

Weekly Compendium of Economic and Business Developments

For the week ending 1st February 2020

PHD Research Bureau disseminated information to the members of PHD Chamber & other industry stakeholders on various economic and business developments at International, National and Sub-national arena such as announcements made in Union Budget 2020-21 & Economic Survey 2019-20; core infra & fiscal deficit for the month of December 2019; final estimates of 2018-19 and 1st advance estimates of 2019-20 of area and production of various horticulture crops; MoUs/Agreements exchanged during State Visit of President of Brazil to India; Federal Reserve rate decision in January 2020 meeting; Companies (Winding Up) Rules, 2020 announced by Ministry of Corporate Affairs; restoration of 2% additional duty incentive on mobile phones exports by the government; decisions taken by the Union Cabinet, among others. The details of disseminated information during the week ending 1st February 2020 are appended.

India and World Economy

- **Key Highlights of Union Budget 2020-21**- Smt. Nirmala Sitharaman, Hon'ble Union Minister for Finance & Corporate Affairs presented the Union Budget 2020-21, key highlights of which are: Three prominent themes of the Budget: Aspirational India; Economic Development for all and; Caring Society. Sixteen Action Points for Agriculture, Irrigation and Rural Development were announced and Rs. 2.83 lakh crore to be allocated for the 16 Action Points. Rs. 69,000 crore allocated for overall Healthcare sector; Rs. 99,300 crore for education sector and Rs. 3000 crore for skill development in 2020-21; Rs. 27,300 crore allocated for 2020-21 for development and promotion of Industry and Commerce; among others.
- **Economic Survey 2019-20: Enable Markets, Promote 'Pro-Business' Policies and Strengthen 'Trust' in the Economy**- Smt. Nirmala Sitharaman, Hon'ble Union Minister for Finance & Corporate Affairs presented the Economic Survey 2019-20 in the Parliament. The Key Highlights of the Economic Survey 2019-20 are as follows: Survey expects an uptick in the GDP growth in H2 of 2019-20; 5 % GDP growth for 2019-20 based on CSO's first Advance Estimates; GDP Growth is expected to grow in the range of 6.0 to 6.5 Percent in 2020-21; India's dominance as global economic power for three-fourths of economic history manifests by design; Survey notes that grassroots entrepreneurship is not just driven by necessity; A 10 percent increase in registration of new firms in a district yields a 1.8 % increase in Gross Domestic District Product (GDDP); Survey says that India's aspiration of becoming a \$5 trillion economy depends critically on promoting 'pro-business' policy that unleashes the power of competitive markets to generate wealth; among others.
- **December 2019 core infra stands at 1.3%**- The core infrastructure grows at 1.3% in December 2019 as against -0.6% in November 2019. The combined Index of Eight Core Industries stood at 133.2 in December, 2019, which increased by 1.3 percent as compared to the index of December, 2018. Its cumulative growth during April to December, 2019-20 was 0.2 per cent.
- **December 2019 Fiscal Deficit stands at 132.4% of actuals to BEs**- The gross fiscal deficit of the Central government stands at 132.4% of the actuals to budget estimates (BEs) at the end of December 2019 as compared to 112.4% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 1172.1% of the actuals to budget estimates at the end of December 2019 as compared to 578.1% of the actuals to budget estimates during corresponding period of the previous year.

