



## Weekly Compendium of Economic and Business Developments

(Period ending 5<sup>th</sup> June, 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, India's Q4 FY 2020-21 GDP growth rate stands at 1.6% and FY 2020-21 growth estimated (PE) at (-)7.3%; RBI keeps Repo Rate unchanged at 4% and sets out various developmental and regulatory policy measures; US suspends retaliatory tariffs against India for six months; APEDA organizes webinar to commemorate the World Milk Day in collaboration with Ministry of Fisheries; Trade deficit hits 8-month low in May as exports rise; Ministry notifies amendment in GST law for levying interest on net cash liability. The details of disseminated information during the week ending 5<sup>th</sup> June 2021 are appended.

### India and World Economy

- 1. Ministry notifies amendment in GST law for levying interest on net cash liability:** The Finance Ministry notified amendment in Central Goods and Services Tax (CGST) Act to facilitate charging of interest on net cash (tax) liability, retrospectively. To ensure smooth implementation, States will also be required to amend the State Goods and Services Tax (SGST) Act and notify at the earliest.
- 2. Macro surveys indicate a hit in consumer and business confidence, but the worst may be over:** Businesses, especially manufacturers, already grappling from weak consumer demand, seem to be quite concerned about the second wave. The IHS Purchasing Managers' Index for the manufacturing sector slipped to 50.8 in May from 55.5 in April. "Concerns surrounding the pandemic restricted business confidence towards the year-ahead outlook for production. The ray of hope is the Nomura India Business Resumption Index (NIBRI), which registered its first uptick, picking up to 63.6 for the week ending 30 May from a low of 60.3 in the previous week.
- 3. India's Q4 FY 2020-21 GDP growth rate stands at 1.6% and FY 2020-21 growth estimated (PE) at (-)7.3%:** The uptick in the fourth quarter was driven mainly by the manufacturing sector even as services remained comparatively sluggish, provisional estimates of annual national income and quarterly estimates. Manufacturing sector jumped 6.9 per cent in January-March as against 1.7 per cent growth in the previous quarter and 4.2 per cent contraction in the same period last year. The construction sector grew 14.5 per cent as against 6.5 per cent growth in the previous quarter and 0.7 per cent growth last year.
- 3. ADB, India sign agreement to support preparation of road upgradation project in Sikkim :**The Asian Development Bank and the Government of India today signed a \$2.5 million project readiness financing (PRF) loan to support project preparation and design activities to

upgrade major district

roads in Sikkim that will help improve connectivity to important towns, rural areas, and pilgrimage and tourist destinations in the northeastern state.

4. **Number of start-ups recognized by DPIIT goes up to Fifty Thousand:** Start-up India is a flagship initiative of the Government of India launched by the Hon'ble Prime Minister Shri Narendra Modi on 16 January, 2016. The initiative is intended to catalyse start-up culture and build a strong and inclusive ecosystem for innovation and entrepreneurship in India. Department for Promotion of Industry and Internal Trade (DPIIT) acts as the nodal Department for the Start-up initiative. As on June 3, 2021, 50,000 start-ups across have been recognized as start-ups by DPIIT, of which 19,896 have been recognized since April 1, 2020.

## Banking & Finance

5. **RBI keeps Repo Rate unchanged at 4% and sets out various developmental and regulatory policy measures-** The Monetary Policy Committee (MPC) at its meeting today (June 4, 2021) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0%. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35% and the marginal standing facility (MSF) rate and the Bank Rate at 4.25%. The MPC also decided to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.
6. **Ministry notifies amendment in GST law for levying interest on net cash liability:** The Finance Ministry notified amendment in Central Goods and Services Tax (CGST) Act to facilitate charging of interest on net cash (tax) liability, retrospectively. To ensure smooth implementation, States will also be required to amend the State Goods and Services Tax (SGST) Act and notify at the earliest.

## Trade

7. **APEDA organizes webinar to commemorate the World Milk Day in collaboration with Ministry of Fisheries, Animal Husbandry and Dairying for harnessing India's export potential of dairy products:** For commemorating World Milk Day today, APEDA in association with Ministry of Fisheries, Animal Husbandry and Dairying (MFAHD) organized a webinar cum interactive session on the prospects of harnessing full potential of dairy products exports from the country. or ensuring availability of quality fodder and feed for the cattle nutrition through Pashuaadhar for traceability for the animals. MFAHD has scheme for developing infrastructure under Animal Husbandry Infrastructure Development Fund (AHIDF) under AtmaNirbhar Bharat Abhiyan.
8. **Despite the pandemic, early-stage investments were 6% higher in 2020:** Early-stage funding momentum of \$263 million across 205 deals in calendar year 2019 continued into 2020 with \$279 million of investments being made across 178 deals, despite a few months of slowdown caused by the pandemic, reveals the Early-stage Investment Insights Report by InnoVen Capital, Asia's leading venture debt firm. Early-stage investments were 6 per cent higher in 2020 vs 2019 driven by the 23 percent increase in average deal size.

