PHD CHAMBER
OF COMMERCE AND INDUSTRY

Economic Affairs Committee Newsletter

(Monthly Update on India's socio-economic development)

June 2021




PHD RESEARCH BUREAU
PHD CHAMBER OF COMMERCE AND INDUSTRY

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Introduction

Meaningful and proactive reforms undertaken by the Government in last many quarters has pulled the economy from the lows of Q1 FY 2021 and resulted in the sharp rebound in the GDP in subsequent quarters of FY 2021. The GDP growth stood at 1.6% in Q4 FY 2020-21 as compared with 0.5% in Q3, (-)7.4% in Q2 and (-) 24.4% in Q1 2020-21, taking the overall growth rate of FY 2021 at (-) 7.3%. However, the rapid re-spread of corona cases in 2nd wave of COVID and resultant partial/complete lockdown in many parts of the country have posed challenges to double digit economic growth in FY 2022.

The high growth rate of core infra at the level of 56.1% in April 2021 as compared to (-)37.9% in April 2020 and 5.2% in April 2019 is encouraging. This indicates that economy has much potential to rejuvenate from lows caused by pandemic covid-19.

RBI's Monetary Policy Committee (MPC) in its recent meeting has decided to keep the repo rate unchanged at 4% and maintain accommodative stance as long as necessary to revive and sustain growth on durable basis and to continue to mitigate impact of COVID-19 and keep inflation within the target.

It is encouraging to note from the RBI statement that resilience of agriculture sector, forecast of normal monsoon, rebound in global trade and the gathering momentum of the global economy could act as tailwinds for the domestic economy as the second wave of pandemic coronavirus subsides.

Due to current pace of vaccination and demand recovery, the normal growth curve would take time. The economy is yet to be out from the second wave of pandemic and in uncertainty due to the challenges posed by a possible third wave. The full lockdown in the last year and partial lockdowns in many States has resulted significant rise in the transport and logistics costs along with the skyrocketed commodity price.

A worrisome trend has emerged where the input prices are rising much faster, pushing up final output prices and impacting price cost margins of the producers. On the other side, inventories are piled up with the squeezed demand for goods as households are diverting their savings to look after the health issues of the family member.

This has resulted in squeezing of working capital and dried liquidity particularly for the MSMES or small businesses. At this juncture, accommodative monetary policy is inevitable to support the economy and rejuvenate it from the most difficult time.

Economic Affairs Committee

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1. Indian Economy so Far

1. India's Q4 FY 2020-21 GDP growth rate stands at 1.6% and FY 2020-21 growth estimated (PE) at (-)7.3%

The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation has released the Provisional Estimates of National Income for the financial year 2020-21, along with the corresponding estimates of expenditure components of the Gross Domestic Product (GDP) and growth rate of Gross Domestic Product (GDP) for the fourth quarter (January-March) Q4 of FY2021.

GDP at Constant (2011-12) Prices in Q4 of FY2020-21 stands at Rs 38.96 lakh crore, as against Rs 38.33 lakh crore in Q4 of 2019-20, showing an increase of 1.6%. Real GVA at Constant (2011-12) Prices in Q4 FY2021 has attained a level of Rs 35.15 lakh crore, as against Rs 33.89 lakh crore in Q4 of 2019-20. GDP at Current Prices in the year Q4 2020-21 stands at Rs 56.75 lakh crore, as against Rs 52.2 lakh crore in Q4 2019-20, showing an increase of 8.7%. GVA at Basic Price at Current Prices in Q4 2020-21, stands at Rs 51.19 lakh crore, as against Rs 47.07 lakh crore in Q4 2019-20, showing an expansion of 8.8%

Quarterly Estimates of GVA at Basic Prices in Q4 (Oct-Dec) of 2020-21 (at 2011-12 Prices)

	January- March (Q4) (Rs in Crore)							
Industry	**2019-20**		**2020-21**		**Percentage Change Over the Previous Year**			
					2019-20		**2020-21**	
	Q3	**Q4**	**Q3**	**Q4**	**Q3**	**Q4**	**Q3**	**Q4**
Agriculture, forestry &fishing	612460	528119	640191	544503	3.4	6.8	4.5	3.1
Mining & quarrying	77427	96870	73990	91303	(-)3.5	(-)0.9	(-)4.4	(-)5.7
Manufacturing	546580	590586	555884	631503	(-)2.9	(-)4.2	1.7	6.9
Electricity, gas, water supply & other utility services	70512	72898	75651	79561	(-)3.1	2.6	7.3	9.1
Construction	257010	277236	273670	317514	(-)1.3	0.7	6.5	14.5
Trade, hotels, transport, communication & services related to broadcasting	663688	733734	611248	716808	7.0	5.7	(-)7.9	(-)2.3
Financial, real estate & professional services	620490	630911	661868	664827	5.5	4.9	6.7	5.4
Public administration, defence & other services	456723	459502	446771	469945	8.9	9.6	(-)2.2	2.3
GVA at Basic Price	**3304890**	**3389855**	**3339272**	**3515963**	**3.4**	**3.7**	**1.0**	**3.7**
GDP at Basic Price	**3607630**	**3833401**	**3624266**	**3896335**	**3.3**	**3.0**	**0.5**	**1.6**

Source: PHD Research Bureau, PHDCCI compiled from CSO and MOSPI

Provisional Estimates of National Income FY 2021-22

Real GDP or GDP at Constant Prices (2011-12) in the year 2020-21 is likely to attain a level of Rs 135.13 lakh crore, as against the 1st Revised Estimate of GDP for the year 2019-20 of Rs 145.7 lakh crore. The growth in real GDP during 2020-21 is estimated at (-)7.3 per cent as compared to the growth rate of 4 per cent in 2019-20. Real GVA at Basic Prices is estimated at Rs 124.1 lakh crore in 2020-21, as against Rs 132.7 lakh crore in 2019- 20.

Nominal GDP or GDP at Current Prices in the year 2020-21 is likely to attain a level of Rs 197.5 lakh crore, as against the First Revised Estimate of GDP for the year 2019-20 of Rs 203.5 lakh crore. The growth in nominal GDP during 2020-21 is estimated at (-)3 per cent. Nominal GVA at Basic Prices is estimated at Rs 179.15 lakh crore in 2020-21, as against Rs 184.6 lakh crore in 2019-20, showing a contraction of 3.7 percent.

Provisional Estimates of GDP at Basic Prices by Economic Activity (at 2011-12 Prices)

Industry	Absolute Value (in Rs Crore)		Percentage Change Over Previous year	
	2019-20 (1st RE)	2020-21 (PE)	2019-20	2020-21
Agriculture, forestry &fishing	1968571	2040079	4.3	3.6
Mining &quarrying	322116	294644	(-)2.5	(-)8.5
Manufacturing	2269424	2107068	(-)2.4	(-)7.2
Electricity, gas, water supply & other utility services	300532	306254	2.1	1.9
Construction	1035534	946396	1.0	(-)8.6
Trade, hotels, transport, communication & services related to broadcasting	2699797	2208388	6.4	(-)18.2
Financial, real estate & professional services	2916509	2872815	7.3	(-)1.5
Public administration, defence & other services	1758987	1677786	8.3	(-)4.6
GVA at Basic Price	**13271471**	**12453430**	**4.1**	**(-)6.2**
GDP at Basic Price	**14569268**	**13512740**	**4.0**	**(-)7.3**

Source: PHD Research Bureau, PHDCCI compiled from CSO and MOSPI
(Note: RE: Revised Estimates; AE: Advance Estimates)

2. OECD projects India's GDP growth rate at 9.9% in FY2022 and 8.2% in FY2023

According to OECD Economic Outlook, Volume 2021 (Preliminary Version), Prospects for the global economy have improved considerably, but to a different extent across economies. In the advanced economies, the progressive rollout of an effective vaccine has begun to allow more contact-intensive activities − held back by measures to contain infections − to reopen gradually. At the same time, additional fiscal stimulus this year is helping to boost demand, reduce spare capacity and lower the risks of sizeable long-term scarring from the pandemic. Some moderation of fiscal support appears likely in 2022 on current plans, but improved confidence and fewer public health restrictions should encourage households to spend. However, in many emerging-market economies, slow vaccination deployment, further infection outbreaks and associated containment measures, will continue to hold down growth for some time, especially where scope for policy support is limited.

Global GDP is projected to rise by 5.75 per cent in 2021 and close to 4.4 per cent in 2022. The world economy has now returned to pre-pandemic activity levels, but will remain short of what was expected prior to the crisis by end-2022. Growth in the OECD area could rise to 5.25 per cent in 2021, led by a strong upturn in the United States, and then ease to 3¾ per cent in 2022, with strong private spending helping to ensure that the GDP level returns close to the path expected before the pandemic in most countries. Output in China has already caught up with this path and is set to stay on this trajectory in 2021 and 2022. Some other emerging-market economies, including India, may continue to have large shortfalls in GDP relative to pre-pandemic expectations, and are projected to grow at robust rates only once the impact of the virus fades.