- **Indian Railways implementing Automatic Identification and Data Collection (AIDC) of Rolling Stock (RFID Project)**- Indian Railways is amongst the largest Railway systems in the world, addressing a significant part of the country's transportation needs, both in the passenger and freight segment. It carries about 23 million passengers per day and over 3 million tons of freight every day over 65000 route kilometers. It has major growth plans and needs to improve service levels and operating efficiency. As a part of this endeavour, the RFID project has been taken up which aims to automatically and accurately track and trace rolling stock as they move across the country with a special focus on improving their safety and reliability. Two works for RFID project have been sanctioned by Railway Board for a total of Rs. 113 Crores.
- **Decisions taken by the Union Cabinet**- Cabinet approves allocation of 30% of the NEC's allocation for new projects for focused development of deprived areas, neglected sections of society and emerging priority sectors; Cabinet approves extension of Productivity Linked Reward Scheme for the employees/workers of the Major Port Trust and Dock Labour Board for the period beyond 2017-18; Cabinet approves official amendments in the National Commission for Homoeopathy Bill, 2019; Cabinet approves Proposal for Official Amendments in the National Commission for Indian System of Medicine Bill, 2019.
- **Final Estimates of 2018-19 and 1st Advance Estimates of 2019-20 of Area and Production of various Horticulture Crops**- Department of Agriculture, Cooperation and Farmers Welfare has released the Final Estimates of 2018-19 and 1st Advance Estimates of 2019-20 of Area and Production of various Horticulture Crops. These are based on the information received from different State/UTs and other source agencies. The Total Horticulture Production of the country is estimated to be 310.74 Million Tonne in 2018-19, which is marginally higher than the Horticulture Production in 2017-18. Increase in Fruits, Flowers, Spices and Honey while decrease in Vegetables, Aromatic & Medicinal Plants and Plantation Crops.
- **List of MoUs/Agreements exchanged during State Visit of President of Brazil to India**- The President of Brazil H.E. Mr. Jair Messias Bolsonaro is on a State Visit to India from 24th-27th January 2020. India and Brazil share close and multifaceted bilateral relations. The bilateral relations are based on a common global vision, shared democratic values, and a commitment to foster economic growth of both countries. Bilateral relations were elevated to a Strategic Partnership in 2006, heralding a new phase in India-Brazil relations. The relations are strong not only at the bilateral level, but also at plurilateral fora such as BRICS, IBSA, G-20 and in multilateral bodies particularly the UN. Following is the list of MoUs/Agreements exchanged during the State Visit of President of Brazil to India: MoU between the Republic of India and the Federative Republic of Brazil on Bioenergy Cooperation; MoU for Cooperation in the field of Oil and Natural Gas b/w Ministry Of Petroleum And Natural Gas of the Government of the Republic of India and Ministry of Mines and Energy of the Government of the Federative Republic of Brazil; among others.
- **Ministry of Corporate Affairs notifies Companies (Winding Up) Rules, 2020**- In exercise of the powers conferred by sub-sections (1) and (2) of section 468 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013, the Central Government hereby makes the rules for winding up under of Companies Act 2013. These rules may be called the Companies (Winding Up) Rules, 2020 and the rules shall come into force on 1st April, 2020.

Finance

- **Federal Reserve maintains status quo in January 2020 meeting**- The Federal Open Market Committee has decided to maintain the target range for the federal funds rate at 1.5% to 1.75%. The Committee judges that the current stance of monetary policy is appropriate to support sustained expansion of economic activity, strong labor market conditions, and inflation returning to the Committee's symmetric 2% objective.

Trade

- **Government restores 2% additional duty incentive on mobile phones exports-** In exercise of the powers conferred by Section 5 of the Foreign Trade (Development and Regulation) Act, 1992 read with para 1.02 of the Foreign Trade Policy, 2015-2020, the Central Government hereby makes the following amendments in the Foreign Trade Policy 2015-2020 with immediate effect: The following para is added in the Chapter 3 of the Foreign Trade Policy, 2015-2020: "A 2% Additional Ad hoc Incentive for 2 HS Codes/ tariff lines: 85171211 - Mobile phones, other than push button type and 85171219- Mobile phones, push button type.
- **All must work collectively for effective multilateral trading system: Hon'ble Union Minister of Commerce and Industry-** The Hon'ble Union Commerce & Industry and Railways Minister, Shri Piyush Goyal participated in an Informal Ministerial Gathering in Davos last week. During his intervention at the Gathering, he said that the current challenges throw up some key priorities for MC12 (The Twelfth Ministerial Conference will take place from 8th-11th June 2020 in Nur-Sultan, Kazakhstan), including WTO reform. He said that on the Appellate Body, India believes, that all must work collectively to achieve the vision of the founding fathers, for an effective multilateral trading system. The early restoration of the full strength of the Appellate Body, will contribute to the realization of that objective he added.
- **India-Brazil set target of USD 15 billion trade by 2022: Hon'ble Union Minister of Commerce and Industry-** The visit of the President of the Federative Republic of Brazil, Jair Bolsonaro, is a sign of the growing importance of the India – Brazil bilateral partnership the Hon'ble Union Minister of Commerce and Industry & Railways, Shri Piyush Goyal has said during his address at the inaugural session of the India-Brazil Business Forum held in New Delhi. He hoped that as Brazil is one of the most important trading partners of India in the entire LAC (Latin America and Caribbean) region, trade between the two countries will grow to USD 15 billion by 2022.

