Greetings!

Weekly Compendium of Economic and Business Developments : Period ending May 22, 2020

PHD Research Bureau disseminated information to the members of PHD Chamber & other industry stakeholders on various economic and business developments at International, National and Sub-national arena such as extension of lockdown up to May 31, 2020 and revised national guidelines, relief measures announced by Hon’ble Finance Minister in fifth & fourth tranche of Rs 20 lakh crore stimulus package, RBI slashes repo rate by 40 basis points and announces various monetary and regulatory measures, implementation of Shekatkar Committee recommendations related to creating border infrastructure by Government, notification of Standard Operating Protocol (SOP) on movement of stranded workers by trains by MHA, decisions taken by the Union Cabinet, Domestic air travel of passengers' deleted from prohibited list of activities by MHA, World merchandise trade expected to fall steeply in the first half of 2020 as per WTO, among others. The details of disseminated information during the week ending 22nd May 2020 are appended.

India and World Economy

• MHA notifies extension of lockdown up to May 31, 2020 and revised national guidelines- Lockdown measures in place since March 24, 2020 have helped considerably in containing the spread of COVID-19. It has therefore been decided to further extend the lockdown till May 31, 2020. Ministry of Home Affairs (MHA), Government of India (GoI) issued an order, under the Disaster Management (DM) Act, 2005, in this regard. The salient features of the new guidelines include States to decide various Zones, certain activities Prohibited throughout the Country such as metro rail services, schools, colleges, educational and training/coaching institutions, hotels, restaurants and other hospitality services, places of large public gatherings such as cinemas, shopping malls, gymnasiums entertainment parks, allowing inter-State movement of vehicles and buses, among others.

• Hon’ble Finance Minister announced relief measures in fifth tranche of Rs 20 lakh crore stimulus package- Announcing the 5th and last Tranche of measures towards Government Reforms and Enablers on 17th May 2020, Smt. Nirmala Sitharaman, Hon'ble Finance Minister, announced seven measures for providing employment, support to businesses, Ease of Doing Business, and State Governments as well sectors such as Education and Health including Rs 40,000 crore increase in allocation for MGNREGS to provide employment boost, health reforms & initiatives, technology driven education with equity post-COVID, further enhancement of Ease of Doing Business through IBC related measures, among others.

• Hon’ble Finance Minister announced relief measures in terms of structural reforms in fourth tranche of Rs 20 lakh crore stimulus package- The Hon’ble Finance Minister announced relief measures in terms of structural reforms for attracting private investments and developing start of the art infrastructure in fourth tranche (16th May 2020) of Rs 20 lakh crore stimulus package. The announcements focused on structural reforms in 8 sectors, including coal, minerals, defence production, air space management, MRO (maintenance, repair and overhaul), airports, power distribution companies in UTs, Space and atomic energy.

• States/UTs cannot dilute restrictions imposed in MHA guidelines, can only make them stricter based on local level assessment and Health Ministry Guidelines: MHA- Union Ministry of Home Affairs (MHA), on 17.05.2020, issued the revised guidelines regarding lockdown restrictions, to contain COVID-19. As the lockdown was extended up to 31.05.2020, widespread relaxations were given in the restrictions. Under the new guidelines, States and UTs would now delineate the Red Orange and Green zones, taking into consideration the revised guidelines issued by Ministry of Health and Family Welfare (MoHFW) on 17.05.2020. Inside the red/orange zones, containment and buffer zones would be identified by the local authorities, based on local level technical inputs and Health Ministry guidelines. In view of these points, MHA has reiterated to the States/UTs that despite widespread relaxations given in lockdown restrictions under revised guidelines, States/UTs cannot dilute the restrictions imposed in MHA guidelines. They may prohibit certain other activities or impose restrictions, as deemed necessary on the basis of ground level analysis of the situation.

- Government implements Shekatkar Committee recommendations related to creating border infrastructure- Government has accepted and implemented three important recommendations of Committee of Experts (CoE) under the Chairmanship of Lt General D B Shekatkar (Retd) relating to border Infrastructure. These were related to speeding up road construction, leading to socio economic development in the border areas. On the matter related to creating border infrastructure, the Government has implemented recommendation of CoE to outsource road construction work beyond optimal capacity of Border Roads Organisation (BRO). It has been made mandatory to adopt Engineering Procurement Contract (EPC) mode for execution of all works costing more than Rs 100 crore.

