

All Members,

Weekly Compendium of Research

For the week ending 21st June 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 Economic Advisory Council to Prime Minister releases a detailed analysis on robustness of India's GDP estimation methodology, Ministry of Road Transport and Highways to remove requirement of minimum educational qualification for transport vehicle drivers among others. The details of disseminated information during the week ending 21st June 2019 are appended.

India and World Economy

- [Economic Advisory Council to Prime Minister releases a detailed analysis on robustness of India's GDP estimation methodology](#) - The Economic Advisory Council to the Prime Minister released a detailed note titled 'GDP estimation in India- Perspectives and Facts', providing a clear rationale for India's switch to an improved GDP estimation methodology in January 2015. The new methodology that uses 2011-12 as the base year includes two major improvements: a) Incorporation of MCA21 database, and b) Incorporation of the Recommendations of System of National Accounts (SNA), 2008. This change was in line with other countries that have changed their methodologies in line with SNA 2008 and revised their respective GDP figures. On an average, real GDP estimates saw an increase of 0.7% among OECD countries.
- [Ministry of Road Transport and Highways to remove requirement of minimum educational qualification for transport vehicle drivers](#)- The Ministry of Road Transport and Highways has decided to remove the requirement of minimum educational qualification for driving a transport vehicle, in a move to benefit skilled persons from economically underprivileged sections of the society. Under Rule 8 of the Central Motor Vehicle Rules, 1989, a transport vehicle driver needs to have passed class 8. However, there are large numbers of unemployed persons especially in rural areas of the country, who may not have a formal education, but are otherwise literate and skilled.
- [India's GDP growth rate forecasted at 6.6% for FY2020: Fitch Rating's Global Economic Outlook, June 2019](#)- According to Fitch Rating's Global Economic Outlook (GEO), June 2019, World GDP is forecasted at 2.7% for 2020 and 2021 each, as compared to 2.8% in 2019. This forecast is

unchanged from the March 2019 GEO. Modest upgrades to 2019 forecasts for the US, the Eurozone, the UK and China after positive surprises in 1Q19 have been offset by forecast cuts for Brazil, Mexico, Russia, Korea, South Africa, Canada and Australia.

Finance

- **Exchange Rate of conversion of the 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.40/2019-CUSTOMS (N.T.), dated 6th June, 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 21st June, 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.

Our Voice

India's GDP stands at 6.8% (Provisional Estimates) in FY2018-19 and at 5.8% for Q4 FY2019. The agriculture sector growth stands at (-)0.1% in Q4 FY2019 and 2.9% (PE) in FY2019. Manufacturing sector registered a growth of 3.1% in Q4 FY2019 and 6.9% (PE) in FY2019. The Monetary Policy Committee (MPC) has decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points to 5.75% from 6.0%. Consequently, the reverse repo rate under the LAF stands adjusted to 5.50%, and the marginal standing facility (MSF) rate and the Bank Rate to 6.0%. According to OECD Economic Outlook, May 2019, global growth slowed sharply in late 2018 and is now stabilising at a moderate level. India has the fastest growth among G20 economies. The CPI stood at 2.9% in April 2019 and WPI inflation decreased to 3.1% in April 3.2% in March 2019. The core infra stands at 2.6% in April 2019 as compared to 4.7% in March 2019. The gross bank credit registered a growth of 12% in April. IIP stood at 0.1% in February as compared to 1.4% in January 2019. The total gross GST revenue collected in the month of May, 2019 is around Rs 1 lakh crore. The total number of GSTR 3B Returns filed for the month of April up to 31st May, 2019 is 72.5 lakh. Going forward, efforts are needed to boost aggregate demand, and in particular, reinvigorate private investment activity. Further, repo rate is expected to come down to 5% in the coming quarters for adequate availability of credit to the industry especially to the MSMEs sector.

