

## Weekly Compendium of Economic and Business Developments

(Period ending 12<sup>th</sup> March, 2021)

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 revenue deficit grant of Rs. 6,194.09 crore released to 14 States; OECD's Interim Economic Outlook March 2021 estimates for India's GDP growth for FY 2021, FY 2022 and FY2023; cabinet approval regarding creation of Pradhan Mantri Swasthya Suraksha Nidhi; among others. The details of disseminated information during the week ending 12<sup>th</sup> March 2021 are appended.

### India and World Economy

- **India's GDP growth estimated at (-)7.4% in FY2021 & projected at 12.6% in FY 2022 & 5.4% in FY 2023: OECD's Interim Economic Outlook March 2021-** India's GDP growth estimated at (-)7.4% in FY2021 & projected at 12.6% in FY 2022 & 5.4% in FY 2023. The rebound has been relatively fast in several large emerging-market economies. Activity moved above pre-pandemic levels in China, India and Turkey, helped by strong fiscal and quasi-fiscal measures and a recovery in manufacturing and construction. Significant fiscal and monetary support continues to underpin activity.
- **Cabinet approves creation of Pradhan Mantri Swasthya Suraksha Nidhi as a single non-lapsable reserve fund for Health from the proceeds of health and Education Cess-** The Union Cabinet, chaired by the Hon'ble Prime Minister, Shri Narendra Modi has approved the Pradhan Mantri Swasthya Suraksha Nidhi (PMSSN) as a single non-lapsable reserve fund for share of Health from the proceeds of Health and Education Cess levied under Section 136-b of Finance Act, 2007.
- **World Bank Approves US\$ 105 Million Project to Strengthen Solid Waste Management Systems in Kerala, India-** The World Bank has approved a US\$ 105 million project to support Kerala in strengthening its solid waste management systems and services. The project will directly benefit over 7.5 million people in all 93 ULBs across all 14 districts in Kerala.
- **17 States implement One Nation One Ration Card system-** Seventeen (17) States have successfully operationalised "One Nation One Ration Card system" with Uttarakhand being the latest State to complete the reform. States completing One Nation One Ration Card system reform are eligible for additional borrowing of 0.25 percent of Gross State Domestic Product (GSDP). Accordingly, these States have been granted additional borrowing permission of Rs. 37,600 crore by the Department of Expenditure, Ministry of Finance.

## Finance

- **Revenue Deficit Grant of Rs. 6,194.09 crore released to 14 States-** The Department of Expenditure, Ministry of Finance released the 12th and final monthly instalment of Post Devolution Revenue Deficit (PDRD) Grant of Rs. 6,194.09 crore to the States. With the release of this installment, a total amount of Rs. 74,340 crore has been released to eligible States as Post Devolution Revenue Deficit Grant in the current financial year.

## Our Voice

The Government has undertaken a series of broad-based policy measures during the last 11 months to enhance the economic activity at significantly higher level. Effect of these reforms has now become visible with a strong rebound in the economic and business indicators. The sharp recovery in GDP growth in Q3 FY 2020-21 at 0.4% as compared with (-)7.3% in Q2 and (-) 24.4% in Q1 2020-21 is appreciable.

GDP growth rate at 0.4% for Q3 FY 2020-21 is very much in line with PHD Chamber's projections in the PHDCCI Economic and Business Momentum (EBM) Index released on February 22, 2021, in which it had been estimated that the GDP growth will be at around 0.1% to 1% in Q3 FY 2020-21.

The Q3 FY 2020-21 GDP growth rate stands at 0.4%, of which growth rate of Agriculture, forestry & fishing stands at 3.9%, Mining & quarrying at (-)5.9%, Manufacturing at 1.6%, Electricity, gas, water supply & other utility services at 7.3%, Construction at 6.2%, Trade, hotels, transport, communication & services related to broadcasting at (-)7.7%, Financial, real estate & professional services at 6.6% and Public administration, defence & other services at (-)1.5%.

Lead economic and business indicators such as cement, steel, consumer durables, capital goods, GST collections, passenger car sales have shown a marvellous improvement in the recent months. This continuous improvement in the key economic and business indicators suggests that the economic recovery is turning from steady to speedy path and expectations of GDP growth at more than 2% in Q4 FY 2020-21 are becoming strong. Going forward, significant growth trajectory of more than 11% in next financial year 2021-22 is expected.