9. **US suspends retaliatory tariffs against India for six months:** The United States' decision to postpone by six months the imposition of retaliatory import tariffs on certain items from India and five other countries under Section 301 investigations on Digital Service Taxes (DSTs) could be linked to the broader effort for a global understanding on taxation of e-commerce. The final determination in those investigations is to impose additional tariffs on certain goods from these countries, while suspending the tariffs for up to 180 days to provide additional time to complete the ongoing multilateral negotiations on international taxation at the OECD and in the G20 process.
10. **Key Notifications on amendments and exemptions by central board of excise and customs.** Amendment would be done to extend the exemption from IGST on imports of specified COVID-19 relief material donated from abroad and to exempt IGST on imports of specified COVID-19 relief material subject to specified. It is also being notified that the custom duty would be exempted on import of Amphotericin B. CBEC also seek some amendments in Sea Cargo Manifest and Transshipment Regulations 2018.
11. **Trade deficit hits 8-month low in May as exports rise:** India's trade deficit fell to an eight-month low in May, aided by limited domestic demand for gold and oil amid the second Covid-19 wave and lockdown-like restrictions in states, official data released on Wednesday showed. On-year, the trade deficit widened, though it was much lower than in May 2019.
12. **India, UK eye interim pact to help clinch major trade deal:** - The two countries have zeroed in on a list of achievable items that would help the U.K. showcase the benefits of leaving the European Union while also allowing India to forge new bilateral ties after Prime Minister Narendra Modi's government pulled out of a multilateral Asia trade pact in 2019, according to people with the knowledge of the matter in the capital, New Delhi.
13. **India SME expands fintech portfolio with Rs 60 Cr investment in KreditBee:** - India SME Investments has recently expanded its portfolio in the BFSI segment by infusing a capital of Rs 60 crore into the holding entity of KreditBee. The investment comes in the form of both equity & debt. This round is a follow-up tranche of investment from India SME after having invested Rs 28.4 crore in September 2019 as debt in Krazybee Services, the RBI-backed NBFC-ND-SI which is a part of the holding company of KreditBee.

## Our Voice

### **Status quo in policy rates inspiring, economy needs accommodative stance for more time: PHD Chamber**

It is inspiring to note that the Reserve Bank of India has maintained Status Quo in its Monetary Policy Statement of June 4, 2021, amid headwinds to global commodity prices as well as uncertainty posed by the pandemic Covid-19. RBI's Monetary Policy Committee (MPC) has decided to keep the repo rate unchanged at 4% and maintain accommodative stance as long as necessary to revive and sustain growth on durable basis and to continue to mitigate impact of COVID-19 and keep inflation within the target. Projection for GDP growth at 9.5% is encouraging in the difficult time caused by pandemic. CPI inflation, projected at 5.1% for FY 2022, is very much in the target range of Reserve Bank of India, so at this juncture, accommodative policy with a status quo in the key policy rates is welcome. In order to support the COVID- struck hospitality

and tourism industry, an on-tap liquidity with Rs 15,000 crore has been made available, under which banks can offer 3 year loans at repo rate till March 31, 2022 for certain contact-intensive sectors i.e., hotels and restaurants; tourism - travel agents, tour operators and adventure/heritage facilities; aviation ancillary services - ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organisers, spa clinics, and beauty parlours/salons. We look forward to possible repo rate cut in future as cost of funds has to come down in coming times. We expect continuation of accommodative policy stance as depressed demand has to be rejuvenated with enhanced liquidity for businesses and people.

## Economy so far

14. **Covid will not affect reform roadmap: Finance Minister Nirmala Sitharaman-** Prior to the pandemic, between June 2019 and till the budget was presented in February 2021, there was certainly a slowdown, a shortage of liquidity, and therefore, when people needed money, they couldn't get it; we undertook a lot of measures to ensure that liquidity reaches people. In fact, much before the festive season in India, between September and October, we had ensured that banks, NBFCs and others reached out with liquidity.
15. **FDI in computer software, hardware jumps threefold to \$26.14 billion in 2020-21-** DPIIT data Foreign direct investment (FDI) in computer software and hardware jumped over threefold to \$26.14 billion during 2020-21 on account of significant growth in the country's technology space, according to data from the Department for Promotion of Industry and Internal Trade. The sector received \$7.67 billion FDI in 2019-20 and \$6.41 billion in 2018-19, the data showed. The computer software and hardware sector accounted for about 43 per cent in the total \$59.63 billion foreign inflows.
16. **India's manufacturing sector activity slips in May, heads towards stagnation:** PMI- India's manufacturing sector activity witnessed a significant loss of growth momentum in May due to the intensification of the COVID-19 crisis and its detrimental impact on demand. The seasonally adjusted IHS Markit India Manufacturing Purchasing Managers' Index (PMI), fell to 50.8 in May, down from 55.5 in April.
17. **Power consumption sees 8.2 pc growth in May amid slow recovery in commercial, industrial demand-** Power consumption in the country witnessed an 8.2 per cent year-on-year growth in May at 110.47 billion units (BU), indicating slow recovery in commercial and industrial demand of electricity, according to power ministry data.
18. **Recovery gains strength: GDP grows 1.6% in Q4, shrinks 7.3% in FY21** - India's economy grew 1.6 per cent in the fourth quarter of 2020-21, indicating that a recovery was well underway before the second wave of Covid-19 struck. For the full year (FY21), the country's gross domestic product (GDP) contracted 7.3 per cent. The growth in 2019-20 was 4 per cent. Gross value added (GVA) grew 3.7 per cent in real terms in the March quarter, showing a sequential pick-up, as expected.
19. **Urban joblessness at 17.88%, rural rate falls 9.58%** - This is largely due to a near 400 bps fall in the rural unemployment rate to 9.58% for the week under review from 13.51% for the

