

Weekly Compendium of Research

For the week ending 10th May 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 and China sign protocol for Export of Indian Chilli Meal, RBI releases targets and classifications for Priority Sector Lending and India and US Hold Bilateral Trade Meeting, among others. The details of disseminated information during the week ending 10th May 2019 are appended.

India and World Economy

- **India and China sign protocol for Export of Indian Chilli Meal-** Commerce Secretary, Shri Anup Wadhawan and Vice Minister, General Administration of Customs of China (GACC), Mr Li Guo, have held a meeting in New Delhi to discuss trade related issues of pending Indian request for clearance of agricultural products. Both sides appreciated each other's concerns and agreed to resolve market access issues expeditiously in order to achieve the vision of the leaders of both India and China by promoting a more balanced trade. At the end of the meeting a protocol was signed for export of chilli meal from India to China.
- **March 2019 IIP stands at (-)0.1%-** Growth in industry output, as measured in terms of IIP, for the month of March 2019 stands at (-)0.1% as compared to 0.1% in February 2019. The growth in the three sectors mining, manufacturing and electricity in March 2019 stands at 0.8%, (-)0.4% and 2.2% respectively over March 2018. Primary goods growth stands at 2.5%, capital goods growth stands at (-)8.7%, intermediate goods growth stands at (-)2.5%, infrastructure/construction goods growth stands at 6.4%, consumer durables stands at (-)5.1% and consumer non-durables growth stands at 0.3% during March 2019 as compared to the previous year.

Finance

- **RBI releases targets and classifications for Priority Sector Lending** - This is in reference to the Para 10 of the Statement on Developmental and Regulatory Policies of the First Bi-Monthly Monetary Policy Statement 2019-20 dated April 4, 2019 and Para 9 of Master Direction – Regional Rural Banks (RRBs) - Priority Sector Lending – Targets and Classification dated July 7, 2016/Para 5 of the Compendium for Small Finance Banks (SFBs) – Priority Sector Lending – Targets & Classification dated July 6, 2017, prescribing eligibility criteria of housing loans for classification under priority sector.

Trade

- **Initiatives by Commerce Ministry to Boost Trade with African Countries-** The Ministry of Commerce, Government of India and Indian High Commissions and Embassies of 11 African countries arranged an interaction over Digital Video Conference (DVC) over two days, on 3rd and 6th May 2019, with the Indian business community in Africa. The interactions with Indian Diaspora were held in Tanzania, Uganda, Kenya, Zambia, and Mauritius, Nigeria, Mozambique, Ghana, South Africa, Botswana, and Madagascar. This initiative was held in order to build an effective engagement with the Indian Diaspora in Africa in order to further deepen and strengthen India-Africa trade ties. The DVC was attended by over 400 members of Indian business community in 11 African countries.

- **India and US Hold Bilateral Trade Meeting-** India and the United States held the India-US Bilateral Trade meeting in New Delhi. The Hon'ble Union Minister of Commerce & Industry and Civil Aviation, Government of India, Shri Suresh Prabhu and Mr. Wilbur Ross, Secretary of Commerce, United States of America co-chaired the bilateral meeting. Both the co-chairs, appreciated the strong, robust and growing bilateral ties between India and the US across the entire spectrum of trade and commerce. Both sides expressed satisfaction over the progress during the year 2018, with bilateral trade in Goods and Services registering a growth of 12.6% from USD 126 billion in 2017 to USD 142 billion in 2018.

Our Voice

India-USA bilateral trade in goods likely to cross USD 100 billion by 2020: India's bilateral trade in goods with USA is likely to cross USD 100 billion by 2020 from the current level of USD 85 billion in 2018. The attraction for trade in goods between India and USA is gaining momentum in the recent years and is expected to become more stronger in the coming times. The share of USA in India's bilateral trade in goods has increased from 9% in 2017 to 10% in 2018 whereas India's exports with USA grew by 13% and India's imports from USA grew by 38% in 2018. India's bilateral trade in goods with USA is growing rapidly from 2% in 2016, 13% in 2017 and 21% in 2018. The volume of trade with USA has also increased significantly from USD 62 billion in 2016, USD 70 billion in 2017 and to USD 85 billion in 2018, the bilateral trade between the largest economy, USA, and the fastest growing economy, India, is expected to touch new highs at US \$ 125 billion by 2022. The principal items of India's exports to USA during the recent years are precious or semiprecious stones, pharmaceutical products, nuclear reactors, boilers & mechanical appliances, mineral fuels & mineral oils, articles of apparel and clothing accessories, vehicles other than railway, among others. The principal items of India's imports from USA during the recent years are nuclear reactors, boilers & mechanical appliances, mineral fuels & mineral oils, precious or semiprecious stones, aircraft & spacecraft, electrical machinery and equipment, optical and photographic cinematographic measuring, organic chemicals, among others. Going ahead, as India is the fastest growing economy in the world economic system with an expanding middle class, the demand in the country remains intact.

