



Weekly Compendium of Economic and Business Developments

(Period ending 3rd July, 2021)

PHD Research Bureau disseminates information to the members of PHD Chamber & other Industry stakeholders on various economic and business development issues at International, National and Sub-national arena such as, Government grants further extension in timelines of compliances, key relief measures announced by Hon'ble Minister of Finance Smt. Nirmala Sitharaman, fiscal Deficit stands at 8.2% of actuals to BEs for the month of May 2021, decisions taken by the Union Cabinet, Key Decisions of SEBI Board, among others. The details of disseminated information during the week ending 3rd July 2021 are appended.

India and World Economy

- **Government grants further extension in timelines of compliances** - The Government has granted further extension of timelines of compliances under Income Tax Act. It has also announced tax exemption for expenditure on COVID-19 treatment and ex-gratia received on death due to COVID-19.
- **Hon'ble Minister of Finance Smt. Nirmala Sitharaman announced key relief measures** - Hon'ble Minister of Finance Smt. Nirmala Sitharaman announced various economic relief measures which are as follows: Credit Guarantee Scheme to Facilitate Loans to 25 Lakh Persons Through Micro Finance Institutions (MFIs); Financial support to more than 11,000 Registered Tourist Guides/Travel and Tourism Stakeholders; Free Tourist Visa to first 5 Lakh Tourists; Extension of Atmanirbhar Bharat Rozgar Yojana; Additional Subsidy for DAP & P&K fertilizers; Extension of Pradhan Mantri Gareeb Kalyan Anna Yojana (PMGKAY); Rs. 23,220 Cr More for Public Health (special emphasis on children and paediatric care/paediatric beds); Fighting Malnutrition and Improving Farmers' Income: Release of Climate Resilient Special Traits Varieties; Revival of North Eastern Regional Agricultural Marketing Corporation (NERAMAC) and among others.
- **May 2021 Fiscal Deficit stands at 8.2% of actuals to BEs** - The gross fiscal deficit of the Central government stands at 8.2% of the actuals to budget estimates (BEs) in May 2021 as compared to 58.6% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit and revenue deficit stands at 5.0% and 5.7% respectively, of the actuals to budget estimates in May 2021 as compared to 440.3% and 67.6% respectively of the actuals to budget estimates in the corresponding period of the previous year.
- **May 2021 Core infra growth stands at 16.8%** - The core infrastructure growth stands at 16.8% in May 2021 as compared to 60.9% in April 2021, 11.4% in March 2021, (-)3.3% in February 2020, 1.3% in January 2021, 0.4% in December 2020 and (-)1.1% in November 2020. The cumulative growth of core infrastructure during April-May 2021-22 stands at 35.8% as compared to (-)29.4% in April-May 2020-21. The growth rate of Coal stands at 6.9%, crude oil at (-)6.3%, Natural Gas at 20.1%, Refinery Products at 15.3%, Fertilizers at

(-)9.6%, Steel at 59.3%, Cement at 7.9% and Electricity at 7.3% in May 2021 as compared to April 2021 figures of Coal stands at 9.5%, crude oil at (-)2.1%, Natural Gas at 25.0%, Refinery Products at 30.9%, Fertilizers at 3.9%, Steel at 472.7%, Cement at 582.7% and Electricity at 38.5%.

