

Weekly Compendium of Research

For the week ending 12th July 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 experienced the fastest absolute reductions in poverty according to UN's Multidimensional Poverty Index 2019, launch of Phase-II of DBT in Fertilizer Subsidy, along with various decisions taken by the Union Cabinet, among others. The details of disseminated information during the week ending 12th July 2019 are appended.

India and World Economy

- **Decisions taken by the Union Cabinet** - Cabinet approves Code on Occupational Safety, Health and Working Conditions Bill, 2019: 13 Central Labour Laws brought in ambit of New Code- In the spirit of 'Sabka Saath, Sabka Vikaas' and 'Sabka Vishwas', the NDA Government led by Hon'ble Prime Minister Shri Narendra Modi has been continuously working for the benefit of people from various walks of life. With this objective, the Union Cabinet chaired by Prime Minister Shri Narendra Modi has approved for introduction of the Code on Occupational Safety, Health and Working Conditions Bill, 2019 in the Parliament. Also, the Cabinet approved the Banning of Unregulated Deposit Schemes Bill, 2019. The Union Cabinet, chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved the banning of Unregulated Deposit Schemes Bill, 2019. It will replace the banning of Unregulated Deposit Schemes Ordinance, 2019.
- **Launch of Phase-II of DBT in Fertilizer Subsidy** -Hon'ble Union Minister for Chemicals and Fertilizers, Shri D.V. Sadananda Gowda launched the Phase-II of the Direct Benefit Transfer of Fertilizer Subsidy (DBT 2.0). The new initiatives of DBT 2.0 are: DBT Dashboards, PoS 3.0 Software, Desktop PoS Version.
- **India experienced the fastest absolute reductions in poverty: UN's Multidimensional Poverty Index 2019; Illuminating Inequalities-** The Multidimensional Poverty Index 2019; Illuminating Inequalities sheds light on the number of people experiencing poverty at regional, national and subnational levels, revealing inequalities across countries and among the poor themselves. Jointly developed by the United Nations Development Programme (UNDP) and the Oxford Poverty and Human Development Initiative (OPHI) at the University of Oxford, the 2019 global MPI offers data for 101 countries, covering 76% of the global population. According to the report, across 101 countries, 1.3 billion people—23.1%—are multidimensionally poor.
- **May 2019 IIP stands at 3.1% and June 2019 CPI inflation rises to 3.2%-** Growth in industry output, as measured in terms of IIP, for the month of May 2019 grows at 3.1% as compared to 4.3% in April 2019. The growth in the three sectors mining, manufacturing and electricity in May 2019 stands at 3.2%, 2.5% and 7.4% respectively over May 2018. Primary goods growth stands at 2.5%, capital goods growth stands at 0.8%, intermediate goods growth stands at 0.6%, infrastructure/construction goods growth stands at 5.5%, consumer durables stands at (-)0.1% and consumer non-durables growth stands at 7.7% during May 2019 as compared to the previous year. The all India general CPI

inflation (Combined) for June 2019 rises marginally to 3.2% from 3.1 % in May 2019. The inflation rates for rural and urban areas for June 2019 (Provisional) are 2.2% and 4.3% respectively as compared to 1.9% and 4.5% respectively, for June 2019. Rate of inflation during June 2019 for transport and communication (0.7%), fuel and light (2.3%), housing (4.8%), education (6.8%), health (8.2%), meat and fish (9.0%), etc.

Our Voice

The global economic environment is volatile. China has recorded the lowest growth in 27 years at 6.2% in Q2 of 2019 while trade tensions and global uncertainty are impacting the global growth prospects. However, on the domestic front, the Hon'ble Finance Minister Smt. Nirmala Sitharaman has presented a bottoms-up, inclusive, and balanced budget with a strong focus on socio-economic development of the country to build a New India, going forward. The proposals unveiled in it on various socio-economic fronts of the economy indicate promises of progress in coming times. The macro-economic environment display a mixed trend as the WPI inflation has cooled down while there is a marginal increase in CPI inflation. The IIP has moderated to 3.1% in May 2019 from 4.3% in April 2019. Nonetheless, it is expected that the macro-economic environment would become positive with the private investments kicking in supported by an uptick in private consumption. The ongoing reform momentum of the government would give a boost to all economic segments and the economy would grow on a higher trajectory, going forward.

