

# Weekly Compendium of Economic and Business Developments

For the week ending 13<sup>th</sup> March 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 Parliament passes the Mineral Laws (Amendment) Bill, 2020; World Bank approved USD 30 million project to strengthen India's Statistical System; RBI announced USD/INR Sell/Buy Swaps to provide liquidity to the foreign exchange market; FDI inflows in India stands at USD 16 billion during Q3 2019-20 and decisions taken by the Union Cabinet; among others. The details of disseminated information during the week ending 13<sup>th</sup> March 2020 are appended.

## India and World Economy

- **January 2020 IIP grows at 2.0%-** Growth in industry output, as measured in terms of IIP, for the month of January 2020 grows at 2.0% as compared to 0.1% in December 2019. The growth in the three sectors mining, manufacturing and electricity in January 2020 stands at 4.4%, 1.5% and 3.1% respectively over January 2019. Primary goods growth stands at 1.8%, capital goods growth stands at (-)4.3%, intermediate goods growth stands at 15.8%, infrastructure/construction goods growth stands at (-)2.2%, consumer durables stands at (-)4.0% and consumer non-durables growth stands at (-)0.3 % during January 2020 as compared to the previous year.
- **February 2020 CPI inflation falls to 6.58%-** The all India general CPI inflation (Combined) for February 2020 falls to 6.58% from 7.59% in January 2020. The inflation rates for rural and urban areas for February 2020 (Provisional) are 6.67% and 6.57% respectively as compared to 7.7% and 7.4% respectively, for January 2020. Rate of inflation in February 2020 in vegetables stands at 31.6%, pulses and products at 16.6% and meat and fish at 10.2%.
- **Parliament passes the Mineral Laws (Amendment) Bill, 2020-** Parliament has passed The Mineral Laws (Amendment) Bill, 2020 for amendments in Mines & Mineral (Development and Regulation) Act 1957 and The Coal Mines (Special Provisions) Act, 2015. The Bill was passed in Rajya Sabha, 12th March 2020, while Lok Sabha already passed this bill on 6th March, 2020. The Mineral Laws (Amendment) Bill, 2020, will open a new era in Indian coal & mining sector specially to promote Ease of Doing Business.
- **Decisions taken by the Union Cabinet-** Cabinet approves scheme for “Remission of Duties and Taxes on Exported Products (RoDTEP)” to boost exports Scheme for enhancing Exports to International Markets. Cabinet approves Rehabilitation and Upgradation of various National Highways covering a total length of over 780 kms in the States of Himachal Pradesh, Rajasthan, Uttar Pradesh and Andhra Pradesh. Cabinet approves Minimum Support Price for Copra for 2020 season. Cabinet approves removal of ambiguities in the Modified NPS-III for determination of fixed costs for the urea units. Cabinet approves release of an additional instalment of Dearness Allowance and Dearness Relief due from 1.1.2020.

- [World Bank approves USD 30 million project to strengthen India's Statistical System-](#) The World Bank Board of Executive Directors has approved a USD 30 million project to support the Government of India's efforts at strengthening and modernizing its statistical system by providing timely, relevant and high-quality statistics. The National Program for Improving the Quality of Statistics in India will support the Ministry of Statistics and Program Implementation (MOSPI), Government of India in modernizing survey data collection, enhancing the use of administrative data for producing statistics and in improving the user-relevance of statistical products with a strong emphasis on strengthening quality assurance mechanisms.

## Finance

- [RBI announces USD/INR Sell/Buy Swaps to provide liquidity to the foreign exchange market-](#) On a review of current financial market conditions and taking into consideration the requirement of US Dollars in the market, the Reserve Bank of India (RBI) has decided to undertake 6-month US Dollar sell/buy swaps to provide liquidity to the foreign exchange market. Financial markets worldwide are facing intense selling pressures on extreme risk aversion due to the spread of COVID-19 infections, compounded by the slump in international crude prices and a decline in bond yields in advanced economies. Flight to safety has led to spike in volatility across all asset classes, with several emerging market currencies experiencing downside pressures. Mismatches in US dollar liquidity have become accentuated across the world. At this background, RBI has decided to undertake 6-month US Dollar sell/buy swaps.