- **Decisions taken by the Union Cabinet** - Cabinet approves MoU between India and Nepal in the field of Health Research; Cabinet approves MoU between India and Myanmar in the field of health research; Cabinet approves Memorandum of Understanding signed between India and Republic of The Gambia on Refurbishing Personnel Administration and Governance Reforms; Cabinet approves extension of last date of Registration under Aatmanirbhar Bharat Rojgar Yojana (ABRY) from 30th June 2021 to 31st March 2022; Cabinet approves Loan Guarantee Scheme for Covid Affected Sectors (LGSCAS) and to enhance the corpus of Emergency Credit Line Guarantee Scheme (ECLGS); Cabinet approves BharatNet implementation through Public Private Partnership Model in 16 States with optical fibre connectivity to all inhabited villages; Cabinet approves Revamped Distribution Sector Scheme: A Reforms based and Results linked Scheme" and among others.
- **Key Decisions of SEBI Board** - The SEBI Board met in Mumbai. The Part-Time Members joined the meeting through video conferencing. The Board, inter-alia, took the following decisions: Review and Merger of SEBI (Issue and Listing of Debt Securities) Regulations, 2008 and SEBI (Non-Convertible Redeemable Preference Shares) Regulations, 2013 into a single Regulation – SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021; Introduction of Framework for Accredited Investors in securities market and among others.
- **SEBI extends Relaxation in timelines for compliance with regulatory requirements** - In view of the prevailing situation due to Covid-19 pandemic and representation received from Stock Exchanges, Secretaries and Exchange Board of India (SEBI) has decided to extend the timelines for compliance with certain regulatory requirements by the Trading Members / Clearing Members / KYC Registration Agencies.
- **India joins OECD/G20 Inclusive Framework tax deal** - Majority of the members OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting(including India)adopted yesterday a high-level statement containing an outline of a consensus solution to address the tax challenges arising from the digitalisation of the economy.
- **Government announces inclusion of Retail and Wholesale trades as MSMEs** - Hon'ble Minister of MSME and Road Transport and Highways, Shri Nitin Gadkari, announced revised guidelines for MSMEs with inclusion of Retail and Wholesale trades as MSMEs. The revised guidelines will benefit 2.5 Crore Retail and Wholesale Traders. Earlier, Retail and wholesale trade were left out of the ambit of MSME, now under the revised guidelines, retail and wholesale trade will also get benefit of priority sector lending under RBI guidelines. With the revised guidelines the Retail and wholesale trades will be now be allowed to register on Udyam Registration Portal.
- **Six technology innovation platforms launched for development of technologies for globally competitive manufacturing in India** - Hon'ble Minister of Heavy Industries and Public Enterprises, Shri Prakash Javadekar, has inaugurated (through virtual mode) six Technology Innovation Platforms which will focus on development of technologies for the globally competitive manufacturing in India. The platforms are the gift to the nation during the celebration of 'AzadikaAmrutMahotsav-Celebration of 75 Years of Independence' and will help in bringing all India's technical resources and the concerned Industry on to one platform to

kick start and facilitate identification of technology problems faced by Indian Industry and crowd source solutions for the same.

Banking & Finance

- **RBI notifies amendments in New Definition of Micro, Small and Medium Enterprises** - In reference to the circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 on 'New Definition of Micro, Small and Medium Enterprises –clarifications'. In this connection, we inform that Government of India, vide their Gazette Notification S.O. 2347(E) dated June 16, 2021, has notified amendments in paragraph (7) sub-paragraph (3) in the notification of Government of India, Ministry of Micro, Small and Medium Enterprises number S.O. 2119 (E), dated June 26, 2020, published in the Gazette of India. In view of the above amendment, paragraph 2.2 (i) of RBI circular dated August 21, 2020 stands modified as under: "The existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAMs) of the MSMEs obtained till June 30, 2020 shall remain valid till December 31, 2021". All other provisions of the circular remain unchanged.
- **India's Current account balance recorded a surplus of 0.9% of GDP in FY 2021 and CAD stands at 1% of GDP in Q4 FY2021** - The current account balance recorded a surplus of 0.9 per cent of GDP in 2020-21 as against a deficit of 0.9 per cent in 2019-20 on the back of a sharp contraction in the trade deficit to US\$ 102.2 billion from US\$ 157.5 billion in 2019-20. Net invisible receipts were lower in 2020-21 due to increase in net outgo of overseas investment income payments and lower net private transfer receipts, even though net services receipts were higher than a year ago. India's current account balance (CAB) recorded a deficit of US\$ 8.1 billion (1.0 per cent of GDP) in Q4:2020-21 as against a surplus of US\$ 0.6 billion (0.1 per cent of GDP) in Q4:2019-20 and a deficit of US\$ 2.2 billion (0.3 per cent of GDP) in the preceding quarter, i.e., Q3:2020-21.
- **India's external debt stands at USD 570 billion at end March 2021** - At end-March 2021, India's external debt was placed at US\$ 570.0 billion, recording an increase of US\$ 11.5 billion over its level at end-March 2020. The external debt to GDP ratio increased to 21.1 per cent at end-March 2021 from 20.6 per cent at end-March 2020. Valuation loss due to the depreciation of the US dollar vis-à-vis Indian rupee and major currencies such as euro, SDR2 and pound sterling was placed at US\$ 6.8 billion. Excluding the valuation effect, the increase in external debt would have been US\$ 4.7 billion instead of US\$ 11.5 billion at end-March 2021 over end March 2020.
- **ECBs raised at about USD 0.7 billion during May 2021** - Indian firms have raised about USD 0.7 billion through external commercial borrowings (ECBs) by automatic and approval route in May 2021 as against around USD 2.4 billion in April 2021. While, ECBs were at about USD 1.5 billion in May 2020. India has received gross ECBs worth around USD 470 billion between FY2001 and FY2022 (as of May 2021). A closer look at the ECBs pattern reveals that the largest share in ECBs during the month of May 2021 is held for Import of Capital Goods purpose by about 44% of the total borrowings, followed by New Projects purpose by around 22%, Working Capital purpose at about 20%, among others.
- **Gross Bank Credit growth stands at 6.0% in May 2021** - Gross bank credit growth (year-on-year) stands at 6.0% in May 2021 as compared to 6.2% in May 2020. On a year-on-year (y-o-y) basis, non-food bank credit growth stood at 5.9 per cent in May 2021 as compared to 6.1 per cent in May 2020. Credit to agriculture and allied activities continued to perform well, registering an accelerated growth of 10.3 per cent in May 2021 as compared to 5.2 per cent in May 2020. Credit growth to industry decelerated to 0.8 per cent in

