

## Weekly Compendium of Research

For the week ending 9<sup>th</sup> August 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 repo rate reduction in Third Bi-monthly Monetary Policy Statement by RBI, loan provision of USD200 million by ADB to Maharashtra State, IIP for the month of June 2019, bank credit for the month of June 2019, among others. The details of disseminated information during the week ending 9<sup>th</sup> August 2019 are appended.

### India and World Economy

- **ADB Provides USD 200 Million to Upgrade Rural Roads in Maharashtra State-** The Asian Development Bank (ADB) has approved a loan of USD 200 million to upgrade rural roads to all-weather standards in 34 districts of India's Maharashtra State to better connect rural areas with markets and services. The upgraded roads under the ADB project will boost links between local residents, productive agricultural land, and economic centers across the state.
- **June 2019 IIP stands at 2.0%-** Growth in industry output, as measured in terms of IIP, for the month of June 2019 grows at 2.0% as compared to 4.6% in May 2019. The growth in the three sectors mining, manufacturing and electricity in June 2019 stands at 1.6%, 1.2% and 8.2% respectively over June 2018. Primary goods growth stands at 0.5%, capital goods growth stands at (-)6.5%, intermediate goods growth stands at 12.4%, infrastructure/construction goods growth stands at (-)1.8%, consumer durables stands at (-)5.5% and consumer non-durables growth stands at 7.8% during June 2019 as compared to the previous year.

### Finance

- **RBI reduces repo rate in Third 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) at its meeting today decided to reduce the policy repo rate under the liquidity adjustment facility (LAF) by 35 basis points (bps) from 5.75 per cent to 5.40 per cent with immediate effect. Consequently, the reverse repo rate under the LAF stands revised to 5.15 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 5.65 per cent. The MPC also decided to maintain the accommodative stance of monetary policy. 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.
- **Gross Bank Credit grows at around 11% in June 2019-** Gross bank credit grows at around 11% in June 2019 and May 2019 each. The gross bank credit growth also stands at 11% in June 2018. On a year-on-year (y-o-y) basis, non-food bank credit increased by 11% in June 2019 as against 11.4% in May 2019. Credit to agriculture and allied activities increased by around 9% in June 2019 as against 8% in May 2019.

### Our Voice

### **Cut in repo rate to rejuvenate consumption, transmission by banks crucial for fruitful outcomes: PHD Chamber:**

The 35 basis points cut in repo rate from 5.75% to 5.40% would help to rejuvenate consumption and increase competitiveness of the producers with reduced cost of capital. However, at this juncture, transmission of the cut in repo rate with an effective reduction in lending rates by the banking sector would be crucial to materialise the benefits at the ground level. Calibrated steps undertaken by RBI such as enhanced credit flow to the NBFCs including harmonisation of single counterparty exposure limit for banks' and permitting banks to on-lend through NBFCs for credit to the priority sector are highly appreciable. These measures would go a long way to address the financial challenges of the NBFCs and priority sector. Going ahead, repo rate is expected to come down to 5% in the coming quarters for enhanced liquidity and availability of credit to the industry especially to the MSMEs with a significant reduction in the cost of capital.

### **Economy so far**

- **CBDT raises limit for appeals to reduce litigations-** The revenue department enhanced the monetary limits for the filing of appeals by the Income Tax Department at various tribunals in order to reduce litigation. The monetary limit for an appeal before the Income Tax Appellate Tribunal has been increased to Rs 50 lakh from Rs 20 lakh earlier. In case of high courts, the limit has been doubled to Rs 1 crore and in case of Supreme Court, the revised limit for filing appeal has been increased from Rs 1 crore to Rs 2 crore. According to the department, the limits have been increased to effectively reduce taxpayer grievances/litigation and help the Department focus on litigation involving complex legal issues and high tax effect.
- **Capital infusion of Rs 3 trillion only helped PSBs trim losses, not drive credit supply: India Ratings-** According to a report by India Inc., the massive Rs 3 trillion capital infusion by the government into state-run banks over the past six years has helped them reduce losses but has failed to boost credit growth. Between FY14 and FY19, the government has infused Rs 3 trillion in state-run banks—a good portion of which came in from the national insurer LIC. This has doubled the value of their stake in these banks to Rs 4.4 trillion as of July 2019, from Rs 2.2 trillion as of March 2014. While the government has infused huge capital into PSBs, the same has largely been used to mitigate losses and has failed to contribute meaningfully to credit growth.
- **NCAER sees GDP growth at 6.2% on flat agriculture gross value added-** Economic think tank NCAER (National Council of Applied Economic Research) expects the agriculture gross value added (GVA) to remain flat in 2019-20, pulling down the country's economic growth rate to 6.2% in FY20, from 6.8% in FY19. The NCAER's projection for the economic growth rate is the lowest among the various estimates that have come so far. The IMF projected the growth rate at 7% for FY20, while the World Bank saw it at 7.5%. The country's official projections also stand at 7%. The NCAER projected industrial growth rate at 6.1%, and services expansion at 6.9%. It pegged the Centre's fiscal deficit at 3.5% of GDP for FY20, higher than Budget projection of 3.3%.
- **Construction sector can boost India-Israel ties: Hon'ble Prime Minister of Israel Mr Benjamin Netanyahu-** The Hon'ble Israeli Prime Minister Mr Benjamin Netanyahu has said that the India-Israel relationship can be further strengthened by cooperation in the construction sector, which is witnessing new trends of connectivity and artificial intelligence. Connectivity and artificial intelligence are revolutionising the construction sector and there is potential for cooperation in this area. India's first innovation centre for technology will come up on a 42-acre site near Ahmedabad in Gujarat.
- **Government eyes Rs 3 lakh crore by public sector transmission lines, telecom towers, gas pipelines & airports-** Government think tank, Niti Aayog, after consultation with many ministries, has drawn up a list of assets that can be sold including electricity transmission lines of Power Grid, towers of BSNL & MTNL, pipelines of Gail India Ltd, airports in some cities and prime real estate owned by central public sector enterprises. CPSEs in the Niti list that have monetisable land assets include National Textile Corporation, Hindustan Antibiotics and NTPC. It may turn out to be the largest of all public asset sales – Rs 3 lakh crore of proceeds by monetising public sector transmission lines, telecom towers, gas pipelines, airports and land parcels.