Economy so far

- **FY2019 have dropped by more than 6.6 lakh,** a trend that was surprising as tax base was expected to increase post demonetisation. According to statistics put out on Income Tax Department's e-filing website, income tax e-filings in FY 2018-19 was 6.68 crore, down from 6.74 crore in the previous fiscal. E-filers in FY 2016-17 were 5.28 crore.
- **Government set to provide financial assistance to minority investors for class action lawsuits-** Government set to provide financial assistance to minority investors for class action lawsuits. Working on ways to further bolster measures to protect the interest of investors, the ministry of corporate affairs would also be encouraging investors to resort to class action suits. Under Section 245 of the Companies Act, investors can file a class action suit in case they feel that the management or conduct of the affairs of a company are prejudicial to their interests.
- **DPIIT proposes relaxation in income tax law to help start-ups raise funds-** With a view to facilitate fundraising by start-ups, the Department for Promotion of Industry and Internal Trade (DPIIT) has proposed relaxation in the income tax laws pertaining to sale of residential properties and carrying forward of losses. These suggestions are part of 'Startup India Vision 2024', prepared by the DPIIT for the new government to promote growth of budding entrepreneurs, who face difficulty in raising finances.
- **India's push to spur economic growth in developing nations with ADB's help-** India made a case for channeling pension and sovereign wealth funds of advanced countries to emerging markets with the help of ADB to spur economic growth in developing member countries (DMCs). Innovation in financing will be the key to success of long-term growth strategy, according to DrSubhash Chandra Garg, Economic Affairs Secretary.
- **Pouring in: Duty hikes in September 2018 fail to check imports-**The government raised basic

customs duties on scores of products in September last year to crack down on “non-essential imports” and contain their debilitating impact on current account deficit (CAD), but the move has barely paid off. As many as eight of the 13 product segments witnessed a rise in purchases from overseas since the tariffs went up, according to the Directorate General of Commercial Intelligence and Statistics (DGCIS) data. Between October 2018 and February 2019, imports of these items — ranging from air conditioners (ACs) and refrigerator to footwear — rose an average 5% to \$2,343.41 million. Though such imports had witnessed a 15% jump up to September last fiscal, the latest rise came even off an unfavourable base (imports had jumped as much as 21% a year earlier), which points at the inefficacy of the move.

- **India’s consumption story losing the plot-** According to ET Intelligence Group, consumption is sputtering across a range of products including cars, two-wheelers, air travel and fast-moving consumer goods (FMCG), with volumes dropping to multi-quarter lows. The decline in demand stems from an income growth slump in urban and rural areas that is forcing people to curb spending, falling money supply in the economy and rising uncertainty over how customers will respond to regulatory action. The next government may need to prime the pump as consumption has been one of the engines that has been driving the economy in the absence of private investment and exports.
- **E-commerce policy, data localisation figure in Indo-US meet; GSP not discussed-** The issues that topped the talks between Dr Suresh Prabhu Hon’ble Minister of Commerce and Industry and Mr Wilbur Ross, US Secretary of Commerce were e-commerce, data protection and localisation, along with airport ground handling. The prickly issues for US were medical devices, IPR and e-commerce. These were discussions at the highest level but no decision or promises were made. India’s refusal to allow liberalisation of pricing of medical devices such as knee implants and stents, whose prices are capped, is one spat with the US. While New Delhi had intended to discuss at least 10 key issues, those on easier visa rules for movement of natural persons, GSP and compulsory registration order on multifunctional devices were left out. Further, India and the US agreed to engage regularly at various levels to resolve outstanding trade issues by exploring mutually beneficial suitable solutions.
- **E-filing of tax returns saw 19% growth in AY19, says Ministry of Finance-** According to the Ministry of finance, there was growth of 19% in income-tax returns (ITRs) electronically filed for the assessment year 2018-19 (AY19), compared to those in 2017-18 (AY18). The ministry said a total of 66.8 million returns were e-filed in FY19, which included 64.9 million for AY19. On the other hand, a total 67.4 million returns were e-filed in 2017-18 (FY18), which included 54.7 million for AY18. The statement came amid some reports that the number of returns e-filed in FY19 saw a decrease on a yearly basis.
- **Services sector output growth at seven-month low in April:** Survey-India’s services sector activity fell to a seven-month low in April owing to a softer rise in new business and disruptions arising from the elections. The services PMI was in the expansion territory for the eleventh straight month. However, predictions that economic conditions will normalise after the elections underpinned optimism regarding the outlook and supported a stronger upturn in employment.
- **ITAT ruling on ‘stock in trade’ may lead to spate of litigations-** A recent Income Tax Appellate Tribunal (ITAT) ruling has distinguished between ‘stock in trade’ and ‘controlling interest’, allowing higher deductions and lower taxable income if the stock held by the taxpayer was ‘stock in trade’. While the ruling could help several companies and investors, it would reopen a matter that was considered shut after a Supreme Court decision.

