

Weekly Compendium of Economic and Business Developments

For the week ending 7th 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 India's GDP to grow at 5.1% in 2020-21 and 5.6% in 2021-22 as per the forecasts by OECD Interim Economic Outlook; decisions taken by the Union Cabinet; Government to sanction 10 projects worth Rs 301 crores for Food Processing Sector; among others. The details of disseminated information during the week ending 7th March 2020 are appended.

India and World Economy

- **India's GDP to grow at 5.1% in 2020-21 and 5.6% in 2021-22: Forecasts by OECD Interim Economic Outlook, March 2020- According to OECD's Interim Economic Outlook; Coronavirus:** The World Economy at Risk, March 2020, the coronavirus (COVID-19) outbreak has already brought considerable human suffering and major economic disruption. The annual global GDP growth is projected to drop to 2.4% in 2020 as a whole, from an already weak 2.9% in 2019, with growth possibly even being negative in the first quarter of 2020. According to the OED Interim Economic Outlook, India's GDP is expected to grow at 5.1% in 2020-21 and 5.6% in 2021-22.
- **Decisions taken by the Union Cabinet-** Cabinet approves Foreign Direct Investment policy on Civil Aviation to permit 100% FDI by NRIs who are Indian Nationals into M/s Air India Ltd. upto 100%, under automatic route which will to liberalise and simplify the FDI policy to provide ease of doing business in the country; Approval of Companies (Second Amendment) Bill, 2019 which will remove criminality under the Act and lead to further de-clogging of the criminal justice system in the country; Mega Consolidation in Public Sector Banks {PSBs} with effect from 1.4.2020; Government transforms PSB landscape with consolidation of ten PSBs into four with effect from 1.4.2020; Amalgamations to enable creation of digitally driven consolidated banks with global heft and business synergies; MoU between India and Côte d'Ivoire for cooperation in the field of Health.
- **Government sanctions 10 projects worth Rs 301 crores for Food Processing Sector-** Government sanctioned 10 projects worth Rs 301 Crore, with total grant-in-aid of Rs 67 Crore. The projects were sanctioned under the 'Agro Processing Cluster Scheme' of Kisan Sampada Yojana of Ministry of Food Processing Industries (MoFPI). These projects are likely to generate employment for ten thousand people and benefit nearly forty thousand farmers.
- **Government launched LLP Settlement Scheme, 2020** - As part of Government's constant efforts to promote ease of doing business, it has been decided to give a One-time relaxation in additional fee to the defaulting Limited Liability Partnerships (LLPs) to make good their default by filing pending documents and to serve as a compliant LLP in future. The Central Government has decided to introduce a scheme namely "LLP Settlement Scheme, 2020", by allowing a One-time condonation of delay in filing statutorily required documents with the Registrar. The Scheme shall come into force on the 16th March, 2020 and shall remain in force up to 13th June, 2020.

Finance

- **ECBs stands at about USD 8 billion during January 2020-** Indian firms have raised about USD 8 billion through external commercial borrowings (ECBs) by automatic and approval route in January 2020 as against USD 2 billion in December 2019. While, ECBs were at about USD 2.4 billion in January 2019.
- **Federal Reserve cuts interest rate by 50 bps-** The Federal Open Market Committee (FOMC) has decided to lower the target range for the federal funds rate by 1/2 percentage point, to 1 to 1-1.25%. According to the FOMC, the fundamentals of the U.S. economy remain strong. However, the coronavirus poses evolving risks to economic activity. In light of these risks and in support of achieving its maximum employment and price stability goals, FOMC has lowered the interest rate by 50 bps.
- **Gross Bank Credit grows at 8.5% in January 2020-** Gross bank credit grows at 8.5% in January, 2020 around as against 7 % in December, 2019 (year-on-year). The gross bank credit growth stands at 13% in January 2019. On a year-on-year (y-o-y) basis, non-food bank credit growth stands at 8.5% in January 2020 as against 7% in December 2019. Credit to agriculture & allied activities increased to 6.5 in January 2020 as against 5.3 % in December 2019.
- **GST revenue collection for the month of February 2020 stands at Rs 1,05,366 crore-** The gross GST revenue collected in the month of February, 2020 is Rs 1,05,366 crore of which CGST is Rs 20,569 crore, SGST is Rs 27,348 crore, IGST is Rs 48,503 crore (including Rs 20,745 crore collected on imports) and Cess is Rs 8,947 crore (including Rs 1,040 crore collected on imports). The total number of GSTR 3B Returns filed for the month of January up to 29th February, 2020 is 83.5 lakh.
- **CBDT issues FAQs on Direct Tax Vivad se Vishwas Scheme, 2020-** The 'Vivad se Vishwas' Scheme was announced during the Union Budget, 2020, to provide for dispute resolution in respect of pending income tax litigation. The objective of Vivad se Vishwas is to inter alia reduce pending income tax litigation, generate timely revenue for the Government and benefit taxpayers by providing them peace of mind, certainty and savings on account of time and resources that would otherwise be spent on the long-drawn and vexatious litigation process.
- **SEBI launches mobile application for lodging investor grievances-** In its efforts to improve the ease of doing business, Securities and Exchange Board of India (SEBI) launched a Mobile Application for the convenience of investors to lodge their grievances in SEBI Complaints Redress System (SCORES).