## Trade

- [India's CAD narrows to 0.2 % of GDP in Q3 2019-20 from 0.9% of GDP in Q2 2019-20-](#) India's current account deficit (CAD) narrowed sharply to US\$ 1.4 billion (0.2 per cent of GDP) in Q3 of 2019-20 from US\$ 17.7 billion (2.7 per cent of GDP) in Q3 of 2018-19 and US\$ 6.5 billion (0.9 per cent of GDP) in the preceding quarter, i.e., Q2 of 2019-20. The contraction in the CAD was primarily on account of a lower trade deficit at US\$ 34.6 billion and a rise in net services receipts at US\$ 21.9 billion as compared with the corresponding period of last year.
- [Services trade growth weakens as COVID-19 crisis hits global economy: WTO's Services Trade Barometer-](#) World services trade growth continued to weaken towards the end of 2019 and into the first quarter of 2020 according to the WTO's latest Services Trade Barometer. The latest reading of 96.8 is down from the 98.4 recorded last September and well below the baseline value of 100 for the index, suggesting below-trend growth in world services trade. The indicator does not yet fully capture the economic impact of the COVID-19 virus and is likely to decline further in the coming months.
- [FDI inflows in India stands at USD 16 billion during Q3 2019-20-](#) The Total FDI inflows (Equity inflows + Re-invested earnings + Other capital) in India stands at USD 16 billion during Q3 - October to December 2019-20. During April to December 2019-20, total FDI inflows stands at about USD 51 billion.

## Our Voice

**PHD Chamber welcomes Government's Visa Restrictions Related to Covid-19-** While welcoming the strict travel and visa restrictions related to pandemic Covid-19 that it will help restricting the outbreak of Covid-19 in India since the number of patients has been rising mostly with travel history to affected countries. In response to an increasing number of confirmed cases of COVID-19 in the country, Bureau of Immigration, Government of India has issued advisory suspending all existing visas issued to nationals of any country, except those issued to Diplomats, Officials, UN/International organizations, Employment, Project visas till April 15, 2020. This reflects the government's strong commitment to ensure effective health measures to put a check on further spread of infection and contagion of Covid-19 in the country. Appreciating the effective precautionary and proactive measures taken by the government, such as strengthening community surveillance, enhancing quarantine facilities, increasing isolation wards and deploying trained manpower & rapid response teams, to prevent and

manage COVID-19 in the country. Going ahead, it is expected that government will take further containment and mitigation measures along with efficient fiscal and monetary policy support to alleviate the spread of virus, restore growth, induce demand and reduce prevailing uncertainty in the economy.

**PHD Chamber suggests the Government to Reduce Excise duty and VAT on Petroleum and Diesel Products by 25% to bring down the prices by Rs 9-10 per litre-** Prices of the petroleum products should be in sync with the deceleration in the international crude oil prices and all the movement in the International crude oil prices must be captured and implemented in the domestic prices in the same way. World economic environment has turned very dynamic and there is a drastic fall in the international crude oil prices and this can be a boon for the Indian economy as inflationary conditions will be benign and price cost margin of the businesses will improve. The international crude oil prices have been declined significantly from USD 63.27 per barrel as on 6th January 2020 to USD 31.13 per barrel as on 9th March 2020, while petrol prices in India (Delhi) decreased from Rs 75.69 to Rs 70.59 during the same period. However, significant 50% fall in the international crude oil prices has only resulted by a 7% decline in the domestic petrol prices. The build-up of petroleum product prices because of various taxes, duties and commissions (fixed excise duties at Rs 19.98/Litre and VAT at Rs 15.25/Litre in Delhi) is so high that any significant crude oil price decline is also not reflected in the prices of petroleum products in India. As the economy faces a slowdown, because of the banking and NBFC crisis in 2019, now the impact of Coronavirus may affect the recovery process that we were expecting from the April quarter. At this juncture, it is suggested to reduce Excise duties and VAT on petroleum, diesel and allied products by at least 25%, to bring down the prices of petroleum products, which will be a big relief to the industry, will boost and kick start economic growth, while reviving the spirit in the economy. This reduction in Excise and VAT would reduce the prices of petrol and diesel by Rs 9-10 per litre and we strongly believe that these reduced prices will help lower inflation, boost consumer spending, make Indian industry competitive and will boost overall revenue and benefit government, industry and economy.

