October
&
November
2018

Economic Affairs Committee Newsletter

(Monthly update on India's socio-economic developments)

PHD Research Bureau

PHD CHAMBER OF COMMERCE & INDUSTRY

EAC Newsletter
October 2018

The Indian economy has been showing signs of resilience despite global headwinds and challenges from the external environment. On the positive side, the US government has announced waiver for India among other countries from Iran sanctions which will provide respite to the economy from rising crude oil prices. Consequently the manufacturing inflation is expected to decline and with the fall in input prices, the production is expected to increase which will refuel industrial growth in the coming times.

Most of the macro-economic indicators have shown growth at slower pace, as compared to the previous month. The IIP has registered a growth of 4.5% in September 2018 compared to 4.7% in August 2018. Going ahead, we expect the manufacturing GVA to record a considerable moderation from 13.5% growth in Q1 FY2019 due to rupee depreciation, unwinding of base effect and rising interest costs. The core infra has also declined to 4.3% in September 2018 from 4.7% in August 2018. Further, the WPI inflation grew at 5.28% in October 2018 as compared to 5.13% in September 2018 due to rise in the prices of Potato, Fruits and Petrol. However, the exports registered a growth of 17.8% in October 2018 from (-)2.2% in September 2018 owing to growth in Engineering Goods (8.87%); Petroleum Products (49.38%); Gems & Jewellery (5.48); Organic & Inorganic Chemicals (34.01%); and Drugs & Pharmaceuticals (12.83%). The CPI inflation fell to 3.31% in October from 3.7% in September 2018. Going ahead we expect the RBI to maintain status quo in the upcoming Monetary Policy review in December 2018 due to pullback in crude oil prices and rupee as well as correction in CPI headline inflation print in October 2018.

On the policy front, the government has been working tirelessly to promote ease of doing business in the country. The government has recently announced historic stimulus for the MSMEs sector which will transform the entire micro, small and medium enterprises and push them substantially upward to enhancing their contribution far more to national GDP and employment generation. The Rs. 6,000 crore package announced for MSMEs through various technological upgradation channels will ultimately encourage and inspire the micro, small and medium enterprises to make products and invent processes that will ensure their global participation and upscale their demand trajectory domestically.

Further, sharp jump in ease of doing business rankings to the level of 77 from 100 is highly inspiring and more than the expectations. The reform measures undertaken by the government have started paying off and fruitful outcomes are visible now. Foreign investments are expected to increase significantly in the coming times. Going ahead, given the ongoing reform momentum, we expect India to rank at around 25 on the Ease of Doing Business Index in the next two years.

At this juncture, it may be worthwhile to mention that the outstanding GST collections over Rs. 1 lakh crore in October 2018 are highly appreciable and indicative of the fact that GST regime is becoming simple and business friendly. This is the second time since the launch of GST that the collections have crossed the mark of Rs. 1 lakh crore. High collections indicate that tax compliance is becoming visible. Going ahead, with the spread of awareness of GST and widening of the tax base, the tax collections will rise further; also, India has potential to achieve emerging market tax to GDP ratio at 22% from the current level of 17%. Thus, the macro-economic fundamentals are expected to remain strong as the government has been taking active measures to promote macro-economic stability and growth in the economy, going forward.

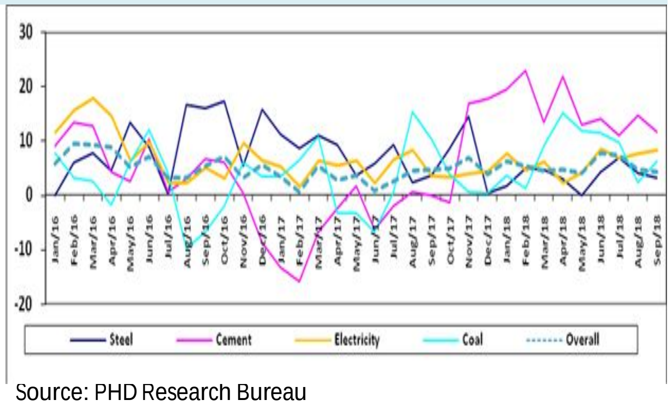
Contents

1. Indian economy so far

1.1 Growth

September 2018 core infra stands at 4.3%- The core infrastructure stands at 4.3% in September 2018 as against 4.7% in August 2018. The combined Index of Eight Core Industries stands at 127.2 in September, 2018. Cement and Refinery products growth stands at 11.8% and 2.5% respectively in the month of September 2018. In cumulative terms, core infrastructure industries registered a growth of 5.5% during April-September 2018-19 as against 3.2% during April-September 2017-18. Growth of coal and electricity production has increased significantly in September 2018 and we expect it to growth further which will push growth of core infra in the coming months.

Sector wise trend in monthly production (% growth)



Source: PHD Research Bureau

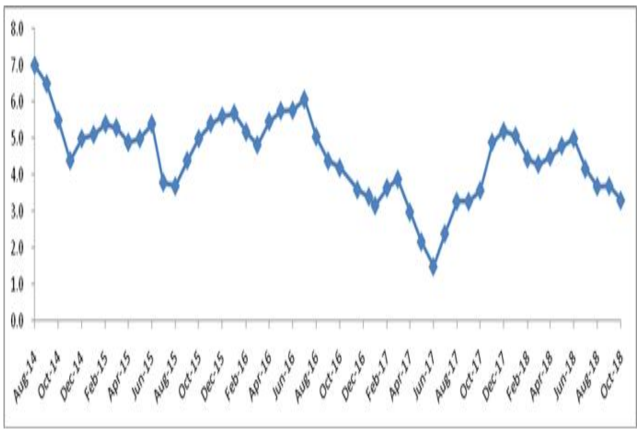
Recent growth pattern in IIP (% growth)

	Weight in IIP	April-Sept 2017-18	April-Sept 2018-19	Aug 18	Sep 18
Mining	14.3	3.9	3.3	-0.54	0.2
Manufacturing	77.6	2.0	5.3	5.07	4.6
Electricity	7.9	5.7	6.2	7.59	8.2
Use based classification					
Primary goods	34.0	3.7	4.8	2.46	2.6
Capital goods	8.2	0.3	7.3	9.34	5.8
Intermediate goods	17.2	0.3	1.2	2.76	1.4
Infrastructure/construction goods	12.3	2.1	8.7	7.95	9.5
Consumer durables	12.8	-1.0	8.1	5.3	5.2
Consumer non-durables	15.3	7.5	4.0	6.46	6.1
Overall IIP	**100**	**2.6**	**5.1**	**4.6**	**4.5**

September 2018 IIP stands at 4.5%- Growth in industry output, as measured in terms of IIP, for the month of September 2018 stands at 4.5% as compared to 4.6% in August 2018. The growth in the three sectors mining, manufacturing and electricity in September 2018 stands at 0.2%, 4.6% and 8.2% respectively over September 2017. Growth of IIP is indicative of strong footing of the industrial growth and consistency. The reforms undertaken by the government are highly appreciable and breakthrough in Ease of Doing Business is expected to boost the sentiments of producers and growth of IIP is expected to become stronger in the coming months.

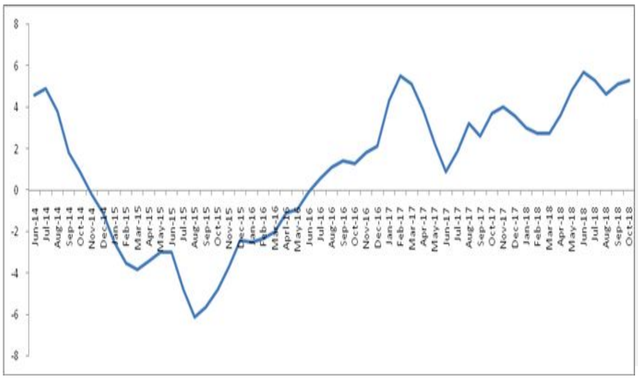
1.2 Inflation

Consumer Price Inflation (Combined) (%)



October 2018 CPI inflation falls to 3.31%- The all India general CPI inflation (Combined) for October 2018 (Prov.) falls to 3.31% from 3.70% in September 2018. The inflation rates for rural and urban areas for October 2018 (Prov.) are 2.82% and 3.97%, respectively, as compared to 3.27% and 4.31% respectively, for September 2018. Rate of inflation during October 2018 (Prov.) for fuel and light (8.55%), housing (6.55%), transport and communication (7.72%), education (6.24%) and health (7.92%) etc. The fall in CPI inflation from 3.7% in September 2018 to 3.31% in October 2018 is highly appreciable as benign inflation conditions would help strengthening of macroeconomic environment and pave the way for soft monetary policy regime, going forward.