Outlook for India

After the 2020 huge GDP contraction, economic growth is projected to bounce back in 2021, driven by pent-up demand for consumer and investment goods, before declining in 2022. The dramatic infections upsurge since February has weakened the nascent recovery and may compound financial woes of corporates and banks. As public anxiety over the virus spreads and lockdowns multiply, high-frequency indicators suggest that a marked slowdown may have taken place in the April-June quarter, although the overall annual impact is likely to be muted. Wholesale and retail inflation rates remain elevated, but within the target range of the central bank.

India's new confirmed COVID-19 virus infections have risen very rapidly, from a daily minimum of 13 000 cases in late January to more than 400 000 in early May. Although about 20% of the population is estimated to have antibodies, a rapidly transmissible strain doing the rounds, laxity in the application of social distancing and chronic underinvestment in public health make the situation calamitous. Localised containment measures have been reinstated and are impacting mobility, but a new nation-wide lockdown is unlikely. The inoculation rollout is slow, with domestic take-up far below the pace needed to meet the goal of vaccinating 300 million people by August. The National COVID-19 Vaccination Programme that has come into effect in May 2021 could help close that gap, notably by increasing vaccine supply and opening access to anybody beyond the age of 18.

In 2020, poverty and informality increased and the ranks of the middle class plummeted, in both cases undoing several years of progress. Other negative consequences of the pandemic have been the surge in the number of school dropouts, heightened child malnutrition due to the suspension of the cooked meal programme, and of the mid-day school meal scheme in particular, and more than 150 thousand estimated additional child and maternal deaths. Better targeting of energy and fertiliser subsidies, as well as an overhaul of tax expenditures, would free resources for pro-poor fiscal policies. Several states have either recently adopted or are contemplating polices to reserve private sector jobs for local residents, but absorbing more than 10 million young Indians who join the labour market each year requires first and foremost a pick-up in job-generating investments. Improving the business climate will be crucial. With the share of banking assets that are non-performing expected to shoot up well above 10%, it will be especially important to apply the 2016 bankruptcy code in a consistent, transparent and fast way.

3. **RBI keeps Repo Rate unchanged at 4% and sets out various developmental and regulatory policy measures**
• The Monetary Policy Committee (MPC) met on 2nd, 3rd and 4th, June 2021 and took stock of the evolving macroeconomic and financial conditions as well as the impact of the second wave of the pandemic. Based on its assessment, the MPC voted unanimously to maintain status quo, keeping the policy repo rate unchanged at 4 per cent. The MPC also decided unanimously to continue with the accommodative stance as long as necessary to revive and sustain growth on a durable basis and continue to mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward. The marginal standing facility (MSF) rate and the bank rate remain unchanged at 4.25 per cent. The reverse repo rate also remains unchanged at 3.35 per cent. • Notwithstanding the sequential decline of the indicators of rural demand in April, rural demand is expected to remain strong as forecast of a normal monsoon bodes well for sustaining its buoyancy going forward. The increased spread of COVID-19 infections in rural areas, however, poses downside risks. Taking all these factors into consideration, real GDP growth is now projected at 9.5 per cent in 2021-22 consisting of 18.5 per cent in Q1; 7.9 per cent in Q2; 7.2 per cent in Q3; and 6.6 per cent in Q4 of 2021-22. • Turning to the outlook for inflation, the favourable base effects that brought about the moderation in headline inflation by 1.2 percentage points in April, may persist through the first half of the year, conditioned by the progress of the monsoon 4 and effective supply side interventions by the Government. Upside risks to inflation emanate from persistence of the second wave and consequent restrictions on activity on a virtually pan-India basis. In such a scenario, insulating prices of essential food items from supply side disruptions will necessitate active monitoring and preparedness for coordinated, calibrated and timely measures by both Centre and states to prevent emergence of supply chain bottlenecks and increase in retail margins. • Taking into consideration all these factors, CPI inflation is projected at 5.1 per cent during 2021-22: 5.2 per cent in Q1; 5.4 per cent in Q2; 4.7 per cent in Q3; and 5.3 per cent in Q4 of 2021-22, with risks broadly balanced. • The foremost endeavour of the Reserve Bank throughout the pandemic has been to create conducive financial conditions so that financial markets and institutions keep functioning normally. Accordingly, adequate system level liquidity has been ensured and targeted liquidity to stressed institutions and sectors has been provided. As a result, borrowing costs and spreads have been reduced to historic lows. This has incentivised a record amount of private borrowing through corporate bonds and debentures in FY2020-21. Reserve money rose by 12.4 per cent (y-o-y) 2 as on May 28, 2021, while money supply (M3) grew by 9.9 per cent (y-o-y) (as on May 21), and bank credit by 6.0 per cent (y-o-y) (as on May 21). G-SAP operations and some instances of cancellations, devolvement and exercise of greenshoe options in G-Sec auctions have conveyed the Reserve Bank's views to the market. With the second wave intensifying this financial year, the focus of the Reserve Bank is increasingly turning from systemic liquidity to its equitable distribution. In fact, the enduring lesson from the experience of the pandemic in the Indian

context has been the deployment of unconventional monetary policy measures that distribute liquidity among all stakeholders. We shall continue with our proactive and pre-emptive approach, relying on market-based channels of transmission as we strive to mitigate the toll of the pandemic and return the economy to a path of high and durable growth.

- The auctions under G-SAP 1.0 have evoked keen interest from market participants, with bid cover ratios of 4.1 and 3.5, respectively, in the two auctions undertaken so far. The timing of the second auction was aimed towards replenishing the drainage of liquidity due to the restoration of the cash reserve ratio (CRR) to its pre-pandemic level of 4 per cent of net demand and time liabilities (NDTL), effective May 22, 2021. In addition, the redemption of government securities worth around ₹52,000 crore during the last week of May fully neutralised the CRR restoration. The positive externalities associated with G-SAP 1.0 operations are reflected in other financial market segments, notably corporate bonds and debentures. Interest rates on commercial paper (CP), 91-day treasury bills, and certificates of deposit (CDs) also remained low and range bound.

- In the statement of April 7, 2021, RBI Governor indicated that in addition to G-SAP, the Reserve Bank will continue to deploy regular operations under the LAF, longer-term repo/reverse repo auctions, forex operations and open market operations, including special OMOs, to ensure that liquidity conditions evolve in consonance with the stance of monetary policy and financial conditions remain supportive for all stakeholders. During the current year so far, the Reserve Bank has undertaken regular OMOs and injected additional liquidity to the tune of ₹36,545 crore (up to May 31) in addition to ₹60,000 crore under G-SAP 1.0. A purchase and sale auction under operation twist has also been conducted on May 6, 2021 to facilitate the smooth evolution of the yield curve. Going forward, the Reserve Bank will continue to conduct regular operations for liquidity management.

- Taking these developments into account, it has now been <u>decided that another operation under G-SAP 1.0 for purchase of G-Secs of ₹40,000 crore will be conducted on June 17, 2021</u>. Of this, ₹10,000 crore would constitute purchase of state development loans (SDLs). It has also been decided to undertake G-SAP 2.0 in Q2:2021-22 and conduct secondary market purchase operations of ₹1.20 lakh crore to support the market. The specific dates and securities under G-SAP 2.0 operations will be indicated separately. We do expect the market to respond appropriately to this announcement of G-SAP 2.0.

- In order to mitigate the adverse impact of the second wave of the pandemic on certain contact-intensive sectors, <u>a separate liquidity window of ₹15,000 crores is being opened till March 31, 2022 with tenors of up to three years at the repo rate</u>. Under the scheme, banks can provide fresh lending support to hotels and restaurants; tourism – travel agents, tour operators and adventure/heritage facilities; aviation ancillary services – ground handling and supply chain; and other services that include private bus operators, car repair services, rent-a-car service providers, event/conference organizers, spa clinics, and beauty parlours/saloons. By way of an incentive, banks will be permitted to <u>park their surplus liquidity up to the size of the loan book created under this scheme with the Reserve Bank under the reverse repo window at a rate which is 25 bps lower than the repo rate or, termed in a different way, 40 bps higher than the reverse repo rate</u>.

- To nurture the still nascent growth impulses and ensure continued flow of credit to the real economy, the Reserve Bank had extended fresh support of ₹50,000 crore on April 7, 2021 to All India Financial Institutions (AIFIs) for new lending in 2021-22. This included ₹15,000 crore to the Small Industries Development Bank of India (SIDBI). To further support the funding requirements of micro, small and medium enterprises (MSMEs), particularly smaller MSMEs and other businesses including those in credit deficient and aspirational districts, it has been decided to extend a special liquidity facility of ₹16,000 crore to SIDBI for on-lending/ refinancing through novel models and structures. This facility will be available at the prevailing policy repo rate for a period of up to one year, which may be further extended depending on its usage.

