

Weekly Compendium of Research

For the week ending 28th 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 highlights of the review of draft National Logistics Policy, report of expert committee on micro, medium and small enterprises, second edition of “Healthy States, Progressive India” Report released by Niti Aayog, norms issued by RBI for setting up FBAs for administering ‘Significant Benchmarks’ for financial instruments, India’s external debt stands at end March 2019, April 2019 fiscal deficit, decisions taken in 35th GST Council Meeting, India’s CAD for 2018-19, announcement of amendment in import policy of seeds of Peas, release of 21st Monitoring Report on G20 Trade Measures by WTO, among others. The details of disseminated information during the week ending 28th June 2019 are appended.

India and World Economy

- [Hon'ble Commerce and Industry Minister reviews draft National Logistics Policy-](#) The Hon'ble Union Minister of Commerce and Industry & Railways, Shri Piyush Goyal has reviewed the draft National Logistics Policy and the proposed action plan for implementation of the policy prepared by the Department of Logistics, Ministry of Commerce and Industry, Government of India. The draft National Logistics Policy has been prepared in consultation with the Ministries of Railways, Road Transport and Highways, Shipping and Civil Aviation. Forty-six Partnering Government Agencies (PGAs) inputs were analysed in detail for consideration in the Policy.
- [Report of the Expert Committee on Micro, Small and Medium Enterprises-](#) The Reserve Bank of India had constituted an ‘Expert Committee on Micro, Small and Medium Enterprises’ under the Chairmanship of Shri U K Sinha in January 2019 to suggest long-term measures for the economic and financial sustainability of the MSME sector. The committee has submitted its report to the RBI.
- [NITI Aayog Releases the Second Edition of “Healthy States, Progressive India” Report-](#) NITI Aayog released the second edition of the Health Index analyses the overall performance and incremental improvement in the States and the UTs for the period 2015-16 (Base Year) and 2017-18 (Reference Year), i.e., a two-year period. The Health Index highlights the progress reached by the individual States and UTs and is an important instrument in understanding the variations and complexity of the nation’s performance in health. It highlights the areas each State should focus on to facilitate improvement in overall health outcomes.
- [World Bank signs USD 147 Million Loan Agreement to Improve Urban Services in Jharkhand-](#) The Government of India, the Government of Jharkhand and the World Bank signed a USD 147 million loan agreement to provide basic urban services to the people of Jharkhand and help improve the management capacity of the urban local bodies (ULBs) in the state. The Jharkhand Municipal Development Project will focus on improving the municipal sector’s capacity to provide basic urban services. It will invest in urban services such as water supply, sewerage, drainage, and urban roads; and strengthen the capacity of the Jharkhand Urban Infrastructure Development Company (JUIDCO) as well as that of the ULBs to carry out reforms in the areas of urban finance and governance..
- [India’s external debt stands at USD 543 billion at end March 2019-](#) At end-March 2019, India’s

external debt stands at USD 543 billion, witnessed an increase of 2.6% over its level at end-March 2018, primarily on account of an increase in short-term debt, commercial borrowings and non-resident Indian (NRI) deposits. The increase in external debt was partially offset by valuation gain resulting from the appreciation of the US dollar against Indian rupee and other major currencies. The external debt to GDP ratio stood at 19.7 per cent at end-March 2019, lower than its level of 20.1 per cent at end-March 2018.

- **April 2019 fiscal deficit stands at 22.3% of actuals to Bes-** The gross fiscal deficit of the Central government stands at 22.3% of the actuals to budget estimates (BEs) at the end of April 2019 as compared to 24.3% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 353.1% of the actuals to budget estimates at the end of April 2019 as compared to 281.2% of the actuals to budget estimates during corresponding period of the previous year.
- **Decisions taken in 35th GST Council Meeting-** The 35th GST Council Meeting held on 21st June 2019, under the chairmanship of Smt. Nirmala Sitharaman, Hon'ble Union Finance & Corporate Affairs Minister. Altogether, 12 Agenda items were discussed during the Council meeting.
- **World Bank loan for USD 328 million for improved health services in Andhra Pradesh-** The Government of India, Government of Andhra Pradesh and the World Bank Executive signed a loan agreement of USD 328 million to help improve the quality and responsiveness of public health services in Andhra Pradesh. The state of Andhra Pradesh has over the years demonstrated a strong commitment to improving health outcomes. In 2017-18, it allocated 5% of its total public expenditure towards health and has initiated significant steps towards strengthening its public health system.
- **Project Signing: World Bank loan of USD 250 million to support development and management of Rajasthan's state highway network-** The Government of India, Government of Rajasthan and the World Bank signed a USD 250 million loan agreement for the Rajasthan State Highways Development Program II Project to build the state's capacity to better manage its highways and improve traffic flows on selected highways in Rajasthan. The World Bank-supported project will support the construction, upgradation, improvement and maintenance of 766 kms of state highways and major district roads. It will also focus on enhancing the institutional capacity to manage strategic network of the state through operationalization of Rajasthan State Highways Authority. In addition, it will also strengthen the capacity of the Public Works Department which is responsible for about 70% of the state's road network. Special attention will be accorded towards management of the road safety in the state.

