

Weekly Compendium of Research

(Week ending 7th 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 Provisional estimates of annual national income for 2018-19, 3rd advance estimates of foodgrain production, GST revenue collection for the month of May 2019, prudential framework for resolution of stressed assets released by RBI, second bi-monthly Monetary Policy Statement, 2019-20, withdrawal of India's GSP benefits by USA, among others. The details of disseminated information during the week ending 7th June 2019 are appended.

India and World Economy

- **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.
- **FY2019 (3rd Advance Estimates) food grain production at 283.4 million tonnes-** Department of Agriculture, Cooperation and Farmers Welfare has released the 3rd Advance Estimates of Production of Major Crops for 2018-19. The total Foodgrain production in the country is estimated at 283.4 million tonnes which is higher by 17.6 million tonnes than the previous five years' (2013-14 to 2017-18) average production of foodgrain.
- **GST Revenue collection for May, 2019 stands at Rs 1,00,289 crore-** The total gross GST revenue collected in the month of May, 2019 is Rs 1,00,289 crore of which CGST is Rs 17,811 crore, SGST is Rs 24,462 crore, IGST is Rs 49,891 crore (including Rs 24,875 crore collected on imports) and Cess is Rs 8,125 crore (including Rs 953 crore collected on imports). The total number of GSTR 3B Returns filed for the month of April up to 31st May, 2019 is 72.45 lakh.

Finance

- **RBI releases Prudential Framework for Resolution of Stressed Assets-** the Reserve Bank has released the prudential framework for resolution of stressed assets by banks in the wake of the judgement of the Hon'ble Supreme Court of India. The fundamental principles underlying the regulatory approach for resolution of stressed assets are: Early recognition and reporting of default in respect of large borrowers by banks, FIs and NBFCs; Complete discretion to lenders with regard to design and implementation of resolution plans, among others.
- **RBI reduces repo rate in Second Bi-monthly Monetary Policy Statement, 2019-20-** 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 5.75 per cent from 6.0 per cent with immediate effect. Consequently, the reverse repo rate under the LAF stands adjusted to 5.50 per cent, and the marginal standing facility

(MSF) rate and the Bank Rate to 6.0 per cent. The MPC also decided to change the stance of monetary policy from neutral to accommodative. 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.

Trade

- **Ministry of Commerce and Industry committed to synergise Export Promotion and Internal Trade: Hon'ble Union Minister of Commerce and Industry-** The Hon'ble Union Minister of Commerce and Industry & Railways has said that Ministries/departments can no longer work in isolation for effective outcome of government policy. He further said that action on many of the decisions arrived at this meeting will be taken in next 45 days. He said that easier availability of credit at cheaper rates to exporters will be resolved expeditiously and customs clearances will be made quicker by installing X Ray scanners at all major Ports. Robust mechanism for Track & Trace in Pharma sector will be implemented in three months, a new scheme to rebate state and central taxes and levies will be rolled out in 3 months and will be implemented in a phased manner for all sectors, he added.
- **Withdrawal of India's GSP benefits by USA-** The United States of America (USA) has w.e.f. 5th June 2019 withdrawn India's GSP benefits. These are unilateral, non-reciprocal and non-discriminatory benefits extended by some developed countries to developing countries.

Our Voice

PHD Chamber welcomes cut in repo rate: The 25 basis points cut in repo rate from 6% to 5.75% by RBI will help to stimulate demand, boost investments, enhance exporters' competitiveness and growth of the industrial sector. While common man will be benefited with softening of EMIs on loans; the ripple effect of rate cut will enable small business to fulfill their credit requirements. At this juncture, the transmission of the policy rate cut by the banking sector in terms of reduced lending rates would be crucial to boost liquidity, induce demand and industrial growth in the country. Continuation of rate cut in the coming times would be crucial to help demand to remain intact to enhance sentiment for investments and expanding production capacities. Going ahead, we expect repo rate to come down to 5% in the coming quarters for adequate availability of credit to the industry especially to the MSMEs sector.

Reduce Repo Rate at 4% in phases as well Rationalize CRR: PHDCCI: PHD Chamber of Commerce and Industry (PHDCCI) on Friday urged the RBI to further slash the repo rate and pro-actively consider reducing the limit of Cash Reserve Ratio (CRR) to make sure that private investment picks up to fuel the growth rate and the sagging economy begins to grow and expand. It has also made a prognosis that both SENSEX and NIFTY would commence inching up with stable government in place in India under Prime Minister Shri Modi which would attract huge investments from FPIs, FIIs, Private Equities and host of other such entities and spur up economic activities with aggressive pace. Its fall out is bound to stoke manufacturing and services to transform India both economically and socially.

Economy so far

- **Withdrawal of India's GSP benefits by USA-** The United States of America (USA) has w.e.f. 5 June 2019 withdrawn India's GSP benefits. These are unilateral, non-reciprocal and non-discriminatory benefits extended by some developed countries to developing countries. India as part of its bilateral trade discussions, had offered resolution on significant US requests in an effort to find a mutually acceptable way forward. It is unfortunate that this did not find acceptance by the US. India, like the US and other nations shall always uphold its national interest in these matters.
- **Economists caution government over fiscal stimulus, call for RBI rate cut-** Economists have cautioned the government about a fiscal stimulus to revive the economy, whose growth had plunged to a five-year low of 5.8% in the fourth quarter of 2018-19. They have said if a stimulus is needed it should be different from what was provided in 2008-09, when the economy faced the ripple effects of a global meltdown following the Lehman Brothers collapse. Some economists said

a stimulus should not be given now.