Our Voice

Better GDP growth inspiring, looking forward to a strong rebound in the coming quarters: PHD Chamber- The uptick in Q3 GDP growth trajectory is appreciable and the growth is expected to improve further in the coming quarters. Plethora of reform measures and focus on consumption demand in the Union Budget 2020-21 will rejuvenate the growth trajectory particularly boost the rural demand and help manufacturing sector to post higher growth. GDP growth has improved marginally to 4.7% in Q3 2019-20 as compared to the estimates of Q2 2019-20 at 4.5%, released by MOSPI in the month of November 2019. The GDP growth in Q3 2019-20 stands at 4.7% supported by growth in the public administration, defence and other services (9.7%), Financial, Real Estate & Professional Services (7.3%), Trade, Hotel, Transport, Communication & Services related to Broadcasting (5.9%), Agriculture, Forestry & Fishing (3.5%) and Mining and Quarrying (3.2%). However, Construction grew at 0.3%, Electricity, Gas, Water Supply & Other Utility Services at (-)0.7%, and Manufacturing sector at (-)0.2%.

Economy so far

- **Global GDP may lose \$77-347 billion due to coronavirus, Asia to be hit significantly: ADB-** The coronavirus outbreak has the potential to significantly harm the Asian economies, and the global economy may suffer losses of USD 77-347 billion according to Asian Development Bank (ADB). The virus outbreak may impact developing Asian economies through numerous channels, including sharp declines in domestic demand, lower tourism and business travel, trade and production linkages, supply disruptions, and health effects. The range of scenarios explored in the analysis suggests a global impact in the range of USD 77-347 billion, or 0.1-

0.4 per cent of global gross domestic product (GDP).

- **Government removes tariff caps for solar, wind power auctions-** Responding to the longstanding industry demand of removing tariff caps in renewable energy auctions, the ministry of new and renewable energy (MNRE) has decided that “cap or upper ceiling tariff will not be prescribed in future bids”. The tariff cap was one of the reasons cited by the industry, which slowed down the pace of adding renewable generation capacities to 8.6 giga-watt (GW) in FY 19 from 11.3 GW and 11.8 GW in FY17 and FY18, respectively. The other reasons were devaluation of the rupee, rising finance costs.
- **India's forex reserves jump to lifetime high of USD 481.54 billion-** The country's foreign exchange reserves reached to a lifetime high of USD 481.54 billion in the week to February 14, on the back of rise in foreign currency assets, according to the latest data from the RBI. In the previous week, the foreign exchange reserves had increased by USD 29 million to USD 476.12 billion. Foreign currency assets, a major component of the overall reserves, rose by USD 4.36 billion to USD 445.82 billion in the reporting week.
- **January 2020 core infra growth increases to 2.2%-** The core infrastructure increases to 2.2% in January 2020 as against 2.1% in December 2019. The combined Index of Eight Core Industries stood at 137.5 in January 2020, which increased by 2.2% as compared to the index of December, 2019. Its cumulative growth during April to January, 2019-20 stands at 0.6% as against 4.4% in April to January 2018-19.
- **January 2020 Fiscal Deficit stands at 129% of actuals to Res-** The gross fiscal deficit of the Central government stands at 128.5% of the actuals to revised estimates (REs) at the end of January 2020 as compared to 121% of the actuals to revised estimates in the corresponding period of the previous year. The primary deficit was registered at 362% of the actuals to revised estimates at the end of January 2020 as compared to 657% of the actuals to revised estimates during corresponding period of the previous year.
- **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.
- **Setting up pharmaceutical R&D bases in India will soon be incentivised-** The government plans to ring in regulatory changes to give more tax and other incentives to pharmaceutical companies that set up research and development (R&D) base in India. The government has reached out to some of the top pharmaceutical companies and sought feedback on the kind of tax sops and other boosters for R&D investment in India. The government will likely give out specific tax sops for specialised research in certain categories, and is analysing how tax sops could impact the sector and future tax revenues.
- **RBI assures steps to keep financial markets in order, tells banks to prepare action plan against risks-** The Reserve Bank of India (RBI) has said that it stands ready to safeguard the country's banking system from financial and market risks stemming from the spread of Covid-19, citing expectations of coordinated policy action by central banks around the world amid threats to global demand and currency movements. RBI governor Shri Shaktikanta Das said that RBI was prepared to take action to combat the effects of the disease and reiterated that there's room to cut interest rates.
- **India's services sector growth hits seven-year high in February, reveals PMI survey-** Marking its quickest rise in over seven years, India's services sector activity expanded for the fifth successive month in February, tracking the spike in business orders, renewed export demand and strengthening business confidence, a monthly survey showed on the previous day. Activity Index rose from 55.5 in January to 57.5 in February. This is the fastest expansion in services output since January 2013. Service providers saw a marked increase in new work intakes during February, the second-fastest in over seven years.
- **SC does away with RBI curbs on crypto trading-** The Supreme Court scrapped a Reserve Bank of India (RBI) circular preventing banks from providing services in support of cryptocurrencies, lifting a de facto ban on trading in bitcoin and other such instruments. Cryptocurrency exchanges welcomed the decision and startups said they will revive plans to invest and expand their businesses in India. The move may set the tone for a more calibrated regulatory approach toward digital currencies.
- **Vivad se Vishwas Scheme gets Lok Sabha Approval-** The Lok Sabha passed the Direct Tax Vivad se Vishwas Scheme Bill on the previous day, opening doors for taxpayers to end pending disputes by paying the tax amount, with interest and penalties waived off, till March 31, 2020.
- **India refuses to cap farm input subsidies-** India has ruled out any chances of capping input subsidies for