Economy so far

- **Nearly 4,000 companies set to gain from corporate tax reduction-** The government's move to reduce the corporation tax rate to 25% will benefit around 4,000 companies with the Centre expected to forego Rs 3,000 crore revenue annually. The latest increase in the coverage of the concessional 25% rate, which was initially for small enterprises, will leave around 6,000 companies in the top tax bracket as their revenues exceed Rs 400 crore a year.
- **'High-risk remittance' data under Income Tax department's scanner-**The reporting and certification requirement in case of payments to non-residents has come under the Income Tax department's scanner. The Central Board of Direct Taxes (CBDT) has directed tax sleuths to verify the "high-risk remittance" data and initiate action in the necessary cases. The CBDT has formulated a set of revised risk parameters for selecting high-risk remittance data from forms 15CA/CB, required to be furnished by an individual if they make any payment to a non-resident, which are taxable and the payment amount during the year exceeds Rs 5 lakh. The apex body wants relevant information to be made available to the assessing officer by August 15.
- **FDI in insurance intermediaries to create tech innovation, global standards: Experts-** The insurance industry has welcomed the finance minister's announcement of 100% foreign direct investment (FDI) for insurance intermediaries. Market participants believe that this proposal would enable innovation in insurance distribution and bring in more technical innovation and global best practices in the insurance industry.
- **Monsoon deficiency falls to 21%; east, northeast see lowest rainfall: IMD-** Monsoon has covered almost the entire country, but three-fourths of MeT department's sub-meteorological divisions still fall under the "deficient" rainfall category, the India Meteorological Department's data shows. The overall monsoon deficiency, which was 33% at the start of the month, has dipped to 21%.
- **Breather for exporters as Centre to pay ITC refund for State GST-**In a major relief to exporters, the Centre will now pay the input tax credit (ITC) refunds of state taxes, thereby reducing transaction time and costs, and manual interface in claim processing. As per industry, there is a huge difference in the amount claimed, state goods and services tax (SGST) sanction amount

received from central tax authority and the amount actually disbursed.

- **CAG, CVC may not cover PSUs if government stake below 51%**-State-run companies where the government brings down its stake below 51% may not come under the scrutiny of government vigilance agencies such as the Central Vigilance Commission and Comptroller and Auditor General. Under Section 2(45) of the Companies Act, only those firms where the government has at least a 51% stake are considered to be state-owned, a senior government official said. In her budget, Smt. Nirmala Sitharaman, Hon'ble Finance Minister announced the government's intention to cut its stake below 51% in several companies on a case-to-case basis.
- **Consumption tale twist: Bharat lags India in June quarter-** According to companies and analysts, growth in rural consumption was slightly slower than that in urban areas in the June quarter, the first time this has happened in over two years, due to liquidity issues and lower farm wage growth that impacted sentiment. Consumption in rural India, which accounts for about a third of the market, has been under stress over the past three quarters even though its rate of expansion has been faster than that in the cities. Rural growth rates, which were nearly double those in urban areas, moderated to 1.5 times in the December quarter and subsequently about 1.2 times in the March quarter.
- **NIIF set to make national highway debut with Rs 15,000-crore investment-**In a major greenfield investment, the National Investment and Infrastructure Fund (NIIF) would be investing Rs 15,000 crore in equity for the marquee Delhi-Mumbai expressway project. This equity investment would be leveraged to raise close to Rs 50,000-crore debt. The total project cost is approximately Rs 70,000 crore and the entire construction risk would be borne by the National Highways Authority of India (NHAI). This arrangement essentially means that the ownership of the project that is planned along the lines of new alignments would be with the NIIF.
- **World farm commodity prices could remain flat for 10 years: Annual report-**According to the annual report of Organisation for Economic Co-operation and Development (OECD) and the UN's Food and Agriculture Organization (FAO), prices of global farm commodities may stay flat or even drop for the next 10 years as production outpaces demand, as Indian farmers look to boost their income by increasing exports.
- **Rajya Sabha passes Bill on voluntary use of Aadhaar as identity proof-**The Rajya Sabha passed the Aadhaar and Other Laws (Amendment) Bill, 2019 which allows voluntary use of Aadhaar as proof of identity for users to open bank accounts and get mobile phone connection. The amendment was passed by a voice vote. Last week, the Bill was passed in the Lok Sabha amidst opposition from several quarters. The newly passed Bill also gives the Unique Identification Authority of India, the agency that administers Aadhaar, the power to now give directions as it may consider necessary to any entity in the Aadhaar ecosystem.
- **India lowers duty on 400,000 tonnes of corn imports as prices jump-**India lowered import taxes on an additional 400,000 tonnes of corn to 15% to offset a rise in the price of animal feed in the country following a drought last year. India allowed imports of 100,000 tonnes of corn at the concessional tax rate in June. The additional 400,000 tonnes of imports were permitted at the same rate following a request from the poultry industry.
- **Getting them ready for restructuring: Government may capitalise PSU insurers-**After banks, the government may capitalise public sector general insurers this year to improve their finances and get them ready for the next wave of restructuring. The quantum of capital support would be worked out post Ernst & Young (EY) gives its report, though according to the sources, anywhere between

