

## Weekly Compendium of Research

For the week ending 13<sup>th</sup> September 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 growth in IIP in July 2019 and CPI in August 2019, RBI's notification of increase in banks' exposure limit to single NBFC from 15% to 20% of their capital base, Meeting held in Bangkok to review developments in the ongoing RCEP negotiations, among others. The details of disseminated information during the week ending 13<sup>th</sup> September 2019 are appended.

### India and World Economy

- **July 2019 IIP grows at 4.3% and August 2019 CPI inflation rises marginally to 3.21%** Growth in industry output, as measured in terms of IIP, for the month of July 2019 grows at 4.3% as compared to 1.2% in June 2019. The growth in the three sectors mining, manufacturing and electricity in July 2019 stands at 4.9%, 4.2% and 4.8% respectively over July 2018. Primary goods growth stands at 3.5%, capital goods growth stands at (-)7.1%, intermediate goods growth stands at 13.9%, infrastructure/construction goods growth stands at 2.1%, consumer durables stands at (-)2.7% and consumer non-durables growth stands at 8.3% during July 2019 as compared to the previous year. The all India general CPI inflation (Combined) for August 2019 rises marginally to 3.2% from 3.15% in July 2019. The inflation rates for rural and urban areas for August 2019 (Provisional) are 2.18% and 4.5% respectively as compared to 2.19% and 4.2% respectively, for July 2019. Rate of inflation during August 2019 for transport and communication is 1.2%, fuel and light (-1.7%), housing (4.8%), education (6.1%), health (7.8%), meat and fish (8.5%), etc.

### Finance

- **RBI increases banks' exposure limit to single NBFC from 15% to 20% of their capital base-** This is in reference to the statement on Developmental and Regulatory Policies dated August 7, 2019 on 'Harmonisation of single counterparty exposure limit for banks' exposures to a single NBFC with general single counterparty exposure limit'. According to circular DBR.No.BP.BC.43/21.01.003/2018-19 dated June 03, 2019 on "Large Exposures Framework (LEF)", banks' exposures to a single Non-Banking Financial Company (NBFC) is restricted to 15 percent of their available eligible capital base, while general single counterparty exposure limit is 20 percent, which can be extended to 25 percent by banks' Boards under exceptional circumstances.
- **National Pension Scheme for Traders and Self Employed Persons-** The Prime Minister of India, Shri Narendra Modi launched National Pension Scheme for Traders and Self Employed Persons, a pension scheme for the Vyaparis (shopkeepers/retail traders and self-employed persons) with annual turnover not exceeding Rs 1.5 crore. The Scheme is voluntary and contributory pension scheme for entry age of 18 to 40 years with a provision for minimum assured pension of Rs 3,000/- monthly on attaining the age of 60 years.

