ending 12<sup>th</sup> April 2019 are appended.

### India and World Economy

- [India's GDP is forecasted to expand 7.5% in FY2019/20: World Bank](#) - According to World Bank's South Asia Economic Focus, Exports Wanted, Spring 2019, a twice-a-year regional economic update, South Asia holds on to its top spot as the world's fastest growing region, with growth set to step up to 7.0% in 2019, then 7.1% in 2020 and 2021, but the region needs to increase its exports to sustain its high growth and reach its full economic potential. South Asia's exports performance has dropped in the last few years to languish at far below its potential and while growth still looks robust we are concerned about whether this can hold up over the longer term. To ensure growth in the long run, the region needs to integrate further into international markets to sustain its upward growth trajectory, create more jobs, and boost prosperity for its people.
- [India's growth projected to pick up to 7.3% in 2019 and 7.5% in 2020: IMF](#)- According to MF World Economic Outlook- Growth Slowdown, Precarious Recovery, April 2019, with weakness expected to persist into the first half of 2019, the World Economic Outlook (WEO) projects a decline in growth in 2019 for 70% of the global economy. Global growth, which peaked at close to 4% in 2017, softened to 3.6% in 2018, and is projected to decline further to 3.3% in 2019. Although a 3.3% global expansion is still reasonable, the outlook for many countries is very challenging, with considerable uncertainties in the short term, especially as advanced economy growth rates converge toward their modest long-term potential. For the emerging market and developing economy group, growth is expected to tick down to 4.4% in 2019 (from 4.5% in 2018), before improving to 4.8% in 2020.

### Finance

- [RBI releases Minimum Standards for setting up new Currency Chests](#)- According to the monetary policy statement dated October 04, 2016, the Bank had constituted a Committee on Currency Movement (CCM). The Committee, inter-alia, recommended that the Reserve Bank should encourage banks to open large Currency Chests (CCs) with modern facilities and Chest Balance Limit (CBL) of at least Rs.10 billion. Accordingly, it has been decided to have the following minimum standards for setting up new CCs: of the strong room/ vault of at least 1500 sq. ft. For those situated in hilly / inaccessible places (as defined by central / state government/ any appropriate authority), the strong room/ vault area of at least 600 sq. ft. Processing capacity of 6,60,000 pieces of banknotes per day. For those situated in the hilly/ inaccessible places, capacity of 2,10,000 pieces of banknotes per

day.

## Trade

- **Remittances to low and middle income countries reached a record high in 2018-** Remittances to low- and middle-income countries reached a record high in 2018, according to the World Bank's latest Migration and Development Brief. The World Bank estimates that officially recorded annual remittance flows to low- and middle-income countries reached USD 529 billion in 2018, an increase of 9.6 percent over the previous record high of USD 483 billion in 2017. Global remittances, which include flows to high-income countries, reached USD 689 billion in 2018, up from USD 633 billion in 2017. Regionally, growth in remittance inflows ranged from almost 7 percent in East Asia and the Pacific to 12 percent in South Asia. The overall increase was driven by a stronger economy and employment situation in the United States and a rebound in outward flows from some Gulf Cooperation Council (GCC) countries and the Russian Federation. Excluding China, remittances to low- and middle-income countries (USD 462 billion) were significantly larger than foreign direct investment flows in 2018 (USD 344 billion).

## Our Voice

### **India to post highest growth in exports of goods and services in 2019 among the top 20 leading exporters-**

Despite the global headwinds, it is inspiring to note that India's growth of exports of goods and services is projected highest at 8% by IMF in 2019. This growth projection is highest in the leading top 20 exporting countries. According to the growth projection and the pace of further reforms in exports infrastructure, the exports of goods and services are expected to increase from US \$ 540 billion 2018-19 (estimated) to US \$ 600 billion in 2019-20. The Trade facilitation measures and reforms in the ease of doing business supported the exporters to post higher growth rates in the recent years. The growth of exports of goods and services from India have been found significantly strong as compared with the competitive economies such as China, Korea, Singapore, Germany, Japan, among others. However, there is a strong need to increase the volume of the exports of goods and services with enhanced product and market diversification. The further improvement in logistics infrastructure and trade facilitation measures would enhance the exports growth trajectory and create millions of new jobs opportunities. To harness the export potential of the country, the overall ease of doing exports is needed to be further enhanced in terms of easier access to raw materials, building linkages for strong marketing of products, improving labour productivity, labour flexibility and capital efficiency.