Trend in WPI inflation (Y-O-Y)

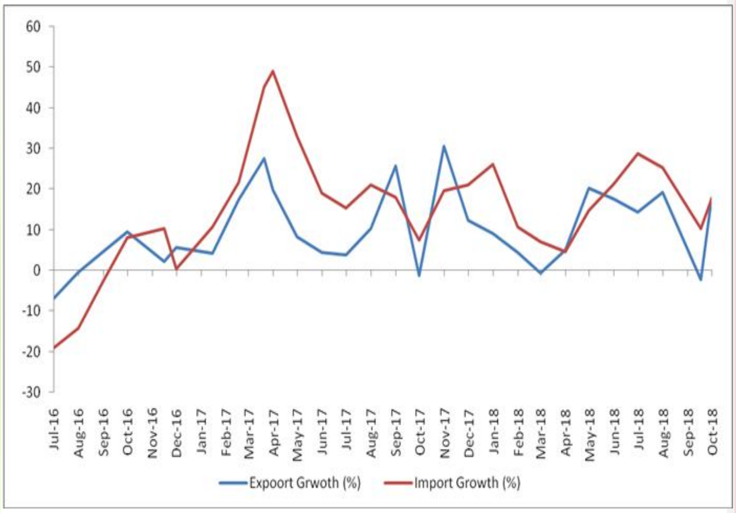


Source: PHD Research Bureau, compiled from the office of the Economic Advisor to the Govt. of India

October 2018 WPI inflation grows at 5.28%- Driven by rise in the prices of Potato, Fruits and Petrol, WPI inflation grows at 5.28% in October 2018 as compared to 5.13% in September 2018. The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for the month of October, 2018 rose by 0.7% to 121.7 (provisional) from 120.8 (provisional) for the previous month. Though the uptick in core WPI is worrying, the recent pullback in crude oil prices and rupee has softened the risks to inflation trajectory. Therefore we expect WPI to soften to 4.6%- 5.1% in the remaining half of FY19.

1.3 External sector

Trend in Export-Import Growth (in percentage)

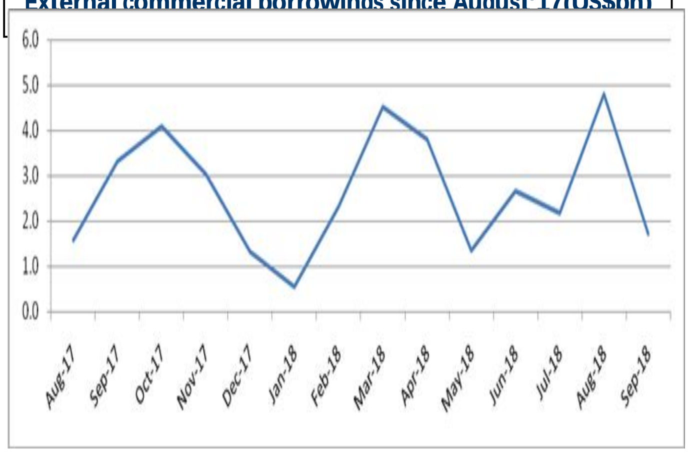


Source: PHD Research Bureau, compiled from Ministry of Commerce and Industry, Govt of India

Merchandize exports and imports grew by 17.8% and 17.6% respectively during October 2018- India's exports during October 2018 were valued at USD 26.98 Billion as compared to USD 22.89 Billion during October 2017 exhibiting a positive growth of 17.86 per cent. India's imports during October 2018 were valued at USD 44.11 Billion (Rs 3,24,774.78 crore) which was 17.62 per cent higher in Dollar terms. Cumulative value of exports for the period April-October 2018-19 was USD 191.01 Billion (Rs 13,23,940.28 crore) as against USD 168.64 Billion (Rs 10,87,270.47 crore) registering a positive growth of 13.27 per cent in Dollar terms. Going ahead, the continuous pace of reforms at domestic front and recovery in the international markets would help India to remain in positive exports growth trajectory in the coming months.

ECBs stand at USD 1.7 billion during September 2018- Indian firms have raised about USD 1.7 billion through external commercial borrowings (ECBs) by automatic and approval route in September 2018 as against USD 4.8 billion in August 2018. The borrowings stood at USD 3.2 billion in September 2017.India has received gross ECBs worth around USD 356 billion between FY2001 and FY2019 (till September 2018). The lion's share in ECBs during the month of September 2018 is held for the On-lending/Sub-lending by about 40% of the total borrowings followed by Rupee Expenditure by around 37% and Refinancing of Earlier ECB at 7% .

External commercial borrowings since August'17(US$bn)

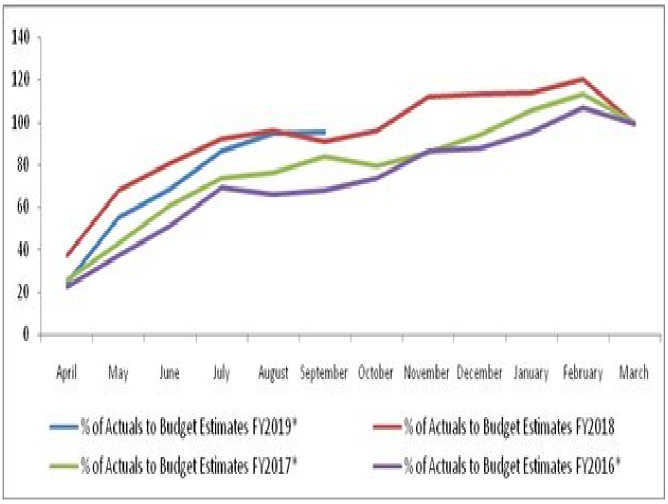


Source: PHD Research Bureau, compiled from RBI , Note: ECB contains both automatic and approval routes

1.4 Fiscal scenario

September 2018 fiscal deficit stands at 95.3 % of actuals to BEs- The gross fiscal deficit of the Central government stands at 95.3% of the actuals to budget estimates (BEs) at the end of September 2018 as compared to 91.3% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 699.9% of the actuals to budget estimates at the end of September 2018 as compared to 1164.7% of the actuals to budget estimates during corresponding period of the previous year. The revenue receipts at the end of September 2018 of the central government stands at 40.1% of the actuals to budget estimates as compared with 41.1% of the actuals to budget estimates at the end of September 2017. The government's market borrowing stands at 86% of the actuals to budget estimates at the end of September 2018 as compared with 109% of the actuals to budget estimates at the end of September 2017.

Differentials in use of fiscal deficit space at the end of September 2018 vis-à-vis September 2017 (in %)



Source: PHD Research Bureau, compiled from Government of India accounts

Table: Composition of Public Debt

Item	At end-June 2018#	At end-March 2018	Percentage variation in June 2018 over March 2018
1	2	3	4
Public Debt (1 + 2)	**7125118**	**6884280**	**3.5**
1. Internal Debt	**6623898**	**6401275**	**3.5**
(i) Cash Management Bills	45000		-
(ii) 91-days Treasury Bills	176428	138726	27.2
(iii) 182-days Treasury Bills	132354	86872	52.4
(iv) 364-days Treasury Bills	177953	159685	11.4
(v) 14-days Treasury Bills	116550	151038	-22.8
(vi) Market Loans	5131305	5070745	1.2
(vii)Marketable securities issued in conversion of special securities	53817	53818	-
(viii) Special Securities issued to PSBs	80,000	80000	-
(ix) Compensation and other bonds[1]	66405	65439	1.5
(x) Sovereign Gold Bonds	6867	6664	3.0
(xi) Securities against small savings	480736	483919	-0.7
(xii) Securities issued to International Financial Institutions	101045	104370	-3.2
Ways and Means Advances	55435		
2. External Debt	**501220**	**483005**	**3.8**
3. Public Account Liabilities	**855549**	**914492**	-6.5
4. Total Debt/liabilities (1+2+3)	**7980667**	**7798772**	2.3

Data is provisional
Source: CGA, Ministry of Finance

Source: PHD Research Bureau, compiled from Public Debt Management Quarterly report

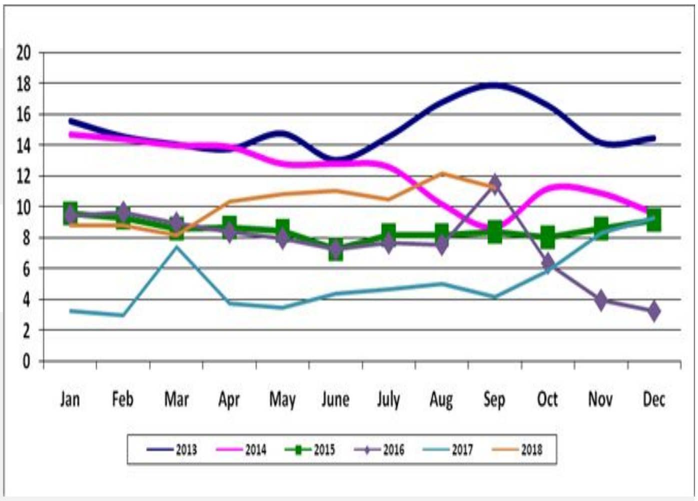
Government's Total Public Debt Increased by 2.3% in Q1 FY2019- The total Public Debt (including liabilities under the 'Public Account') of the Government, as per provisional data, increased to ₹ 79,80,667 crore at end-June 2018 from ₹ 77,98,772 crore at end-March 2018. This represented a quarter-on-quarter increase of 2.3 per cent (provisional) in Q1 FY19. Public debt accounted for 89.3 per cent of total outstanding liabilities at end-June 2018, with internal debt and external debt having shares of 83.0 per cent and 6.3 per cent, respectively. The weighted average yield of primary issuances during Q1 FY 19 increased to 7.76 per cent from 7.34 per cent in Q4 of FY 18, indicating further hardening of G-Sec yields in the current fiscal year.