- MHA communicates to State Governments a number of measures that may be taken to mitigate the distress of migrant workers- In a communication to the States, Union Ministry of Home Affairs (MHA) has noted that fear of COVID-19 infection and apprehension of loss of livelihood are the main driving factors for the movement of stranded workers towards their homes. In order to mitigate the distress of migrant workers, the communication stresses on a number of measures that may be taken by the State governments, pro-actively in coordination with the Centre. The communication reiterates that District Authorities must ensure that no migrant worker has to resort to walking on roads or railway tracks to reach his/her destination. They may request Ministry of Railways for running trains, as per requirement.

- MHA notifies Standard Operating Protocol (SOP) on movement of stranded workers by trains- In continuation of the revised consolidated guidelines on lockdown measures dated 17.05.2020, Ministry of Home Affairs (MHA) has issued revised Standard Operating Protocol (SOP) on movement of stranded workers by trains. Ministry of Railways (MoR) would permit Movement of Shramik Special trains in consultation with MHA. All States/ UTs should designate nodal authorities and make necessary arrangements for receiving and sending such stranded persons. Based on the requirements of States/UTs, the train schedule, including stoppages and destination would be finalized by MoR. The same would be communicated by MoR to the - States/UTs for making suitable arrangements for sending and receiving such stranded workers. Social distancing to be observed by all passengers during boarding and travel.

- Decisions taken by the Union Cabinet- Cabinet approves additional funding of up to Rupees three lakh crore through introduction of Emergency Credit Line Guarantee Scheme (ECLGS); Cabinet approves Special Liquidity Scheme for NBFCs/HFCs to address their Liquidity Stress; Cabinet approves "Scheme for formalisation of Micro Food Processing Enterprises (FME)"; Cabinet approves modifications in the existing "Partial Credit Guarantee Scheme (PCGS)"; Cabinet approves 'AtmaNirbhar Bharat Package for allocation of foodgrains to the migrants / stranded migrants; Cabinet approves adoption of methodology for auction of coal and lignite mines/blocks for sale of coal / lignite on revenue sharing basis and tenure of coking coal linkage; Cabinet approves extension of 'Pradhan Mantri Vaya Vandana Yojana'; and Cabinet approves 'Pradhan Mantri Matsya Sampada Yojana – A scheme to bring about Blue Revolution through sustainable and responsible development of fisheries section in India.

- Ministry of Railways notifies Guidelines for Train Services beginning on 1st June 2020- Ministry of Railways (MoR) in consultation with Ministry of Health & Family welfare (MoHFW) and Ministry of Home Affairs (MHA) has decided that train services on Indian Railways shall be further partially restored w.e.f. from 01st June 2020. Indian Railways will start operations of 200 passenger services as listed in the annexure (http://164.100.117.97/WriteReadData/userfiles/200%20trains(100%20Pairs).pdf.pdf). These trains shall run from 1/6/2020 and booking of all these trains will commence from 10 am on 21/05/20. These special services shall be in addition to the existing Shramik special trains being run since 01st May and Special AC trains (30 trains) being run since 12th May 2020. Other regular Passenger services including all mail/express, passenger and suburban services shall remain cancelled until further advice.

- 'Domestic air travel of passengers' deleted from prohibited list of activities by MHA- Union Ministry of Home Affairs (MHA), has amended the guidelines on lockdown measures to fight COVID-19, so as to facilitate domestic air travel for stranded persons in India. In continuation of MHA's Order No 40-3/2020-DM-I(A), dated 17th May 2020 and 19th May 2020, in para 2(i), 'domestic air travel of passengers' is deleted from the list of prohibited activities. Detailed guidelines for operation of airports and air travel of passengers would be issued by Ministry of Civil Aviation. The MHA orders the above amendment for strict implementation by Ministries/Departments of Government of India, State/Union Territory Government and State/UT Authorities.