## Economy so far

- **India's economic growth driven by domestic demand, need to focus on exports: World Bank-** India's economic growth in recent years has been "too much" driven by domestic demand and its exports were about one third of its potential, a World Bank official said, asserting that the next government needs to focus on export-led growth. Further liberalization of markets is needed to become more competitive. At the same time, in the last couple of years, the current account deficit has widened -- an indication that increasingly growth came from the non-tradable sector -- from the domestic sector, and that makes it difficult to export more.
- **Service providers can opt for GST composition scheme by April 30, 2019: CBIC-** The tax department has given service providers with turnover of up to Rs 50 lakh time till April 30, 2019 to opt for the composition scheme and pay 6 per cent GST. The option to pay Goods and Services Tax (GST) at reduced rate of 6 per cent would be effective from the beginning of the financial year or from the date of obtaining new registration during the financial year. Service providers opting for the composition scheme can charge a lower tax rate of 6 per cent from customers, as against the higher rates of 12 and 18 per cent for most services under GST.
- **Soon, a standard rating system for private security agencies-** The Central Association of Private Security Industry (CAPSI) has tied up with the Quality Council of India for certification and rating of private security agencies, with an aim to enhance employability scope of security guards and also their credibility in the eyes of those employing them.

- **ATF should be brought under GST to provide level playing field to airlines: Dr Suresh Prabhu-** According to Dr Suresh Prabhu, Hon'ble Minister of Civil Aviation, Aviation turbine fuel (ATF) should be brought under the Goods and Services Tax (GST) regime as it will ensure a level playing field for the domestic airline industry. According to him, input costs should be competitive for any sector and the ministry has been of the strong view that the fuel should be brought under the GST regime. Different rates of taxes in states pushes the price of ATF
- **Oil at 5-month high amid OPEC-led supply cuts, US sanctions, jobs data-** Oil prices rose to their highest level since November 2018 recently, driven up by OPEC's ongoing supply cuts, U.S. sanctions against Iran and Venezuela and strong U.S. jobs data. International benchmark Brent futures were at \$70.72 per barrel at 0225 GMT on Monday, up 38 cents, or 0.5 percent from their last close. U.S. West Texas Intermediate (WTI) crude were up 37 cents, or 0.6 percent, at \$63.45 per barrel.
- **Economy grim as major indicators drop: Experts-** The Indian economy may be moving towards a slowdown as the country has off-late witnessed a drop in several key economic indicators, experts said. After a fall in auto sales, a shortfall in collection of direct taxes among others, now household savings in the country too have declined. In proportion to the gross domestic product (GDP), household savings declined to 17.2 per cent in 2017-18, the lowest rate since 1997-98. According to the Reserve Bank of India's data, as household savings have declined, these - not corporate demand - have pulled down investments by 10 basis points during 2012 to 2018.
- **India probes dumping of 'aluminium, zinc coated flat products' from China, Vietnam, Korea-** India has begun a probe into alleged dumping of aluminium and zinc coated flat products from China, Vietnam and Korea following a complaint from a domestic player. The commerce ministry's arm Directorate General of Trade Remedies (DGTR) initiated the investigation on an application filed by JSW Steel Coated Products. The company asked for an anti-dumping probe and imposition of duty on imports of flat rolled product of steel, plated or coated with alloy of aluminum and zinc, from these countries. If established that dumping has caused material injury to domestic players, DGTR would recommend imposition of antidumping duty on the imports.
- **Interoperability in clearing and settlement: SEBI leads the way-** The market regulator, Securities and Exchange Board of India introduced interoperability in clearing and settlement in the Indian market. The move is not only in the interest of the small investor but it will also make Indian securities markets the first to bring about interoperability in the derivatives market, in a system where risk management is carried out real-time. The move aims to protect the collateral that investors deposit with clearing corporations and shield them against systemic failures. Interoperability of clearing and settlement in equity, equity derivatives and currency derivatives from June this year will enable market participants to select either of the three clearing corporations — NSE Clearing, Indian Clearing Corporation, or Metropolitan Clearing Corporation of India — to clear and settle the trades.
- **Reserve Bank of India issues norms for banks to set up currency chests -** The Reserve Bank of India came out with guidelines for banks to set up new currency chests, which include minimum area of 1,500 square feet for strong room, while specifying minimum standards for setting up new currency chests. Besides, the new chests should have a processing capacity of 6.6 lakh pieces of banknotes per day. For those situated in the hilly/ inaccessible places, capacity of 2.1 lakh pieces of banknotes per day. Earlier, a RBI appointed committee had recommended that the apex bank should encourage banks to open large currency chests with modern facilities and Chest Balance Limit (CBL) of at least Rs 1,000 crore.