Our Voice

Budget will boost incomes and enhance purchasing power: PHD Chamber- The Union Budget 2020-21 is a dynamic budget and meeting aspirations of all sections of the society for the improvement of standards of living. The focus of the Budget on the Agriculture sector with pinpointed 16 action points to double farmers' income by 2022 is highly encouraging. The focus on agriculture will create tremendous demand in the economy, boost manufacturing and services sector activities and rebound the economic growth trajectory of the country. The three themes of aspiration, development and compassion would become the pillars of strong and sustainable growth of the country. The increase in the allocation on education to 4.7% is in line with the expectations and we expect this to be increased further to 10% in the coming times. The fiscal deficit at 3.5% of GDP in FY2021 is also in line with the expectations as we look forward to government remaining strict to maintain fiscal consolidation at this level. The move to rationalise income tax is encouraging and is expected to boost the demand in the economy. The abolition of DDT, a long standing demand of the industry, is highly encouraging as it will further make India an attractive destination for investment. Overall the budget is growth provoking and welfare inducing. The Hon'ble Union Finance Minister, Smt. Nirmala Sitharaman, unveiled a series of far-reaching reforms, aimed at energizing the Indian economy through a combination of short-term, medium-term, and long-term measures.

Economic Survey inspiring : pro-business policies will rebound the economic growth trajectory: PHD Chamber- Economic Survey is providing a clear direction in the economic thought process of the government and its determination to achieve a US\$5 trillion economy. The Economic Survey 2019-20 pegs India's growth at 6-6.5% in FY2021 with growth revival expected from second half of FY2021. Government's commitment to carry the reform process forward indicates that the robust growth trajectory is not far away. The focus on maintaining consistency in policy making speaks volume on government's agenda to rejuvenate economic growth of the country. At this juncture, bold and flexible reforms in land and labour would be crucial to attract domestic and foreign investors and create employment opportunities for millions of growing young workforce. We are elated to know that the reform measures of the government have started bearing fruit as the share of regular wage/ salaried employees has increased by 5 percentage points (23%) with a significant jump of around 2.6 crore new jobs in this category. Going ahead, we expect further increase in health and education expenditure to the level of 10% of GDP by 2022.

Economy so far

- **Mega textile parks on the anvil; government revamps scheme-** The government is considering a plan to

set up 1,000-acre mega textile parks as it revamps the Scheme for Integrated Textile Park . A total of 59 textile parks have been sanctioned under SITP by the textiles ministry out of which 22 textile parks have been completed and rest are under various stages of construction Textiles ministry has circulated a cabinet note.

- **Government grants two-year extension to rate discount scheme for coastal vehicle carriers-** In an effort to promote coastal shipping, the Shipping Ministry has allowed state-owned port trusts to extend by two years an 80 per cent discount in vessel-related charges and cargo-related charges given to roll-on-roll-off (Ro-Ro) ships that ferry cars and trucks along the coast. The discount scheme, first introduced in September 2016, ended in September 2018, after a two-year run. The extended scheme will now be valid till January 2022.
- **Indian control clause for insurance may go-** The Centre is likely to drop the clause that mandates control of insurance companies by Indian promoters as it seeks to enhance foreign direct investment (FDI) limit in the industry to 74% from 49%. The government has held several meetings with the insurance regulator, insurers and consultants on higher FDI in the sector. Many global insurers, have not raised their stakes in Indian operations due to the clause that was introduced in 2015. The government will amend the relevant provision while dropping control and ownership clause of the Insurance Act through the Finance Bill.
- **Government asks textile exporters to repay sops availed-** The Union government has put scores of small textile exporting companies on the verge of closure by withdrawing export concessions with retrospective effect. In a recent notification, the Government has not only announced that it will withdraw the benefit of 4 per cent MEIS (merchandise export incentive scheme) on exports of made-ups and garments with retrospective effect from March, but also recover MEIS incentive given till July.
- **IRDAI's Committee on micro insurance suggests ways to boost segment-** The insurance regulator, Insurance Regulatory and Development Authority's (IRDAI) committee on micro insurance has suggested such policies be allowed up to Rs 5 lakh, from the current level of Rs 2 lakh, and that even general insurance or health products have return of premium as an option. Micro insurance is specifically intended for protection of low income people, with affordable products to help them cope with and recover from financial loss.
- **Railway corporatisation process starts from FY21-** The Indian Railways will begin the process of corporatising its production units in FY21 as it takes a coordinated approach towards improving the efficiency of the railway network. The idea of hiving off the seven production units of the Indian Railways into a single entity, called the Indian Railways Rolling Stock Company, was floated as part of the 100 days action plan of the Indian Railways last year.
- **Push for MSMEs to join ecommerce exports-** The government is in talks with ecommerce firms to help sell goods produced by small enterprises in remote parts of the country around the world via online marketplaces, and to identify district-wise products that can be promoted globally, amid sagging exports. The idea is to increase overall exports, especially of small enterprises which are located in remote areas.
- **Sabka Vishwas kitty hits over Rs 38,000 crore-** The government has surpassed its target under a scheme launched last year for settling pending disputes over service tax and central excise by collecting over Rs 38,000 crore in taxes. Ministry of Finance received around 189,000 applications under the Sabka Vishwas (Legacy Dispute Resolution Scheme) 2019, which kicked off in September and concluded on January 15. The government had set a target of 184,000 taxpayers with tax collection of over Rs 35,000 crore. However, with the extension of the scheme (from the initial deadline of December 31), around 5,000 more applications were filed.
- **Government asks top PSUs to bring vendor network on TReDS-** The government has ordered its top companies to bring in their entire vendor network comprising thousands of suppliers on to the TReDS, an electronic trading platform to trade receivables, as it aims to unclog the payment pipelines that's squeezing funding for small enterprises.
- **India's crude steel production went up by 1.8% in 2019-** India's crude steel production went up to 111.2 million tonne (mt) in 2019, showing a 1.8% rise over 2018, as Asian steel producers emerged as key drivers behind a 3.4% surge in global crude steel output to 1.9 billion tonne during the year. According to the

