

Weekly Compendium of Research

For the week ending 31st 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 Second Advanced Estimate (2018-19) of Area and Production of various Horticulture Crops released by Department of Agriculture, Cooperation and Farmers Welfare, Committee constituted on the Development of Housing Finance Securitisation Market by RBI; Task Force constituted on the Development of Secondary Market for Corporate Loans by RBI; announcements on amendment in import policy of biofuel by government, among others. The details of disseminated information during the week ending 31st May 2019 are appended.

India and World Economy

- [Department of Agriculture, Cooperation and Farmers Welfare Releases the Second Advanced Estimate \(2018-19\) of Area and Production of various Horticulture Crops-](#) department of Agriculture, Cooperation and Farmers Welfare has released the Second Advanced Estimate (2018-19) of Area and Production of various Horticulture Crops. The Total Horticulture Production of the country is estimated to be 314.87 Million Tonnes which is 1.01% higher than Horticulture Production in 2017-18.
- [India's GDP growth stands at 6.8% \(PE\) in FY2018-19 and at 5.8% for Q4 FY2019-](#) India's GDP stands at 6.8% (Provisional Estimates –PE) 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. Construction registered a growth of 7.1% in Q4 FY2019 and 8.7% (PE) in FY2019. Growth of Trade, Hotel, Transport, Communication has been registered at 6.0% in Q4 FY2019 and 6.9% in FY2019. Financial, Real Estate & Professional Services registered a growth of 9.5% in Q4 FY2019 and 7.4% in FY2019. Public Administration, Defence & Other Services registered a growth of 10.7% in Q4 FY2019 and 8.6% in FY2019.

Finance

- [RBI constitutes Committee on the Development of Housing Finance Securitization Market -](#) The mortgage securitization market in India is primarily dominated by direct assignments among a limited set of market participants on account of various structural factors impacting both the demand and the supply side, as well as certain prudential, legal, tax and accounting issues. For a vibrant securitisation market to develop, it is imperative that the market moves to a broader issuance model with suitable structuring of the instruments for diverse investor classes.
- [RBI constitutes Task Force on the Development of Secondary Market for Corporate Loans-](#) Secondary loan market in India is largely restricted to sale to Asset Reconstruction Companies and ad hoc sale to other lenders including banks, and no formalised mechanism has been developed to deepen the market. A vibrant, deep and liquid secondary market for debt would go a long way in increasing the efficiencies of the debt market in general and would aid in resolution of stressed assets in particular.
- [Extension of relaxation on the guidelines to NBFCs on securitisation transactions-](#) In order to encourage NBFCs to securitise/assign their eligible assets, it was decided by RBI to relax the Minimum Holding Period (MHP) requirement for originating NBFCs, in respect of loans of original

maturity above 5 years, to receipt of repayment of six monthly installments or two quarterly installments (as applicable), subject to the following prudential requirement: Minimum Retention Requirement (MRR) for such securitisation/assignment transactions shall be 20% of the book value of the loans being securitised/20% of the cash flows from the assets assigned.

Trade

- **FDI equity inflows in India declined by 1% during FY2018-** During FY2018-19 (April-March), FDI equity inflows stand at about USD 44 billion as against USD 45 billion during the same corresponding period of last year, registering a growth rate of (-)1% year on year. Total Foreign Direct Investment (FDI) flows in India (Equity inflows + Re-invested earnings + Other capital) stands at USD 64 billion during FY2018-19.
- **Government announces amendment in import policy of biofuels-** In exercise of the 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 biofuels under Chapter 22,27 and 38 of ITC (HS), 2017, Schedule – I (Import Policy).

Our Voice

PHDCCI hails new Union Cabinet, expects revitalization of economy and job creation- revitalization of economic growth, measures for job creation and doubling of the farmers' income should be top of the Agenda of the new government. Manufacturing should become the engine of economic growth supported by the growth vehicles viz. public investments, private investments, private consumption and exports. Bolstering of the Manufacturing Sector should require structural reforms in the labour laws. The low hanging fruit at this juncture, is to convert 44 labour laws into 4 Labour Codes. The objective should be to make labour laws simple and easier. Allowing the Fixed Term Employment would be crucial to increase efficiency and efficacy of the business firms in the domestic as well as in the export markets. Land reforms such as increase in the lease period and creation of land banks for the use of industry would be crucial to enhance the production possibility frontiers of the manufacturing firms and to achieve a 12% growth rate in the manufacturing sector.