- The Resolution Framework 2.0 announced by the Reserve Bank on May 5, 2021 provides for resolution of COVID-19 related stress of MSMEs as well as non[1]MSME small businesses, and loans to individuals for business purposes. With a view to enabling a larger set of borrowers to avail of the benefits under Resolution Framework 2.0, it has been decided to expand the coverage of borrowers under the scheme by enhancing the maximum aggregate exposure threshold from ₹25 crore to ₹50 crore for MSMEs, non-MSME small businesses and loans to individuals for business purposes.

- The Reserve Bank has been taking several measures to encourage investments by Foreign Portfolio Investors (FPIs) in the Indian debt market. With a view to easing operational constraints faced by FPIs and promoting ease of doing business, it has been decided to permit Authorized Dealer banks to place margins on behalf of their FPI clients for their transactions in Government securities (including State Development Loans and Treasury Bills), within the credit risk management framework of banks.

4. India attracted highest ever total FDI inflow of US$ 81.72 billion during 2020-21, 10% more than the last financial year

- Measures taken by the Government on the fronts of Foreign Direct Investment (FDI) policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country. The following trends in India's Foreign Direct Investment are an endorsement of its status as a preferred investment destination amongst global investors.
- India has attracted highest ever total FDI inflow of US$ 81.72 billion during the financial year 2020-21 and it is 10% higher as compared to the last financial year 2019-20 (US$ 74.39 billion).
- FDI equity inflow grew by 19% in the F.Y. 2020-21 (US$ 59.64 billion) compared to the previous year F.Y. 2019-20 (US$ 49.98 billion).
- In terms of top investor countries, 'Singapore' is at the apex with 29%, followed by the U.S.A (23%) and Mauritius (9%) for the F.Y. 2020-21.
- 'Computer Software & Hardware' has emerged as the top sector during F.Y. 2020-21 with around 44% share of the total FDI Equity inflow followed by Construction (Infrastructure) Activities (13%) and Services Sector (8%) respectively.
- Under the sector `Computer Software & Hardware', the major recipient states are Gujarat (78%), Karnataka (9%) and Delhi (5%) in F.Y. 2020-21.
- Gujarat is the top recipient state during the F.Y. 2020-21 with 37% share of the total FDI Equity

inflows followed by Maharashtra (27%) and Karnataka (13%).

- Majority of the equity inflow of Gujarat has been reported in the sectors `Computer Software & Hardware' (94%) and `Construction (Infrastructure) Activities' (2%) during the F.Y. 2020-21.
- The major sectors, namely Construction (Infrastructure) Activities, Computer Software & Hardware, Rubber Goods, Retail Trading, Drugs & Pharmaceuticals and Electrical Equipment have recorded more than 100% jump in equity during the F.Y. 2020-21 as compared to the previous year.
- Out of top 10 countries, Saudi Arabia is the top investor in terms of percentage increase during F.Y. 2020-21. It invested US$ 2816.08 million in comparison to US$ 89.93 million reported in the previous financial year.
- 227% and 44% increase recorded in FDI equity inflow from the USA & the UK respectively, during the F.Y. 2020-21 compared to F.Y.2019-20.

5. March 2021 IIP growth stands at 22.4%

Growth in industry output, as measured in terms of IIP, for the month of March 2021 increased to 22.4% as compared to February 2021 growth of around (-)3.4%.

The growth in the three sectors mining, manufacturing and electricity in March 2021 stands at around 6.1%, 25.8%, 22.5%, respectively over March 2020. Primary goods growth stands at around 7.7%, capital goods growth stands at 41.9%, intermediate goods growth stands at 21.2%, infrastructure/construction goods growth stands at 31.2%, consumer durables stands at 54.9% and consumer non-durables growth stands at 27.5% during March 2021 as compared to the previous year.

Recent growth pattern in IIP (% growth)

	Weight in IIP	April-March 2019-20	April-March 2020-21	February 2021	March 2021
Mining	14.3	1.6	(-)7.8	(-)4.4	6.1
Manufacturing	77.6	(-)1.4	(-)9.8	(-)3.7	25.8
Electricity	7.9	1.0	(-)0.5	0.1	22.5
Primary goods	34.0	0.7	(-)7.0	(-)4.7	7.7
Capital goods	8.2	(-)13.9	(-)19.2	(-)3.8	41.9
Intermediate goods	17.2	9.1	(-)9.7	(-)5.6	21.2
Infrastructure/construction goods	12.3	(-)3.6	(-)9.1	(-)4.0	31.2
Consumer durables	12.8	(-)8.7	(-)15.2	6.6	54.9
Consumer non-durables	15.3	(-)0.1	(-)2.3	(-)4.5	27.5
Overall IIP	**100**	(-)**0.8**	(-)**8.6**	(-)**3.4**	22.4

Source: PHD Research Bureau, PHDCCI, compiled from CSO

6. CPI inflation falls to 4.3% in April 2021

According to The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), the CPI inflation has decreased to 4.3% in April 2021 as compared to the 5.5% in March 2021.

All India Inflation rates (on point to point basis i.e. current month over same month of last year, i.e. April 2021 over April 2020), based on General Indices and CFPIs are given as follows:

All India Inflation Rates (%) based on CPI (General) and CFPI

Indices	March 2021 (Final)			April 2021 (Prov.)		
	Rural	Urban	Combined	Rural	Urban	Combined
CPI (General)	4.6	6.5	5.5	3.8	4.8	4.3
CFPI	3.9	6.6	4.9	1.5	3.2	2.0

Source: PHD Research Bureau, PHDCCI, compiled from MOSPI

The Price data are collected from representative and selected 1114 urban Markets and 1181 villages covering all States/UTs through personal visits by field staff of Field Operations Division of NSO, MoSPI on a weekly roster. During the month of April 2021, NSO collected prices from 99.1% villages and 97.4% urban Markets while the Market-wise prices reported therein were 84.6% for rural and 87.4% for urban.

All India Consumer Price Indices and year-on-year Inflation rates (%) for April, 2021 (Provisional) (Base 2012=100)

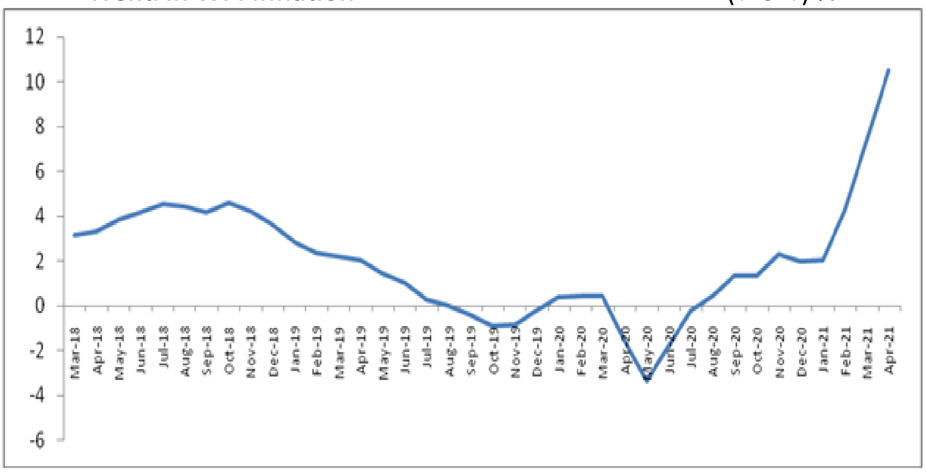
Category	All India Consumer Price Indices and year-on-year Inflation rates (%) for March, 2021 (Provisional)					
	Rural		Urban		Combined	
	April, 2021 Index (Prov.)	Inflation Rate (%)	April, 2021 (Prov.)	Inflation Rate (%)	April, 2021 Index (Prov.)	Inflation Rate (%)
Food and Beverages	155.8	2.0	162.0	3.8	158.1	2.7
Pan, tobacco and intoxicants	186.9	9.2	194.0	8.3	188.8	9.0
Clothing and Footwear	159.9	4.4	153.4	2.0	157.3	3.5
Housing	-	-	161.4	3.7	161.4	3.7
Fuel and Light	156.0	5.1	154.7	12.8	155.5	7.9
Miscellaneous	158.1	6.5	150.7	5.8	154.5	6.2
General Index (All Groups)	157.7	3.8	158.1	4.8	157.9	4.3

Source: PHD Research Bureau, PHDCCI, compiled from MOSPI Note: CPI (Rural) for Housing is not compiled

7. WPI inflation rises to 10.5% in April 2021

The WPI inflation rises to 10.5% in April 2021 as compared to 7.4% in March 2021, 4.8% in February 2021, 2.5% in January 2021, 2.0% in December 2020 and 2.3% in November 2020. The increase in WPI inflation in the month of April 2021 is attributed to increase in the prices of Crude Petroleum, whose inflation increased to 160.2% in April 2021 as compared to 73.7% in March 2021, Petrol, whose inflation increased to 42.37% in April 2021 as compared to 18.48% in March 2021 and HSD (High Speed Diesel), whose inflation increased to 33.82% in April 2021 as compared to 18.27% in March 2021.