Direct Tax Collections grows by 17.1% in FY 2017-18- Direct Tax collections for FY 2017-18 represents that net collections are at Rs.9.95 lakh crore which is 17.1% higher than the net collections for FY 2016-17. The net Direct Tax collections represent 101.5% of the Budget Estimates (Rs.9.8 lakh crore) and 99% of the Revised Estimates (Rs. 10.05 lakh crore) of Direct Taxes for F.Y. 2017-18. During FY 2017-18, 6.84 crore Income Tax Returns (ITRs) were filed with the Income Tax Department as compared to 5.43 crore ITRs filed during FY 2016-17, showing a growth of 26%. There has been a sustained increase in the number of ITRs filed in the last four financial years. As compared to 3.79 crore ITRs filed in F.Y. 2013-14, the number of ITRs filed during F.Y. 2017-18 (6.84 crore) has increased by 80.5%.

1.5 Monetary scenario

Gross Bank Credit grows at 11.3% in September 2018- Gross bank credit grows at 11.3% in September 2018 as against 12.2% in August 2018. The gross bank credit growth stands at 5.5% in September 2017. On a year-on-year (y-o-y) basis, non-food bank credit increased by 11.3% in September 2018 as against 12.4% in August 2018. Credit to agriculture and allied activities increased by 5.8% in September 2018 as against 6.6% in August 2018. Credit to industry increased by 2.3% in September 2018 as against 1.9% in August 2018. Credit to industry increased by 2.3% in September 2018 as compared with a contraction of (-)0.4% in September 2017.

Monthly trend in growth of gross bank credit (%) (Y-o-Y)



Source: PHD Research Bureau, compiled from RBI

RBI Policy Rates so far

Components	7th Feb 2018	05th April 2018	06th June 2018	01st Aug 2018	05th Oct 2018
CRR	4.00%	4.00%	4.00%	4.00%	4.00%
Repo Rate	6.00%	6.00%	6.25%	6.50%	6.50%
Reverse Repo Rate	5.75%	5.75%	6.0%	6.25%	6.25%
WPI Inflation	3.6% (Dec-17)	2.5% (Feb-18)	3.2% (Apr-18)	5.77% (Jun-18)	4.53% (Aug-18)
CPI inflation\@	5.2% (Dec-17)	4.44% (Feb-18)	4.6% (Apr-18)	5.00% (Jun-18)	3.69% (Aug-18)
IIP growth	8.4% (Nov-17)	7.5% (Jan-18)	4.4% (Mar-18)	3.2% (May-18)	6.60% (Jul-18)
Real GDP growth	6.6% ^&^*	7.4% (2018-19)$#	7.4% 2018-19)$##	7.4% 2018-19)$###	7.4% 2018-19 $####

Source: PHD Research Bureau, compiled from various sources, Note: ^&* GVA growth for 2017-18 as per First Bi-monthly Monetary Policy Statement, 2017-18, ^&** GVA growth for 2017-18 as per Second Bi-monthly Monetary Policy Statement, 2017-18, ^&*** GVA growth for 2017-18 as per Third Bi-monthly Monetary Policy Statement, 2017-18. ^&^ GVA growth for 2017-18 as per Fourth Bi-monthly Monetary Policy Statement, 2017-18. ^&^^ GVA growth for 2017-18 as per Fifth Bi-monthly Monetary Policy Statement, 2017-18. ^&^* GVA growth for 2017-18 as per Sixth Bi-monthly Monetary Policy Statement, 2017-18. $# Projections by RBI in First Bi-monthly Monetary Policy Statement, 2018-19, $## Projections by RBI in Second Bi-monthly Monetary Policy Statement, 2018-19, $### Projections by RBI in Third Bi-monthly Monetary Policy Statement, 2018-19, $#### Projections by RBI in Fourth Bi-monthly Monetary Policy Statement, 2018-19

RBI maintains status quo in Fourth Bi-Monthly Monetary Policy Statement, 2018-19- On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today, the Monetary Policy Committee (MPC) has decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.5 per cent. Consequently, the reverse repo rate under the LAF remains at 6.25 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent. The decision of the MPC is consistent with the stance of calibrated tightening of monetary policy in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.

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Trade & Investment Facilitation Services

TIFS

Trade and Investment Facilitation Services (TIFS)
Single Window Facilitation and Procedural Facilitation

Trade and Investment Facilitation Services (TIFS) is a vital component for international trade and investment community. It is envisioned to facilitate firms across the globe for trade and investments in India while simultaneously meeting India's rapidly growing appetite for new markets to enhance trade and investments.

Considering the thirst of the Nation to place India at the forefront of Global Economic Architecture, PHD Chamber of Commerce and Industry launched a specialized desk on Trade and Investment Facilitation Services (TIFS) on 31st March 2017. TIFS is an information and advisory hub to provide requisite and detailed information to facilitate national and international business firms to invest in India; advising them on prospective business opportunities in India in general and in States and promising sectors in particular.

Vision of TIFS

We aim to make India a US$ 100 billion (per annum) investment destination in the next five years and to enhance India's trade trajectory to the higher level. We envisages US$ 1000 billion merchandize trade (exports and imports) and US$ 500 billion services trade (exports and imports) per annum in the next five years.

Geographical Area

TIFS covers pan India from Jammu Kashmir in the North to Tamil Nadu in the South and from Gujarat in the West to Arunachal Pradesh in the East.

Three role dimensions

1. **Information role:**
Serving as a key link to all information centres on all national and regional/local regulations and clearances. This includes maintaining or having direct and easy access to such information. This also means constant updating of such information.

2. **Catalyst role:**
Providing facilitative advisory services to help overcome key obstacles and strengthen key positive enablers for enhanced trade and investments. This includes providing information or "leads" on opportunities that would benefit international business community to invest in India.

3. **Networking role:**
Effective networking with relevant Indian and overseas agencies and leveraging of such networks in the direction of risk mitigation and enhancing trade and investments.

Strategic Collaborators of TIFS

TIFS work in close coordination with Trade Consulars of different countries as well as international trade and business community and international chambers of commerce. Further, for facilitating and providing information on procedural requirements, TIFS also work in close coordination with the government both at the central and the state level as well as industry associations in India.

- Trade Consular's of different countries
- Government including Central and State
- Industry Associations
- International Trade and Business Community
- International Chambers of Commerce
- International Consulting Firms

How TIFS work in assisting investors?

It is envisaged to be the first-point-one-stop reference for potential investors from around the world. Our team of domain and functional experts provides sector-and state-specific inputs, and hand- holding support to investors. We assist with location identification, expediting regulatory approvals, facilitating meetings with relevant government and corporate officials among others. For instance, if an investor A from Germany wants to invest USD 100 million in a textile business in India.

- A team of trained staff will be associated with the task for maintaining a physical helpdesk and provide the investor with all the help required regarding the relevant approvals to set up a business and information related to investment areas across India.
- Facility to set up meetings of the investors with Government officials for specific investor queries, both at the state government and central government level.
- Regular updates on various economic developments in India in general and sector specific in particular.
- Updates on state level developments related to policy amendments, sectoral developments, taxation mechanism, infrastructural, etc.
- Updates on Foreign Direct Investment norms, Foreign Trade Policy, etc.

TIFS undertakes the following activities

i. Through regular research and networking with Government bodies, Entrepreneurs, Industry associations, Embassies/Consulates, Investment delegations, etc., the TIFS gather information on possible trade and investment opportunities in various sectors of the Indian economy.

ii. TIFS advises prospective traders and investors, national and international, in their process of filing applications and helping them meet other procedural and regulatory requirements. For this purpose, information on specific trade and investment guidelines at the state and central level is provided by TIFS.

iii. TIFS provides information at a broad level to international investors about possible potential joint venture partners in India. If TIFS is aware of any Indian parties interested in formation of Joint Ventures (JVs) with some global partners, such information is made available to interested investors.

iv. In case of requests made by individual investors to undertake specific research assignments, financial analysis or due diligence of any specific joint venture partner or Mergers & Acquisitions (M&A) targets, TIFS provides adequate resources to carry out such requests on an agreed cost.

v. In a nutshell, TIFS increases understanding amongst national and international investors on the promising investment areas and requirements and regulations for making investments. Facilitates in dealing with the Government in application procedures amongst the national and international Investors. Reduce lead time in investment processes and procedural transactions.

Registration

Registration is open to both Indian and foreign entities.

ANNUAL REGISTRATION FEE

Indian Entities	Foreign Entities
Rs. 2500*	USD 100*

Registration fees is for your registration with TIFS program to receive updates on Trade and Investment scenario regularly for 1 year from the date of registration. However, for your specific queries consultancy charges would vary from case to case basis for facilitation services on detailed projects and exhaustive research studies.

* Inclusive of all taxes.

For details, contact:

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2. Major Policy Pronouncements

RBI liberalises ECB norms- It has been decided by RBI , in consultation with the Government of India, to liberalise the said provision and permit public sector Oil Marketing Companies (OMCs) to raise ECB for working capital purposes with minimum average maturity period of 3/5 years from all recognized lenders under the automatic route. Further, the individual limit of USD 750 million or equivalent and mandatory hedging requirements as per the ECB framework have also been waived for borrowings under this dispensation. However, OMCs should have a Board approved forex mark to market procedure and prudent risk management policy, for such ECBs. The overall ceiling for such ECBs shall be USD 10 billion equivalent and the said facility will come into effect from the date of this Circular. All other provisions of the ECB policy shall remain unchanged. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.