## Trade

- **Government Committed to Corruption free Environment for Business: Hon'ble Union Minister of Commerce & Industry {Hon'ble Union Commerce & Industry Minister holds discussions with Industry Stakeholders on Trade Policy Instruments}-** The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal, held a meeting with around 100 domestic industry, manufacturers, associations of various sectors and users in New Delhi on 11th September 2019 to discuss and provide a holistic view about regulatory instruments for the formulation and implementation of effective trade policy and development strategy. The Hon'ble Ministers of State for Commerce & Industry, Shri Hardeep Singh Puri and Shri SomParkash were also present during the meeting. The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal, in his address said that tariff & non-tariff measures will be used judiciously by India with an ultimate aim to enable industry to become more competitive.
- **7th Ministerial Meeting held in Bangkok to review developments in the ongoing RCEP negotiations-** The Hon'ble Union Minister of Commerce & Industry and Railways Shri Piyush Goyal participated in 7th RCEP Ministerial Meeting held in Bangkok, Thailand on 8th September 2019. The Ministers from the 16 RCEP Participating Countries (RPCs) gathered in Bangkok on 8th September 2019 for the 7th RCEP Ministerial Meeting to review developments in the RCEP negotiations since the Ministers last met in Beijing on 2-3 August 2019. The Meeting was chaired by Jurin Laksanawisit, Deputy Prime Minister and Minister of Commerce of Thailand. The Ministers recognised that negotiations have reached a critical milestone as the deadline for the conclusion of negotiations draws near. Notwithstanding the remaining challenges in the negotiations, RPCs are working on addressing outstanding issues that are fundamental to conclude the agreement this year as mandated by the Leaders.
- **Sixth India-China Strategic Economic Dialogue concludes-** The sixth India-China Strategic Economic Dialogue (SED) came with both sides agreeing that the SED has emerged as a crucial mechanism to facilitate bilateral trade and investment flows and enhance economic cooperation between the two sides. The Dialogue which was held from held from 7th-9th September 2019 in New Delhi comprised of round table meetings of Joint Working Groups on infrastructure, energy, high-tech, resource conservation and policy coordination followed by technical site visits and closed door G2G meetings. The Indian side was led by Dr. Rajiv Kumar, Vice Chairman, NITI Aayog and the Chinese side by Mr. He Lifeng, Chairman, NDRC. During his intervention, Dr. Rajiv Kumar, Vice-Chairman, NITI Aayog, emphasised on taking concrete steps to address India's trade imbalance with China.
- **Hon'ble Union Minister of Commerce & Industry addresses Board of Trade Meeting-** The Hon'ble Union Minister of Commerce & Industry and Railways, Shri Piyush Goyal and the Hon'ble Ministers of State of Commerce and Industry, Shri Hardeep Singh Puri and Shri Som Parkash have addressed the 2nd meeting of the Board of Trade in New Delhi. The Board of Trade and Council for Trade Development and Promotion have been merged into the Board of Trade and representatives of both bodies were present in the interactive meeting.

## Our Voice

The Indian economy has been displaying signs of stress based on host of economic indicators and glut in the automobiles and consumer durables. However, the recent IIP numbers for the month of July 2019 have been encouraging. Though the CPI has also edged up in August 2019 marginally, the macro-economic parameters are expected to perform better in the coming times owing to the reform measures announced by the Hon'ble Finance Minister recently. The recent economic

reforms undertaken by the government and RBI will create a strong and resilient economic environment in the country and rejuvenate GDP growth rate in the coming quarters. Going ahead, further reforms in ease of doing business at the ground level especially for the small and medium sized businesses along with desired reforms in labour laws such as fixed term employment for flexibility in hiring by industry across the States would be crucial to strengthen the manufacturing sector, Make in India programme and create millions of employment opportunities for growing young workforce.

## Economy so far

- **CBDT launches one-time facility for compounding of income tax offences-** According to Central Board of Direct Taxation (CBDT), a one-time facility to apply for compounding of income tax offences has been launched and taxpayers can avail this opportunity by December 31, 2019. This one-time measure is being undertaken to mitigate unintended hardship to taxpayers in deserving cases and to reduce the pendency of existing prosecution cases before the courts.
- **Big relief for small-GST assesses: May be spared burden of filing FY18 annual return-** Small Goods & Services Tax (GST) assesses are likely to be exempted from filing annual returns. Small assesses could be categorized into two groups — those with annual turnover up to Rs 2 crore and those with annual turnover of up to Rs5 crore. As on June 30, there are nearly 1.4crore total assesses. Of these, nearly 86% have a turnover of up to Rs 2 crore. If the threshold of Rs5 crore is taken into account, it will cover 92% of the assesses. The GST Council on September 20, 2019 will consider a proposal to exempt assesses up to a certain threshold from filing annual return for the financial year 2017-18 only or for the financial year 2018-19 as well.
- **GeM and Punjab Government sign MoU for Setting up Project Management Unit-**Government e Marketplace (GeM) under the Department of Commerce, Ministry of Commerce & Industry and Government of Punjab, signed MoU to set up a GeM Organizational Transformation Team (GOTT) Project Management Unit (PMU) in the state. To further strengthen and enable Government departments towards a market based procurement, Department of Expenditure, Ministry of Finance, Government of India has advised Ministries and Departments of Central and State Governments to consider services of GOTT on an outcome based self-sustenance model. GOTT will assist the buyer agency to redesign the procurement processes and enhance competencies to derive maximum benefit from the online marketplace. Government of Punjab is the first State which will establish GOTT PMU for effectively utilising this transformational initiative towards inclusive, efficient and transparent procurement.
- **Cotton Association of India maintains cotton output at 312 lakh bales in August-**The Cotton Association of India (CAI) has maintained its August estimate of the cotton crop production for 2018-19 season (October-September) at 312 lakh bales, the same as July, mainly due to poor rainfalls. The CAI has maintained its cotton crop estimate for the northern zone at the same level as in its previous month's estimate at 59 lakh bales. However, there is a reduction of 10,000 bales in the cotton crop estimate for Punjab and an increase of 10,000 bales in the cotton crop estimate for Southern Rajasthan.
- **India for safeguards to counter import surge-**India is battling for a special mechanism in the Regional Comprehensive Economic Partnership (RCEP) trade agreement, being negotiated among 16 Asia-Pacific countries, which will help it protect itself from sudden surges in imports from China. New Delhi wants 'transitional safeguards measures auto-trigger and snapback' to counter a sudden surge in imports for a period of six months when imports from an RCEP partner exceed a particular threshold. This threshold would be mutually decided by the members and would be applied only on mutually identified select lines.