Trend in WPI Inflation (Y-O-Y) %



Source: PHD Research Bureau, PHDCCI compiled from the office of the Economic Advisor, Government of India (Note: Figures are rounded off)

WPI inflation in Select Commodities (Base year: 2011-12)

S. No.	Commodity	WPI Inflation Y-o-Y % growth			
		Feb-21	Mar-21	Apr-21	Change in April 2021 as Compared to Previous Month
1	**All Commodities**	4.8	7.4	10.5	↑
2	**Primary Articles**	3.0	6.4	10.2	↑
3	**Food Articles**	1.8	3.2	4.9	↑
4	**Cereals**	(-)6.6	(-)4.1	(-)3.3	↑
5	**Vegetables**	(-)3.0	(-)5.2	(-)9.0	↓
6	**Non-food Articles**	4.0	11.8	15.6	↑
7	**Fuel & Power**	2.0	10.3	20.9	↑
8	**Petrol**	5.0	18.5	42.4	↑
9	**Manufactured Products**	6.1	7.3	9.0	↑

Source: PHD Research Bureau, PHDCCI compiled from the office of the Economic Advisor, Government of India (Note: Figures are rounded off)

8. April 2021 Core infra growth stands at 56.1%

The core infrastructure growth stands at 56.1% in April 2021 as compared to 11.4% in March 2021, (-)3.8% in February 2021, 1.3% in January 2021, 0.4% in December 2020 and (-)1.1% in November 2020. The growth rate of Index of Eight Core Industries during April-March 2020-21 was (-)6.5% (P) as compared to the corresponding period of last FY.

The growth rate of Coal stands at 9.5%, crude oil at (-)2.1%, Natural Gas at 25.0%, Refinery Products at 30.9%, Fertilizers at 1.7%, Steel at 400%, Cement at 548.8% and Electricity at 38.7% in April 2021 as compared to March 2021 figures of Coal at 0.3%, crude oil at (-)3.1%, Natural Gas at 12.3%, Refinery Products at (-)0.7%, Fertilizers at (-)7.1%, Steel at 27.3%, Cement at 32.7% and Electricity at 22.5%.

9. Merchandise exports and imports grew by 196% and 167% respectively in April 2021

EXPORTS: Exports in April 2021 were USD 30.63 Billion, as compared to USD 10.36 Billion in April 2020, exhibiting a positive growth of 195.72 per cent. In Rupee terms, exports were Rs. 2,28,071.76 Crore in April 2021, as compared to Rs. 78,951.41 Crore in April 2020, registering a positive growth of 188.88 per cent. As compared to April 2019, exports in April 2021 exhibited a positive growth of 17.62 per cent in Dollar terms and 26.17 per cent in Rupee terms.

IMPORTS: Imports in April 2021 were USD 45.72 Billion (Rs. 3,40,505.06 Crore), which is an increase of 167.05 per cent in Dollar terms and 160.87 per cent in Rupee terms over imports of USD 17.12 Billion (Rs 1,30,525.08 Crore) in April 2020. Imports in April 2021 has registered a positive growth of 7.87 per cent in Dollar terms and 15.71 per cent in Rupee terms in comparison to April 2019.

India's Merchandise Trade Statistics at a Glance

Merchandise	Apr-20	May-20	Jun-20	July-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21
Exports (USD billion)	**10**	**19**	**22**	**24**	**23**	**27**	**25**	**23**	**27**	**27**	**28**	**34**	**31**
Growth (%)	-60	-36	-12	-10	-13	6	-5	-9	0.14	6	0.7	60	196
Imports (USD billion)	**17**	**22**	**21**	**29**	**30**	**30**	**34**	**33**	**42**	**42**	**41**	**48**	**46**
Growth (%)	-59	-51	-48	-28	-26	-20	-12	-13	8	2	7	54	167
Trade Balance (USD billion)	**-7**	**-3**	**1**	**-5**	**-7**	**-3**	**-9**	**-10**	**-15**	**-15**	**-13**	**-14**	**-15**

Source: PHD Research Bureau; PHDCCI Compiled from Ministry of Commerce and Industry, Government of India

10. Service exports registered a growth of 12.6% in March 2021

EXPORTS: As per the latest press release by RBI dated 14th May 2021, exports in March 2021 were USD 20.45 Billion (Rs.1,48,868.56 Crore) registering a positive growth of 12.60 per cent in Dollar terms, vis-à-vis March2020. The estimated value of services export for April 2021* is USD 21.17 Billion.

IMPORTS: As per the latest press release by RBI dated 14th May 2021, imports in March 2021 were USD 12.54 Billion (Rs. 91,260.33Crore) registering a positive growth of 12.82 per cent in Dollar terms, vis-à-vis March 2020. The estimated value of services import for April 2021* is USD 13.00 Billion.

Trade in Services at a Glance

Services	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21
Exports (Receipts) (USD billion)	18	16	17	17	17	17	17	17	17	19	17	18	20
Imports (Payments) (USD billion)	11	9	10	10	10	10	10	10	10	12	10	11	13
Trade Balance (USD billion)	7	7	7	7	7	7	7	7	7	7	7	7	7

Source: PHD Research Bureau; PHDCCI Compiled from Ministry of Commerce and Industry, Government of India

11. Gross Bank Credit growth stands at 5.7% in April 2021

Gross bank credit growth (year-on-year) stands at 5.7% in April 2021 as compared to 6.8% in April, 2020 and 5% in March 2021.

Highlights:

- On a year-on-year (y-o-y) basis, non-food bank credit growth stood at 5.7 per cent in April 2021 as compared to 6.8 per cent in April 2020.
- Credit growth to agriculture and allied activities accelerated to 11.3 per cent in April 2021 from 4.7 per cent in April 2020.
- Credit growth to industry decelerated to 0.4 per cent in April 2021 from 1.7 per cent in April 2020. However, credit to medium industries registered a robust growth of 43.8 per cent in April 2021 as compared to a contraction of 6.4 per cent a year ago. Credit growth to micro and small industries accelerated to 3.8 per cent in April 2021 as compared to a contraction of 2.2 per cent a year ago, while credit to large industries contracted by 1.9 per cent as compared to a growth of 2.7 per cent a year ago.
- Within industry, credit to 'food processing', 'textiles', 'gems & jewellery', 'paper & paper products', 'glass & glassware', 'infrastructure', 'leather & leather products' and 'wood & wood products' registered an accelerated growth in April 2021 as compared to the corresponding month of the previous year. However, credit growth to 'mining & quarrying', 'beverages & tobacco', 'petroleum coal products & nuclear fuels', 'rubber, plastic & their products', 'vehicles, vehicle parts & transport equipment', 'basic metal & metal products', 'cement & cement products', 'all engineering', 'chemicals & chemical products' and 'construction' decelerated/contracted.

- Credit growth to the services sector decelerated to 1.2 per cent in April 2021 from 10.6 per cent in April 2020, mainly due to deceleration in credit growth to NBFCs and marginal contraction in credit to transport operators. However, credit to trade segment continued to perform well, registering accelerated growth of 10.5 per cent in April 2021 as compared to 8.7 per cent a year ago.
- Personal loans registered an accelerated growth of 12.6 per cent in April 2021 as compared to 12.3 per cent a year ago, primarily due to accelerated growth in vehicle loans, loans against gold jewellery and credit card outstanding.

12. Current account balance recorded a deficit of 0.2% of GDP in Q3 2020-21 after a surplus of 2.4% of GDP in Q2 2020-21

Key Features of India's BoP in Q3 of 2020-21

- India's current account balance recorded a deficit of US$ 1.7 billion (0.2 per cent of GDP) in Q3:2020-21 after a surplus of US$ 15.1 billion (2.4 per cent of GDP) in Q2:2020-21 and US$ 19.0 billion (3.7 per cent of GDP) in Q1:2020-21; a deficit of US$ 2.6 billion (0.4 per cent of GDP) was recorded a year ago [i.e. Q3:2019-20].
- Underlying the current account deficit in Q3:2020-21 was a rise in the merchandise trade deficit to US$ 34.5 billion from US$ 14.8 billion in the preceding quarter, and an increase in net investment income payments.
- Net services receipts increased, both sequentially and on a year-on-year basis, primarily on the back of higher net export earnings from computer services.
- Private transfer receipts, mainly representing remittances by Indians employed overseas, declined marginally on a y-o-y basis but improved sequentially by 1.5 per cent to US$ 20.7 billion in Q3:2020-21.
- Net outgo on the primary income account, primarily reflecting payments of investment income, increased to US$ 10.1 billion from US$ 7.4 billion a year ago.
- In the financial account, net foreign direct investment (FDI) recorded robust inflow of US$ 17.0 billion as compared with US$ 9.7 billion in Q3:2019-20.
- Net foreign portfolio investment (FPI) was US$ 21.2 billion as compared with US$ 7.8 billion in Q3:2019-20, primarily reflecting net purchases by foreign portfolio investors in the equity market.
- With repayments exceeding fresh disbursals, external commercial borrowings to India recorded net outflow of US$ 1.7 billion in Q3:2020-21 as against an inflow of US$ 3.2 billion a year ago.
- Net accretions to non-resident deposits increased to US$ 3.0 billion from US$ 0.8 billion in Q3:2019-20.
- There was an accretion of US$ 32.5 billion to the foreign exchange reserves (on a BoP basis) as compared with that of US$ 21.6 billion in Q3:2019-20 (Table 1).