Brussels-based World Steel Association, Asia produced 1.3 billion tonne of crude steel in 2019, an increase of 5.7% compared to 2018. Within Asia, India and China were the two countries which posted improvement in steel output during the calendar year 2019.

- **Shri Nitin Gadkari Calls for Insuring Road Projects in The Country; Motor Vehicle Accident Fund Contemplated for Hit-and-Run Cases-** Shri Nitin Gadkari, Hon'ble Union Minister for Road Transport & Highways and MSMEs has called for including the road projects in the country into the ambit of insurance. He said, several countries in the world are following the practice of insuring infrastructure projects. These include Canada, Australia, USA, South Africa and UK. Underlining the importance of insurance, Shri Gadkari said that with a little procedural change in insurance practices, the death rate due to road accidents can be brought down significantly. He said, his Ministry is considering forming a Motor Vehicle Accident Fund, which will fund the amount for compensation for hit and run cases. The Fund will also be used for medical treatment of accident victims. He said, the compensation amount in hit and run cases has been increased to Rs 2 lakh, while for the injured people in such cases, it is now Rs 50 thousand.
- **GM Trade War back on front burner as Trump comes to India-** Genetically modified animal feed is set to emerge as a new flashpoint in India's trade talks with the United States, especially after China just allowed its import under the recently concluded trade deal. With US President Donald Trump slated to visit India next month, the issue is likely to be on the front burner. This is no small business. The Indian market is estimated to reach Rs 9,000 crore by 2024. Demand is only rising with the increase in livestock population— more so after the push on cow protection and new shelters for stray cattle.
- **3.4 lakh evade cap gains tax on equity, MF sales: Government-** According to a analysis by Income Tax Department, over 3.4 lakh investors dealing in listed equity shares and mutual funds (MF) are suspected to have evaded or not reported long-term capital gains (LTCG) tax, prompting authorities to dismiss demands for the abolition of the levy introduced two years ago. Data analysis on the impact of LTCG, showed that during 2018-19, around 91,000 individuals and Hindu Undivided Families (HUFs), or 16%, dealing in listed shares and mutual funds who sold listed shares or mutual funds exceeding Rs 20 lakh did not file returns. The value of sales of these shares and mutual fund units was estimated at Rs 99,000 crore.
- **Railways to run 100% on electricity by 2024-** Shri Piyush Goyal, Hon'ble Commerce and Industry, and Railways Minister said that the entire network of the Indian Railways will run on electricity by 2024 and become a net-zero emission network by 2030. By 2030, the minister plans to make the entire railway network a net-zero emission network. They will have no emission from the railways, it will run on clean energy and clean power. He added that it will be the first railway in the world to be run fully on electricity.
- **I-T refunds of Rs 1.7 lakh crore to hurt FY20 direct tax mop-up-** The government handed out refunds to the tune of Rs 1.7 lakh crore, pulling down its direct tax collections in FY20. According to Ministry of Finance officials, net direct tax collections so far this financial year were Rs 7.3 lakh crore against Rs 7.7 lakh crore in the corresponding period in FY19. This implies a shortfall of about Rs 40,000 crore or over 5%. Net direct tax collections are gross direct tax collections minus income tax refunds.
- **GeM MoU with UP state for Project Management Unit-** Government eMarketplace (GeM), under the Department of Commerce, Ministry of Commerce & Industry and Government of Uttar Pradesh, signed a Memorandum of Understanding (MoU) to set up a GeM Organizational Transformation Team (GOTT) Project Management Unit (PMU) in the State. The MoU aims to expedite the harmonization of the procurement guidelines of the two entities and integration of systems, enabling seamless procuring experience. The PMU to be setup under the MoU will make it easier for MSMEs of U.P. to onboard and transact on GeM. 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.
- **India's taking its digital success stories abroad-** India is taking its digital success stories such as Aadhaar, Direct Benefit Transfer (DBT) and the Unified Payments Interface (UPI) to other countries, as a means of strengthening its ties through 'digital diplomacy'. The effort, a collaboration between the Ministry of Electronics and IT (MeitY) and the Ministry of External Affairs (MEA), involves handholding those countries to recreate some of the technology platforms like the unique identity number and digital payments in