Further, immediate reform measures such as reduction in the Corporate Tax rate to the level of 25% for all ignoring the turnover criteria, abolition of MAT, reduction of Income-Tax to 25% with no exemptions and roadmap for disinvestments must come in the announcement of Union Budget for 2019-20. Support to NBFCs should be prioritized as NBFCs are at a critical stage vis-a-vis shortage of liquidity. There is a need to fast-track the infrastructure projects especially building of elevated National Highways to achieve the target of 10,000 kms annually to create employment opportunities not only for the highly skilled workforce but also for unskilled and semi-skilled workforce too.

Economy so far

- **Poll mandate gives RBI room to reduce rates-**A clear mandate to the Modi-led NDA could pave the way for softer interest rates regime from the Reserve Bank of India (RBI) when it announces its second bi-monthly policy for 2019 on June 6. One of the uncertainties over the monetary policy was the forthcoming Budget's adherence to fiscal consolidation. Before elections, there was a risk of slippage as the Congress-led UPA — had under its proposed Nyay scheme promised minimum basic income of Rs 72,000. ShriShaktikanta Das, RBI governor, had indicated that he will use all possible instruments to ensure liquidity in the markets.
- **Gas-based plants' revival, EV infra on priority list of government in second innings-**Revival of gas-based power plants and putting up electric vehicle infrastructure are expected to be on the priority list of the new NDA government. The Ministry of Power is expected to approach the union cabinet to get approval in the next 100 days for a subsidy mechanism to revive gas-based power projects. In its first 100 days in office, the government will also target to set up public charging stations for electric vehicles in Delhi, Gurgaon, Bengaluru and Hyderabad. Battery swapping and charging stations for e-rickshaws are also planned to be set up in the National Capital Region.
- **GST Council may meet next week; NAA extension likely to be on agenda-**The next meeting of the GST Council could take place as early as next week after approval from the new Finance

Minister. The focus will be on tackling the unfinished agenda requiring immediate attention like tax structure for solar projects, uniform tax rate on state-organised and state-authorized lotteries, taxing non-potable alcohol besides certain changes in the law, extension for the National Anti-profiteering Authority (NAA) and rate rationalisation.

- **GST standard rates may not be merged any time soon**-The Revenue Department does not think it would be appropriate even in the near future to merge the two standard rates of Goods & Services Tax (GST) into one rate. There has been talk of merging the two rates and having one standard rate of 15 per cent to simplify the GST structure. According to Revenue Department, at this juncture, clubbing of the two rates into one rate of 15% might cause a revenue loss of approximately ₹1 lakh crore annually.
- **China proposes ASEAN+3 mega free trade agreement sans India, Australia and New Zealand**- India could be out of the mega trade deal being negotiated between 16 countries, including the ASEAN and China, if a proposal made by Beijing for a free trade pact excluding New Delhi is taken seriously by other members. China has started pushing for a free trade pact between ASEAN + 3 (which includes the ten-member ASEAN, China, Japan and South Korea) at the East Asia Summit. This would effectively mean that among the 16 countries negotiating the Regional Comprehensive Economic Partnership (RCEP), all except India, Australia and New Zealand would get included in the proposed pact.
- **Government restricts bio-fuel imports**-The government has restricted the import of bio-fuels including ethyl alcohol, bio-diesel and petroleum oils for all purposes and their import will require import licence from the Directorate General of Foreign Trade (DGFT). Till now, import was allowed only for non-fuel purposes subject to actual user condition. The restriction will affect the import of ethyl alcohol and other spirits, denatured, of any strength, petroleum oils and oils obtained from bituminous minerals (other than crude, through an amendment in import policy) and bio-diesel.
- **Maharashtra warns farmers of delayed monsoon**- Government of Maharashtra has issued an advisory to the farmers of the state regarding delay in the onset of monsoon. The agricultural department has advised farmers to complete the pre-sowing farm operations and plan their operations as per the weather advisories. Though monsoon has arrived in the Andamans, its further progress remains stalled.
- **GDP growth in Q4 likely to moderate to 6.1-5.9%, may lead RBI to cut rates: SBI report**- According to a report by SBI, the country's economic growth in the fourth quarter ended March 2019 is expected to moderate to 6.1-5.9%, which could pull down growth rate for the entire fiscal 2018-19 to below 7%. The slip in GDP growth may force the Reserve Bank of India to move with a deeper 0.50% cut in rates at its next review to propel the sluggish economy. However, the report added that the current slowdown can be "transitory" if proper policies are adopted in the interim.
- **Government likely to introduce electronic invoice system under GST**-Top companies in the country may soon have to rely on a common goods and services tax portal to issue invoices to their customers. The government is looking to introduce an electronic invoice mechanism under GST, but could restrict it to large companies in the initial phase. This will automatically register every transaction on the GST network.
- **National Statistical Commission to get more teeth in 100 days**-Facing criticism over the quality of official data on economic growth and employment, the government has decided to review the role of the National Statistical Commission (NSC) and empower it through a legislation to give it more teeth and resources. NSC, the apex advisory body on statistical matters, has been defunct