BoP during April-December 2020

- India recorded a current account surplus of 1.7 per cent of GDP in April-December 2020 as against a deficit of 1.2 per cent in April-December 2019 on the back of a sharp contraction in the trade deficit.
- Net invisible receipts were lower in April-December 2020 due to a moderation in net private transfer receipts and an increase in investment income payments.
- Net FDI inflows at US$ 40.8 billion in April-December 2020 were higher than US$ 31.1 billion in April-December 2019.
- Net FPI inflows stood at US$ 28.9 billion in April-December 2020, higher than US$ 15.1 billion a year ago.
- In April-December 2020, there was an accretion of US$ 83.9 billion to the foreign exchange reserves (on a BoP basis).

13. India's external debt stands at around US$ 555 billion at end-June 2020

At end-June 2020, India's external debt was placed at US$ 554.5 billion, recording a decrease of US$ 3.9 billion over its level at end-March 2020.

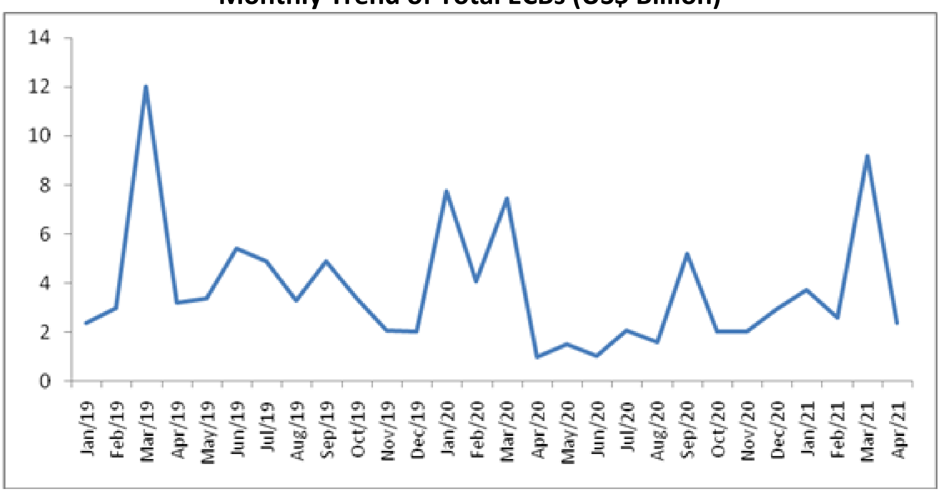
- The external debt to GDP ratio increased to 21.8 per cent at end-June 2020 from 20.6 per cent at end-March 2020.
- Valuation loss due to the depreciation of the US dollar vis-à-vis major currencies such as euro, yen and SDR2 were placed at US$ 0.7 billion. Excluding the valuation effect, the decrease in external debt would have been US$ 4.5 billion instead of US$ 3.9 billion at end-June 2020 over end-March 2020.
- Commercial borrowings remained the largest component of external debt, with a share of 38.1 per cent, followed by non-resident deposits (23.9 per cent) and short-term trade credit (18.2 per cent).
- At end-June 2020, long-term debt (with original maturity of above one year) was placed at US$ 449.5 billion, recording a decrease of US$ 2.0 billion over its level at end-March 2020.
- The share of short-term debt (with original maturity of up to one year) in total external debt declined to 18.9 per cent at end-June 2020 from 19.1 per cent at end-March 2020; the ratio of short-term debt (original maturity) to foreign exchange reserves declined to 20.8 per cent at end-June 2020 (22.4 per cent at end-March 2020).
- Short-term debt on residual maturity basis (i.e., debt obligations that include long-term debt by original maturity falling due over the next twelve months and short-term debt by original maturity) constituted 44.0 per cent of total external debt at end-June 2020 (42.4 per cent at end-March 2020) and stood at 48.2 per cent of foreign exchange reserves (49.6 per cent at end-March 2020).
- US dollar denominated debt remained the largest component of India's external debt, with a share of 53.9 per cent at end-June 2020, followed by the Indian rupee (31.6 per cent), yen (5.7 per cent), SDR (4.5 per cent) and the euro (3.5 per cent).

- The borrower-wise classification shows that the outstanding debt of both government and non-government sectors decreased at end-June 2020.
- The share of outstanding debt of non-financial corporations in total external debt was the highest at 42.3 per cent, followed by deposit-taking corporations (except the central bank) (28.1 per cent), general government (18.0 per cent) and other financial corporations (7.4 per cent).
- The instrument-wise classification shows that the loans were the largest component of external debt, with a share of 35.4 per cent, followed by currency and deposits (24.3 per cent), trade credit and advances (18.8 per cent) and debt securities (16.3 per cent).
- Debt service (principal repayments plus interest payments) increased to 8.1 per cent of current receipts at end-June 2020 as compared with 6.5 per cent at end-March 2020, reflecting lower current receipts.

14. ECBs raised at about USD 2.4 billion during April 2021

Indian firms have raised about USD 2.4 billion through external commercial borrowings (ECBs) by automatic and approval route in April 2021 as against around USD 9.2 billion in March 2021. While, ECBs were at about USD 1.0 billion in April 2020.

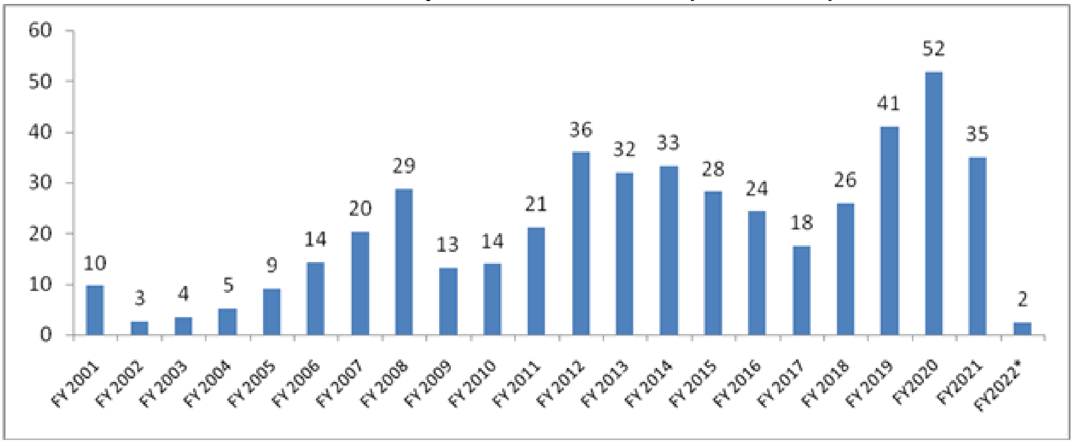
Monthly Trend of Total ECBs (US$ Billion)



Source: PHD Research Bureau, PHDCCI, compiled from RBI

India has received gross ECBs worth around USD 469 billion between FY2001 and FY2022 (as of April 2021).

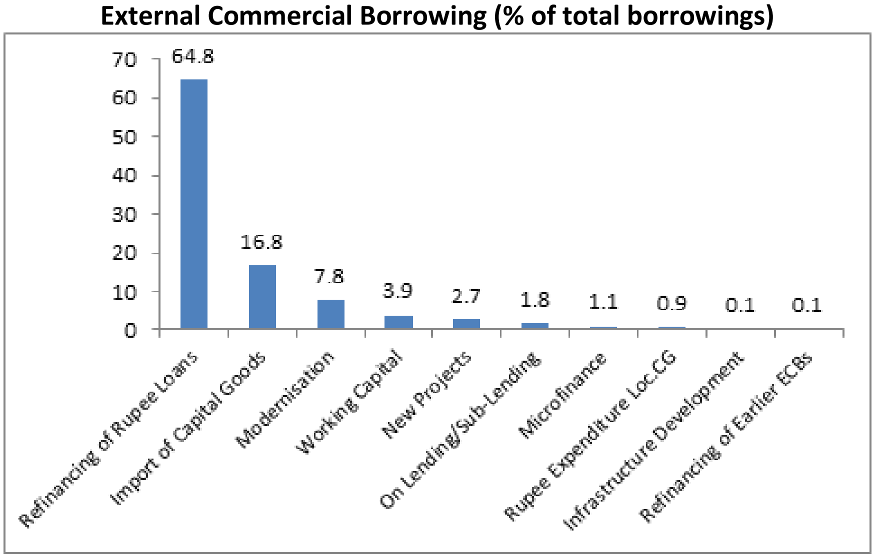
Monthly Trend of Total ECBs (US$ Billion)



Source: PHD Research Bureau, PHDCCI, compiled from RBI (Note: FY2022*data only for the month of April 2021)

A closer look at the ECBs pattern reveals that the largest share in ECBs during the month of April 2021 is held for Refinancing of Rupee Loans purpose by about 65% of the total borrowings, followed by Import of Capital goods purpose by around 17%, Modernisation purpose at about 8%, among others.