- **India to align trade remedy rules with global best practices-** According to Shri Piyush Goyal, Hon'ble Commerce Minister, India will soon align its trade remedy rules and regulations with established world standards to give maximum benefit to Indian industry. He mentioned that there are some rules in India like the lesser duty rule in anti-dumping that does not allow the country to impose such duties on imports to the fullest extent. The Minister said that his officials were studying the best laws and rules used world over in the area of trade and changes would be made in Indian rules and regulations accordingly.
- **US, China grant trade concessions as fresh talks loom-** US President Mr Donald Trump welcomed China's decision to exempt some US anti-cancer drugs and other goods from its tariffs and announced a short delay to scheduled tariff hikes on billions worth of Chinese goods. Stock markets in Asia rose on the news in early trade today (12th September 2019), as the concessions came days ahead of a planned meeting aimed at defusing the escalating trade war between the world's two largest economies.
- **July 2019 IIP grows at 4.3%-**Growth in industry output, as measured in terms of IIP, for the month of July 2019 grows at 4.3% as compared to 1.2% in June 2019. The growth in the three sectors mining, manufacturing and electricity in July 2019 stands at 4.9%, 4.2% and 4.8% respectively over July 2018. Primary goods growth stands at 3.5%, capital goods growth stands at (-)7.1%, intermediate goods growth stands at 13.9%, infrastructure/construction goods growth stands at 2.1%, consumer durables stands at (-)2.7% and consumer non-durables growth stands at 8.3% during July 2019 as compared to the previous year.
- **August 2019 CPI inflation rises marginally to 3.21%-**The all India general CPI inflation (Combined) for August 2019 rises marginally to 3.2% from 3.15% in July 2019. The inflation rates for rural and urban areas for August 2019 (Provisional) are 2.18% and 4.5% respectively as compared to 2.19% and 4.2% respectively, for July 2019. Rate of inflation during August 2019 for transport and communication is 1.2%, fuel and light (-1.7%), housing (4.8%), education (6.1%), health (7.8%), meat and fish (8.5%), etc.
- **IMF says India's growth rate weaker than expected-** According to International Monetary Fund (IMF), India's economic growth is much weaker than expected due to corporate and environmental regulatory uncertainty and lingering weakness in some non-Bank financial companies and risks to the outlook are tilted to the downside.
- **Government committed to corruption free environment for business: Hon'ble Union Minister of Commerce and Industry-**Shri PiyushGoyal, Hon'ble Union Minister of Commerce and Industry and Railways, held a meeting recently to discuss and provide a holistic view about regulatory instruments for the formulation and implementation of effective trade policy and development strategy. He mentioned that Government of India is committed to ensuring a corruption free environment in each and every ministry and department of the government. The meeting focused on the prudent use of all available trade policy instruments, viz. tariff measures, non-tariff measures as well as trade remedial measures for the Indian industry. In the area of export credit, including forex credit, especially with regard to credit at affordable terms and in sufficient volume, the Minister informed that the contours of a scheme will be soon shared by the government. In addition, he informed that ECGC procedures and practices are being revamped to make them more exporter friendly. He also assured that issues raised by States will be resolved expeditiously.
- **Prime Minister launches National Pension Scheme for Traders and Self Employed Persons-**

The Hon'ble Prime Minister of India, Shri Narendra Modi launched the National Pension Scheme for Traders and Self Employed Persons, a pension scheme for the Vyaparis with annual turnover not exceeding Rs 1.5 crore. With this nation-wide launch, the facility for enrollment under the scheme has been made available to the prospective beneficiaries through 3.50 lakh Common Service Center (CSCs) across the country.