Cabinet approves MoU between India and Lebanon for cooperation in the field of agriculture and allied sectors- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the signing of a Memorandum of Understanding (MoU) between India and Lebanon for cooperation in the field of agriculture and allied sectors. Bilateral cooperation in the field of agriculture will be mutually beneficial to both the countries. The MoU will promote understanding of best Agricultural practices in the two countries and will help in better productivity at farmer fields as well as improved global market.

Cabinet approves Memorandum of Understanding between India and Romania in the field of tourism- The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi has given its ex-post facto approval to the Memorandum of Understanding signed between India and Romania in the field of tourism. The MoU was signed in September, 2018 during the visit of the Vice-President of India to Romania. The main objectives are to expand bilateral cooperation in the tourism sector, exchange information and data related to tourism and foster bilateral film tourism, among others.

Cabinet approves Productivity Linked Bonus for Railway Employees- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the payment of Productivity Linked Bonus (PLB) equivalent to 78 days' wages for the financial year 2017-18 for all eligible non-gazetted Railway employees (excluding RPF/RPSF personnel). The financial implication of payment of 78 days' PLB to railway employees has been estimated to be Rs.2044.31 crore. The wage calculation ceiling prescribed for payment of PLB to the eligible non-gazetted railway employees is Rs.7000/- p.m. The maximum amount payable per eligible railway employee is Rs.17,951 for 78 days. About 11.91 lakh non-gazetted Railway employees are likely to benefit from the decision.

Cabinet approves Memorandum of Cooperation between India and Finland on Environmental Cooperation- The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi ji has approved Memorandum of Cooperation between India and Finland on Environmental Cooperation. The Memorandum of Cooperation will enable establishment and promotion of closer and long-term cooperation between the two countries in the field of environment protection and management of natural resources on the basis of equity, reciprocity and mutual benefits, taking into account the applicable laws and legal provisions in each country. The Memorandum of Cooperation is expected to bring in the latest technologies and best practices suited for bringing about better environment protection, better conservation, and better management of climate change and wildlife protection/conservation.

Cabinet approves establishment and operationalisation of permanent campuses of the Indian Institutes of Science Education & Research (IISERs) at Tirupati and Berhampur- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved establishment and operationalistion of permanent campuses of the two new Indian Institutes of Science Education & Research (IISERs) at Tirupati (Andhra Pradesh) and Berhampur (Odisha). The total cost likely to be incurred is Rs. 3074.12 crore (Non-Recurring: Rs.2366.48 crore and Recurring: 707.64 crore).

Cabinet approves merger of National Council for Vocational Training, NCVT and National Skill Development Agency, NSDA to establish National Council for Vocational Education and Training, NCVET- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the merger of the existing regulatory institutions in the skills space - National Council for Vocational Training (NCVT) and the National Skill Development Agency (NSDA) into the National Council for Vocational Education and Training (NCVET). NCVET will regulate the functioning of entities engaged in vocational education and training, both long-term and short-term and establish minimum standards for the functioning of such entities. The primary functions of NCVET will include recognition and regulation of awarding bodies, assessment bodies and skill related information providers; approval of qualifications developed by awarding bodies and Sector Skill Councils (SSCs); indirect regulation of vocational training institutes through awarding bodies and assessment agencies; grievance redressal.

Cabinet approves signing and ratification of Extradition Treaty between India and Malawi- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved the signing and ratification of the Extradition Treaty between India and Malawi. The Treaty would provide a legal framework for seeking extradition of terrorists, economic offenders and other criminals from and to Malawi.

Cabinet approves Scheme for setting up of Indian Institute of Skills at different locations across the country in PPP modes- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi has approved the for setting up of Indian Institute of Skills(IISs) at different locations across the country in Public Private Partnership (PPP), which will be explored for promotion of IIS at select locations based on demand and available infrastructure. The setting up of IISs shall augment the global competitiveness of key sectors of Indian economy by providing high quality skill training, applied research education and a direct and meaningful connection with industry. It will provide opportunity to aspiring youth across the country to have access to highly skilled training, and enhance the scope of accountability through its linkage with industry and global competitiveness across sectors.

Cabinet approves appointment of Adjudicating Authority and establishment of Appellate Tribunal under Prohibition of Benami Property Transactions Act, 1988- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi has approved the appointment of Adjudicating Authority and establishment of Appellate Tribunal under Prohibition of Benami Property Transactions Act(PBPT), 1988.The approval will result in effective and better administration of cases referred to the Adjudicating Authority and speedy disposal of appeals filed against the order of the Adjudicating Authority before the Appellate Tribunal.

Creation of Fisheries and Aquaculture Infrastructure Development Fund (FIDF)- The Cabinet Committee on Economic Affairs chaired by the Hon'ble Prime Minister Shri Narendra Modi has given its approval for creation of special Fisheries and Aquaculture Infrastructure Development Fund (FIDF). The approval entails an estimated fund size of Rs.7,522 crore, comprising Rs.5,266.40 crore to be raised by the Nodal Loaning Entities (NLEs), Rs. 1,316.6 crore beneficiaries contribution and Rs.939.48 crore budgetary support from the Government of India.

Cabinet approves signing of Bilateral Investment Agreement between India Taipei Association in Taipei and the Taipei Economic and Cultural Center in India- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved the signing of Bilateral Investment Agreement (BIA) between India Taipei Association (ITA) in Taipei and Taipei Economic and Cultural Center (TECC) in India. The BIA is likely to increase investment flows between the parties. It will provide appropriate protection to investments on a reciprocal basis between ITA and TECC. BIA is likely to increase the comfort level and boost the confidence of investors by assuring a level playing field and non-discrimination in matters related to investments, thus providing conducive investment climate to investors. It would help project India as a preferred foreign direct investment (FDI) destination.

Payments Bank and Small Finance Banks eligible to access Call/Notice/Term Money Market- It is clarified by Reserve Bank of India (RBI) that Payments Banks and Small Finance Banks are eligible to participate in the Call/Notice/Term money market (hereafter referred to as Call money market) both as borrowers and lenders. Such eligibility is valid even prior to the completion of the process to get themselves included in the Second Schedule of Reserve Bank of India Act, 1934.

India, China sign intel sharing pact- India and China signed their maiden internal security cooperation agreement that among other areas of cooperation will involve intelligence sharing between two sides amid common threats from international terror. The pact is expected to set up mechanism for cooperation between internal security establishments of the two countries for the first time. The pact is being signed during visit of Zhao Kezhi, China's Minister of Public Security.

Cabinet approves Agreement between India and Morocco on Mutual Legal Assistance in Criminal Matters- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi has approved the Agreement between India and Morocco on Mutual Legal Assistance in Criminal Matters. The Agreement will provide a broad legal framework for bilateral cooperation between India and Morocco in investigation and prosecution of crime, tracing, restraint, forfeiture or confiscation or proceeds and instruments of crime. It aims to increase effectiveness in investigation and prosecution of crime, and in providing the necessary peaceful ambience which is a pre-requisite for the development of society as a whole. It will further be instrumental in gaining better inputs and insights in the modus operandi of organized criminals and terrorists, which in turn can be used to fine-tune policy decisions in the field of Internal Security.

Cabinet approves MoU between India and Korea for strengthening cooperation in the field of Tourism- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi has approved signing of a Memorandum of Understanding (MoU) between India and Korea for strengthening cooperation in the field of Tourism.

Cabinet approves moving a Resolution in the first Assembly of the International Solar Alliance (ISA) for amending the Framework Agreement of the ISA for opening up the ISA membership to all countries that are members of the United Nations- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi has given ex-post facto approval for moving a Resolution in the first Assembly of the International Solar Alliance (ISA) for amending the Framework Agreement of the ISA for opening up the ISA membership to all countries that are members of the United Nations. Opening the membership of the ISA will put solar energy in global agenda with the universal appeal for developing and deploying solar energy. It will make ISA inclusive, whereby all member countries that are members of the United Nations could become member. Expanding membership will lead to ISA initiative benefitting the world at large.

3. Other key developments

India is expected to grow at 7.3% and 7.4% for 2018 and 2019: IMF- According to IMF's World Economic Outlook (WEO) October 2018, the steady expansion which is under way since mid-2016 continues, with global growth for 2018–19 projected to remain at its 2017 level. Global growth is projected at 3.7% for 2018– 19—0.2 percentage point lower for both years than forecast in April. Risks to global growth skew to the downside in a context of elevated policy uncertainty. The IMF has retained India's growth at 7.3% in 2018 and 7.4% in 2019 (slightly lower than in the April 2018 World Economic Outlook [WEO] for 2019, given the recent increase in oil prices and the tightening of global financial conditions), up from 6.7 percent in 2017). According to the WEO, important reforms have been implemented in recent years, including the Goods and Services Tax, the inflation-targeting framework, the Insolvency and Bankruptcy Code, and steps to liberalize foreign investment and make it easier to do business. Looking ahead, renewed impetus to reform labor and land markets, along with further improvements to the business climate, are also crucial.