Economy so far

- **Ministry of Finance assessing capital needs of PSU banks; Budget may make provision for Rs 30,000 crore-**The Ministry of Finance is evaluating capital needs of state-owned banks, and likely to provide about Rs 30,000 crore in the upcoming Budget to help them meet minimum regulatory capital requirement in the current fiscal.
- **India can boost exports of 300 products to US, China amid trade war: Report-**According to a study by the Ministry of Commerce, the ongoing trade war between the US and China offers an opportunity to India for boosting exports of as many 350 products such as chemicals and granite to these countries. The identification of these products is part of a study carried out by the ministry which states that the ongoing tariff or customs duties war between the US and China proves a big window of opportunity

for enhancing India's exports to these two nations. Both the US and China are imposing heavy import duties on each other's products, which has triggered a trade war kind of situation. According to the study, as much 151 domestic products including diesel, X-ray tubes and certain chemicals have an outright advantage to displace the US exports to China.

- **Power rates in Uttar Pradesh likely to increase by up to 25%**-In order to bridge the widening gap between cost of power and revenue realised, the Uttar Pradesh Power Corporation (UPPCL) has sought the state power regulator's nod for average tariff increase of 20-25% for domestic consumers for 2019-20. The hike, if cleared by the regulator, will put the domestic consumers almost at par with industries and commercial establishments.
- **ADB approves Rs 1,650 crore infrastructure projects in Tripura**-The Asian Development Bank (ADB) has approved a project worth Rs 1,650 crore to develop infrastructure in seven district headquarter towns of Tripura. The ADB will provide Rs 1,650 crore, out of which 80% will be grant-in-aid and the state will have to repay 20% loan in due course of time.
- **High retail inflation in healthcare pinching pockets**-Farmers are distressed, industrial producers have taken a hit, but the same cannot be said of health service providers. A detailed analysis of data related to rates of retail inflation reveals that cost of health care services is on the rise. Though the overall rate of retail inflation for May was 3.1%, for health services it was 8%, which is second highest after meat & fish (8.1%).
- **Fitch lowers India's FY20 growth forecast for a 2ndtime**- Fitch cut India's growth forecast for the current fiscal for a second time in a row to 6.6% as manufacturing and agriculture sectors showed signs of slowing down over the past year. The global rating agency had earlier in March lowered the growth estimate for 2019-20 to 6.8%, from 7% projected earlier, on weak momentum of the economy. The cut in growth forecast comes ahead of the presentation of the Union Budget on July 5, 2019.
- **Work begins on collateral-free loan pledge**- The government is studying the feasibility of rolling out a scheme that provides collateral-free loans of up to Rs 50 lakh to entrepreneurs. Such a provision was promised by the BJP in its election manifesto this year. The contours of the scheme are being discussed and, if found feasible, may be announced in the budget on July 5, 2019.
- **Circular economy likely to generate 1.4 crore jobs in 5-7 years: Kant**- According to Shri Amitabh Kant, CEO, NitiAayog, circular economy has the potential to generate 1.4 crore jobs in next 5-7 years and create lakhs of new entrepreneurs. Sustainable development and resource circularity is the need of the hour to implement circular economy. Circular economy implies reusing waste back into the production cycle to produce new products and uses instead of wasting such materials with embedded resources.
- **FY19 growth in Maharashtra flat at 7.5%: Economic Survey**-According

to the Maharashtra Economic Survey report, Maharashtra's economy is expected to grow by 7.5% during 2018-19, same as the previous year. The report shows that agriculture, industry and manufacturing services took a hit. The biggest decline was in the agricultural sector with a decline of 2.7% expected over last year. The sector is expected to grow at just 0.4% against 3.1% in 2017-18. The industrial sector that grew by 7.6% last year is expected to fall to 6.9%. The only silver lining has been the services sector that showed a growth of 9.2% against 8.1% earlier.