since January, with no new independent members appointed by the government. Now, the government wants to strengthen the NSC. This is a priority on agenda for the next 100 days. The Ministry of Statistics and Programme Implementation (MoSPI) has suggested a National Statistical Commission Bill to strengthen its existing institutional and legal framework, which has been found to be inadequate for producing India's official statistics. This plan is in line with the proposed National Policy on Official Statistics.

- **Government weighing scheme for fast refund of levies to exporters**-As part of its 100-day agenda to boost exports, the government is weighing a major promotion scheme to ensure fast refund of central and state taxes and levies to soften the blow of an ongoing global trade war. Currently, similar incentives are granted to only garments and made-up exporters. India is preparing the new scheme as the existing Merchandise Exports for India (MEIS) Scheme is being opposed by the US in the World Trade Organisation (WTO). The US has alleged that the MEIS is not in sync with global trade norms. The commerce ministry could also propose a WTO-compliant production-based support scheme to boost exports, instead of offering the MEIS.
- **Concessional income tax rate in traders' list of demands for Modi government**-After successfully campaigning for Hon'ble Prime Minister Narendra Modi in the Lok Sabha elections, the more than 60-million traders' community is ready with its list of demands, including a concessional income tax rate, for the new government.
- **Economic growth may have slipped below 7% in FY19, lowest in 5 years:** ET Poll-India's economic growth is likely to have slipped below 7% in FY19, the lowest in the past five years, because of a disappointing fourth quarter. That could prompt a further cut in interest rates by the central bank and renewed efforts by the incoming government to drum up demand and private investment. According to an ET survey of independent economists, January-March quarter growth may have slumped to 6-6.3% against 6.6% expansion in the preceding one, pulling down the growth rate for the fiscal year.
- **India moves up to 43rd place on competitiveness;** Singapore takes top slot-India has moved up one place to rank as the world's 43rd most competitive economy on the back of its robust economic growth, a large labour force and its huge market size, while Singapore has toppled the US to grab the top position, a global study.
- **FDI inflows record first decline in six years this fiscal**-Foreign direct investment (FDI) in India declined for the first time in the last six years in 2018-19, falling by 1 per cent to USD44.37 billion as overseas fund inflows subsided in telecom, pharma and other sectors. FDI in 2017-18 was a record USD44.85 billion.
- **US removes India from currency monitoring list**-The US government has removed India from its monitoring list for currency manipulation, clearing doubts over India's foreign exchange policies including undervaluation of currencies to gain export advantages. India was first included in the in 2017 when Reserve Bank of India had grown foreign exchange reserves substantially by regular intervention in foreign exchange market. The Trump administration has also removed Switzerland from the list but expanded it to nine nations from six earlier.
- **Digital health, financial services for villagers soon-** The government will soon start providing health and financial services, skill development programmes and education to villagers across the country through its 'Digital Village' initiative that would utilise broadband connectivity provided through BharatNet. To start with, the government hopes to provide services in over 700 villages—one in each district of the country—within the first three years, before extending it across the

country.

