

# Weekly Compendium of Research

For the week ending 6<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 Core Infra for the month of Feb 2019, GST Revenue collection for the month of March 2019, First Bi-Monthly Monetary Policy Statement by the RBI, release of Large Exposures Framework (LEF) by the RBI, Gross Bank Credit for the month of Feb 2019, exchange rates of foreign currencies relating to imported and export goods, among others. The details of the disseminated information during the week ending 6th April 2019 are appended.

## India and World Economy

- **Domestic Demand to Lift India's Growth in 2019 and 2020:** Asian Development Outlook (ADO) 2019- Despite rising headwinds, Developing Asia's growth in aggregate gross domestic product (GDP) slowed only slightly from 6.2% in 2017 to 5.9% in 2018 as global trade and economic activity decelerated at the end of the year, affecting many economies in the region. With growth in the People's Republic of China (PRC) continuing to moderate, regional growth will soften further to 5.7% in 2019 and to 5.6% in 2020. Excluding the newly industrialized economies, growth will slow from 6.4% in 2018 to 6.2% in 2019 and to 6.1% in 2020.
- **February 2019 core infra grows at 2.1%**- The core infrastructure grows at 2.1% in February 2019 as against 1.5% in January 2019. The combined Index of Eight Core Industries stood at 125.8 in February, 2019, which was 2.1% higher as compared to the index of February, 2018. Its cumulative growth during April to February, 2018-19 was 4.3%.
- **GST Revenue collection for March, 2019 crossed Rs One Lakh Crore and recorded highest collections in the FY 2018-19**- Total Gross GST revenue collected in the month of March, 2019 is Rs 1,06,577 crore of which CGST is Rs 20,353 crore, SGST is Rs 27,520 crore, IGST is Rs 50,418 crore (including Rs 23,521 crore collected on imports) and Cess is Rs 8,286 crore (including Rs 891 crore collected on imports). The total number of GSTR 3B Returns filed for the month of February up to 31st March, 2019 is 75.95 lakh.

## Finance

- **RBI reduces repo rate in First Bi-monthly Monetary Policy Statement, 2019-20: Policy repo rate reduced to 6% from 6.25% (25 basis points cut)**- On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) has decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 6.0 per cent from 6.25 per cent with immediate effect. Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent. The MPC also decided to maintain the neutral monetary policy stance. These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

- [Supreme Court of India rejects RBI's circular on Resolution of Stressed Assets dated 12th February 2018](#)- The Supreme Court of India today dismissed RBI's circular on Resolution of Stressed Assets dated 12th February 2018 which mandated banks to immediately resolve all bad loans above Rs 2000 crore or file for insolvency resolution under the Insolvency and Bankruptcy Code (IBC). The circular asked banks to either resolve or file for insolvency taking away their discretion to not to act on bad loans. The apex court held that in light of section 35AA of the Banking Regulation Act, RBI could not have issued a generic circular mandating reference under the Insolvency and Bankruptcy Code (IBC).
- [RBI releases Large Exposures Framework \(LEF\)](#)- The Reserve Bank of India (RBI) has released the Large Exposures Framework (LEF). After due consideration of the representations received from stakeholders, it has been decided by RBI that Non-centrally cleared derivatives exposures will be outside the purview of exposure limits till April 01, 2020, an Indian branch of a foreign Global Systemically Important Bank (G-SIB) will be considered as any other Indian bank and can accordingly take exposure upto 25% of its Tier I capital on another non-GSIB in India, among others.
- [Gross Bank Credit grows at around 13% in February 2019](#)- Gross bank credit grows at around 13% in February 2019 and January 2019 each. The gross bank credit growth stands at around 9% in February 2018. On a year-on-year (y-o-y) basis, non-food bank credit increased by 13% in February 2019 and in January 2019 also. Credit to agriculture and allied activities increased by around 8% in February 2019 and January 2019 each.