#### **Economy so far**

- **Economy's alright: Hon'ble Prime Minister ShriNarendraModi, Ministers' big message-** Hon'ble Prime Minister ShriNarendraModi and his key cabinet ministers made one big pitch that the economic fundamentals are strong and India is on a relatively strong wicket. He said that to minimise the impact of the global slowdown, the government has taken whatever initiatives it could, whatever proactive action it could.
- **Coal India upgrading mine transport facilities-** Coal India is upgrading transport facilities at mines as part of efforts to meet its target of producing 1 billion tonnes by 2024. It has hired Indian Port Rail Corp. (IPRCL) to build rail infrastructure, construct more sidings and improve connectivity with Indian Railways' main network. The plan is to improve first-mile connectivity so that more coal can be moved in a shorter time from large mines. Coal India is enhancing production capacity at each of its mines and the plan is to synchronise it with improved evacuation facilities.
- **WTO focus on trade benefits to developing nations at key meet-** Special and differential treatment for developing countries like India will figure prominently in the World Trade Organization's (WTO) 12th Ministerial Conference meet in June in Kazakhstan. The Ministerial Conference is the highest decision-making body of the 164-member WTO. Trade ministers of all the member countries participate in the deliberations. The 12th Ministerial Conference will take place from June 8-11 this year at Nur-Sultan in Kazakhstan. As part of reforms at the WTO, the US wants the formulation of some guidelines that countries with high economic growth are prevented from taking benefits of special and differential treatment (S&DT), which is meant for developing and poor nations. WTO is likely to focus on trade benefits to developing nations at key meet.
- **FDI inflows in India stands at USD 16 billion during Q3 2019-20-** The Total FDI inflows (Equity inflows + Re-invested earnings + Other capital) in India stands at USD 16 billion during Q3 - October to December 2019-20. During April to December 2019-20, total FDI inflows stands at about USD 51 billion. During April to December 2019-20, FDI equity inflows stands at about USD 37 billion as against USD 33

billion during the same corresponding period of last year, registering a growth rate of 10% year on year. Mauritius stands at first rank amongst the top 10 investing countries in India with USD 142 billion cumulative FDI equity inflows followed by Singapore with USD 95 billion and Japan with USD 33 billion during April 2000 to December 2019. Countries such as Netherlands, USA, UK, Germany, Cyprus, France and UAE are amongst the other top investing countries.

- **CEA dismisses worries on safety of Indian banks-** According to Dr KV Subramanian, Chief Economic Advisor, the average capital adequacy ratio of Indian banks is 14.3%, compared to 8% globally, and therefore there is no need to worry about their safety. He said that the market capitalisation (m-cap) was an incorrect metric to assess banks' safety and that the capital to risk weighted assets ratio (CRAR) or capital adequacy ratio, which measures loan risk, was a better measure. The government has increased the limit for deposits that are insured up to ₹5 lakh, together with the fact that our banks are well capitalised, there is absolutely no reason for anyone to worry, he added.
- **E-invoicing under GST may be deferred-** The government is considering deferring the implementation of e-invoicing under goods and services tax (GST) by three months to July 1, 2020. The Goods and Services Tax Council may consider such a proposal at its meeting on Saturday (14th March 2020). Trials to upload e-invoices on the GST Network (GSTN) — introduced in January — have seen lukewarm response, and barely 1% of registered businesses under the GST regime used it.
- **NCLAT Chairperson exhorts NCLAT & NCLT members to stick to time limits for cutting delays in insolvency cases-** Justice S. J. Mukhopadhaya, Chairperson, National Company Law Appellate Tribunal (NCLAT), raised serious concerns with regard to the constant delays in insolvency proceedings and said that the Members of NCLAT and National Company Law Tribunal (NCLTs) must cut the time period of insolvency proceedings short and focus on quicker disposal of cases. He emphasised that there are only limited grounds to argue at the stage of admission and that the Members of NCLTs should admit or dismiss the cases adhering to the prescribed time limits. He requested the members of NCLTs to adhere to prescribed time limits by focusing on the subject matter at hand.
- **Moody's cuts India growth forecast to 5.3% for 2020 on dampened domestic demand-** Moody's Investors Service on Monday cut its growth forecast for India to 5.3 per cent for 2020 from 5.4 per cent estimated earlier, as it expects the coronavirus outbreak to dampen domestic demand globally. In its update on Global Macro Outlook for March, Moody's said that the virus outbreak has spread rapidly outside China to a number of major economies. It now seems certain that even if the virus is steadily contained, the outbreak will dampen global economic activity well into Q2 of this year, the report said.
- **Telecom tariff floor need of the hour -** Days after the NitiAayog opposed the idea of fixing of a minimum tariff for telecom services, its chief executive Shri Amitabh Kant has written separately to the sector regulator taking a stand. In a letter dated March 4 to the Telecom Regulatory Authority of India, Kant said while setting a floor for tariffs was not a "long-term solution" to address viability issues in the sector, it was the need of the hour to help the industry tide over its current crisis. It is needed to enable continuation of a multiplicity of firms that is critical for healthy competition, he added.
- **India calls US move on duty probe relaxation unfair-** India has termed as "unilateral action" a recent move by the United States to terminate an exemption given to developing countries from countervailing duty (CVD) investigations. Separately, it also criticised another US decision to unilaterally remove India and Turkey from a list of developing countries that are exempt from safeguard duty on crystalline silicon photovoltaic cells and large residential washers, last year.
- **In a first, India figures on arms exporters list-** In a first, India has figured on a list of global arms exporters, making a modest entry at number 23 but the ranking is likely to rise sharply over the coming years with the government's focus on encouraging weapons sales abroad. The latest data on global arms