- **Gems, jewellery exports dip 5.32% in 2018-19-** Gems and jewellery exports declined 5.3% to USD 30.96 billion in 2018-19, mainly on account of slowdown in demand in major developed markets. According to data from the Gems and Jewellery Export Promotion Council (GJEPC), exports stood at USD 32.7 billion in 2017-18. The labour-intensive sector contributes about 15% to the country's overall exports. The decline in shipments is mainly due to negative growth in the export of silver jewellery, coloured gem stones, rough diamonds, gold medallions and coins.
- **GDP growth concerns in India put more interest rate cuts on the radar-** A marked slowdown in Indian economy pushed growth concerns to the top of the Reserve Bank of India's agenda, suggesting more policy easing will follow its third interest-rate cut of the year. Governor Shri Shaktikanta Das and the inflation-targeting RBI are now squarely focused on boosting investment and consumption after quarterly growth cooled to a five-year low at the beginning of 2019.
- **Evidence-based policy making need of the hour: Experts-** Evidence-based policy making is the need of the hour to adequately safeguard the interests of the common people. India's present socio-economic and political transformation process requires strengthening of the capacity for undertaking evidence-based policy making at multiple levels of governance.
- **More items likely to go off highest GST slab-** India could review the goods and services tax (GST) structure to further prune the number of items in the highest slab of 28% as it attempts to stave off a slump in demand. Some states have favoured a reduction in tax rates, worried that the slowdown may get entrenched, and have communicated their concern to the Centre.
- **GST Council to meet on June 20, 2019 may fix Rs 50 cr turnover threshold for e-invoice under GST-** The Ministry of Finance is likely to propose Rs 50 crore as the turnover threshold for entities to generate e-invoice on a centralised government portal for business-to-business (B2B) sales as it looks to curb GST evasion. The GST Council, which will meet on June 20, will take a final decision on the turnover threshold for issuance of e-invoice for B2B sales after consultation with states. Analysis of return filing shows that as many as 68,041 businesses have reported a turnover of over Rs 50 crore and accounted for 66.6 per cent of total GST paid in 2017-18.
- **Soon there will be tax on cash withdrawal of Rs 10 lakh a year-** In order to encourage digital transaction and crack down on black money, the government may soon start taxing those who withdraw more than Rs 10 lakh in cash in a year. The government may also mandate Aadhaar authentication for all high-value cash withdrawals in order to track individuals and tally tax returns.
- **Consumer Price Index for Industrial Workers (CPI-IW) - April, 2019-** The All-India CPI-IW for April, 2019 increased by 3 points and pegged at 312. On 1-month percentage change, it increased by (+) 0.97% between March, 2019 and April, 2019 when compared with the increase of (+) 0.35% between the corresponding months of previous year. The maximum upward pressure in current index came from Food group contributing (+) 2.26 percentage points to the total change. The year-on-year inflation based on CPI-IW stood at 8.3% for April, 2019 as compared to 7.6% for the previous month and 3.9% during the corresponding month of the previous year.
- **MCA examining pre-packaged insolvency solutions to cut delay under IBC-** Prepackaged insolvency resolution, allowing creditors and shareholders with a pre-negotiated corporate reorganisation plan to approach NCLT, may be taken forward by the government as a key route in the time to come. This will aid the existing framework and cut costs and the time taken during the resolution process. This is part of a consultation process under the law panel of the IBC identifying issues impacting its efficacy and make recommendations.

- **Prime Minister forms two Cabinet panels to spur investment and employment-** Prime Minister Shri Narendra Modi will head two separate Cabinet committees on investment & growth and employment & skill development, underscoring the urgency in the new government to revive the slowing economy and generate more jobs. The Cabinet Committee on Investment & Growth will have four other members. The Cabinet Committee on Employment & Skill Development has 10 members.
- **Copyright amendment rules will widen framework, bring transparency: Government-** The government's proposal to widen the copyright framework, restricted till now to television and radio till now, to bring all forms of broadcasters under its ambit, will improve accountability and transparency. The Department for Promotion of Industry and Internal Trade (DPIIT) recently proposed to introduce the Copyright Amendment Rules, 2019 seeking to introduce changes to the copyright framework in the light of technological advancement in digital era and to bring them in parity with other relevant legislation.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Mar 19	Apr 19	May 19	(04-06-2019)	(06-06-2019)	(07-06-2019)
BSE SENSEX	26626	34057	36068	38673	39031	39714*	40083	39529	39615
GOLD (10 GRMS)	29420	28966	30600	32036	31648	31721	32407	32611	32607
CRUDE OIL (1 BBL)	2925	3317	4437	4040	4420	4272	3697	3581	3646
EXCHANGE RATE (INR/USD)	67	65	68	69.47	69.42	69.77	69.26	69.27	69.47

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

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- **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,

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