## Trade

- [Exchange rates of foreign currencies relating to imported and export goods](#)- 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 (CBIC) No.24/2019- CUSTOMS (N.T.), dated 20th March, 2019 except as respects things done or omitted to be done before such supersession, 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 5th April, 2019, 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.
- [World merchandise trade volume growth to fall to 2.6% in 2019 from 3% in 2018](#)- World trade will continue to face strong headwinds in 2019 and 2020 after growing more slowly than expected in 2018 due to rising trade tensions and increased economic uncertainty. The World Trade Organization (WTO) expects world merchandise trade volume growth to fall to 2.6% in 2019 from 3% in 2018. Further, it is expected that trade growth could rebound to 3% in 2020. However, this would depend on the back of easing of trade tensions.

## Our Voice

**Demand for China's products in India decelerating: PHD Chamber-** India has seen a major breakthrough in its exports to China during the last few months whereas the imports of Chinese products in India are decelerating. India's exports to China grew by 31% in April-January 2019, increased from USD 10 billion in April-January 2018 to USD 14 billion in April-January 2019. Despite substantial volume of imports from China, of lately, India's import growth from China shrunk from 24% during April to January 2018 to (-) 5% during April-January 2019. India's trade deficit with China has also eased from USD 53 billion in April-January 2018 to USD 46 billion in April-January 2019. Presently (2018-19), China is India's 3rd largest export destination and largest sources of imports to India. The total trade between India and China

witnessed a tremendous jump from USD 3 billion in 2001-02 to around USD 90 billion in 2017-18. Although the mounted trade deficit with China is substantial, given the recent trends and amendments in the Foreign Trade Policy 2015-20, the volume of trade deficit is expected to ease in the coming years.

**Around 64% of job seeking households found jobs in the last five years: PHD Chamber Survey-** PHD Chamber of Commerce and Industry has conducted a survey study to know the employment perspective with respect to the growth of the economy and employment creation for the growing young workforce in the country. According to the survey study, 75% of the household respondents were in search of a job of which around 64% of the job seeking households have found a job at least for a member of their respective families during the last five years (2014-18). The survey revealed that the private sector was the major employer in the last five years, creating 60.4% of the jobs, followed by government sector (21.2%), self employed (5.2%), public sector (5.1%), Public Private Partnership (3.3%) and others (4.8%). According to the scale of the firm, the survey revealed that the large and medium enterprises created 49% of the jobs of which the large enterprises created 30% jobs and medium enterprises created 19% jobs. On the other hand, small and micro-enterprises created 51% of the jobs of which small enterprises created 22% of the jobs and micro enterprises created 29% of the jobs. The findings elucidate that the majority of the respondents found jobs in banking sector (12.5%) and education & training (12.1%) followed by IT & ITeS (11.6%), while the other sectors such as tax, data analytics, consulting, legal services, police services, teaching, Fashion Designing were also the major employers in the last five years. An analysis of the type of jobs created revealed that majority of the respondents (79%) were working in full-time jobs, followed by the respondents working in contractual jobs (7%) and in part-time jobs (6%). 5% of the respondents were Self-Employed, while only 3% of the respondents were involved in daily wages. The survey revealed that the new entrants in the job market were earning well as 60% of the respondents were drawing monthly salary in the range of between Rs. 10,000/- to Rs. 50,000/-. The survey revealed that the median salary of the respondents was Rs. 31252.28/-. Going ahead, PHD Chamber of Commerce and Industry has provided a seven pronged strategy to create more than 100 million new jobs in the next five years of which tourism sector is projected to create 40 million, followed by MSMEs- 25 million, agro and food processing- 20 million and exports- 10 million.

**Repo rate cut to induce demand and spur economic growth: PHD Chamber-** RBI in its First Bi-monthly Monetary Policy Statement, 2019-20, has reduced the repo rate to 6% from 6.25%, reverse repo rate under the LAF at 5.75%, marginal standing facility (MSF) rate and the Bank Rate at 6.25% which will induce demand, strengthen investments and spur economic growth. PHD Chamber compliments and appreciates the great dedication of the Government and RBI on taking calibrated steps to stabilize the price situation and maintaining the high growth trajectory. On account of reduction in repo rate at this juncture would rejuvenate demand in rural areas and augment buying of consumer durables' vis-a-vis refuel industrial growth. Cut in repo rate will enhance our exporters' competitiveness in the international markets. It is inspiring that Reserve Bank of India has decided to constitute a Committee on the Development of Housing Finance Securitisation Market. The decision to set up a Task Force on the Development of Secondary Market for Corporate Loans would play an important role in assessing best international practices and propose measures for developing a thriving secondary market for corporate loans in India. We believe higher industrial growth vis-a-vis strong demand scenario coupled with speedy implementation of reforms and ease of doing business will push our economy further in higher growth trajectory.