- **As output falls, tuber's price surges in Bengal-** Lower-than-expected production has pushed up potato prices in West Bengal. The wholesale price of the tuber (common Jyoti variety) has more than doubled over the last month to ₹1,050 a quintal in the first week of May, from ₹520-530 a quintal at the end of March. Wholesale prices were ruling at around ₹950-1,000 a quintal during the same period last year.
- **US may take final decision on GSP issue after formation of new government-**MrWilbur Ross US Commerce Secretary hit out at India for charging high tariffs on US products, implementing market access barriers, and having a difficult regulatory environment. In this regard, the US is unlikely to take a decision over preferential tariffs on USD5.6 billion of Indian exports until May 23, when India gets a new government. This was indicated at bilateral talks over the past two day. Benefits under the US' Generalized System of Preferences (GSP) were scheduled to end this week.
- **India's debt up 50% to Rs 82 lakh crore in current Government era-** Total liabilities of the government has increased 49% to Rs 82 lakh crore in the last four-and-half years during the ShriNarendraModi government, as per the 8th Edition of the Status Paper on Government Debt. Compared to the latest data available till September 2018 when the total debt of the Central government stood at Rs 82,03,253 crore, the corresponding amount till June 2014 was Rs 54,90,763 crore. The huge surge in government's debt has been propelled by 51.7% growth in public debt from Rs 48 lakh crore to Rs 73 lakh crore in the four-and-half year period, which in turn was driven by 54% rise in internal debt to about Rs 68 lakh crore.
- **Maharashtra, UP to drive state-led capex in road sector in next 3 years-** According to rating agency ICRA,the state-level spend on roads in Maharashtra and Uttar Pradesh is expected to grow at an annual rate of 22% to Rs 1.43 lakh crore by 2020- 2021. Capital expenditure by states on their roads is expected to witness robust growth over next three years supported by several expressway projects launched/announced by Maharashtra and Uttar Pradesh. In Maharashtra, the estimated spend in case of Nagpur-Mumbai expressway alone is Rs 35,000 crore over next three years in addition to proposed road improvement programme through hybrid annuity mode. Similarly, in UP, for Purvanchal and Ganga expressways together, the estimated spend over next three years is around Rs 20,000 crore.
- **IT, biz services market likely to grow 8%, reach USD14.3 billion by 2020: IDC-** According to a research firm IDC, India's IT and business services market is likely to grow by over eight per cent to reach USD13.1 billion by the year-end and expand further to USD14.3 billion by 2020. Of the total market, IT services segment contributed about 76% in the second half of 2018.
- **Rooftop solar power must for India to meet 175 Gw energy goal by 2022-** According to a IEEFA report, India needs faster implementation of roof-top solar projects to meet the 175 gigawatts of renewable energy target by 2022. The country has set an ambitious target of installing 175 GW of renewable energy capacity by the year 2022, which includes 100 GW from solar, 60 GW from wind, 10 GW from bio-power and 5 GW from small hydro-power. Out of 100 GW solar capacity target, 40 GW is likely to be achieved by installation of rooftop solar projects.
- **Indian businesses in Africa suggest steps to increase trade, investment-** Indian businesses in Africa have suggested the government here to take steps such as improving line of credit system, setting up of banks and liberalise visa policies to increase trade and investment with Africa. These issues were highlighted by Indian business community in Africa during an interaction organised by the Ministry and Indian High Commissions and embassies of eleven African countries over Digital Video Conference (DVC).