Going ahead, the Government's focus on demand rejuvenating measures in Union budget 2021-22, including large scale infrastructure investments, expansion of National Infrastructure Pipeline, 26% increase in budget support for the capital expenditure from revised estimate of Rs 4,39,163 crore in 2020-21 to budget estimate of Rs 5,542,36 crore in 2021-22, setting up a Development Finance Institution (DFI), among others will have a multiplier effect on the economic growth trajectory of the country.

The focus of the budget to strengthen the vision of Nation First, doubling farmers' income, strong infrastructure, enhancing women's empowerment, promoting healthy India, good governance, education for all, inclusive development of all, would go a long way to build a New India and have potential to push the GDP growth towards a higher trajectory to become a US\$ 5 trillion economy by 2025-26.

## Economy so far

- **15th Finance Commission opted for continuity, predictability in deciding tax devolution to states-** The 15th Finance Commission opted for continuity and predictability and hence retained the share of tax

devolution to states at 41% of the total pool. Each Finance Commission in the past has somewhat increased the total amount of devolution to states, but the 15th Finance Commission weighed all the options considering that the fiscal space of both states and the Centre has shrunk on account of the COVID-19 pandemic.

- **Cabinet to decide on tax waiver, Headquarter for new DFI-** The Union Cabinet will soon decide on offering tax waiver to the proposed development financial institution (DFI) in the initial years of its operation as well as its headquarters.
- **Separate fund under EPFO likely for new individuals-** The government could create a separate fund under the Employees' Provident Fund Organisation (EPFO) for contributions from individuals who join the scheme voluntarily once it is thrown open to everyone.
- **India Inc's overseas direct investment declines 31% to \$1.85 billion in February-** India Inc's overseas direct investment fell by 31 per cent to USD 1.85 billion in February this year, the RBI data showed. Domestic companies made investments of USD 2.66 billion in their overseas subsidiaries and joint-ventures in the year-ago month, February 2020.
- **Government to tread cautiously in allowing nano-zinc and nano-copper crop nutrients-** The government has said that it will tread cautiously in accepting the industry's demand to allow nano-zinc and nano-copper in the absence of long-term data amid global fear of allowing these as crop nutrients may lead to toxicity in the crops. The commercial use of nano-urea was allowed in November last year that may help improve crops yield by 18-35%
- **Rethink plan to abolish Intellectual Property Appellate Board: Industry groups-** A group of industry associations on intellectual property has asked the government to reconsider a proposal to abolish the Intellectual Property Appellate Board, saying such a move would be prejudicial to India's credibility as an IP jurisdiction and lower IP standards in India.
- **Pradhan Mantri Jan Dhan Yojana: More than 50% account holders under PMJDY women -** The finance ministry said that about 55% of the total account holders under the Pradhan Mantri Jan Dhan Yojana (PMJDY), a flagship scheme of the government to promote financial inclusion, are women.
- **Government nets Rs 53,346 crore from Vivad Se Vishwas scheme till February 22-** The government has realised Rs 53,346 crore through direct tax dispute resolution scheme Vivad Se Vishwas till February 22. over 1.28 lakh declarations have been filed under the scheme involving a disputed tax of Rs 98,328 crore. Of this, Rs 53,346 crore has been received as payments against disputed tax. This include Rs 27,720 crore worth payments made by the central public sector undertakings (PSUs), Rs 1,023 crore by state PSUs, and Rs 24,603 crore by others.
- **Five states to receive second tranche of PFC-REC loan-** Five states have filed their requests for the second tranche of loans under the Rs 1.25-lakh-crore liquidity infusion scheme which was announced by the Centre under the Atmanirbhar Bharat package to clear the dues of power distribution companies (discoms) to electricity generators. The second tranche of disbursements will be released soon for Andhra Pradesh, Telangana, Rajasthan, Bihar and Manipur. Uttar Pradesh and Tamil Nadu are expected to present their detailed plan in the coming week to avail the second tranche.
- **GSDP estimated to contract 5.6% in Delhi-** The Delhi economy is estimated to suffer a contraction of 5.6% in the gross state domestic product (GSDP) in the current financial year due to the impact of the coronavirus pandemic. Last year was unprecedented as the coronavirus pandemic posed the biggest challenge to the people.
- **Fiscal steps taken by government led to positive growth in Q3: Hon'ble Finance Minister Smt Nirmala**

**Sitharaman-** Hon'ble Finance Minister Smt Nirmala Sitharaman said that the fiscal measures taken by the government have resulted in positive growth of 0.4 per cent in the third quarter of the current financial year. The economy is estimated to contract by 8% during 2020-21 due to the impact of the COVID-19 pandemic.