Finance

- **RBI issues norms for setting up FBAs for administering 'Significant Benchmarks' for financial instruments-** RBI has released 'Financial Benchmarks Administrators (FBAs) Directions, 2019' and shall come into force with effect from June 26, 2019. These directions shall apply to Financial Benchmark Administrators (FBAs) administering 'Significant Benchmarks' in the markets for financial instruments regulated by the Reserve Bank under Section 45 W of the Act. Benchmarks administered outside India do not fall under the scope of these directions.
- **RBI releases Rupee Interest Rate Derivatives Directions, 2019-** Regulations on Interest Rate Derivatives have so far been issued separately for each product, including for products traded on exchanges. These regulations were framed with a view to guide the initial evolution of the market through prescriptive requirements. Given the evolution of the market, there is now a need to permit flexibility for exchanges and market-makers in the design and innovation of products while ensuring that relatively less informed participants using these derivatives markets are adequately protected.

Trade

- **Government announces amendment in import policy of seeds of Peas-** 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 and policy condition against HS Code 1209 91 40 and has deleted policy condition no.4 of chapter 12 of ITC (HS), 2017, Schedule –I (Import Policy).
- **Call Centre Inaugurated in Mumbai DGFT-** A call center has been set up by the Mumbai office of the Director General of Foreign Trade (DGFT) to address doubts/queries/questions of exporters and importers. General information about foreign trade policy and international trade may also be asked. A specially trained dedicated staff is in charge at the call center. Public may reach the call center on 022-20820961, 022-20820962, 022-20820963 and 022-20820927 from 10:00 am to 5:30 pm on all working days.
- **WTO releases 21st Monitoring Report on G20 Trade Measures-** The WTO's 21st Monitoring Report on G20 trade measures shows that the trade coverage of new import-restrictive measures introduced during the period (October 2018 to May 2019) was more than 3.5 times the average since May 2012 (when the report started including trade coverage figures). The report found that trade coverage of USD 335.9 billion during the period is the second highest figure on record, after the USD 480.9 billion reported in the previous period.
- **India's CAD increased to 2.1% of GDP in 2018-19 from 1.8% in 2017-18-** India's current account deficit (CAD) increased to 2.1 per cent of GDP in 2018-19 from 1.8 per cent in 2017-18 on the back of widening of the trade deficit. India's trade deficit increased to US\$ 180.3 billion in 2018-19 from US\$ 160.0 billion in 2017-18.

Our Voice

The global headwinds have impacted the Indian economy to a certain extent. The domestic environment has become dynamic and at the same time volatile. However, the ongoing reform measures of the government would have a significant impact on the economy in the coming times. The Union Budget scheduled to be announced by the end of this week is expected to be a robust budget, making path breaking announcements in the various sectors of the economy. It is expected that the Union Budget would give continuity to the existing reform momentum thereby accelerating socio-economic development in the various spheres of the economy. There is a need to focus on providing sops for labour-intensive manufacturing sector in order to boost employment creation in the economy. Further, investments in infrastructure and ease of doing business particularly in MSMEs segment are required to foster industrial growth in the coming times.

Economy so far

- **Like NREGA, government to introduce law for Ayushman Bharat soon-** The government will bring in a law to implement Ayushman Bharat or the PM Jan Arogya Yojana (PMJAY). It has started the process to draft a legislation for the same. The mega health insurance scheme so far rests on an executive notification and Memorandums of Agreement (MoUs) signed between the Centre and various states. This will be much like how the UPA government in 2005 brought a bill to give legislative status to the National Rural Employment Guarantee Scheme (NREGA).
- **Government's new move to revive discoms: Install 300 million smart meters in 3 years-** India is considering a plan to install smart meters in every home and business as part of its ongoing effort to turn around the country's ailing power sector. The plan under consideration would require 300 million smart meters over three years. The federal power ministry has begun discussions with manufacturers on supplying the meters, which improve efficiency by monitoring and transmitting power use data.
- **Ministry of Finance tells state-run banks to shore up credit to MSMEs-** The Ministry of Finance has told the chief executives of all public sector banks (PSBs) to review credit facilities made

available to micro, small and medium enterprises (MSMEs) and take 'corrective' measures to ensure the firms get adequate funds. The ministry has told the PSB chief executives to assign a chief general manager, or a general manager-level officer to do an in-depth analysis of the progress made and issues in availability of credit, still being faced by the MSMEs.