- Ministry of Home Affairs (MHA) relaxes Visa and Travel restrictions imposed in response to COVID -19, permitting certain categories of Overseas Citizens of India (OCI) cardholders stranded abroad, to come back to India- Union Ministry of Home Affairs (MHA) has relaxed Visa and Travel restrictions imposed in response to COVID -19, permitting certain categories of Overseas Citizen Of India (OCI) cardholders, who are stranded abroad, to come to India. Categories of OCI Cardholders stranded abroad, that have been permitted to come to India include Minor children born to Indian nationals abroad and holding OCI cards; OCI cardholders who wish to come to India on account of family emergencies like death in family; Couples where one spouse is an OCI cardholder and the other is an Indian national and they have a permanent residence in India; University students who are OCI cardholders (not legally minors) but whose parents are Indian citizens living in India.

Finance

- RBI slashes repo rate by 40 basis points and announces various monetary and regulatory measures- On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (May 22, 2020) decided to: reduce the policy repo rate under the liquidity adjustment facility (LAF) by 40 bps to 4.0 per cent from 4.40 per cent with immediate effect; accordingly, the marginal standing facility (MSF) rate and the Bank Rate stand reduced to 4.25 per cent from 4.65 per cent; and the reverse repo rate under the LAF stands reduced to 3.35 per cent from 3.75 per cent; the MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target; these decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 percent, while supporting growth.

- Ministry of Finance releases Status Paper on Government Debt for 2018-19- Status Paper on Government Debt provides a detailed account of the overall debt position of the country. In addition to the debt position of Central Government, the Status Paper covers State Government and General Government Debt in this publication. The present Status Paper for 2018-19 is ninth in this series and reinforces the Government's commitment to keep the level of public debt within sustainable limits while pursuing prudent debt management practices. According to the report, Gross Fiscal Deficit (GFD) as a percentage of GDP has been on a declining trend since 2012-13. However, it is estimated to increase to 3.8 per cent in 2019-20 (RE). The detailed Status Paper on Government Debt for 2018-19 can be accessed at https://dea.gov.in/sites/default/files/Status%20Paper%20on%20Government%20Debt.pdf.

• RBI provides relaxations in the Voluntary Retention Route for Foreign Portfolio Investors investment in debt- This is in reference to the Foreign Exchange Management (Debt Instruments) Regulations, 2019 notified vide Notification No. FEMA.396/2019-RB dated October 17, 2019, as amended from time to time, and relevant directions issued thereunder and to Circular No. 34 dated May 24, 2019 (hereinafter Directions) read with A.P. (DIR Series) Circular No. 19 dated January 23, 2020 and the press release dated January 23, 2020 on reopening of allotment of investment limit under the Voluntary Retention Route (VRR). In terms of para 6(a) of Annex to the Directions, Foreign Portfolio Investors (FPIs) shall invest at least 75% of their 'Committed Portfolio Size' (CPS) within three months from the date of allotment. In view of the disruptions caused by COVID-19, Reserve Bank of India (RBI) has decided to allow FPIs that have been allotted investment limits, between January 24, 2020 (the date of reopening of allotment of investment limits) and April 30, 2020, an additional time of three months to invest 75% of their CPS. For FPIs availing the additional time, the retention period for the investments (committed by them at the time of allotment of investment limit) would be reset to commence from the date that the FPI invests 75% of CPS.

• SEBI amends and provides flexibility in the Post-Default Curing Period for CRA- According to Securities and Exchange Board of India (SEBI), it has been noted in a few recent cases of defaults that even though the rated entity was able to correct the default within a relatively shorter span of time, the rating could not be upgraded and continued to be under sub-investment grade due to the extant provisions on post-default curing period of 90 days for the rating to move from default to speculative grade and generally 365 days for default to investment grade. Therefore, the provision on post-default curing period is being hereby revised. Accordingly, in partial modification to Annexure-A1 of SEBI circular no. SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dated November 1, 2016, the revised policy in this regard is that after a default is cured and the payments regularized, a CRA shall generally upgrade the rating from default to non-investment grade after a period of 90 days based on the satisfactory performance by the company during this period, the CRA shall frame a policy in respect of upgrade of default rating to investment grade rating and place it on its website and the policies framed as above may include scenarios like technical defaults, change in management, acquisition by another firm, sizeable inflow of long-term funds or benefits arising out of a regulatory action,etc. which fundamentally alter the credit risk profile of the defaulting firm.