May 2021 from 1.7 per cent in May 2020. Size-wise, credit to medium industries registered a robust growth of 45.8 per cent in May 2021 as compared to a contraction of 5.3 per cent a year ago. Credit growth to the services sector decelerated to 1.9 per cent in May 2021 from 10.3 per cent in May 2020, mainly due to deceleration in credit growth to NBFCs, transport operators and commercial real estate.

- **RBI notifies the extension of Interest Equalization Scheme on Pre and Post Shipment Rupee Export Credit**
 - In reference to the instructions issued vide circular DOR.CRE.REC.06/04.02.001/2021-22 dated April 12, 2021. Government of India has approved the extension of Interest Equalization Scheme for Pre and Post Shipment Rupee Export Credit, with the same scope and coverage, for a further period of three months, i.e., up to September 30, 2021. The extension takes effect from July 01, 2021 and ends on September 30, 2021 covering a period of three months. Consequently, the extant operational instructions issued by the Reserve Bank under the captioned Scheme shall continue to remain in force up to September 30, 2021.

Trade

- **Highest ever merchandise exports in a quarter (Q1 2021-22, USD 95 billion) in the history of India** - Highest ever merchandise exports of USD 95 billion in Q1 of 2021-22 has been achieved in the history of India. This is 85% higher than exports of Q1 of 2020-21 and 18% higher than the exports of Q1 of 2019-20. It is also 16% more than the previous highest Q1 exports of 2018-19 (USD 82 billion) and is higher than the earlier peak of exports in Q4 of 2020-21 (USD 90 billion).

Our Voice

Relief measures announced by the Hon'ble Minister of Finance will push economic growth: PHD Chamber

The calibrated and strategic economic reforms announced by the Hon'ble Finance Minister, Smt Nirmala Sitharaman will push the economic growth trajectory on high road sooner than later. Meaningful and effective reform measures announced by Hon'ble Finance Minister will bring a broad based economic recovery through enhanced demand, job creation, private investments, manufacturing competitiveness, escalated exports, increased agricultural productivity and strong build-up of health infrastructure in non-metropolitan cities.