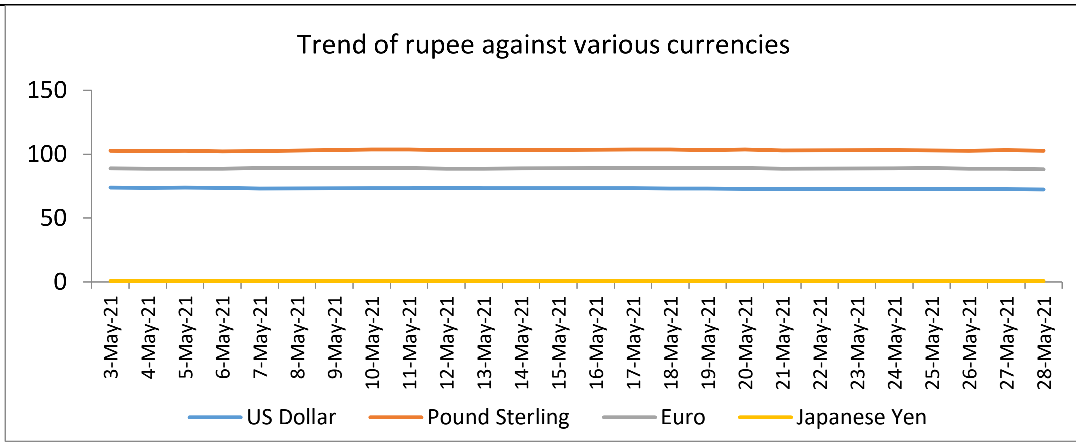
External Commercial Borrowing (% of total borrowings)



Source: PHD Research Bureau, PHDCCI compiled from RBI

15. Overview of Indian Rupee

In the month of May 2021, the average exchange rate of rupee against USD stands at 73.21. The average exchange rate of rupee against Japanese yen stands at 0.67. The exchange rate of rupee against Euro has remained at an average of 88.89 in the month of May 2021. While, the average exchange rate of rupee against pound sterling is at 103.08 during May 2021.



Source: PHD Research Bureau, compiled from RBI

16. Monthly trend of rupee exchange rate (high and low) against currencies in May 2021

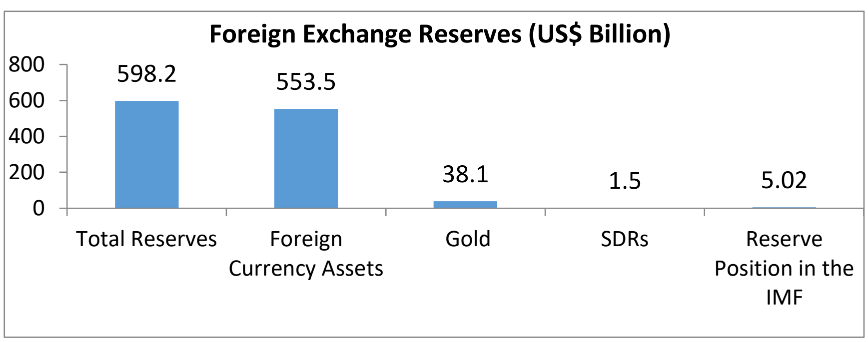
In the month of May 2021, the exchange rate of rupee against USD recorded highest at 74.3, while it registered lowest at 72.3. The exchange rate of rupee against pound registered highest at 104 and lowest at 102.03. In case of Euro currency, exchange rate of rupee recorded highest at 89.6 and lowest at 87.9. The exchange rate of rupee against Japanese yen recorded highest at 0.68 and lowest at 0.65.

	Open	High	Low	Close
USD	74.3	74.3	72.3	72.5
Pound Sterling	102.4	104	102.03	103.03
Euro	89.1	89.6	87.9	88.6
Japanese Yen	0.67	0.68	0.65	0.66

Source: PHD Research Bureau, compiled from other sources

17. Foreign exchange reserves

India's foreign exchange reserves stands at about USD 598.2 billion as on May 28, 2021 of which Foreign Currency Assets consists of USD 553.5 billion, Gold reserves at USD 38.1 billion, SDRs at USD 1.5 billion and reserve position in the IMF at USD 5.02 billion.



Source: PHD Research Bureau, compiled from RBI Bulletin of February 2021. (Note: Figures are round off)

18. Gross GST revenue collected in the month of May 2021 is Rs 1,02,709 crore
The gross GST revenue collected in the month of May 2021 is Rs 1,02,709 crore of which CGST is Rs 17,592 crore, SGST is Rs 22,653, IGST is Rs 53,199 crore (including Rs 26,002 crore collected on import of goods) and Cess is Rs 9,265 crore (including Rs 868 crore collected on import of goods). The above figure includes GST collection from domestic transactions till 4th of June since taxpayers were given various relief measures in the form of waiver/reduction in interest on delayed return filing for 15 days for the return filing month May'21 in the wake of covid pandemic second wave. During this month the government has settled Rs 15,014 crore to CGST and Rs 11,653 crore to SGST from IGST as regular settlement. The revenues for the month of May 2021 are 65% higher than the GST revenues in the same month last year. During the month, revenues from import of goods was 56% higher and the revenues from domestic transaction (including import of services) are 69% higher than the revenues from these sources during the same month last year. This would be eighth month in a row that GST revenues have crossed Rs 1 lakh crore mark. This is despite the fact that most of the States have been under strict lockdown due to the pandemic. In addition, while the taxpayers with turnover above Rs 5 crore had to file their returns by 4th June, which they would have otherwise filed by 20th May, smaller taxpayers with turnover less than Rs 5 crore still have time till first week of July to file the returns without any late fee and interest and the revenue from these taxpayers is deferred till then. The actual revenues for the month of May 2021, thus would be higher and would be known when all the extended dates expire.

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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

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2. Key Banking Developments

RBI releases 36th Half Yearly Report on Management of Foreign Exchange Reserves

The Reserve Bank of India has released the 36th half-yearly report on management of foreign exchange reserves with reference to end-March 2021. It may be recalled that in February 2004, the Reserve Bank had started a process of compiling half yearly reports and placing them in the public domain for bringing about more transparency and enhancing the level of disclosure in relation to management of the country's foreign exchange reserves.

The position of foreign exchange reserves as on April 30, 2021 is as under:

	US $ Billion
Foreign Exchange Reserves (i+ii+iii+iv)	588.0
i. Foreign Currency Assets (FCA)	546.1
ii. Gold	35.5
iii. Special Drawing Rights (SDR)	1.5
iv. Reserve Tranche Position (RTP)	5.0
***** Difference, if any, is due to rounding-off.	

Source: PHD Research Bureau, PHD Chamber, compiled from RBI

RBI releases its Annual Report 2020-21

RBI has released its Annual report 2020-21 which highlights the economic review, developments related to monetary policy operations, credit delivery and financial inclusion, financial markets and foreign exchange management developments, regulation, supervision and financial stability, among others. It also provided prospects for the year 2021-22. The key highlights of the Annual Report 2020-21 of RBI are as follows:

Economic Review: In 2020, the global economic sky was overcast with COVID-19 - a virus of the size of 0.12 microns. By end-March 2021, the virus had resulted in over 128 million infections and over 2.8 million mortalities worldwide. The year 2021 has commenced with both hope and fear - several parts of the world are locking down and bracing against new waves of infections and speedily communicable mutations. At the same time, the approval of several vaccines has spurred vaccination drives worldwide, albeit at different speeds. A cyclical slowdown had preceded the pandemic, causing real gross domestic product (GDP) growth to register a sequential deceleration since 2017-18, which slumped into contraction under the onslaught of COVID-19. The combination of demand compression and supply disruption that took hold in its wake caused severe debilitating effects on the economy in Q1:2020-21. With gradual lifting of restrictions and reopening of the economy, the pace of contraction moderated in Q2 and GDP returned to positive terrain in Q3 of 2020-21. Sensing the recovery gaining traction, equity markets became ebullient, with the BSE Sensex staging a V-shaped recovery. Progressive restoration in demand conditions was evident with a sharp rebound in seasonally adjusted annualised growth rate (SAAR) in Q2:2020-21, indicating a recovery in momentum. 0 Private consumption - the mainstay of aggregate demand - was severely affected by the pandemic. Wilting from its innate resilience, PFCE contracted by 9.0 per cent in 2020-21, refl ecting cliff effects of the impact of the stringent nationwide lockdown and social distancing norms, heightened uncertainty as a result of transitory and permanent job losses, closures of small, micro and unincorporated businesses and wage resets. The rate of gross domestic investment in the Indian economy, measured by the ratio of gross capital formation (GCF) to GDP at current prices, reduced to 32.2 per cent in 2019-20 from 32.7 per cent in the preceding year.