India jumps 23 spots in Ease of Doing Business; ranks 77th out of 190 countries- According to World Bank's annual report on the Ease of Doing Business, 'Doing Business 2019: Training for Reform, India is ranked 77th out of 190 countries and has moved up by 23 ranks on the World Bank's ease of doing business ranking this year. Sharp jump in ease of doing business rankings to the level of 77 from 100 is highly inspiring and more than the expectations. The improvement in ease of doing business would attract investments in the economy. Foreign investments are expected to increase significantly in the coming times. India is going to become a US$100 billion investment destination in the next very few years. India attracted US$62 billion in FY2018. The implementation of GST and Insolvency and Bankruptcy Code along with improvements in registering for new electricity connection, upgradation of port infrastructure, among others have yielded positive results and facilitated the country to improve in various parameters. Going ahead, given the ongoing reform momentum, it is expected that India will rank at around 25 on the Ease of Doing Business Index in the next two years.

Exports of fish from India are expected to grow by 61.2% by 2030: FAO- According to Food and Agriculture Organization (FAO) of United Nations, global fish production peaked at about 171 million tonnes in 2016, with aquaculture representing 47% of the total and 53% if non-food uses (including reduction to fishmeal and fish oil) are excluded. The total first sale value of fisheries and aquaculture production in 2016 was estimated at USD 362 billion, of which USD 232 billion was from aquaculture production. Exports of fish from India are expected to grow by 61.2% by 2030 as the bulk of the perishable item shipped will originate from Asian countries. Indian exports of the fish will touch 1.72 million tonnes compared to 1.07 million tonnes recorded in 2016. In the Asian continent, India will lead other nations in growth followed by Indonesia (57.6%), Vietnam (42%), Japan (40%) and Thailand (24.8%). China's fish production is tipped to grow 22.9%, touching 9.4 million tonnes.

GST Revenue collections for the month of October 2018 crosses Rs. 1 Lakh Crore- The total gross GST revenue collected in the month of October, 2018 is Rs. 100,710 crore of which CGST is Rs. 16,464 crore, SGST is Rs. 22,826 crore, IGST is Rs. 53,419 crore (including Rs. 26,908 crore collected on imports) and Cess is Rs. 8,000 crore (including Rs. 955 crore collected on imports).The total revenue earned by Central Government and the State Governments after regular and provisional settlement in the month of October, 2018 is Rs. 48,954 crore for CGST and Rs. 52,934 crore for the SGST. The total number of GSTR 3B Returns filed for the month of September up to 31st October, 2018 is 67.45 lakh.

India ranks 147th in Oxfam world inequality index- According to Oxfam International's 'Commitment to Reducing Inequality (CRI) Index' ranks India 147th among 157 countries analysed, describing the country's commitment to reducing inequality as a "a very worrying situation" given that it is home to 1.3 billion people, many of whom live in extreme poverty. Oxfam has calculated that if India were to reduce inequality by a third, more than 170 million people would no longer be poor. Government spending on health, education and social protection is woefully low and often subsidizes the private sector. Civil society has consistently campaigned for increased spending. The tax structure looks reasonably progressive on paper, but in practice much of the progressive taxation, like that on the incomes of the richest, is not collected. On labour rights and respect for women in the workplace India also fares poorly, reflecting the fact that the majority of the labour force is employed in the agricultural and informal sectors, which lack union organization and enforcement of gender rights.

Global Hunger Index: India's ranking slips to 103 among 119 countries- India has been ranked at the 103rd position among 119 countries on the Global Hunger Index. According to the report, prepared by Welthungerhilfe and Concern Worldwide, India is among the 45 countries that have "serious levels of hunger". (Welthungerhilfe is a not-for-profit group and Concern Worldwide works towards improving lives of poor people). In 2017, India was ranked at the 100th position. The GHI, now in its 13th year, ranks countries based on four key indicators — undernourishment, child mortality, child wasting and child stunting.

India ranks 58th out of 140 economies on the Global Competitiveness Index 2018: WEF- According to the Global Competitiveness Report 2018 of World Economic Forum, India ranks 58th, up five places from 2017 with a score of 62.0 out of 140 economies. The country registered the largest gain of any country in the G20. India has demonstrated sizeable improvements over the past year. According to the report, India is a remarkable example of a country that has been able to accelerate on the pathway to innovation due to the quality of its research institutions. In spite of a high degree of entrepreneurship (61.1, 23rd), business dynamism is hampered by administrative hurdles. India currently ranks 108th on the Health pillar and 96th on the Skills pillar of the index.

China reaches out to India for joint projects in South Asia- China has reached out to India to create joint projects in South Asia similar to Sino-Indian joint projects in Afghanistan. Speaking at the launch of joint Indo-China project for training Afghan diplomats in New Delhi, Chinese Ambassador to India Luo Zhaohui suggested that China-India Plus cooperation should be extended from Afghanistan to other countries such as Nepal, Bhutan, Maldives, Iran and Myanmar. He further said that both sides should join under the mechanism of SAARC, BIMSTEC and BCIM to promote regional peace, stability and prosperity. Sources here indicated that India is not in favour of expansion of SAARC to include China, and BIMSTEC is being strengthened as a sub-regional organisation amid Chinese inroads.

India's oil imports surge to $10.91 bn in September- India's crude oil imports in September touched $10.91 billion, up 33.6 percent from a year ago, Indian government data showed. Shipments of gold to India, the world's second-biggest buyer of bullion, rose 51.5 percent last month, the data from India's trade ministry showed. India last week announced tariff hikes on several electronic items and communication devices, in a bid to rein in imports and bolster a weak rupee, but did not levy additional duties on gold to prevent increased smuggling of the precious metal.

Government imposes anti-dumping duty on certain steel products from China- India has imposed anti-dumping duties of up to USD 185.51 per tonne for five years on certain varieties of Chinese steel to guard domestic players from cheap imports from the neighbouring country. In its anti-dumping investigation, the DGTR stated that dumped imports of 'straight length bars and rods of alloy steel' from China have increased in absolute terms during the period of probe (2016-17). While recommending the anti-dumping duty, DGTR said the goods have been exported to India from the China below normal value and the domestic industry has suffered material injury on account of the imports. The product finds end use application across various segments and sectors including forging, automobiles, auto components, crank shaft, springs, gears, fasteners, cement plants, power plants, turbines, ship-building, and railways, among others.

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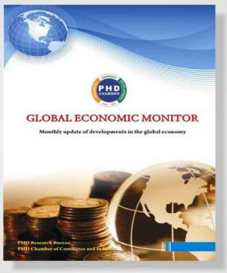
Forex Committee Newsletter provide a broad view of developments related to forex affairs of our economy such as rupee movement, forex reserves, regulatory developments, stock markets behaviour, interest rate scenario, commodities overview and key macroeconomic indicators etc.



Global Economic Monitor (GEM) aims to disseminate information on latest updates on global macro-economic indicators including growth, inflation, trade, markets, commodities, unemployment, policy developments and publications of international organization

Trade and Investment Facilitator (TIF) aims to provide information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO among others.

State Development Monitor captures the developments on various fronts such as economic, health, infrastructure, rural economy and tourism in central and northern states of India.

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Warm regards

Dr. S. P. Sharma
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Sovereign Gold Bond Scheme 2018 -19- Government of India, in consultation with the Reserve Bank of India, has decided to issue Sovereign Gold Bonds. The Sovereign Gold Bonds will be issued every month from October 2018 to February 2019 as per the calendar specified below:

S.No.	Tranche	Period of Subscription	Date of Issuance
1	2018-19 Series II	October 15-19, 2018	October 23, 2018
2	2018-19 Series III	November 05-09, 2018	November 13, 2018
3	2018-19 Series IV	December 24-28, 2018	January 01, 2019
4	2018-19 Series V	January 14–18, 2019	January 22, 2019
5	2018-19 Series VI	February 04-08, 2019	February 12, 2019

The Bonds will be sold through banks, Stock Holding Corporation of India Limited (SHCIL), designated post offices, and recognised stock exchanges viz., National Stock Exchange of India Limited and Bombay Stock Exchange Limited.

Launch of Support and Outreach Initiative for MSMEs sector- The Hon'ble Prime Minister, Shri Narendra Modi, recently launched a historic support and outreach programme for the Micro, Small and Medium Enterprises (MSMEs) sector. As part of this programme, the Prime Minister unveiled 12 key initiatives which will help the growth, expansion and facilitation of MSMEs across the country.The Prime Minister announced the launch of the 59 minute loan portal to enable easy access to credit for MSMEs. He said that loans upto Rs. 1 crore can be granted in-principle approval through this portal, in just 59 minutes. He said a link to this portal will be made available through the GST portal.The Prime Minister mentioned the second announcement as a 2 percent interest subvention for all GST registered MSMEs, on fresh or incremental loans. For exporters who receive loans in the pre-shipment and post-shipment period, the Prime Minister announced an increase in interest rebate from 3 percent to 5 percent.The third announcement made by the Prime Minister was that all companies with a turnover more than Rs. 500 crore, must now compulsorily be brought on the Trade Receivables e-Discounting System (TReDS). He said that joining this portal will enable entrepreneurs to access credit from banks, based ontheir upcoming receivables. This will resolve their problems of cash cycle.The Prime Minister announced that public sector companies have now been asked to compulsorily procure 25 percent, instead of 20 percent of their total purchases, from MSMEs.The Prime Minister said his fifth announcement is related to women entrepreneurs. He said that out of the 25 percent procurement mandated from MSMEs, 3 percent must now be reserved for women entrepreneurs.The Prime Minister said that more than 1.5 lakh suppliers have now registered with GeM, out of which 40,000 are MSMEs. He said transactions worth more than Rs. 14,000 crore have been made so far through GeM. He said the sixth announcement is that all public sector undertakings of the Union Government must now compulsorily be a part of GeM. He said they should also get all their vendors registered on GeM.Further, 20 hubs will be formed across the country, and 100 spokes in the form of tool rooms will be established.