week ended May 23. Unemployment in the urban areas stood at a worrisome 17.88% for the week ended May 30. The rate has risen for the seventh straight week and 47 basis points (bps) over the previous week. While worse is yet to come, the jury is still out on whether the rate will rise to the highest level ever of 27.1% seen in the aftermath of last year's lockdown.

20. **Reduction in import duty for edible oil should be postponed:** Industry - With international edible oil prices falling 6-8% in the past ten days, the industry has said any reduction in import duty should be done after kharif oilseed planting is over so that no negative signal goes out to oilseed farmers. Rising prices of edible oils were a major concern for the government since they were pushing up food inflation.
21. **Non-food bank credit grows at 5.7 pc in April:-** Non-food bank credit grew at 5.7 per cent in April 2021 as against 6.7 per cent in the year-ago month, RBI data showed. The growth in advances to agriculture and allied activities accelerated to 11.3 per cent in April 2021 as compared to a 4.7 per cent growth in April 2020, the data on Sectoral Deployment of Bank Credit – April 2021, released by the Reserve Bank of India on 31st May 2021 .
22. **Trade deficit hits 8-month low in May as exports rise-** India's trade deficit fell to an eight-month low in May, aided by limited domestic demand for gold and oil amid the second Covid-19 wave and lockdown-like restrictions in states. On-year, the trade deficit widened, though it was much lower than in May 2019. The deficit was, however, the lowest since September 2020 when it was US\$ 2.7 billion.
23. **US suspends tariffs on UK, India, European nations in digital tax dispute-** The United States Trade Representative (USTR) yesterday announced punitive tariffs on India and five other countries over their digital services taxes (DST), but immediately suspended the levies to allow time for international tax negotiations to continue.
24. **RBI's MPC begins deliberations amidst expectations of status-quo in policy rate-** The Reserve Bank's rate-setting panel, Monetary Policy Committee (MPC), began its three-day deliberations yesterday amid expectations of a status quo on benchmark rate mainly on account of uncertainty over the impact of the second wave of COVID-19 pandemic.
25. **FPIs seek tax clarity on variable capital companies in financial centres:** Foreign portfolio investors (FPIs) are seeking clarity over the tax implications of the recently proposed variable capital company (VCC) structures in financial centres such as Gujarat International Finance Tec-City (GIFT City). Among other benefits, the VCC structure allows funds some concession from short-term and long-term capital gains tax on returns on equities.
26. **Resumption of FTA talks with EU, fresh negotiations with UK soon:** The time frame to resume negotiations for the stalled free trade agreement with the European Union (EU) and to initiate fresh talks for a pact with the UK will be "very early" and the talks will start soon after completion of the preparatory work.
27. **Marine products export dips nearly 11 per cent to USD 5.96 bn in FY21:** The country's exports of marine products fell 10.88 per cent to USD 5.96 billion (Rs 43,717.26 crore) during 2020-21 due to the pandemic and sluggish overseas markets. US, China and the European

Union were the leading importers, while frozen shrimp retained its position as the major export item, followed by frozen fish.

## Newsletters/ Studies

PHD Research Bureau has released newsletter on State Development Monitor for the month of May 2021, which disseminates information the State level developments on various aspects of Economy, Industry, Physical and Socia Infrastructure, Agriculture & Food Processing, Rural Development, Tourism, among others.

### STATE DEVELOPMENT MONITOR (SDM) FOR THE MONTH OF MAY 2021



### Markets So Far

Indicators	Yearly			Monthly		Daily		
	2018	2019	2020	Apr, 2021	May, 2021	2 <sup>nd</sup> June 2021	3 <sup>rd</sup> June 2021	4 <sup>th</sup> June 2021
BSE SENSEX	36068	41253	47751	48878	49822	51849	52,232	52,100
GOLD (10 GRMS)	30600	34813	46985	46540	47905	49049	48854	48403
CRUDE OIL (1 BBL)	4437	4007.8	2966	4595	4785	5032	5018	5079
EXCHANGE RATE (INR/USD)	68	70.4	74.11	74.53	72.5	72.95	73.04	72.87

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

Warm Regards,

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