Monetary Policy operations: Monetary policy and liquidity operations during 2020-21 were geared towards mitigating the adverse impact of the unprecedented economic devastation brought by the COVID-19 pandemic on the Indian economy. Supply disruptions imposed persistent upside price pressures, with infl ation ruling above the upper tolerance band for six consecutive months during June-November 2020. The monetary policy committee (MPC) maintained status quo on the policy repo rate during June 2020 to February 2021 after a sizeable cut of 115 basis points (bps) during March-May 2020. Given the growth-infl ation dynamics, the MPC decided to continue with the accommodative stance as long as necessary to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that infl ation remains within the target going forward.

Credit Delivery and Financial Inclusion: The Reserve Bank continued its focus on strengthening the credit delivery mechanisms to ensure adequate and timely fl ow of credit to all productive sectors of the economy, especially agriculture and micro, small and medium enterprises (MSMEs), and also ensuring the availability of banking services to all sections of the society. The overarching philosophy of the Reserve Bank behind prescribing the priority sector lending (PSL) target for banks is to enable sections of society, which though creditworthy, are unable to access the formal banking system, for adequate and timely credit. The PSL guidelines were reviewed during the year with an objective to harmonise various instructions issued to commercial banks, small finance banks (SFBs), regional rural banks (RRBs), urban cooperative banks (UCBs) and local area banks (LABs); align these guidelines with emerging national priorities and bring sharper focus on inclusive development

Financial Markets and Foreign Exchange Management: During 2020-21, the Reserve Bank continued to develop financial markets in terms of easing access and broadening participation, creation of integrated market surveillance systems and improving financial market infrastructure. Liquidity management operations involved both conventional and unconventional measures for ensuring the availability of adequate liquidity in the system. Policy measures were also undertaken to facilitate external trade and investments, and to alleviate stress due to COVID-19.

Regulation, Supervision and Financial Stability: As part of the overall objective of aligning the regulatory/supervisory framework with global best practices, important strides in the areas of corporate governance, cyber security and compliance functions in banks were made. Steps towards developing a robust securitisation and secondary loan market in India were undertaken. Regional Rural Banks (RRBs) were provided additional avenues for liquidity management. The process of submitting statutory returns and supervisory disclosure by banks witnessed further automation.

Public Debt Management: During 2020-21, the market borrowing programme was conducted following the debt management strategy of minimising cost, risk mitigation and market development. Amidst heightened uncertainty created by the COVID-19 pandemic and its effects on domestic and global economy and the financial markets, the Reserve Bank successfully managed the combined gross market borrowings of the central and the state governments, which increased by 61.3 per cent to Rs21,69,140 crore during the year. Overall, during 2020-21, combined gross market borrowings of centre and states were conducted successfully in line with the guiding principles of debt management. The Reserve Bank also announced a number of measures to manage the stress on the finances of both central and state governments in the wake of the COVID-19 pandemic. Going ahead, smooth completion of the government borrowing programme for the year 2021-22 and consolidation of government debt will be the key areas of focus of the Reserve Bank.

Prospects for 2021-22: In the midst of the second wave as 2021-22 commences, pervasive despair is being lifted by cautious optimism built up by vaccination drives. Intense national efforts to beat back the virus are coalescing at least to some synchronicity across the world. Countries are stepping away from vaccine nationalism as the world adapts by learning to survive. A collective global effort to fight the pandemic will surely bring better results than individual countries fighting on their own. The G20 goal of strong, sustainable and inclusive growth may yet be in sight and within reach.

Master Direction – Reserve Bank of India (Certificate of Deposit) Directions, 2021

In exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 (hereinafter called the Act) read with section 45U of the Act and of all the powers enabling it in this behalf and in supersession of Section III of FMRD. Master Direction No. 2/2016-17 dated July 07, 2016, the Reserve Bank of India (hereinafter called the Reserve Bank) hereby issues certain Directions to all persons and agencies eligible to deal in Certificate of Deposit.

Submission of returns under Section 31 of the Banking Regulation Act, 1949 (AACS) – Extension of time

In terms of Section 31 of the Banking Regulation Act, 1949 ("the Act"), read with Section 56 of the Act, accounts and balance sheet referred to in Section 29 of the Act together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer. In terms of Section 31 read with Section 56 (t) (ii) of BR Act, State Co-operative Banks and Central Co-operative Banks are also required to submit these statements as returns to the National Bank for Agriculture and Rural Development (NABARD). As many of the Primary (Urban) Co-operative Banks (UCBs), State Co-operative Banks and Central Co-operative Banks are facing difficulties in finalising their Annual Accounts due to the ongoing COVID-19 pandemic, it is considered necessary to allow more time for submission of the aforesaid return during the current period.

In view of the above, Reserve Bank hereby extends the said period of three months for the furnishing of the returns under Section 31 of the Act for the financial year ended on March 31, 2021, by a further period of three months. Accordingly, all UCBs, State Co-operative Banks and Central Co-operative Banks shall ensure submission of the aforesaid returns to Reserve Bank on or before September 30, 2021. The State Co-operative Banks and Central Co-operative Banks shall also ensure submission of the aforesaid returns to NABARD on or before September 30, 2021.

Payment of margins for transactions in Government Securities by Foreign Portfolio Investors

1. Attention is invited to the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 notified, vide Notification No. FEMA 3(R)/2018-RB dated December 17, 2018, as amended from time to time, and the relevant directions issued thereunder.

2. All transactions in government securities concluded outside the recognized stock exchanges are settled on a guaranteed basis by the Clearing Corporation of India Ltd. (CCIL) which acts as the central counter party. Based on requests received, it has been decided to allow banks in India having an Authorised Dealer Category-1 licence under FEMA, 1999 to lend to Foreign Portfolio Investors (FPIs) in accordance with their credit risk management frameworks for the purpose of placing margins with CCIL in respect of settlement of transactions involving Government Securities (including Treasury Bills and State Development Loans) by the FPIs.

3. Necessary amendments to Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 have been carried out, vide Notification No. FEMA 3(R)2/2021-RB dated May 24, 2021.

4. These Directions shall be applicable with immediate effect.

5. The Directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Resolution Framework - 2.0: Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs) – Revision in the threshold for aggregate exposure

A reference is invited to the circular DOR.STR.REC.12/21.04.048/2021-22 on “Resolution Framework 2.0 – Resolution of Covid-19 related stress of Micro, Small and Medium Enterprises (MSMEs)” dated May 5, 2021.

Resolution Framework - 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses – Revision in the threshold for aggregate exposure

A reference is invited to circular DOR.STR.REC.11/21.04.048/2021-22 on “Resolution Framework – 2.0: Resolution of Covid-19 related stress of Individuals and Small Businesses” dated May 5, 2021.

Conclusions

The second wave of Covid-19 has struck with a devastating impact throughout the country, setting new records of daily cases, active cases and deaths. Resultant partial lockdowns and curfews in many parts of the country present a downside risk to the economic activity in next few months thereby impacting the economic recovery.

At this juncture, the Government has to step up with proactive and calibrated measures to mitigate the daunting impact of Coronavirus on economy, trade and industry. Effective policy measures are needed once again to support demand creation and to maintain employment in factories.

There is a need to fuel the drivers of household consumption and private investments to enhance aggregate demand in the economy with calibrated and effective steps. Demand creation will have an accelerator effect on expansion of capital investments in the country. Frontloading of infrastructural investments by the government would help to stimulate confidence among firms and households, generating stronger consumption, investment and employment upturns.

It is suggested that the interest rates for consumers and businesses should be decreased with lesser compliances for MSMEs vis-à-vis ease of doing business at the ground level and a lower tax regime to increase the personal disposable income of the people

There is a need for speedy vaccination of the people along with enhanced production possibilities of the vaccine at domestic level and import from other countries to diminish the pandemic impact on people and economy. When 75% of the population of country will receive vaccination of both doses, only then a safe harbour could be expected for the industry, especially MSMEs.

A substantial stimulus to create effective strides for futuristic growth trajectory for Indian economy and to diminish the daunting impact of pandemic coronavirus on trade and industry would be crucial to rejuvenate the economic momentum in this extremely difficult time.