**India and EU has potential to enhance bilateral trade to USD 200 billion by 2022: PHD Chamber-** Enhanced trade facilitation and lower tariffs between India and EU have potential to boost bilateral trade from USD 141 billion (2017-18) to USD 200 billion by 2022. PHD Chamber of Commerce and Industry has emphasised on making India an ideal place for setting up defence manufacturing centres and research and development units by foreign companies given its huge market and trade potential.

## Economy so far

- **India to become third largest economy by 2030: Hon'ble Union Finance Minister** – Hon'ble Union Finance Minister Shri Arun Jaitley has said that India is expected to become the third largest economy in the world by 2030 with GDP touching \$10 trillion, helped by consumption and investment growth. Currently, the size of the Indian economy is about \$2.9 trillion. Talking about avenues of growth for the next 20 years, he listed infrastructure creation, rural expansion and gender parity, among others.
- **Consumers are getting optimistic about general economic situation: RBI-** According to a March quarter survey by the Reserve Bank of India (RBI) the current situation index, compiled on the basis of net responses on the economic situation, income, spending, employment and the price level for the current period and a year ahead, "returned to optimistic territory after a gap of two years".

- **RBI plans committee to aid housing finance securitisation market**- The RBI has said that it would set up a committee that will suggest ways to develop the housing finance securitisation market by studying best international practices. "We are aware that well-functioning securitisation markets can enable better management of credit and liquidity risks in the balance sheet of banks as well as non-bank mortgage originators, and, in turn, help lower costs of mortgage finance in the economy," said RBI Governor Shri Shaktikanta Das.
- **RBI delays adoption of external interest rate benchmark**- The Reserve Bank of India has delayed the proposed linking of floating rates to external benchmarks. The central bank has been pushing banks to link lending rates to external benchmarks as the latter were not adequately passing on rate cut benefits to borrowers. "Taking into account the feedback received during discussions with stakeholders it has been decided to hold further consultations and work out an effective mechanism for transmission of rates," the RBI said, after the first bi-monthly monetary policy committee meeting of this financial year.
- **Income-Tax department adds 10.7 million taxpayers in 2017-18**- The Income Tax department has said that it added 1.07 crore new taxpayers while the number of dropped filers' came down to 25.22 lakh in 2017-18, showing the positive impact of demonetisation. In a statement, the Central Board Of Direct Taxes (CBDT) said that 6.87 crore Income Tax Returns (ITRs) were filed during FY 2017-18 as compared to 5.48 crore ITRs filed during FY 2016-17, translating into a growth of 25 per cent.
- **New industrial policy ready, next Government to announce it: Hon'ble Union Commerce & Industry Minister**- The Hon'ble Union Commerce and Industry Minister, Shri Suresh Prabhu has said that the proposed new industrial policy has been finalised and the new Government would announce that. It aims at promoting emerging sectors and modernising existing industries. It will also look to reduce regulatory hurdles, cut paper work and support emerging and new sectors.
- **Government close to meeting fiscal deficit target of 3.4%: Economic Affairs Secretary**- Finance Secretary Shri Subhash Chandra Garg has said that the government is close to meeting fiscal deficit target of 3.4 per cent for 2018-19. The government in the interim Budget in February revised upward the fiscal deficit target to 3.4 per cent from 3.3 per cent of GDP estimated earlier for the financial year ended March 31.
- **India levies anti-dumping duty on solar cell component from four nations**- India has imposed anti-dumping duty of up to \$1,559 per tonne on imports of a certain type of sheet used in solar cell making from China, Malaysia, Saudi Arabia and Thailand for five years to safeguard domestic players against cheap shipments. In a notification, the Department of Revenue has said that after considering the recommendations of the commerce ministry's investigation arm DGTR, it is imposing the duty, which is in the range of \$537 to \$1,559 per tonne, on imports of "Ethylene Vinyl Acetate sheet for solar module" being exported by these four nations.
- **India delays levying retaliatory tariff on US goods to 2nd May 2019**- India has once again delayed the implementation of higher tariffs on some goods imported from the United States to 2nd May 2019, according to a government order. The new tariff structure was to come into force from 1<sup>st</sup> April 2019.