GST, infrastructure status props up warehousing realty growth- The implementation of the Goods & Services Tax (GST) has sparked significant structural shifts in the Indian warehousing segment with smaller and fragmented warehouses getting consolidated into centralized warehousing hubs and an increasing focus on supply chain efficiencies. Between 2014 and 2016, warehousing supply clocked compounded annual growth rate (CAGR) of 15%. Following the implementation of GST, it has now increased to an expected CAGR of 21% for Grade A warehouse stock projections between 2017 and 2021 in the top eight cities of India.

10% of India's total electricity output now comes from renewable power- Despite a slowing of the pace at which solar power projects are being built owing to tariffs plunging to levels unviable for the developers, the country has crossed a milestone on the renewable energy front. Renewable-power units (solar and wind) have over the last few years been raising their share in India's electricity output; in April-October 2018, this share touched the 10% threshold. The share of renewables in total installed power capacity is also on a rise from 14% in FY15, this has risen to the current level of over 20%.

Digital transactions registered tremendous growth- Over the past two years, digital payment transactions have registered tremendous growth in India. For the first time, the number of monthly transactions under BHIM-UPI during September 2018 surpassed those of any other existing payment mode. The number of digital payment transactions in the month of October, 2016 was 79.67 crore. This has increased by 207% to 244.81 crore in August, 2018. Total value of transactions in October, 2016 was Rs.108.7 Lakh Crore which has increased by 88% to Rs. 204.86 Lakh Crore in August, 2018.

India's Plastic exports up 31% in first half of FY19- India's plastics exports grew 31.6% on year at USD4.59 billion in the first half of the FY19 compared with USD 3.48 billion a year ago. The growth in India's plastics export has been primarily boosted by higher shipment of plastic raw materials, plastic sheet, film, plates, and packaging materials to China, Vietnam and Mexico.

US allows India, 7 other nations to buy oil from Iran even after sanctions- The US government has agreed to let eight countries, including South Korea and Japan, as well as India, keep buying Iranian oil after it re-imposes sanctions on Tehran from next week. A list of all countries getting waivers is expected to be released officially.

The Subscriber base under APY has crossed 1.24 crore mark- More than 27 lakhs new subscribers have joined the Atal Pension Yojna during the current financial year, 2018-19. Easy to explain benefits drive Atal Pension Yojana (APY) backed by Government of India's Guarantee. States like Uttar Pradesh, Bihar, Andhra Pradesh, Maharashtra and Karnataka are the top contributors in APY enrollment.

Centre postpones tariffs on 29 US goods for third time- A higher tax by up to 50 per cent on agri goods like apples, almonds, and walnuts, along with industrial products and steel, has already been notified by the government, which was set to go live from August 4. However, the Central Board of Excise and Customs has repeatedly postponed the executive order. Following that, India on Thursday, 1st November 2018, postponed its decision for the third time to impose higher import duties on 29 key US products, which were set to kick in from November 2.

Aluminium scrap import rises 21.4% in April-September 2018- India's aluminium scrap import rose by 21.4 per cent to 657,000 tonnes during April-September 2018, according to Aluminium Association of India (AAI). A delegation of the association had urged the Centre to increase the duty on import of aluminium scrap, stating that domestic players will get affected due to the escalating trade war between the US and China.

Electrification of railway lines to help Indian Railways save Rs.135 billion per annum- The Indian Railways (IR) would be able to save approximately Rs.135 billion per annum, considering the present traffic level, after the electrification of railway lines is completed. The Government of India has taken a mission to provide electrification on all the broad gauge railway line of IR as electric traction is cheaper and the energy would be sourced from locally available sources. On 12 September 2018, the Cabinet Committee on Economic Affairs had approved the proposal for electrification of balance unelectrified broad gauge of IR comprising of 108 sections covering 13,675 route kilometres (16,540 track kilometres) at a cost of Rs.121.34 billion. This electrification is likely to be completed by 2021-22.

Cashew exports to US, Europe decline in last 5 years- India's exports of cashew kernels to the US declined from 33,898 metric tonnes (MT) at Rs.15.05 billion in 2013-14 to 13,179 MT at Rs.9.06 billion in 2017-18. This drop is due to competing exports from Vietnam which offers the same quality products at a lower rate. The Cashew Export Council of India (CEPCI) is looking at strategies to recapture the lost market share in these traditional markets.

Special Feature

The Twin Balance Sheet Problem of the Indian Economy: Critical Appraisal of Reform Measures and Way Forward for India

-Dr S P Sharma, Chief Economist, PHD Chamber
-Megha Kaul, Economist, PHD Chamber

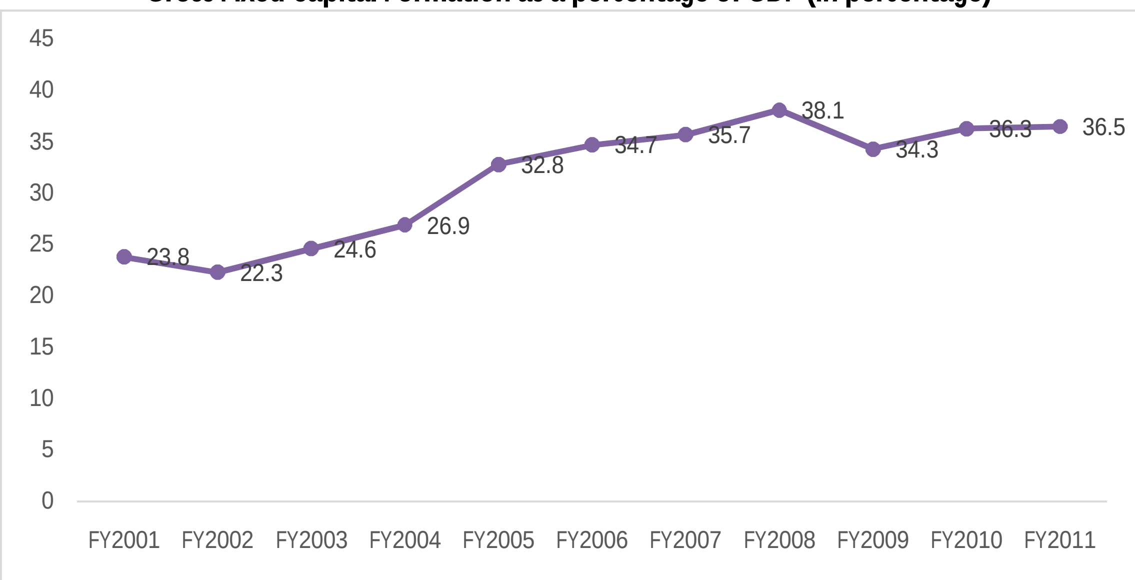
Introduction

The Twin Balance Sheet Problem (TBS) primarily refers to the balance sheet problems of two major entities in the economic system viz. the corporate sector and the banks. In this problem, the balance sheets of the banks are stressed by high Non-Performing Assets of the banks on one hand and heavily indebted balance sheets of the corporate sector on the other.

Genesis of the problem

The origin of the Twin Balance Sheet Problem goes back to the mid-2000s when almost all the economies were booming and India was no exception. During that period, the profits registered by corporates in India were highest in the world which encouraged them to raise their production possibility frontiers and hire workforce aggressively. This led to increase in wages and huge projects were launched particularly in infrastructure related sectors. It may be mentioned that the investment-GDP ratio increased significantly to 38% in FY2008 from 27% in FY2004.