- **Indian Railways extends support for giving a boost to economy & announces measures of Freight incentive-** Indian Railways announced measures to support various segments of the industry and give a boost to economy. Freight related measures include deferment of levy of busy season charge, waiver of supplementary charges on mini and two point rakes, round-trip charging on container traffic, discount on movement of empty containers and empty flat wagons, large-scale de-notification of commodities for container traffic and freight marketing initiatives. Measures to enhance ease of business and digitization include pan-India Implementation of Electronic Transmission of Railway Receipts (eT-RR) and weighment-related reforms.
- **Biggest ever pan-India joint operation against fraudulently claiming refund of IGST by exporters-**In the biggest ever joint operation by Directorate General of GST Intelligence (DGGI) and Directorate General of Revenue Intelligence (DRI) against exporters who were claiming refund of IGST fraudulently, pan-India searches were carried out at 336 different locations across the country. The analysis revealed that some exporters are exporting goods out of India on payment of tax (IGST), being done almost entirely out of the Input Tax Credit (ITC) availed on the basis of ineligible/fake supplies. Further, such IGST payment was claimed as refund on export. The operation revealed that many of the entities spread across the length and breadth of the country were either non-existent or had given fictitious addresses.
- **For the first time in FY20, RBI becomes net seller of dollars in July-** The Reserve Bank has turned a net seller of dollars for first time this fiscal in July, having sold USD 93 million in the month on a net basis in the spot market. In July 2019, the Reserve Bank had purchased USD 1.6 billion but sold USD 1.7 billion in the spot market. In June, the RBI had net purchase of USD 2.5 billion, as it bought USD 4.4 billion and sold USD 2.0 billion.
- **SBI cuts MCLR and fixed deposit rates across all tenors:** The State Bank of India (SBI) announced early Monday morning that they have reduced MCLR (marginal cost of lending rate) on loans across all tenors. In a press release, the public sector lender stated that it will reduce interest rates by 10 basis points (bps) across all tenors with effect from tomorrow, i.e., September 10. (1 basis point = 0.01%). Due to this rate cut, the one-year MCLR would come down to 8.15 percent a year from 8.25 percent. This is SBI's fifth consecutive cut in MCLR in FY 2019-20.
- **Auto industry may have to wait longer for GST cut on cars from 28% to 18%-** The auto industry may be desperate for a cut in the goods and services tax (GST) on cars from 28 to 18 per cent, but the bleak revenue position has prompted the GST fitment committee to hold back from approving such a reduction. "With the revenue situation quite grim, one cannot recommend a rate cut on autos at this stage, which is one of the highest revenue contributors. In fact, the panel has not made any recommendation but only placed on record the revenue loss it will entail," said a state government official and committee member.
- **Swiss bank data can unearth India's wealth despite the closure of accounts:** As India prepares to analyse troves of Swiss banking details of its citizens, a large portion of the first tranche of data being shared by Switzerland under an automatic information exchange framework this month relates

to accounts that have been already closed due to fear of action, bankers and regulatory officials said. However, the data that was prepared by all Switzerland-based banks under a direction from the Swiss government for dispatching further to the Indian authorities provides full details of the entire flow of funds to and from all the accounts that were active even for a single day in the year 2018.