Rs 9,000 crore and Rs 10,000 crore capital support would be required for the insurers to bring them in pink of health.

- **India calls for diversification of export basket for sustainable trade with Indonesia**-India raised concerns about widening trade deficit with Indonesia and called for diversifying the export basket for sustainable trade. Concerns were raised about India's trade deficit with Indonesia which stood at USD 10.57 billion in India's trade deficit with Indonesia during 2018-19. Balance of trade is heavily in favour of Indonesia and both countries need to work towards establishing sustainable trade by diversifying the export basket.
- **China accounted for around 67% of India's bulk drug imports in FY19**- China accounted for 67.56 per cent of total imports of bulk drugs and drug intermediates in 2018-19 at USD 2,405.42 million. The import of bulk drugs and drug intermediates from China stood at USD 2,055.94 million in 2017-18, accounting for 68.68% of their total import.
- **Government needs more than tax breaks to make India an investment hub**-India wants to attract "mega investments" in manufacturing with tax incentives, but it will need more than that to compete with Southeast Asian peers who are gaining from a shift in global supply chains.
- **Ministry of Finance may look into taxation of employee stock ownership plans**- India will review the taxation of employee stock ownership plans (Esops) to address issues that curb their effectiveness as a compensation tool and this review will not be confined to startups. A proposal by the Department for Promotion of Industry and Internal Trade (DPIIT) had been examined by the ministry of finance in the run-up to the budget but the view was that the entire framework needed to be reviewed, and not just for startups.
- **IBC: Mediation, not bankruptcy, to be key in individual cases**-The government is expected to bring in amendments to the Insolvency and Bankruptcy Code (IBC) in individual and cross border cases, seeking to ensure strict implementation of resolution plans and hasten recovery of cash stuck in bad loans. The concept of "mediation" is likely to be introduced while raising the bar in terms of cases that could be filed. A threshold may be fixed for individual loan default cases going into mediation instead of bankruptcy administration. Also, there could be a benchmark for total debt of up to a particular level below which cases would first go through "mediation".
- **Government supports local suppliers for public procurement orders**- The central government plans to ease eligibility criteria for participation in tenders for public procurement to promote local manufacturing and domestic suppliers by dropping conditions such as minimum Rs 1,000-crore turnover and export experience to G8 countries. To promote local manufacturing under Make in India, the Department for Promotion of Industry and Internal Trade (DPIIT) has issued an order to various central agencies asking them to ensure their tenders do not include conditions that are "restrictive and discriminatory against local suppliers".
- **Every number in Budget is authentic, says Finance Minister Sitharaman**- Hon'ble Finance Minister Smt. Nirmala Sitharaman said the government was committed to the path of fiscal consolidation without compromising on public expenditure. According to her, all the data mentioned in the Budget 2019-20 was authentic, allaying the Opposition's doubts about the numbers.
- **Services trade: Centre preparing database to strengthen the sector**-The Centre is banking on a new study on services trade to strengthen its hand in the ongoing trade negotiations as well as gather data to map the sector better. For the first time, the commerce department has commissioned a study to measure the trade restrictiveness in services and create a database

pinpointing the challenges faced by specific services industries.