Gross Fixed Capital Formation as a percentage of GDP (in percentage)



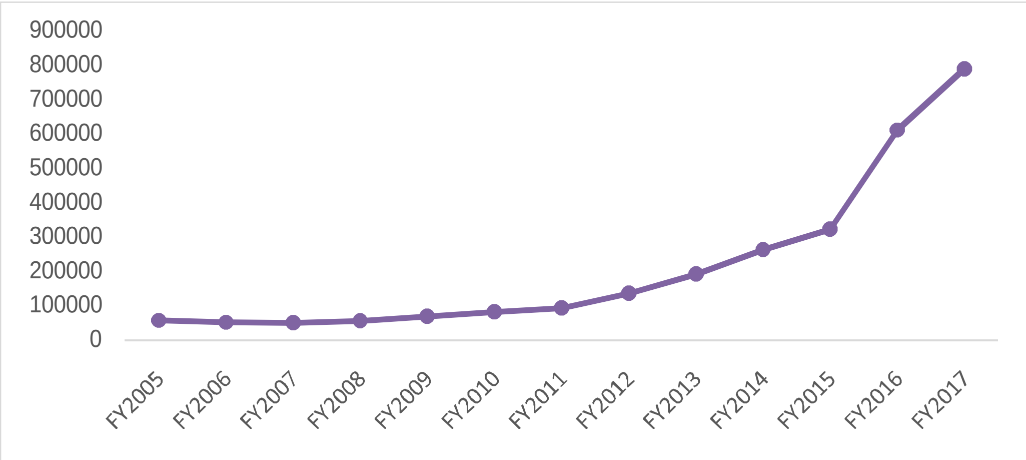
Source: PHD Research Bureau, compiled from Planning Commission, India- Macro-economic summary: 1999-2000 to 2013-14, as on 1st December 2014

This investment was financed by foreign investors and the economy witnessed the largest credit boom as capital inflows registered at 9% of GDP in FY2009 . During FY2004 to FY2008, the amount of non-food credit also doubled. As the corporates witnessed capital inflows from abroad as well as Indian banks, their risk appetite increased which put them in crossroads eventually. With the onset of global financial crisis, costs surged while there was not much ease of doing business in the economy. Consequently, many of the projects which were conceptualized at the time of high growth of economy could not take off as growth rate declined considerably.

Further, the RBI increased the interest rates to combat inflation which led to increase in cost of doing business (financing costs). Thus, lower revenues, higher costs as well as high financing costs squeezed corporate cash flow which led to debt servicing problems. Consequently, by 2013, around 33% of the corporate debt was owned by companies which had an interest coverage ratio of less than 1(IC1 companies). Many of these companies were in the infrastructure sector.

However, it is widely believed that twin balance sheet problem results in economic stagnation and weak growth. Contrary to these beliefs, India registered a high growth rate as the supply side constraints were loosened and investments were made in development of infrastructure in the economy. It is worthwhile to mention that the banking and financial system in the country kept the corporates insulated from the debt burden by asking for principal payments to be postponed so as to give time for the projects to become viable. However, this have taken a toll on Public Sector Banks' health. The NPAs have increased fourteen fold since FY2008 to register at Rs. 790268 crores in FY2017.

Gross NPAs(in Rs. Crore)



Source: PHD Research Bureau, compiled from RBI

Critical Appraisal of the Reform Measures Undertaken

To tackle the problem of Twin Balance Sheet, the government has initiated various reform measures from time to time which are as under-

- **5/25 Refinancing of Infrastructure Scheme**- Under this scheme, the lenders were allowed to extend amortization periods to 25 years with interest rates adjusted every 5 years to match the funding period with long gestation and productive life of the infrastructure projects. However, with amortization period spread out, companies faced a higher interest burden which they found difficult to repay, forcing them to take additional loans which aggravated the problem.

- **Private Asset Reconstruction Companies-** The Asset Reconstruction Companies (ARCs) primarily work on the model of acquiring NPAs of banks and financial institutions and try to resolve them. However, ARCs have found it difficult to recover loans from debtors and thus have been able to offer low price to banks which the banks have found difficult to accept.
- **Asset Quality Review (AQR)-** The RBI set up AQRs to identify the bad assets and verify if the banks were assessing loans in line with RBI loan classification rules.
- **The Strategic Debt Restructuring Scheme (SDR)-** The SDR Scheme was introduced with the objective of banks taking over firms that were unable to payback their loans and sell them to new owners. However, by December 2016, only 2 such sales could materialize as many firms remained financially unviable and only a small portion of their debt could be converted to equity.
- **The Scheme for Sustainable Structuring of Stressed Assets-** Under this scheme, an independent agency hired by the banks would decide how much stressed debt of the company is sustainable and the unsustainable will be converted to equity and preference shares. However, only one case could be solved in this scheme**.**
- **Recapitalization of Public Sector Banks**- The government has announced Indradhanush plan for revamping Public Sector Banks (PSBs) in August 2015. The plan envisaged, inter alia, infusion of capital in PSBs by the Government to the tune of Rs. 70,000 crore (USD 11449 million) over a period of four financial years.
- **Relief for MSME Borrowers registered under Goods and Services Tax (GST)-** To support the MSMEs, RBI has decided that the exposure of banks and NBFCs to MSMEs shall continue to be classified as a standard asset in the books of banks and NBFC provided it is registered under GST Regime, borrowers' account was standard as on August 31, 2017 and the aggregate exposure of banks does not exceed Rs. 250 million as on January 31,2017.
- **The Insolvency and Bankruptcy Code-** focuses on consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, individuals and partnership firms in a time bound manner and for maximization of value of assets of such persons and matters connected therewith or incidental. The Code is has facilitated in stepping up on the World Bank’s Ease of Doing Business Index.
- **Revised framework for resolution of Stressed Assets** - In view of the enactment of the Insolvency and Bankruptcy Code, 2016 (IBC), this Regulation stipulates that the default of even a single day in payment of interest or principal amount would trigger formulation of resolution plan. This framework has adversely impacted the power sector and the MSMEs initially but an amendment was made after which MSMEs have been exempt from this framework.

The Way Forward

As mentioned above, the government has announced plethora of reforms, the most effective being the introduction of Insolvency and Bankruptcy Code. Further, it is suggested that the government must undertake the following-

- Greater autonomy should be awarded to Public Sector Banks in terms of governance, operations and human resources. Use of new technology should be promoted and the Banks should appoint Relationship Managers for set of Customers. These Relationship

Managers should also be a 'whistle blower' and should inform the Bank about the delays made by the company in salary payments etc as these are the first signs of sickness and an action plan should be formulated immediately.

- The banks must monitor corporate activity after the debt is sanctioned in order to identify probable defaulters and take timely corrective action.
- Further, there is a need to improve the credit sanctioning processes of banks by following scientific methods and pricing accordingly. This process should include thorough background verification of individuals/ organizations before allocation of funds. Risk must be controlled through Loan Review Mechanism and portfolio management.
- Enterprise Credibility Score should be promoted based on the framework including Management Information (ability to run the business, access to finance), Business Information (assess the ability to generate profits, gauge the operating efficiency, ascertain the concentration risk and market standing of the business and promoters), financial information (liquidity position, investment in productive assets), credit worthiness (payment discipline for various financial liabilities, timely payment for utilities and other obligations) and Compliance.

All these measures will facilitate in reducing NPAs in the economy thereby aiding the government to tackle the Twin Balance Sheet Problem effectively in the coming times.

In a nutshell

Strong macroeconomic fundamentals, such as GDP growth at the rate of 8.2% in Q1 FY2019, the macro-economic fundamentals are in benign trajectory. The Indian economy has been witnessing positive sentiments from international organizations as India has registered a jump of 23 spots on the World Bank's Doing Business Report in 2018 at the 77th level from 100th spot last year. This is a major achievement as the economy has shown significant improvement in two parameters viz. in dealing with construction permits with improvement of 129 spots from 181th rank in 2017 to 52nd rank in 2018 and trading across borders with improvement by 66 spots from 146th rank in 2017 to 80th rank in 2018. This shows that the reform measures undertaken by the government have started paying off and fruitful outcomes are visible now. Further, India ranked 58th on the WEF's Global Competitiveness Index 2018 up five places from 2017 with a score of 62.0 out of 140 economies. The country registered the largest gain of any country in the G20.

Further, the GST collections have crossed 1,00,000 crore in October 2018 which is indicative of the fact that the teething problems of GST are over, GST regime is becoming simple and business friendly and the economy is benefitting from this major tax reform. Going ahead, the launch of Outreach initiative for the MSMEs as the host of measures for revival of MSMEs are big milestones as they will transform the entire micro, small and medium enterprises and push them substantially upward to enhancing their contribution far more to national GDP and employment generation. One of the major announcements was the launch of the 59 minute loan portal to enable easy access to credit for MSMEs, in which loans upto Rs. 1 crore can be granted in-principle approval through the portal, in just 59 minutes. In a nutshell, the government is announcing ground breaking reform measures to stimulate the economy and put it on high growth trajectory in the coming times.

The lead economic and financial indicators so far...