irrigation, fertilisers and electricity, stating that these support rural development, food and livelihood security of marginal farmers. Instead, around 60 countries including China and India have insisted that the focus of multilateral trade talks should be on addressing product-specific subsidies that the US, the EU and Canada give as these allow them more policy space and cause distortions in global farm trade. These are called aggregate measurement of support, or AMS, in trade parlance.

- **Government to help 3,000 women log into its E-Marketplace-** From jute bags to ethnic file folders to hand-pounded ragi breakfast cereal to pure mountain honey – all this and much more made by women living in the remotest corners of the country would now be available on the government e-Marketplace, or GeM portal. In the run up to International Women’s Day on March 8, the Centre is planning a mega push for women entrepreneurs. the Centre would put 150 women self-help groups (SHGs), or over 3,000 women, on its e-marketplace giving them a huge platform to sell their products.
- **SEBI notifies amendments in International Financial Services Centres Guidelines, 2015-** In order to further streamline the operations at International Financial Services Centres (IFSC), Securities and Exchange Board of India (SEBI) has been decided to amend provisions of the aforesaid guidelines. Under Clause 8 (1) of SEBI (IFSC) Guidelines, 2015, any SEBI-registered intermediary (except trading member or clearing member) or its international associates in collaboration with such SEBI-registered intermediary may provide financial services relating to securities market, in IFSC, without forming a separate company, subject to the prior approval of the Board. debt securities in IFSC shall prepare their statement of accounts in accordance with IFRS/ US GAAP/ IND AS or accounting standards as applicable to them in their place of incorporation.
- **Niti Aayog, health ministry reach consensus on Medical Devices Bill-** Government think tank Niti Aayog and the Ministry of Health have arrived at a consensus on the Medical Devices Bill. the final draft of the Medical Devices (Safety, Effectiveness and Innovation) Bill, 2019, is likely to propose that medical devices should be regulated by a separate division under the Central Drugs Standard Control Organisation (CDSCO).
- **Adopt ‘Jan Bhagidari’ approach to counter spread of coronavirus: PMO-** The Prime Minister’s Office (PMO) has directed for further enhancing the effectiveness of the steps taken to counter the spread of Covid-19 by adopting a pan-government approach in partnership with the states, participation of communities and local bodies through a Jan Bhagidari approach and exploring greater involvement of private sector. At an inter-ministerial review meeting chaired on Wednesday by PK Mishra, principal secretary to the Prime Minister, to review preparedness and response on the Covid-19 crisis, it was also decided to expand testing facilities and developing a GIS data-base for mapping disease hotspots and available medical facilities, the PMO said in a statement.

Markets So Far

Indicators	Yearly			Monthly				Daily		
	2017	2018	2019	Nov 19	Dec 19	Jan 20	Feb 20	(4-3-20)	(5-3-20)	(6-3-20)
BSE SENSEX	34057	36068	41253	40793	41253	40723	38297*	38409	38470	37577
GOLD (10 GRMS)	28966	30600	34813	38125	38084	39988	41179	43129	43188	44145
CRUDE OIL (1 BBL)	3317	4437	4007.8	4074	4241	4123	3643	3438	3441	3364
EXCHANGE RATE (INR/USD)	65	68	70.4	71.45	71.3	71.3	71.4	73.2	73.3	73.7

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (Note: *data pertains to 28th 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

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Warm Regards,

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