- **Major spike in petroleum, urea subsidies-** Despite the effort to control the expenditure on subsidies, the Hon'ble Prime Minister Shri Narendra Modi's government has spent Rs 1.7 lakh crore on subsidies in the first four months of this fiscal, which is 56% of the total budget estimate for this year. This is Rs 28,000 crore more than the amount spent during the same period last year. The Union government gives subsidy on four major items – food subsidy, subsidy on the sale of petroleum products, urea subsidy and subsidies on nutrient based fertilizers. All four heads have registered an increase in the first four months this year in comparison with the amount spent last year. However, the biggest increase has been registered in the expenditure of petroleum and Urea subsidy. The Union government has spent over Rs 28,385 crore on the retail sale of petroleum products in this fiscal, which is more than three-fourth of the total estimate of Rs 37,478 crore for the year.
- **RCEP ministerial: Trade ministers pledge to expedite talks for a deal:** Trade ministers from the 16-nation Regional Comprehensive Economic Partnership (RCEP) grouping recently pledged to address contentious issues and clinch a deal this year, underscoring the fact that continuing uncertainties in trade and investment environment had dampened growth outlook. The countries participating in the 7th RCEP ministerial meeting in Bangkok said in a joint statement that the trade uncertainties would likely impact businesses and jobs, “adding to the urgency and imperative of concluding the RCEP”.
- **Economic census to be held every three years:** To assess the country's economic performance, economists and statisticians had to depend on data which was dated. But now, the Ministry of Statistics and Programme Implementation (MoSPI) has taken upon itself to make available the latest data and come out with the economic census every three years. Shri Pravin Srivastava, Hon'ble Secretary MoSPI, and Chief Statistician of India (CSI), said that they are pursuing a strategy to move all data-capturing activities on a digital mode/platform. This facilitates faster collection and capturing of information and improved quality with in-built validation checks.
- **Stimulus measures for auto, housing sectors likely: will frontload infra spending to bolster economy, says Finance Minister-** According to Smt Nirmala Sitharaman, Hon'ble Finance Minister, the government will frontload infrastructure spending in a bid to give the economy a boost and announce one or two more sets of stimulus measures aimed at reviving growth in the coming quarters. A task force has been appointed which shall very speedily identify projects through which Rs 100 lakh crore, announced to be spent on infrastructure in the next five years, can be frontloaded soon.
- **New norms likely for BoT road projects to lure private investors-**The government is planning to issue a set of guidelines for allocating road projects on Build-Operate-Transfer (BOT) basis that will ensure a certain level of preparedness before awarding projects as it looks to revive private investment in the sector. Apart from making changes in the concession agreement and exit clauses, among others, the Ministry of Road Transport and Highways will firm up the guidelines to ensure risks are largely eliminated to revive the mode of project construction.
- **India, US talk restoration of GSP, withdrawal of tariffs-**India is in talks with the US for restoration

of Generalised System of Preferences (GSP), mutual withdrawal of their disputes at the World Trade Organization and removal of higher tariffs on steel and aluminium by Washington, as the two sides work to resolve their bilateral trade differences.

- India, ASEAN to set up joint panel to review free trade agreement-** India and the 10-member bloc of South-East Asian nations have decided to review their free trade agreement (FTA) in goods that was signed in 2009. The decision comes at a time when Indian industry's resistance to any sort of FTA without credible gains for it is on its peak, and a global trade war has threatened to drag down both economic and trade growth. While officials of both the sides will work out details in the coming days, the Indian industry has long complained of getting a raw deal from the ASEAN FTA. According to a joint statement, both India and ASEAN members have decided to constitute a joint committee to reexamine the FTA.
- Government manages to hit target on deposit-free LPG connections, but stumped by poor refill orders-** Extending subsidies and a renewed push by oil marketing companies have helped the Centre achieve its target of disbursing 8 crore free cooking gas connections before the March 2020 deadline. But providing connections is just one part of the push towards cleaner and reliable cooking fuels. The recipients of these deposit-free LPG connections are hesitant to opt for a refill due to the upfront high costs of LPG refills.

#### Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Jun 19	Jul 19	Aug 19	(09-09-2019)	(11-09-2019)	(12-09-2019)
BSE SENSEX	26626	34057	36068	39395	37481	37332*	37145.4	37270.8	37104.3
GOLD (10 GRMS)	29420	28966	30600	33105	34805	37371	38254	37902	37669
CRUDE OIL (1 BBL)	2925	3317	4437	3785	3991	3905	4054	4109	3995
EXCHANGE RATE (INR/USD)	67	65	68	69.43	68.8	71.06	71.7	71.6	71.1

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (\*denotes value as on 30<sup>th</sup> August 2019)

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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](mailto:spsharma@phdcci.in)

Website: [www.phdcci.in](http://www.phdcci.in)

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**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](mailto:phdcci@phdcci.in) • Website : [www.phdcci.in](http://www.phdcci.in), CIN: U74899DL1951GAP001947

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