S. No	Components	August 2018	September 2018	October 2018
1.	IIP Growth	4.7%	4.5%	-
2	Export Growth	19.2%	(-)2.2%	17.8%
3	WPI Inflation Y-O-Y growth	4.53%	5.13%	5.28%
4	CPI inflation (combined)	3.69%	3.70%	3.31%
5	Gold (10 GRMS)	30226^	30296^^	31698^^^
6	Crude Oil (1 BBL)	4902^	5240^^	4869^^^
7	BSE Sensex	38645^	36227^^	34442^^^
8	Exchange rate average (INR/ 1 USD)	70.99^	72.91^^	73.45^^^
9	Repo rate	6.50%	6.50%	6.50%
10	CRR	4%	4%	4%
11	10 year Bond yield	8.1572%	7.7334%	7.7334%
12	Base rate	8.85% - 9.45%@@#	8.85% - 9.45%	8.85% - 9.45%

Source: PHD Research Bureau compiled from various sources, ^ Data pertains to 31st August 2018, ^^Data pertains to 28th September 2018, ^^^Data pertains to 31st October 2018, @@#Data pertains to 5th October 2018

India: Statistical snapshot

Indicators	FY14	FY15	FY16	FY17	FY18	FY19
GDP at FC - Constant prices (Rs cr)	9817822	10536984	11381002	12189854	13010843##^	3373983+&
GDP at FC-Constant prices growth YOY (%)	6.4*	7.5*	8*	7.1@#	6.7 ##^	8.2+&
Agriculture growth	5.6	(-)0.3	0.7*	4.9@#	3.4 ##^	5.3+&
Industry growth	4.2	6.9	8.2	5.8@#	5.5 ##^	10.3+&
Services growth	9.5	9.8	7.9	7.9@#	7.9 ##^	7.3+&
Consumption (% YOY)	4.7	-	-	-	-	-
Private consumption (% YOY)	6.8	6.2	7.3	7.2	-	-
Gross domestic savings as % of GDP	30.5	30.6"'	-	-	-	-
Gross Fixed Capital Formation as % of GDP	33	32.3	31.2	29.5	7.6##^	-
Gross fiscal deficit of the Centre as a % GDP	4.5	4.1''	3.9	3.5	3.5@*	3.5^*
Gross fiscal deficit of the states as a % GDP	2.5	2.3''	-	-	-	-
Gross fiscal deficit of Centre & states as a % GDP	6.7	6.6''	-	-	-	-
Merchandise exports (US$Bn)	312.35	310.5	261.14	274.64	29.11&&$	26.98^^^^
Growth in exports (%)	3.98	(-)1.2	(-)15.9	4.7	(-)0.66&&$	17.8^^^^
Imports (US$Bn)	450.94	447.5	379.59	380.37	42.80&&$	44.11^^^^
Growth in imports (%)	-8.1	-0.59	(-)15.3	(-)0.17	7.15&&$	17.63^^^^
Trade deficit (US$Bn)	138.6	137	118.46	46.42	13.69&&$	17.13^^^^
Net invisibles US$Bn	115.0	-	107.9^^	-	-	-
Current account deficit US$Bn	32.4	26.8^^	22.1^^	15.2^^*	13.5 ##^	15.8+&
Current account deficit as % of GDP	1.7	1.3	1.1^^	0.7^^*	1.9	2.4+&
Net capital account US$Bn	33.3^^	11.8	23.2	14.9^^*	-`	-
Overall balance of payments US$Bn	15.5^^	6.9	-	-	-	-
Foreign exchange reserves US$Bn	304.22	316.2	355.56~~	367.9~~~	424.36~~$	393.13~~~
External debt - Short term US$Bn	89.2``	86.4```	83.6&&&	88^^*	97.6&^	-
External debt - Long term US$Bn	351.4``	376.4```	398.6&&&	383.9^^*	415.8&^	-
External debt - US$Bn	441``	462```	480.18&&&	472^^*	513.4 &^	-
Money supply growth	13.2	11.1&&	11.3&&&&	6.3^^	9.8&&^	9.8%$#
Bank credit growth	14	8.6	9~~~~	7^^	8.2**	11.3%$#
WPI inflation	5.7#	2.1	(-)0.85^^^	1.33	2.47&&$	5.28^^^^
CPI inflation	9.3	5.9	4.9	4.5	3.6	3.31^^^^
Exchange rate Rs/US$ annual average	60.68	61.14	66.43@@	64.39^^	65.04@@$	72.10@@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of Annual National Income 2016-17 from MOSPI, '' Handbook of Statistics of Indian Economy 2014-15 from RBI, ''' Data pertains to Annual Report of RBI 2013-14, *@Data pertains to Budget Estimates of 2017-18, '' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, "'Data pertains to the new Series Estimates from economic survey 2014-15. ^^Data pertains to India's Balance of payment for 2015-16 from RBI, ^^^Data pertains to March 2016, ``India's external debt end Dec 2013 from RBI, ``` Data pertains to end Dec 2014 from RBI, # Data pertains to Mar 2013, ~ Data pertains to 2014-15 from the Economic Survey,^^* Data pertains to fy 2016-17 ~~Data as on week ending 25th March 2016 from RBI, ~~~ Data as on 2 November 2018 from RBI, && Data pertains to March 2015, &&& External debt at end December 2015 (Quick Estimates), @@ Data pertains to 13th April 2016 from RBI, ^^^^Data pertains to October 2018, @@@ Data as on 14 November 2018 from RBI, &&&& Y-o-Y Growth of Money Supply, 2015-16 from RBI. # Data pertains to end March 2017, compiled from RBI, ** Bank credit growth as on March 2018 &&^ as on June 2018.@# GDP growth and agriculture growth is as per Provisional Estimates of Annual National Income, 2016-17and Industry and service growth is from Office of economic advisor, #*^Data pertains to Q3 2017-18, ##^ Data pertains to Provisional estimates of GDP for 2017-18, ^* pertains to the budget estimates of FY19, @* data pertains to budget estimates of 2018-19, &^ pertains to data at end December 2017, &&$data pertains to March 2018, @@$ data as on March 28, 2018, ~~$ Data as on end March 2018 from RBI, &&^ as on 16 March 2018, %$#Data pertains to September 2018, +&Data pertains to Q1 FY2019.

PHD Research Bureau

PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted 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.

The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India, Study on Impact of Project Imports under CTH 9801 for C&AG of India and has attracted a World Bank Project on free trade zones.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
• Research Studies	• Macro Economy	• Economic Affairs Newsletter (EAC)	• Trade & Inv. Facilitation Services (TIFS)
• State Profiles	• States Development	• Forex and FEMA Newsletter	
• Impact Assessments	• Infrastructure	• Global Economic Monitor (GEM)	
• Thematic Research Reports	• Foreign exchange market	• Trade & Inv. Facilitation Services (TIFS) newsletter	
• Releases on Economic Developments	• International Trade	• State Development Monitor (SDM)	
	• Global Economy	• Industry Development Monitor (IDM)	

Studies Undertaken by PHD Research Bureau

A: Thematic research reports

1. Comparative study on power situation in Northern and Central states of India (September2011)
2. Economic Analysis of State (October 2011)
3. Growth Prospects of the Indian Economy, Vision 2021 (December 2011)
4. Budget 2012-13: Move Towards Consolidation (March 2012)
5. Emerging Trends in Exchange Rate Volatility (Apr 2012)
6. The Indian Direct Selling Industry Annual Survey 2010-11 (May 2012)
7. Global Economic Challenges: Implications for India (May 2012)
8. India Agronomics: An Agriculture Economy Update (August 2012)
9. Reforms to Push Growth on High Road (September 2012)
10. The Indian Direct Selling Industry Annual Survey 2011-12: Beating Slowdown (March 2013)
11. Budget 2013-14: Moving on reforms (March 2013)
12. India- Africa Promise Diverse Opportunities (November 2013)
13. India- Africa Promise Diverse Opportunities: Suggestions Report (November 2013)
14. Annual survey of Indian Direct Selling Industry-2012-13 (December 2013)
15. Imperatives for Double Digit Growth (December 2013)
16. Women Safety in Delhi: Issues and Challenges to Employment (March 2014)
17. Emerging Contours in the MSME sector of Uttarakhand (April 2014)
18. Roadmap for New Government (May 2014)
19. Youth Economics (May 2014)
20. Economy on the Eve of Union Budget 2014-15 (July 2014)
21. Budget 2014-15: Promise of Progress (July 2014)
22. Agronomics 2014: Impact on economic growth and inflation (August 2014)
23. 100 Days of new Government (September 2014)
24. Make in India: Bolstering Manufacturing Sector (October 2014)
25. The Indian Direct Selling Industry Annual Survey 2013-14 (November 2014)
26. Participated in a survey to audit SEZs in India with CAG Office of India (November 2014)
27. Role of MSMEs in Make in India with reference to Ease of Doing Business in Ghaziabad (Nov 2014)
28. Exploring Prospects for Make in India and Made in India: A Study (January 2015)
29. SEZs in India: Criss-Cross Concerns (February 2015)
30. Socio-Economic Impact of Check Dams in Sikar District of Rajasthan (February 2015)
31. India - USA Economic Relations (February 2015)
32. Economy on the Eve of Union Budget 2015-16 (February 2015)
33. Budget Analysis (2015-16)
34. Druzhba-Dosti: India's Trade Opportunities with Russia (April 2015)
35. Impact of Labour Reforms on Industry in Rajasthan: A survey study (July 2015)
36. Progress of Make in India (September 2015)
37. Grown Diamonds, A Sunrise Industry in India: Prospects for Economic Growth (November 2015)
38. Annual survey of Indian Direct Selling Industry 2014-15 (December 2015)
39. India's Foreign Trade Policy Environment Past, Present and Future (December 2015)
40. Revisiting the emerging economic powers as drivers in promoting global economic growth(February 2016)
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71. Rural Economy: Road to US $5 Trillion Economy(September 2018)

B: State profiles

72. Rajasthan: The State Profile (April 2011)
73. Uttarakhand: The State Profile (June 2011)
74. Punjab: The State Profile (November 2011)
75. J&K: The State Profile (December 2011)
76. Uttar Pradesh: The State Profile (December 2011)
77. Bihar: The State Profile (June 2012)
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85. Suggestions for Progressive Uttar Pradesh (August 2015)
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PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 Industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.

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