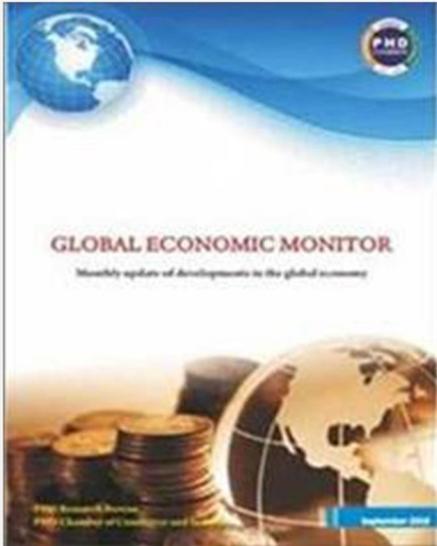
Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Dec 18	Jan 19	Mar 19	(03-04-2019)	(04-04-2019)	(05-04-2019)
BSE SENSEX	26626	34057	36068	36068	36257	38673*	38,877	38,685	38,862
GOLD (10 GRMS)	29420	28966	30600	31566	32213	32036	31454	31557	31615
CRUDE OIL (1 BBL)	2925	3317	4437	3701	3608	4040	4326	4278	4275
EXCHANGE RATE (INR/USD)	67	65	68	70	71	69.47	68.42	69.16	69.22

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

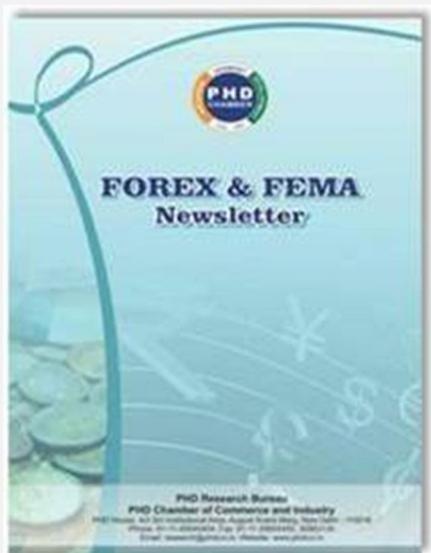
## Newsletters

PHD Research Bureau has released newsletters pertaining to a broad view of developments in the Indian economy, a broad view of economic developments around the world and a newsletter pertaining to a broad view of developments in the foreign exchange and FEMA.

### [Global Economic Monitor for the month of April 2019](#)



### [FOREX & FEMA Newsletter March 2019](#)



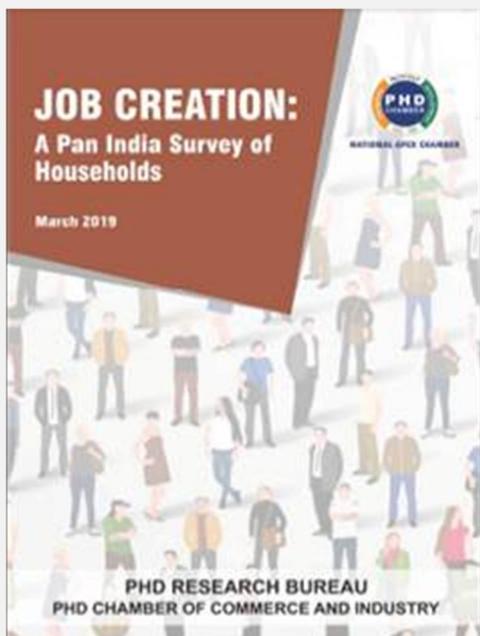
### [EAC for the month of March 2019](#)



## Comprehensive Research Studies / Papers

PHD Research Bureau has undertaken a study on Job Creation: A Pan India Survey of Households to know the employment perspective with respect to the growth of the economy and employment creation for the growing young workforce in the country in the last five years.

### [Job Creation: A Pan India Survey of Households](#)



## 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,

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