India: Statistical snapshot

Indicators	FY17	FY18	FY19	FY20	FY21	FY22
GDP at FC - Constant prices (Rs cr)	12189854	13010843	14077586	1,45,69,268[1]	1,35,12,740[3]	-
GDP at FC-Constant prices growth YOY (%)	7.1	6.7	6.8	4.0[1]	(-)7.3	-
Agriculture growth	4.9	3.4	2.9	4.3[1]	3.6[3]	-
Industry growth	5.8	5.5	6.9	0.9[2]	-	-
Services growth	7.9	7.9	7.5	5.5[2]	-	-
Gross Fixed Capital Formation as % of GDP	29.5	-	32.0	32.5	-	
Fiscal deficit as a % GDP	3.5	3.5	3.4	4.6	9.3	-
Merchandise exports (US$Bn)	274.64	303.5	331	313.3	290.6	30.6[9]
Growth in exports (%)	4.7	10.0	9	(-)5	(-)7.3	195.7[9]
Imports (US$Bn)	380.37	42.80	507	474.7	389.2	45.7[9]
Growth in imports (%)	(-)0.17	7.15	9	(-)7.7	(-)18	167.05[9]
Trade deficit (US$Bn)	46.42	13.69	176	161.4	98.6	15.1[9]
Net invisibles US$Bn	-	-	-	-	-	-
Current account deficit as % of GDP	0.7	1.9	2.1	0.9	0.2[6]	-
Net capital account US$Bn	14.9	-	-	-	-	-
Foreign exchange reserves US$Bn	367.9	424.36	421	447	579.3	598.2[8]
External debt - Short term US$Bn	88	97.6	-	106.9	-	-
External debt - Long term US$Bn	383.9	415.8	-	451.7	-	-
External debt - US$Bn	472	513.4	-	558.5	-	-
Money supply growth	6.3	9	10.9	-	-	-
Bank credit growth	7	8.2	12	6.6	5	5.7[9]
WPI inflation	1.33	2.47	4.31	1.7	1.2	10.5[9]
CPI inflation	4.5	4.28	3.4	4.8	6.1	4.3[9]
Exchange rate Rs/US$ annual average	64.39	65.04	68.37	69.86	74.2	72.78[10]

Source: PHD Research Bureau, PHDCCI, compiled from various sources.

Notes: [1] 1st revised estimate; [2] Provisional estimates; [3] MOSPI data for FY2021; [5] data relates to January 2021; [6] data relates to Q3 FY2021; [7] RBI Data as on February 2021; [8] data as on 28th May 2021; [9] Data pertains to April 2021; [10] data pertains to 7th June 2021

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. The Research Bureau has undertaken various policy studies for Government of India and State Governments.

Research Activities	Comments on Economic Developments	Newsletters	Consultancy
• Research Studies	• Global Economic Developments	• Economic Affairs Newsletter (EAC)	• Trade and Investment Facilitation Services (TIFS)
• State Profiles	• India's Economic Developments	• Forex and FEMA Newsletter	
• Impact Assessments	• States' Economic Developments	• Global Economic Monitor (GEM)	
• Thematic Research Reports	• International Developments	• Trade & Investment Facilitation Services (TIFS) Newsletter	
• Releases on Economic Developments	• Financial Markets	• State Development Monitor (SDM)	
	• Foreign exchange market	• Industry Development Monitor (IDM)	
	• Developments in International Trade		

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)

41. Bolstering MSMEs for Make in India with special focus on CSR (March 2016)
42. BREXIT impact on Indian Economy (July 2016)
43. India's Exports Outlook (August 2016)
44. Ease of Doing Business : Suggestive Measures for States (October 2016)
45. Transforming India through Make in India, Skill India and Digital India (November 2016)
46. Impact of Demonetization on Economy, Businesses and People (January 2017)
47. Economy on the eve of Budget 2017-18 (January 2017)
48. Union Budget 2017-18: A budget for all-inclusive development (January 2017)
49. Annual Survey of Indian Direct Selling Industry 2015-16 (February 2017)
50. Worklife Balance and Health Concerns of Women: A Survey (March 2017)
51. Special Economic Zones: Performance, Problems and Opportunities (April 2017)
52. Feasibility Study (socio-Economic Survey) of Ambala and Rohtak Districts in Haryana (March 2017)
53. Goods and Services (GST): So far (July 2017)
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55. Industry Perspective on Bitcoins (July 2017)
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57. Current state of the economy (October 2017)
58. Equitable finance to fulfill funding requirements of Indian Economy (October 2017)
59. The Wall of Protectionism: : Rise and Rise of Protectionist Policies in the Global Arena, (November 2017)
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61. Role of Trade Infrastructure for Export Scheme (TIES) in Improving Export Competitiveness (November 2017)
62. India - China Trade Relationship: The Trade Giants of Past, Present and Future (January 2018)
63. Analysis of Trade Pattern between India and ASEAN(January 2018)
64. Union Budget 2018-19 – (February 2018)
65. Ease of Doing Work for Women: A survey of Delhi NCR (February 2018)
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69. Growth Prospects of the Indian Economy: Road to US $5 Trillion Economy(May 2018)
70. India's Free Trade Agreements Dynamics and Diagnostics of Trade Prospects(May 2018)
71. India – UK Trade Relations and Societal Links: Way Forward (June 2018)
72. Rural Economy: Road to US $5 Trillion Economy(September 2018)
73. Indian Economy on the Eve of Union Budget 2019-20 (Interim): Steady…strong…fastest moving economy (January 2019)
74. Interim Budget 2019-2020: A Dynamic, Inclusive & Pragmatic Budget (February 2019)
75. Women Entrepreneurship: Transforming from Domestic Households to Financial Independence (March 2019)
76. Prospects for Exports from India: Five Pronged Strategy to Achieve USD700 Billion Merchandise Exports by 2025 (March 2019)
77. India Towards Shared Prosperity: Economic Agenda for the Next five Years (March 2019)

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80. Suggestive Roadmap for Revitalizing Economic Growth (June 2019)
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82. Indian Economy on the Eve of Union Budget 2019-20 (July 2019)
83. Union Budget 2019-20: Road to US$ 5 trillion economy (July 2019)
84. Ease of Doing Business for MSMEs (September 2019)
85. Report Emerging contours in the defence and homeland security
86. Framework of University-Industry Linkages in Research DSIR
87. India's Trade and Investment opportunities with ASEAN Economies (November 2019)
88. Indian Economy on the Eve of Union Budget 2020-21 (February 2020)
89. Union Budget 2020-21: Aspirational, Caring and Developmental Budget (February 2020)
90. Macroeconomic Indicators and Pandemic COVID-19 Stimulus provided by Select Economies (April 2020)
91. Report on impact of Pandemic COVID-19 by PHDCCI (April 2020)
92. Tax relief measures provided by Pandemic COVID-19 impacted Countries (April 2020)
93. Impact of Pandemic COVID-19 : PHD Chamber's detailed representation on short term and long term measures submitted to the Government (April 2020)
94. Mitigating the Impact of Pandemic COVID-19 on Trade & Industry: PHDCCI Representations to Government of India and State Governments (April 2020)
95. Relief Measures provided by Ministry of Finance, Ministry of Commerce & others
96. Analysis on Relief Measures -Salaries wages by pandmeic COVID-19 impacted countries (April 2020)
97. Relief measures provided by various countries to mitigate the daunting impact of pandemic COVID-19 on economy, trade and industry (April 2020)
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105. New Year Economics – Growth Story Continues (January 2021)
106. PHDCCI Economy GPS Index (January 2021)
107. PHD Chamber Analysis on the Union Budget 2021-22 (February 2021)
108. Analysis of State Budgets FY2021-2022 (April 2021)
109. Impact of Coronavirus 2.0 on Businesses and Economy (May 2021)

B: State profiles

110. Rajasthan: The State Profile (April 2011)
111. Uttarakhand: The State Profile (June 2011)
112. Punjab: The State Profile (November 2011)
113. J&K: The State Profile (December 2011)
114. Uttar Pradesh: The State Profile (December 2011)
115. Bihar: The State Profile (June 2012)
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122. Progressive Uttar Pradesh: Building Uttar Pradesh of Tomorrow (August 2015),
123. Suggestions for Progressive Uttar Pradesh (August 2015)
124. State profile of Telangana- The dynamic state of India (April 2016)
125. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh (August 2016)
126. Smart Infrastructure Summit 2016- Transforming Uttar Pradesh : Suggestions for the State Government (August 2016)
127. Rising Jharkhand: An Emerging Investment Hub (February 2017)
128. Punjab: Roadmap for the New Government Suggestions for the Industrial and Socio-Economic Development – Focus MSMEs ease of doing business (May 2017)
129. Prospering Himachal Pradesh: A Mountain of Opportunities (August 2017)
130. Kashmir: The way forward (February 2018)
131. Analysis of State Budgets for 2018-19: Select Sates (March 2018)
132. Rising Uttar Pradesh One District One Product Summit (August 2018)
133. Rajasthan: Steady Strides into the Future- Emerging Growth Dynamics and the Way Forward (September 2018)
134. Rising Jharkhand: Economic Profile (January 2019)
135. Rising Jharkhand: Skill Development to Spur Socio-Economic Growth (January 2019)
136. Progressive Haryana: Economic Profile (February 2019)
137. Progressive Haryana: The Agricultural Hub of India (February 2019)
138. Progressive Haryana Steady Growth Strides into the Future (June 2020)

139. Progressive Haryana Steady Growth Strides into the Future (June 2020)

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About the PHD Chamber

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.

Seven Thrust Areas

- Industrial Development
- Infrastructure
- Housing
- Health
- Education and Skill Development
- Agriculture and Agribusiness
- Digital India

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