transfer by SIPRI shows that Indian arms imports have come down significantly (by 32%) since 2015, indicating that the 'Make in India' initiative is gaining ground but the country is still ranked as the world's second biggest weapons buyers, just behind Saudi Arabia.

- **Government may halve dividend income tax rate for big local investors-** The government may consider effectively halving the tax rate on dividend income for individuals in the highest tax bracket, likely boosting stocks that are facing a rout globally. The government is looking to tweak the current regulations to bring down the tax on dividends to about 20% from up to 43% for Indian individual investors. The government may offer the concession by offering a flat 20% tax on dividend income.
- **Government sets up panel for changes in mining policy to woo private companies-** The government has set up a high-level committee under NITI Aayog vice chairman Shri Rajiv Kumar to draw a road map for opening up of the country's mining sector to private players. The proposed plan envisages complete mining rights to interested players while imposing a cap on royalty.
- **Ministry of Rural Development to seek two more years to meet housing for all target-** Unable to meet its target of providing a house to every rural household under PradhanMantriAwasYojana (PMAY-Gramin), the Ministry of Rural Development would seek an extension of two years for the flagship programme. The approved mission period for PMAY-Gramin would end on April 1, 2020.
- **Coronavirus: Meat, rice, pharma exporters worried-** A 12-15 per cent decline in meat exports, falling global demand for rice, restrictions on outbound shipments of medicines and a shortage of raw material for the pharmaceutical, solar and electronic industries are issues that exporters are grappling with as the covid-19 spreads. These matters are likely to come up at a meeting that commerce minister ShriPiyushGoyal will have with export promotion councils and industry chambers and associations today, 12th March 2020 to assess the global disruption in supply chains and impact on India.
- **HRD ministry plans one higher education regulator with three divisions-** The Ministry of Human Resource Development (HRD) is now working on setting up a single higher education regulator with three other bodies housed in it. Under the new setup, the bodies will, however, work as per the recommendations of the Kasturirangan committee. The HRD ministry will draft a new legislation to set up the single regulator and take it to Parliament once the National Education Policy is granted Cabinet approval.
- **January 2020 IIP grows at 2.0%-** Growth in industry output, as measured in terms of IIP, for the month of January 2020 grows at 2.0% as compared to 0.1% in December 2019. The growth in the three sectors mining, manufacturing and electricity in January 2020 stands at 4.4%, 1.5% and 3.1% respectively over January 2019. Primary goods growth stands at 1.8%, capital goods growth stands at (-)4.3%, intermediate goods growth stands at 15.8%, infrastructure/construction goods growth stands at (-)2.2%, consumer durables stands at (-)4.0% and consumer non-durables growth stands at(-)0.3 % during January 2020 as compared to the previous year.
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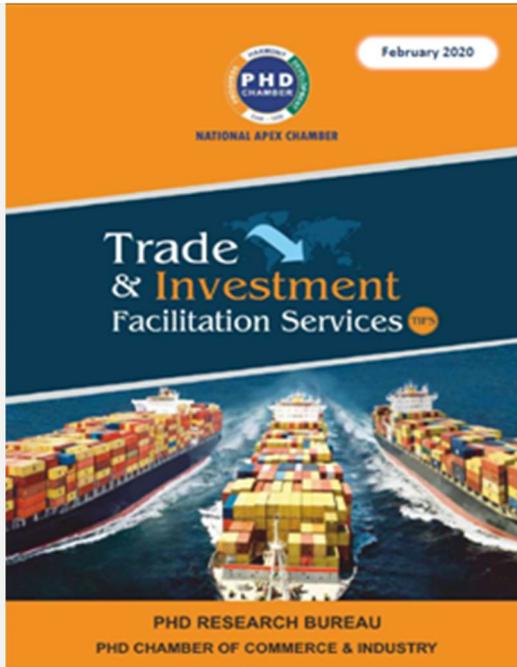
Ease of Doing Business.