- **Soon, GST taxpayers will get 'risk scores'**- The goods and service tax (GST) authorities will soon draw up a list of taxpayers with 'risk scores' that will decide the level of audit scrutiny they face. An extensive plan is being worked out even though annual return filings has been postponed by two months to August 31. Audits of these returns for 2017-18 was to commence from July.
- **Direct tax code panel to curb tax lawsuits, modify faceless scrutiny-** The new draft report on the direct tax code will modify five major procedures pertaining to tax litigation, faceless scrutiny, exchange of information, compliance, and financial transactions. The Central Board of Direct Taxes (CBDT) recently expanded the terms of reference (ToR) of the expert panel constituted to rewrite direct tax legislation. The new ToR include faceless and anonymised scrutiny assessment, reduction of litigation, and expeditious disposal of appeals from the Commissioner Income-Tax (Appeals), right up to the Supreme Court (SC).
- **Currency circulation in May jumps 22% over the pre-demonetisation level-** Currency notes in circulation stood at Rs 21.71 trillion at May-end 2019, showing an increase of more than 22 per cent over the pre-demonetisation level. The notes in circulation as of November 4, 2016, were Rs 17,74,187 crore, which have now increased to Rs 21,71,385 crore as of May 31, 2019.
- **Government will release draft national retail policy in 10 days: DPIIT Secretary-** The government will release a draft policy on retail trade in 10 days. The policy would address central and state-level issues faced by retailers and would look at promoting fair and honest trade.
- **Barriers in trade have fallen due to NDA government's reforms: US corporate body-** Barriers in trade have fallen and many processes have been simplified as a result of the series of key reforms instituted by the Indian government, according to a top corporate body from Silicon Valley. The Bay Area Council, in its latest report on India, said that sustained economic growth and national strategies that push digitisation across a range of sectors and services are creating unique synergies with the Bay Area that open the door to new opportunities, as Bay Area companies expand their global footprint and diversify their market presence in Asia.
- **Inter-state office services to come under GST net -** The government is set to make it clear that services provided by an office of an organisation in one state to another office in another state will face goods and services tax, or GST. A circular to this effect, endorsed by the GST Council, will be issued soon. This is in line with the view taken by Karnataka Authority for Advance Rulings (AAR) that in-house functions such as human resources and payrolls, if carried out from a centre in one state will face GST, for which invoice will have to be issued. The circular will also lay down that emoluments offered to service personnel will have to be included under this. Companies can claim input tax credit for this, but for certain exempt sectors such as power, healthcare, liquor, and education, it will become a cost as credit of tax charged would not be available.
- **NSIC signs MoU with Common Service Centres- eGovernance Services India for enhancing new offerings for the MSME sector-** The National Small Industries Corporation signed an MoU with Common Service Centres (CSC) e-Governance Services India in New Delhi today, for enhancing new offerings for the MSME sector by synergizing each other's' competence. MoU will have special focus on providing services to village level entrepreneurs (VLEs) and would lead to exponential growth of Village Entrepreneurs in the country. The MoU will also enable CSCs to utilize plethora of NSIC offerings through the NSIC portal www.msmemart.com.
- **NPAs under Modi's Mudra scheme doubled to Rs 9,204 crore in just 1 year: RTI-** According to

a RTI, the non-performing assets (NPAs) under Hon'ble Prime Minister Narendra Modi's ambitious Pradhan Mantri Mudra Yojana (PMMY) doubled within one year. Public sector NPAs of loans issued under the scheme have increased by Rs 9,204.14 crore in just one year – from Rs 7,277.31 crore in March 2018 to Rs 16,481.45 crore in March 2019.

- **Tight norms, weak demand hit foreign foods' imports-** According to the trade experts, Imports of food items such as muesli, mayonnaise, noodles, ice cream, ketchup and tomato sauce declined in the last fiscal due to tougher quality norms, increasing domestic production and weaker demand. Despite rising health consciousness among Indian consumers, imports of certain variants of green tea and black tea have also declined, and so have those of gourmet vegetables including lettuce and Jerusalem artichoke, and lifestyle foods such as stuffed pasta, olives and sauces.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Mar 19	Apr 19	May 19	(26-06-2019)	(27-06-2019)	(28-06-2019)
BSE SENSEX	26626	34057	36068	38673	39031	39714*	39592	39586	39394
GOLD (10 GRMS)	29420	28966	30600	32036	31648	31721	33885	33849	34006
CRUDE OIL (1 BBL)	2925	3317	4437	4040	4420	4272	4010	4116	4114
EXCHANGE RATE (INR/USD)	67	65	68	69.47	69.42	69.77	69.34	69.07	69.02

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



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,

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