- **Ease of doing business boost: 6,000 compliances to be eased-** According to Shri Guruprasad Mohapatra, Secretary at the Department for Promotion of Industry and Internal Trade, a systematic exercise across the Centre and states is being undertaken to eliminate or reduce compliances which have an adverse impact on time and cost of businesses. India has identified 6,000 burdensome compliances, both at the central and states levels, that would be eased as part of the government's plan to make it easier to do business. He said that most compliance burdens were seen in five ministries - commerce and industry, finance, health, corporate affairs and mines.
- **CPSE assets sale to bring about paradigm shift in infra: Hon'ble Finance Minister-** Asset monetisation should be viewed as an overall strategy for bringing about a paradigm shift in infrastructure augmentation and maintenance and not just as a funding mechanism, Hon'ble Finance Minister Smt Nirmala Sitharaman said recently during the national workshop with states on asset monetisation.
- **Indian economy to grow at 11% in FY'22: Crisil-** India's GDP growth is expected to rebound to 11% in FY'22 as people learn to live with the new normal, flattening of the Covid-19 affliction curve, rollout of vaccinations, and investment-focused government spending converge, according to ratings firm Crisil. But recovery will not be easy, with scars of the pandemic deep for small businesses and the urban poor.
- **BBIN countries in South Asia can be economic growth pole of sub-region: World Bank India head-** According to World Bank India Head Mr Junaid Ahmad, improvement in connectivity between Bangladesh and India, alongside Bhutan and Nepal, has the potential to make the sub-region an economic growth pole for South Asia and can add substantially to their gross domestic product (GDP). A seamless transport connectivity between India and Bangladesh has the potential to increase national income by as much as 17 per cent in Bangladesh and 8 per cent in India.
- **PLI scheme can generate Rs 35-40 trillion incremental revenue in 5 yrs: Crisil Report-** According to an analysis by Crisil, the production-linked incentive (PLI) scheme that seeks to push domestic manufacturing in as many as 14 sectors has the potential to generate additional revenue worth Rs 35-40 lakh crore over the next five years, a report said. The PLI scheme is offering over Rs 1.8 lakh crore of incentives/subsidies to manufactures to invest in local manufacturing. The scheme was announced at the peak of the pandemic-driven lockdown to attract investors leaving China. Most of the new manufacturing should begin over the next 24-30 months that can attract Rs 2-2.7 lakh crore of Capex.
- **3,82,875 number of Companies struck off in three years up to financial year 2020-** Based on non-filing of Financial Statements (FS) consecutively for two years or more, "Shell Companies" were identified and after following due process of law as provided under Section 248 of the Act, 2013 read with the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016, there are 3,82,875 number of Companies were struck off during the last three years up to financial year ended 2020. Further, no companies have been struck off during 2020-21.
- **GST compensation shortfall released to States reaches Rs. 1.06 lakh crore-** The Ministry of Finance, Department of Expenditure has released the 19th weekly instalment of Rs. 2,104 crore to the States to meet the GST compensation shortfall. Out of this, an amount of Rs. 2,103.95 crore has been released to 7 States and an amount of Rs. 0.05 crore has been released to the Union Territory of Puducherry. Till now, 96 percent of the total estimated GST compensation shortfall has been released to the States & UTs with Legislative Assembly. Out of this, an amount of Rs. 97,242.03 crore has been released to the States and an

amount of Rs. 8,861.97 crore has been released to the 3 UTs with Legislative Assembly.