developing countries that have similar demographic or socio-economic issues like India. The idea is to establish India as a tech hub, generate more business for private companies while improving bilateral partnerships.

- **Growth slowdown in India is temporary: IMF Chief-** Ms Kristalina Georgieva, IMF chief, recently said that the growth slowdown in India appears to be temporary and she expects the momentum to improve going ahead. Speaking at the World Economic Forum (WEF) 2020, she also said the world appears a better place in January 2020 compared to what it was when IMF announced its World Economic Outlook in October 2019
- **Government's decision to withdraw MEIS incentives set to hit textile exporters-** The government's decision to withdraw the Merchandise Exports from India Scheme (MEIS) with retrospective effect is likely to erode profit margins of textile players. It will also impact exports and fresh investment in the sector.
- **Lenders need to provide info on security interest-** According to a notification by the Department of Financial Services, lenders will now need to file online details of any charge they have over a security interest at the time of its creation when providing secured loans. Lenders are also required to inform the central registry of any change to a security interest and when such loans are paid off. They will have to file details of any order of attachment passed in their favour by any court or government authority.
- **Union Minister for Coal and Mines reviews mineral exploration projects and activities of Rajasthan-** Shri Pralhad Joshi, Hon'ble Union Minister for Mines, Coal and Parliamentary Affairs chaired review meeting of mineral exploration projects and activities of Rajasthan in New Delhi. The Minister took stock of the issues of the organizations related to exploration of minerals including Potash and Lignite in Rajasthan. He asked the representatives to expedite the projects in Rajasthan and directed them to take up the matter with State Government.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2017	2018	2019	Nov 19	Dec 19	Jan 19	(30-1-2020)	(31-1-2020)	(1-2-2020)
BSE SENSEX	34057	36068	41253	40793	41253	40723	40913	40723	39735
GOLD (10 GRMS)	28966	30600	34813	38125	38084	39988	40717	40694	40694
CRUDE OIL (1 BBL)	3317	4437	4007.8	4074	4241	4123	3796	3727	3687
EXCHANGE RATE (INR/USD)	65	68	70.4	71.45	71.3	71.3	71.49	71.49*	71.35**

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (Note: *data pertains to 30-1-2020; **data pertains to 31-1-2020)

Newsletters and Studies

PHD Research Bureau has released a newsletter on FOREX & FEMA that provides a broad view of developments related to forex affairs of economy such as rupee movement, forex reserves, regulatory developments, stock markets behavior, interest rate scenario, commodities overview and key macroeconomic indicators, etc. PHD Research Bureau has released EAC Newsletter pertaining to a broad view of economic developments in the Indian economy and a newsletter on the developments on various fronts such as economic, health, infrastructure, rural economy and tourism in all the states of India. PHD Research Bureau has also released a report on Indian Economy on the Eve of Union Budget 2020-21.

[FOREX & FEMA newsletter for the month of January 2020](#)



[EAC Newsletter for the Month of January 2020](#)



[Indian Economy on the Eve of Union Budget 2020-21](#)



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Warm Regards,

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