- **GSTN-like body on cards: Government plans to screen and rate borrowers**-The government is considering a proposal on creating a special purpose vehicle (SPV) similar to the Goods and Services Tax Network (GSTN) to monitor and screen commercial borrowers. The SPV would be vested with a giant database collated from information available with all public sector banks. The database would be used to develop a dynamic rating model to monitor borrowers' financial health.
- **Monsoon's tardy progress raises concerns over Kharif crop**- According to Skymet, with 87% of the country's geographical area falling under deficient/large deficient category as on June 17— as against 82% on June 11, it will now be difficult to make up for the June deficiency, the concerns over a weak monsoon has intensified. Though these are still early days and sowing conventionally picks up pace in early July, the delayed progress of the monsoon has started hitting farming activities in many parts of the country, particularly central and eastern regions.
- **GST on electric vehicles may be reduced to 5%**-India may cut the goods and services tax (GST) on electric vehicles to 5% from 12% to provide a stimulus to the sector that's a high priority for the government. The GST Council is set to take up the proposal at its June 20, 2019 meeting. Lower duties are expected to encourage global manufacturers to invest in India's planned shift to electric vehicles in order to try and bring down pollution levels. This comes as Punjab has written to the Centre seeking a review of tax rates.
- **RBI panel on MSMEs suggests Rs 20 lakh collateral-free loan under Mudra**-A Reserve Bank of India (RBI) expert committee on micro, small and medium enterprises (MSMEs) has recommended doubling the cap on collateral-free loans to Rs 20 lakh from the current Rs 10 lakh. This will be extended to borrowers falling under the Mudra scheme, self-help groups, and MSMEs. If the central bank approves the recommendation, the banking regulator will have to amend its July 1, 2010 circular that prescribes a maximum Rs 10 lakh for collateral-free loans.
- **Seven million jobs formalised between 2015 and 2018, says report**- According to a report released by the Indian Staffing Federation, seven million jobs were formalised between 2015 and 2018 because of various measures, including GST, demonetisation, Skill India policies, fixed-term contract, maternity leave enhancement, among other. The report estimated job formalisation to the tune of 11 million between 2018 and 2021.

- **Plan to supersede NSC with PM-led council shelved**-The government has shelved a proposal to set up an independent statistical authority, National Statistical Development Council (NSDC), to be headed by the Hon'ble Prime Minister. NSDC was proposed to be above the National Statistical Commission (NSC), which is now the apex advisory body on statistical matters. The ministry of statistics and programme implementation (Mo-SPI) plans to defer setting up the council in the upcoming draft National Policy on Official Statistics. It was planned to guide NSC on related policy matters.
- **Ministry of Road Transport and Highways to remove requirement of minimum educational qualification for transport vehicle drivers**-The Ministry of Road Transport and Highways has decided to remove the requirement of minimum educational qualification for driving a transport vehicle, in a move to benefit skilled persons from economically underprivileged sections of the society. The process of amendment has been initiated to the Rule 8 of Central Motor Vehicles 1989 and the draft notification in this regard will be issued soon.
- **Fertiliser movement through coastal shipping now eligible for subsidy**- A policy for reimbursement of freight subsidy for transportation of fertilisers through the coastal shipping route has been approved. Earlier, this financial support was available only for fertiliser movement via railways. The move by the Department of Fertilisers means reduction in freight by about 40%.
- **Economic Advisory Council to Prime Minister releases a detailed analysis on robustness of India's GDP estimation methodology**- The Economic Advisory Council to the Prime Minister released a detailed note titled 'GDP estimation in India- Perspectives and Facts', providing a clear rationale for India's switch to an improved GDP estimation methodology in January 2015. The new methodology that uses 2011-12 as the base year includes two major improvements: a) Incorporation of MCA21 database, and b) Incorporation of the Recommendations of System of National Accounts (SNA), 2008. This change was in line with other countries that have changed their methodologies in line with SNA 2008 and revised their respective GDP figures. On an average, real GDP estimates saw an increase of 0.7% among OECD countries.
- **Dispute Resolution Mechanism for solar/wind sector approved**-In a major decision to facilitate the solar and wind energy projects, Shri RK Singh, Union Minister of State for Power and New & Renewable Energy (IC) and Skill Development & Entrepreneurship has approved a proposal to set up a Dispute Resolution Committee to consider the unforeseen disputes between solar/wind power developers and SECI/NTPC, beyond contractual agreement. The move will give further fillip to the smooth implementation of solar/wind energy projects in India. It fulfils a long pending demand of the industry to resolve expeditiously, unforeseen disputes that may arise beyond the scope of Contractual Agreements.
- **Ministry of Road Transport and Highways issues Draft Notification to**