- **Protectionism, commodity prices, inadequate liquidity are major challenges for exporters: FIEO-** Rising protectionism, fluctuation in commodity prices and inadequate availability of liquidity are the three major challenges, which exporters will face in the coming months, exporters body FIEO said. Federation of Indian Export Organisations (FIEO) said the WTO has already cautioned that the global trade growth is expected to be lower in 2019 than it was last year.
- **Commerce ministry asks health ministry to frame law to ban manufacture, sale of e-cigarettes-** The commerce ministry has asked its health counterpart to frame law banning manufacture and sale of e-cigarettes in the country as in the absence of a domestic legislation, it would not be possible to put a blanket ban on its imports, sources said. The health ministry had asked the commerce ministry to issue a notification banning import of Electronic Nicotine Delivery Systems (ENDS), including e-cigarettes and flavoured hookah.
- **New FAME2 guidelines to hike e-scooter prices by Rs 10,000-Rs 20,000-** Electric scooters have become Rs 10,000-Rs 20,000 more expensive overnight as the government has tweaked the subsidy scheme for these vehicles. The new stringent FAME2 guidelines have effectively left out 90%-95% of the electric two-wheeler market from the subsidy net. This means an electric two-wheeler in the affordable segment, which earlier cost around Rs 70,000, will now cost anywhere between Rs 80,000 and Rs 90,000. The battery-led subsidy means the higher powered more premium products qualify for the subsidy and the local content stipulations leave out many smaller players who were importing CKD kits from China and Taiwan and assembling locally.
- **Some reforms in India show benefits of digitalisation: IMF-** Some reforms in India have shown the benefits of digitalisation which has also reduced the opportunities for discretion and fraud. The introduction of e-procurement in India and Indonesia has also increased competition and led to better quality of construction, the International Monetary Fund (IMF) said in its latest edition of the fiscal monitor report released ahead of the its annual spring meeting with the World Bank.

#### **Markets so far**

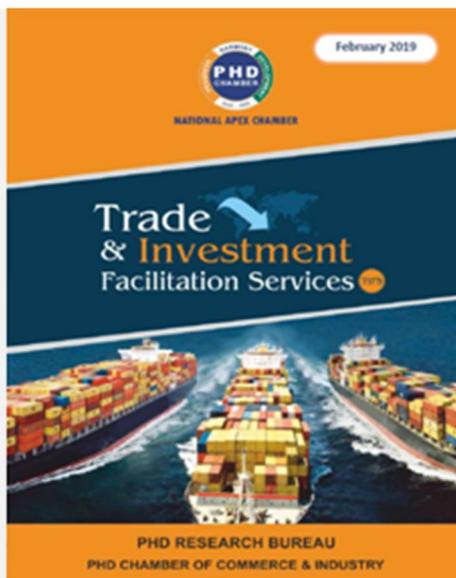
Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Jan 19	Feb 19	Mar 19	(09-4-2019)	(10-4-2019)	(11-4-2019)
BSE SENSEX	26626	34057	36068	36257	35867.4	38673*	38939.2	38585.3	38607.01
GOLD (10 GRMS)	29420	28966	30600	32213	33211.8	32036	31886	31907	31770
CRUDE OIL (1 BBL)	2925	3317	4437	3608	3906.4	4040	4477	4449	4468
EXCHANGE RATE (INR/USD)	67	65	68	71	71.2	69.47	69.3	69.1	68.9

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (\* denotes value as on 29<sup>th</sup> Mar 2019)

#### **Study**

PHD Research Bureau released a newsletter on Trade and Investment facilitation Services (TIFS) to provide information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO among others.

#### **TRADE AND INVESTMENT FACILITATION SERVICES FOR THE MONTH OF FEBRUARY 2019**



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Warm Regards,

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