- **Delhi Government budget aims at raising per capita income at par with Singapore by 2047-** The Delhi government's 2021-22 budget aims at economic recovery post COVID-19 pandemic and strives to raise per capita income of the national capital to the level of Singapore by 2047. The proposed budget estimates at Rs 69,000 crore is the highest so far in Delhi, despite the effect of COVID-19 pandemic on the government's resources.
- **NITI Aayog and RMI India release a new report 'Mobilising Electric Vehicle Financing in India'**- NITI Aayog and Rocky Mountain Institute (RMI) India released a new report 'Mobilising Electric Vehicle Financing in India', which highlights the role of finance in the India's transition to electric vehicles (EVs) and analyses that the transition will require a cumulative capital investment of USD 266 billion (Rs 19.7 lakh crore) in EVs, charging infrastructure, and batteries over the next decade. The report also identifies a market size of USD 50 billion (Rs 3.7 lakh crore) for the financing of EVs in 2030—about 80% of the current size of India's retail vehicle finance industry, worth USD 60 billion (Rs 4.5 lakh crore) today.
- **Exports in March expected to record healthy growth: Commerce Secretary-** The country's exports are steadily recovering and it is expected to record a healthy growth rate in March 2021. Commerce Secretary Shri Anup Wadhawan said that the country's merchandise exports were impacted on account of the COVID pandemic. But since then, there is a steady cumulative recovery. India's exports turned positive in September 2020. After September, there was borderline negative (growth) for a few months, then in January 2021, it was positive again. February was more or less even and now March is again promising to be significantly positive. He added that India's exports borne the shock well and it has recovered quickly from the pandemic. He also said there is a need to recover in areas like gems and jewellery and petroleum and there is a "need to sustain the gains in areas like pharma, and food products.
- **Import tariff needs to be brought down by 50% to achieve competitiveness: Dr Montek Ahluwalia-** Bringing down import tariffs by at least 50 per cent holds the key to achieve competitiveness in India, former deputy chairman of the Planning Commission, Dr Montek Singh Ahluwalia has said. Stating that the Indian economy has not witnessed fast enough growth, Dr Ahluwalia said that the underlying challenge is the ineffectiveness to translate broad uncontroversial objectives of competitiveness and growth into concrete and actionable policy programmes yielding results in a time-bound manner.
- **Urban unemployment rate in April-June 2020 rose to 20.9%: Government-** Unemployment in urban areas rose to 20.9% in the April-June period from 9.1% in January-March 2020, the period following the strict nationwide lockdown imposed in March to curb the Covid-19 pandemic, data released by the Ministry of Statistics and Programme Implementation in the quarterly bulletin of the Periodic Labour Force Survey (PLFS) showed on Wednesday. Urban unemployment was 8.9% in the June quarter of 2019.
- **Income Tax refunds over Rs 2 lakh crore issued between April 1 to March 8, 2021-**The income tax department recently said that it has issued over Rs 2 lakh crore worth refunds to over 2.02 crore taxpayers so far this fiscal. Of this, personal income tax refunds of Rs 71,865 crore have been issued to over 1.99 crore taxpayers and corporate tax refunds of over Rs 1.28 lakh crore have been issued in 2.20 lakh cases.
- **Consultation Paper on Proposed International Financial Services Centres Authority (Issuance and Listing of Securities) Regulations, 2021-** International Financial Services Centres Authority (IFSCA) has been established as a unified regulator to develop and regulate financial products, financial services and financial institutions in the International Financial Service Centres (IFSCs) in India. The proposed framework shall facilitate issuers from across the jurisdictions to raise capital for variety of needs and list their securities at the international stock exchanges in IFSCs. The draft IFSCA (Issuance and Listing of Securities) Regulations, 2021 have been uploaded on IFSCA website.

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## Markets So Far

Indicators	Yearly			Monthly		Daily		
	2018	2019	2020	Jan, 21	Feb, 21	March 8, 2021	March 9, 2021	March 10, 2021
BSE SENSEX	36068	41253	47751	46285	49099	50441	51025	51279
GOLD (10 GRMS)	30600	34813	46985	49664	47125	44349	44451	44478
CRUDE OIL (1 BBL)	4437	4007.8	2966	3773	4260	4816	4722	4691
EXCHANGE RATE (INR/USD)	68	70.4	74.11	72.9	72.78	73.33	72.76	72.72

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg

**Warm Regards,**

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