- **RBI will have to do more heavy-lifting for economy to even clip at 6.9%: Analysts-** Describing the lower GDP forecast of 6.9 % as optimistic, analysts have opined that the Reserve Bank will have to undertake more rate cuts in the near future to help the economy. Economists have termed reduction in growth as paltry and somewhat dissonant with the characterization of the economic situation.
- **Government brings Resolution to Repeal Article 370 of the Constitution-** Shri Amit Shah, Hon'ble Union Minister for Home Affairs, introduced two bills and two resolutions regarding Jammu & Kashmir (J&K). These are as follows: Constitution (Application to Jammu & Kashmir) Order, 2019 {Ref. Article 370(1) of Constitution of India} – issued by President of India to supersede the 1954 order related to Article 370; Resolution for Repeal of Article 370 of the Constitution of India {Ref. Article 370 (3)}; Jammu & Kashmir (Reorganisation) Bill, 2019 {Ref. Article 3 of Constitution of India}; Jammu & Kashmir Reservation (2nd Amendment) Bill, 2019.
- **Finance Minister meets Bankers, reviews the performance of banks-** Smt. Nirmala Sitharaman, Hon'ble Union Minister of Finance & Corporate Affairs reviewed the performance of banks in a meeting with the top management of Public Sector Banks and Private Sector banks. The meeting was the first of a series of meetings that the Ministry of Finance is convening to discuss current economic issues with key stakeholders, including some of the industry sectors whose growth has been affected in recent months. The meeting focused on overall credit growth to support the needs of the economy. Further, ways in which banks may help some of the sectors that have been drivers of economic growth to deal with their current issues were discussed. In particular, the credit needs of the NBFC, automobiles and MSME sectors were discussed.

#### **Markets So Far**

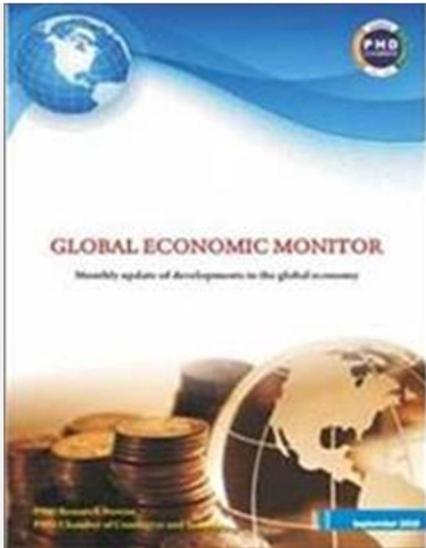
Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	May 19	Jun 19	Jul 19	(07-08-2019)	(08-08-2019)	(09-08-2019)
BSE SENSEX	26626	34057	36068	39714	39395	37481*	36690	37327	37581
GOLD (10 GRMS)	29420	28966	30600	31721	33105	34513	37039	37047	37270
CRUDE OIL (1 BBL)	2925	3317	4437	4272	3785	3971	3793	3625	3843
EXCHANGE RATE (INR/USD)	67	65	68	69.77	69.43	68.8	70.88	70.69	70.79

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (\*denotes value as on 31<sup>st</sup> July 2019)

#### **Newsletters**

PHD Research Bureau has released a newsletter on Global Economic Monitor, pertaining to a broad view of developments global macroeconomic indicators including growth, inflation, trade, markets, commodities, unemployment, policy developments and publications of international organizations.

**[GLOBAL ECONOMIC MONITOR FOR THE MONTH OF AUGUST 2019](#)**



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Warm Regards,

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