exempt Battery Operated Vehicles from paying registration fees-In order to give a boost to Battery-Operated or Electric Vehicles in the country, the Ministry of Road Transport and Highways has initiated steps for providing for differential registration fees under the Central Motor Vehicles Rules 1989. For this, the Ministry has issued a draft notification dated 18th June 2019 vide Gsr 430 (E), to amend Rule 81 of CMVR. The amendment proposes to exempt Battery Operated Vehicles from payment of fees for the purpose of issue or renewal of registration certificate and assignment of new registration mark. This means that Electric Vehicles would be exempted from such registration charges.

- **Tax on Lottery to be taken up in next GST Council meeting-** The issue of the GST rate on lottery may turn critical in the GST Council meeting to be held on 21st June 2019, with Kerala Assembly passing a resolution against Centre's proposal of imposing a uniform tax rate on state and private-run lotteries to curb revenue leaks due to the present dual rate structure. Other issues to be taken up by the Council in the meeting include one-year extension for the GST anti-profiteering body, lowering GST rate on electric vehicles to 5%, introduction of electronic invoicing facility for large firms, among others.
- **India will not allow multi-brand retail by foreign firms, predatory pricing: Shri Piyush Goyal-** According to Shri Piyush Goyal, Hon'ble Commerce and Industry Minister, the government will not allow foreign companies to operate in multi-brand segment and necessary action will be taken against people indulging in predatory pricing. He also asked the traders to use government e-marketplace and MUDRA scheme to promote their business.

Markets So Far

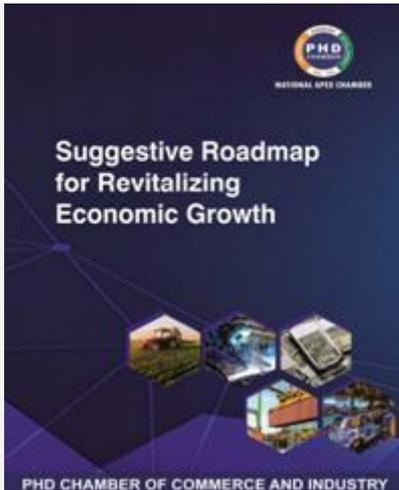
Indicators	Yearly			Monthly			Daily	
	2016	2017	2018	Mar 19	Apr 19	May 19	(18-06-2019)	(19-06-2019)
SENSEX	26626	34057	36068	38673	39031	39714*	39046.34	39112.74
INDIA GRMS)	29420	28966	30600	32036	31648	31721	32918	32850
OIL (1 L)	2925	3317	4437	4040	4420	4272	3627	3762
INR/USD RATE (USD)	67	65	68	69.47	69.42	69.77	69.7	69.7

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (* denotes value as on 31st May 2019)

Study

PHD Chamber released a study on Suggestive Roadmap for Revitalizing Economic Growth.

[STUDY ON SUGGESTIVE ROADMAP FOR REVITALIZING ECONOMIC GROWTH](#)



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 established 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

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in

Follow us on



"Towards an Inclusive & Prosperous India"

PHD CHAMBER OF COMMERCE AND INDUSTRY

PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL195

Connect with us:



COPYRIGHT: All rights reserved. No part of this publication/Release may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher.

DISCLAIMER: This message and its attachments contain confidential information. If you are not the intended recipient, you are strictly prohibited to disclose, copy, distribute or take any action in reliance on the contents of this information. E-mail transmission cannot be guaranteed to be secure or error-free, as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.