- **No impact of MCA-21 irregularities on GDP, adjustments made, clarification by government-**
The government said there will be no impact on gross domestic product (GDP) data due to many firms taken into account for the estimate being untraceable or wrongly categorised saying that appropriate adjustments are made at aggregate levels. This follows questions over the national income accounts after a survey report showed over a third of the companies on the Ministry of Corporate Affairs' MCA-21 database and used in computing India's GDP could either not be traced or were wrongly classified.
- **Now, owners may have to pay different GST for identical flats-** The taxman has asked builders to choose before May 10 the new goods & services tax (GST) rate for ongoing realty projects. The concessional rate, which came into effect April 1, was set at 1% for affordable houses and 5% for others, from the earlier 8% and 12%, respectively. Developers of under-construction projects could opt for the new or previous rate, but now they have been asked to exercise this option before Friday in the prescribed format. This means, two people buying identical flats in the same apartment complex but in different buildings or towers, could technically end up paying different GST rates.
- **India tells US it is willing to reduce import duties on telecom equipment-** India has proposed to reduce import duties on telecom equipment, including mobile phones and smart watches, and offered an optimum duty reduction package, in line with the United States' (US') demands. According to sources, DrSuresh Prabhu, Commerce and Industry Minister told US Commerce Secretary Mr Wilbur Ross that duties on IT products — a key US concern — may be cut, but not eliminated.
- **CBIC organises meeting of Regional Heads of Customs Administration of Asia Pacific Region of the World Customs Organisation (WCO) in Kochi-** Central Board of Indirect Taxes and Customs (CBIC) is organising a meeting of the Regional Heads of Customs Administration of Asia Pacific Region of the World Customs Organisation (WCO) in Kochi from 08th to 10th May, 2019. India is hosting the meeting in its capacity as Vice Chair of the Asia Pacific region that it assumed on 1st July, 2018 for a two-year period. The meeting will take stock of the progress being made in carrying forward the programmes and initiatives of WCO to promote, facilitate and secure the cross-border trade in the region and the capacity building and technical assistance required to achieve this goal.
- **India expects improvement in World Bank's doing business ranking this year-** India is expecting improvement in its ranking in the World Bank's doing business report this year particularly in indicators such as paying taxes and trading across borders. An official delegation including ShriRamesh Abhishek, Secretary in the Department for Promotion of Industry and Internal Trade (DPIIT), apprised a World Bank team in Washington of reform measures taken by the government in easing the business process.
- **India's domestic passenger market falls to 3.1% in March, says IATA-** According to global airlines body IATA, the growth of India's domestic passenger market fell to 3.1% in March 2019 as compared to 8.3% in February 2019 as there was reduction in flight operations of Jet Airways and disruptions at Mumbai airport owing to construction.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Feb 19	Mar 19	Apr 19	(07-05-2019)	(08-05-2019)	(09-05-2019)
BSE SENSEX	26626	34057	36068	35867.4	38673*	39031	38276.63	37789.13	37558.91

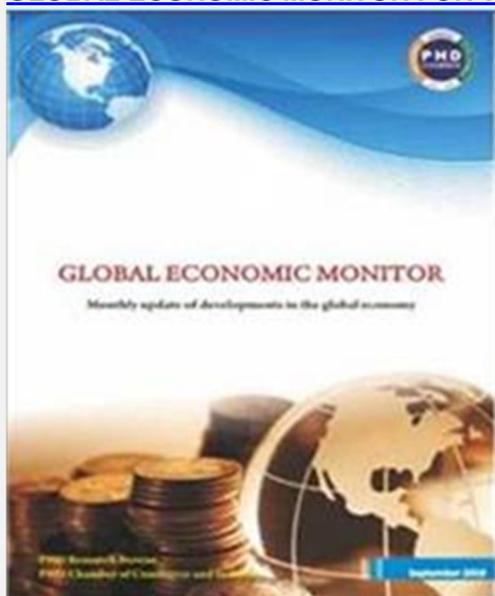
GOLD (10 GRMS)	29420	28966	30600	33211.8	32036	31648	31496	31776	31730
CRUDE OIL (1 BBL)	2925	3317	4437	3906.4	4040	4420	4317	4256	4324
EXCHANGE RATE (INR/USD)	67	65	68	71.2	69.47	69.42	69.43	69.71	69.94

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (* denotes value as on 30th Apr 2019)

Study

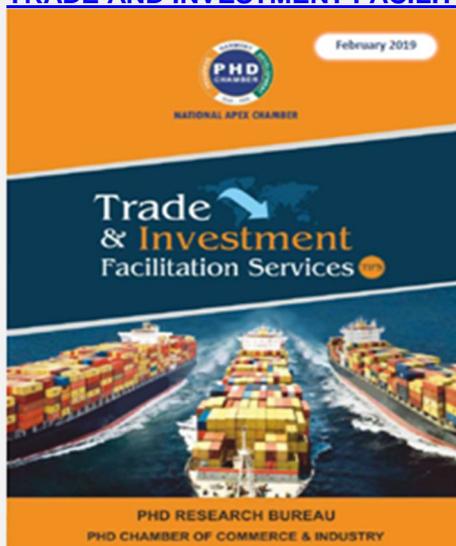
PHD Research Bureau released a newsletter on Global Economic Monitor (GEM) to disseminate information on latest updates on global macroeconomic indicators including growth, inflation, trade, markets, commodities, unemployment, policy developments and publications of international organization.

[GLOBAL ECONOMIC MONITOR FOR THE MONTH OF APRIL 2019](#)



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 APRIL 2019](#)



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Warm Regards,

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