Relief measures of Rs. 6,28,993 crore including Rs. 1.1 lakh crore relief measures for covid affected sectors; extended ECLGS with Rs. 1.5 lakh crore; 100% credit guarantee scheme for tourist guides and extended coverage of the aatmanirbhar rozgar yojna to 31st March 2022, among others would go a long way to diminish the daunting impact of covid on people, trade, industry and economy. Further economic relief to micro, small and medium enterprises (MSMEs) amid the ongoing COVID-19 pandemic, announced by the Hon'ble Minister of Finance with expanded financial support being provided under the Emergency Credit Line Guarantee Scheme (ECLGS) by Rs 1.5 lakh crore. ECLGS will help businesses to recover from the daunting impact of pandemic COVID-19. The total outlay of scheme has increased to Rs 4.5 lakh crore.

Rs 1.1 lakh crore loan guarantee scheme for COVID-affected sectors which has been announced, of which Rs 50,000 crore has been allocated to the health sector and Rs 60,000 crore for other sectors. Credit guarantee scheme announced to facilitate loans of up to Rs 1.25 lakh per individual to 25 lakh persons through micro-finance institutions (MFIs). Interest rate on loans from banks will be capped at MCLR plus 2 percent. As part of the relief package, financial support has been extended to more than 11,000 registered tourist guides/travel and tourism stakeholders through the loan guarantee scheme for COVID-affected sectors. Free tourist visas will be given to the first 5 lakh tourists, once visa issuance resumes. Total financial implication of the measure

is Rs 100 crore.

EPF support to employers and employees under Aatmanirbhar Bharat Rozgar Yojana has been extended till March 31, 2022. The total cost of Pradhan Mantri Gareeb Kayan Anna Yojana (PMGKAY) in 2020-21 was Rs 1,33,972 lakh crore. The total estimated fiscal impact of the scheme is seen at Rs 93,869 crore. The distribution of food grains free of cost began in March 2020, and was subsequently extended till November 2021. Additional Rs 23,220 crore announced for public health, for a period of one year, with an emphasis on children and paediatric care/paediatric beds.

Project exports through the National Export Insurance Account will get a Rs 33,000 crore boost over the next five years. Rs 88,000 crore boost has been announced for export insurance cover. Additional Rs 19,041 crore outlay for providing broadband to each village through BharatNet PPP model. PLI scheme for large scale electronics manufacturing has been extended by one year, till fiscal year 2025-26. Under the scheme, the manufacturers are given incentives of 6 percent to 4 percent on incremental sales of goods under target segments manufactured in India.

Rs 3.03 lakh crore reform plan would revamp the reforms-based, result linked power distribution scheme of financial assistance to DISCOMS for infrastructure creation, upgradation of system, capacity building and process movement. New streamlined process for PPP projects and asset monetisation announced, including through InvITs, to aid speedy clearance of projects to facilitate private sector's efficiencies in financing construction and management of infrastructure.

Economy so far

- **After Africa and China, Bangladesh looks to buy non-basmati rice** - Bangladesh has floated a tender to buy 50,000 tonnes of non-basmati rice from India, adding to the growing overseas demand for the commodity and raising hopes that this fiscal will be good for Indian rice exporters. The move augurs well for the country's non-basmati rice trade, said Vinod Kaul, executive director of All India Rice Exporters Association (AIREA), adding that Bangladesh is likely to buy the 50,000 tonnes of rice through the National Agricultural Cooperative Marketing (NAFED)
- **30 FPOs see over 2-fold jump in revenue in 2 years after SFAC intervention** - About 30 farmer producer organizations (FPOs) in three states, including West Bengal, reported more than two-fold increase in their annual turnover in the last two years after a pilot intervention to make them viable, Small Farmers Agri-Business Consortium (SFAC) said on 27th June 21. SFAC, an autonomous body promoted by the Union Agriculture Ministry, collaborated with Grant Thornton Bharat in 2018 to introduce multiple interventions on 30 select FPOs in West Bengal, Karnataka and Madhya Pradesh for two years.
- **India set to report strong growth this fiscal, to cross 7% GDP by FY24:** India is all set to file a 'very robust progress' in financial system through the present fiscal, greater than 6.5% GDP progress subsequent fiscal and accelerated progress in following years to get again to over 7% progress by FY'24 due to a sequence of path-breaking reforms and investments, mentioned India's chief financial advisor KV Subramanian. The federal government was additionally assured of reaching the divestment targets of Rs 1.75 lakh crore over the subsequent 9 months of present fiscal.
- **Hon'ble Finance Minister Smt Nirmala Sitharaman, US Treasury Secretary Ms Yellen discuss global minimum tax** - Hon'ble Finance Minister Smt Nirmala Sitharaman and US Treasury Secretary Ms Janet L Yellen discussed global minimum tax. Ms Yellen discussed that the US and India have a shared interest in