- **Facilitation, logistics of trade may get separate department-** The Ministry of Commerce and Industry has proposed creation of a separate department for trade facilitation and logistics for better coordination among different government agencies. At present, the logistics division in the Department of Commerce is mandated to develop an action plan for the logistics sector in the country, by way of policy changes, improvement in existing procedures, identification of bottlenecks and gaps, and introduction of technology.
- **GST Council sets up 2 sub-groups to examine legal, technical aspects of e-invoice for B2B sales-** The GST Council has set up two sub-groups to look into the policy and technical aspects, such as turnover threshold and mode of generation, for e-invoice generation by businesses. While one sub-group will examine the business process, policy and legal aspects for generation of e-invoice, the other will recommend technical aspects for its roll-out. The sub-group on policy issues would also suggest some "immediate steps" to check fake invoices in case of business-to-business(B2B) supplies with a high threshold turnover and also recommend a carve-out for sectors like banking and telecom.
- **FDI policy review begins as inflows drop despite auto route-**The government is examining India's foreign direct investment policy to look for new areas that can be opened to overseas investors and sectors that face hurdles despite being on the automatic route. The exercise comes after FDI equity inflows into India fell in 2018-19, for the first time in six years, with a steep decline in telecom, pharmaceuticals and power. FDI equity inflows into India declined 1% to USD44 billion in 2018-19 from a record USD45 billion in the previous year.
- **7th Economic Census to cover villages without economic activity-**The upcoming economic census will identify villages with no economic activity. The Seventh Economic Census will be held this year after a gap of five years. The census, conducted by MoSPI, would give a complete count of all economic units in the country. The entire field work is proposed to be completed during June 2019 to September 2019 across all states and union territories. National level provisional results are planned to be released by December.
- **Ministry of Finance may look at 10-year tax holiday on rental profits earned by builders-**The Ministry of Finance ministry may look at a 10-year tax holiday for real estate developers on profits earned from rental housing as it looks to revive investment and boost a slowing economy. Over the past few years, investments in the country have fallen from 36% of GDP to 29%, and the Ministry of Finance believes that the primary reason for this decline is slowdown in the real estate sector.
- **RBI constitutes task force on secondary market for corporate loans-**The Reserve Bank of India (RBI) recently constituted a task force on the development of secondary market for corporate loans. In India, banks sell their stressed loans to the asset reconstruction companies, but has practically no other alternatives. However, globally, there is a healthy corporate loan market where banks can offload their stressed assets and those get traded. Credit Default Swaps (CDS) against these loans also get developed as a result. A vibrant, deep and liquid secondary market for debt would go a long way in increasing the efficiencies of the debt market in general and would aid in resolution of stressed assets in particular. A well-developed secondary market for debt would also aid in transparent price discovery of the inherent riskiness of the debt being traded.
- **Odisha government starts disbursements of funds to farmers under 'KALIA' scheme-** the state government recently started disbursement of funds to farmers under the 'KALIA' scheme. The first instalment of Rs 5,000 was released to about 8.4 lakh farm families under the Krushak

Assistance for Livelihood and Income Augmentation (KALIA) scheme through direct benefit transfer (DBT).

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Feb 19	Mar 19	Apr 19	(28-05-2019)	(29-05-2019)	(30-05-2019)
BSE SENSEX	26626	34057	36068	35867.4	38673*	39031	39749.73	39502.05	39831.97
GOLD (10 GRMS)	29420	28966	30600	33211.8	32036	31648	31710	31802	31674
CRUDE OIL (1 BBL)	2925	3317	4437	3906.4	4040	4420	4081	4117	4110
EXCHANGE RATE (INR/USD)	67	65	68	71.2	69.47	69.42	69.5	69.8	69.8

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

Newsletters

PHD Research Bureau released a newsletter on State Development Monitor that captures the developments on various fronts such as economic, health, infrastructure, rural economy and tourism in all the states of India.

[STATE DEVELOPMENT MONITOR FOR THE MONTH OF MAY 2019](#)



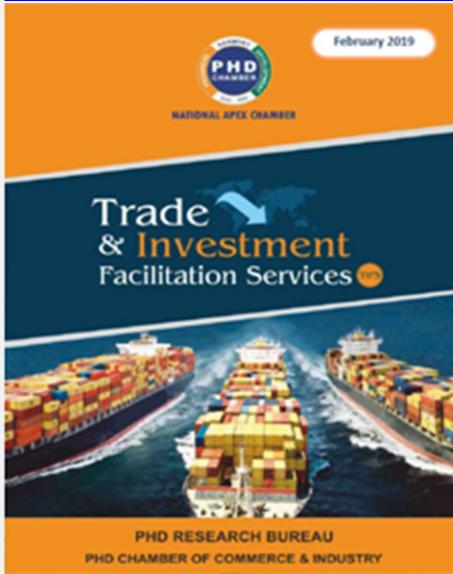
PHD Research Bureau released a newsletter on Economic Affairs Committee (EAC) that captures a comprehensive view on the economic and social development in the economy. The newsletter provides concise view of movements in lead indicators.

[ECONOMIC AFFAIRS COMMITTEE NEWSLETTER FOR THE MONTH OF MAY 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 MAY 2019](#)



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Warm Regards,

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