- **India lifted 271 million people out of poverty between 2006 and 2016, says United Nations-** According to the report by the United Nations on the global Multidimensional Poverty Index (MPI) from the UN Development Programme (UNDP), the Oxford Poverty and Human Development Initiative (OPHI), India lifted 271 million people out of poverty between 2006 and 2016, recording the fastest reductions in the multidimensional poverty index values during the period with strong improvements in areas such as “assets, cooking fuel, sanitation and nutrition”. According to the report in the 101 countries studied – 31 low income, 68 middle income and 2 high income – 1.3 billion people are “multidimensionally poor”, which means that poverty is defined not simply by income, but by a number of indicators, including poor health, poor quality of work and the threat of violence.
- **Niti Aayog proposes two-wheelers sold in India after 2025 should be electric ones: Shri Nitin Gadkari-** To ensure rapid transition towards electric mobility, the NitiAayog has proposed that two-wheelers below the capacity of 150 cc sold in the country after March 31, 2025, should be electric ones only.
- **Housing affordability worsened over past four years, finds RBI survey-**Banks are getting more risk-tolerant in housing loans and are willing to offer higher loans against the value, reveals a survey by the RBI. The median loan-to-value (LTV) ratio moved from 67.7 to 69.6 between March 2015 and March 2019, showing that banks have become increasingly risk-tolerant.
- **Brazil joins Australia in dragging India to WTO over sugar subsidies-**The Brazilian government had asked the World Trade Organization to establish a panel aimed at resolving its dispute over Indian sugar subsidies. Brazil alleges that the Indian government has taken actions that distort global sugar markets. The South American country claims India doubled the minimum price for sugarcane since the 2010/2011 crop year with Indian sugar exports soaring in 2018/19 to 5 million tonnes from 2 million tonnes the prior year.
- **Frustrated with trade imbalance, new talks with India not open-ended: USTR-**Reiterating that President Donald Trump and US Trade Representative Robert Lighthizer are frustrated with the lack of balance and reciprocity from India when it comes to trade and tariff, according to a top Administration official, the new round of discussion between the two countries is not open-ended and the US wants things to move quickly.

Markets So Far

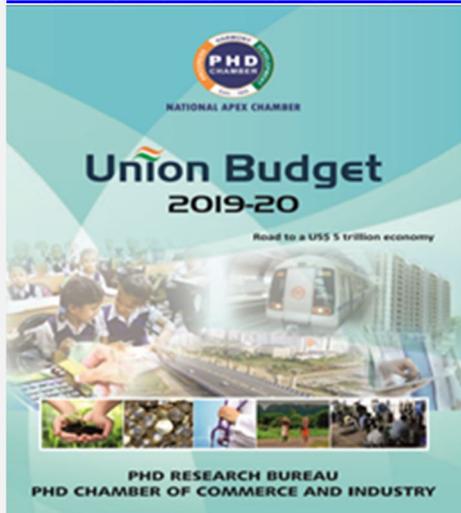
Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Apr 19	May 19	Jun 19	(10-07-2019)	(11-07-2019)	(12-07-2019)
BSE SENSEX	26626	34057	36068	39031	39714	39395*	38557.04	38823.11	38736.23
GOLD (10 GRMS)	29420	28966	30600	31648	31721	33105	34189	34575	34441
CRUDE OIL (1 BBL)	2925	3317	4437	4420	4272	3785	3975	4141	4116
EXCHANGE RATE (INR/USD)	67	65	68	69.42	69.77	69.02*	68.57	68.44	68.68

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (*denotes value as on 28th June 2019)

Study

PHD Chamber released a study on Union Budget 2019-20, Road to US\$ 5 trillion economy.

STUDY ON UNION BUDGET 2019-20 ROAD TO US\$ 5 TRILLION ECONOMY



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 3801-04, 49545454, 49545400
Fax : +91-11-2685 5450 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in, CIN: U74899DL1951GAP001947

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.