implementing a robust global minimum tax, said the Department of Treasury. During the call, Ms Yellen stressed on the importance of partnership with India in the G20 and OECD to seize a once-in-a-generation opportunity to remake the international tax system to help the global economy thrive, the treasury said.

- **New pandemic package to raise fiscal deficit by 60 bps, opens Rs 70,000-cr new loan window, says report-** The latest credit push for the pandemic-hit sectors and other relief supports will have an additional 60 bps impact on the fiscal deficit, and can offer an additional liquidity window of Rs 70,000 crore to banks, says SBI Research Report. Hon'ble Finance Minister Smt Nirmala Sitharaman had announced Rs 1.5 lakh-crore of additional credit for small businesses, more funds for the healthcare sector, loans to tourism agencies and guides, and waiver of visa fees as part of a credit-led package to support the pandemic-hit economy.
- **RBI in a bind amid weak growth, surging inflation; may not hike rates till Q1 FY23: Report-** The Reserve Bank of India is in a bind, given the present situation of inflation heating to above the mandated band and weakening growth, according to a British brokerage. The central bank may hike the repo rate only by the first quarter of next fiscal (April-June 2022) and continue to maintain the accommodative stance in the interim.
- **US announces USD 41 million additional COVID 19 assistance to India-** The US has announced an additional USD 41 million assistance to help India respond to the COVID-19 pandemic and strengthen the country's preparedness for the future health emergencies, taking the total aid to more than USD 200 million.
- **Cabinet clears Covid relief stimulus package** - The Union Cabinet recently approved the Covid-relief stimulus package announced by Hon'ble Finance Minister Smt Nirmala Sitharaman two days ago, information and broadcasting minister Prakash Javadekar said. The approved schemes include a Rs 3.03 lakh revamped scheme for the power distribution sector, Rs 1.5 lakh crore additional credit for small and medium businesses, and export insurance cover of Rs 1.22 lakh crore.
- **Foreign exchange reserves up USD 99.2 billion in FY 2020-21: RBI data** - The country's foreign exchange reserves in nominal terms, including the valuation effects, increased by USD 99.2 billion during the financial year 2020-21, compared to USD 64.9 billion in the preceding year, RBI data showed. The valuation gain, reflecting the depreciation of the US dollar against major currencies and increase in gold prices, amounted to USD 11.9 billion during 2020-21, compared to USD 5.4 billion during 2019-20, RBI said.
- **CBDT: TDS applicable on buyer-seller transactions above Rs 50 lakh after July 1, 2021** - The Central Board of Direct Taxes (CBDT) recently clarified that buyers would need to deduct tax at source at 0.1% of amount exceeding Rs 50 lakh when paid or credited to a resident seller on transactions after July 1, 2021, under section 194Q of the income tax Act which comes into effect from July 1.
- **Enhanced GST revenue collections should now be 'new normal'** – Hon'ble Minister of Finance Nirmala Sitharaman on recently said that the taxpayer base has almost doubled to 1.28 crore in four years of rollout of the historic tax reform and the enhanced GST mop up in the recent months should now be the "new normal". In a written message to tax officers on the fourth anniversary of GST rollout, she said implementing any reform of this scale in a large and diverse country like India can be highly challenging, but GST has brought about ease in taxpayer compliance and reduced common man tax burden.

BSE SENSEX	36068	41253	47751	49822	52399	52483	52319	52484
GOLD (10 GRMS)	30600	34813	46985	47905	47914	46504	47075	47434
CRUDE OIL (1 BBL)	4437	4007.8	2966	4785	5217	5484	5575	5605
EXCHANGE RATE (INR/USD)	68	70.4	74.11	72.5	73.6	74.36	74.56	74.52

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

Warm Regards,

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