- **Pharmaceutical department tells companies to step up manufacture of anti-HIV drugs-** With Covid-19 spreading and Indian experts saying they will take at least 1.5 years to develop a vaccine, the government has asked major pharmaceutical companies that manufacture HIV combination drugs Lopinavir and Ritonavir (which seem to be working against Covid-19) to ramp up their production and keep stock ready for emergency use
- **Services trade growth weakens as COVID-19 crisis hits global economy: WTO's Services Trade Barometer-** World services trade growth continued to weaken towards the end of 2019 and into the first quarter of 2020 according to the WTO's latest Services Trade Barometer. The latest reading of 96.8 is down from the 98.4 recorded last September and well below the baseline value of 100 for the index, suggesting below-trend growth in world services trade. The indicator does not yet fully capture the economic impact of the COVID-19 virus and is likely to decline further in the coming months.
- **Covid-19 scare: Exporters peg hit at USD 1 billion-** Exporters are bracing for at least a USD 1 billion decline in outward shipments in February as countries close borders and order cancellations increase due to the spread of Covid-19. With labour intensive sectors like gems and jewellery, lifestyle goods, carpets and handicrafts expected to get impacted the most, traders expect the impact to come with a lead time of around three months.
- **India's current account deficit shrinks sharply in Oct-Dec quarter-** India's current account deficit (CAD) narrowed further in the October-December quarter on the back of a contraction in the trade deficit and rise in net services receipts. The CAD declined to 0.2% of gross domestic product in the three months, the third quarter of the 2019/20 fiscal year, from 2.7% in the same period a year before. On a quarterly basis, it shrank from 0.9% of GDP in the second quarter.
- **RBI announces USD/INR Sell/Buy Swaps to provide liquidity to the foreign exchange market-** On a review of current financial market conditions and taking into consideration the requirement of US Dollars in the market, the Reserve Bank of India (RBI) has decided to undertake 6-month US Dollar sell/buy swaps to provide liquidity to the foreign exchange market. Financial markets worldwide are facing intense selling pressures on extreme risk aversion due to the spread of COVID-19 infections, compounded by the slump in international crude prices and a decline in bond yields in advanced economies. Flight to safety has led to spike in volatility across all asset classes, with several emerging market currencies experiencing downside pressures. Mismatches in US dollar liquidity have become accentuated across the world. At this background, RBI has decided to undertake 6-month US Dollar sell/buy swaps.

## Newsletters

PHD Research Bureau released a newsletter on Trade and Investment facilitation Services (TIFS) to provide information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO among others.

[TIFS NEWSLETTER FOR THE MONTH OF FEBRUARY 2020](#)



## Markets So Far

Indicators	Yearly			Monthly				Daily		
	2017	2018	2019	Nov 19	Dec 19	Jan 20	Feb 20	(11-03-20)	(12-3-20)	(13-3-20)
BSE SENSEX	34057	36068	41253	40793	41253	40723	38297*	35697	32778	34103
GOLD (10 GRMS)	28966	30600	34813	38125	38084	39988	41179	43427	43228	41859
CRUDE OIL (1 BBL)	3317	4437	4007.8	4074	4241	4123	3643	2541	2434	2336
EXCHANGE RATE (INR/USD)	65	68	70.4	71.45	71.3	71.3	71.4	73.6	74.2	73.9

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (Note: \*data pertains to 28<sup>th</sup> Feb,20)

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- [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.



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