Trade

• Government announces amendments in export and import policy environment- Government announces amendments in export and import policy environment: The Central Government has amended the export policy condition of Masks, to allow the export of non-medical/ non-surgical masks of all types (cotton, silk, wool, knitted). All other types of masks falling under any ITCHS code, including ex392690, ex621790, ex630790, ex901890, ex9020 would continue to remain prohibited for exports. For details, you may please access the detailed circular released by Directorate General of Foreign Trade (DGFT) for your kind reference: https://dgft.gov.in/sites/default/files/Notification%20English%20Final_0.pdf. The Central Government has also amended the import policy conditions of Silver under Chapter 71 of ITC (HS) 2017, Schedule - I (Import Policy). Now, the import of silver under advance authorisation and supply of silver directly by foreign buyers to exporters under para 4.45 of

FTP against export orders are exempted. For details, you may please access the detailed circular released by DGFT for your kind reference: https://dgft.gov.in/sites/default/files/Notification-5-English.pdf

• World merchandise trade expected to fall steeply in the first half of 2020: WTO's Goods Trade Barometer- The volume of world merchandise trade is likely to fall steeply in the first half of 2020 as the COVID-19 pandemic disrupts the global economy, according to the latest WTO Goods Trade Barometer. The Goods Trade Barometer provides real-time information on the trajectory of world merchandise trade relative to recent trends. The current reading captures the initial phases of the COVID-19 outbreak, and shows no sign of the trade decline bottoming out yet. All of the barometer's component indices are currently well below trend. The automotive products index (79.7) was weakest of all, due to collapsing car production and sales in major economies. The sharp decline in the forward-looking export orders index (83.3) suggests that trade weakness will persist in the short-run. Declines in the container shipping (88.5) and air freight (88.0) indices reflect weak demand for traded goods as well as supply-side constraints arising from efforts to suppress COVID-19. Only the indices for electronic components (94.0) and agricultural raw materials (95.7) show signs of stability, although they too remain below trend.

Our Voice

RBI steps to combat COVID-19 inspiring, growth projection in negative territory worrying: PHD Chamber- While worrying about the growth projection in the negative territory, PHD Chamber has appreciated RBI for taking calibrated steps to combat the daunting impact of COVID-19 on trade and industry. We are still hopeful that various measures undertaken by the government and RBI will help India to maintain its growth rate in the positive trajectory. Cut in repo rate by 40 basis points is inspiring as it will further ease the liquidity conditions and enable the banking sector to percolate full effects of RBI measures to trade, industry and people. We urge the banking sector to fully transmit the repo rate cut along with the earlier rate cuts to trade, industry and people so that effect of the policy measures becomes fruitful at the ground level. We appreciate the extension of term loan moratorium by three months till 31st August 2020 to help trade and industry to mitigate the daunting impact of pandemic COVID-19. We urge the banking sector to provide extension of moratorium facility to all the term loan borrowers with full effect to facilitate them to fight with daunting impact of pandemic COVID-19 on businesses. In order to provide greater flexibility of SIDBI, another 90 days extension for the 90-day term loan facilities will go a long way to increase liquidity support to the MSMEs sector. The steps undertaken by RBI has potential to stabilize the macroeconomic environment, going forward. Various reform measures undertaken by RBI such as facility of Rs 15,000 crore line of credit for 90 days for US dollar swap facility to EXIM Bank, increase of maximum permissible period of pre shipment and post shipment export credit, hiking the group exposure limit for banks to 30% from 25%, among others would go a long way to address the issues and challenges of trade & industry and strengthen the position to fight against covid-19.

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String of economic reforms announced by Hon'ble Finance Minister will accelerate private sector investments : PHD Chamber - String of economic reforms announced in the fifth and last tranche of Rs 20 lakh crore support package announced by Hon'ble Finance Minister will accelerate private sector investments in the country and lead to a self-reliant India. Opening up of all sectors to private sector is a major breakthrough which will significantly push industrial and socio-economic development in the country. Reforms announced for improving ease of doing businesses, employment generation, ramping up health and digital educational infrastructure, reforms in insolvency and bankruptcy code will place India in a better position in the global economy and make it attractive destination for the foreign investors.

The decision to allocate an additional Rs 40,000 crore under MGNREGS will help in generating employment opportunities and boost rural economy through higher production. The focus of the Government in increasing public expenditure on health and investment in grass root health institutions will ramp up health infrastructure in rural and urban areas. Announcement on IBC reforms including raising minimum threshold to initiate insolvency proceeding to Rs 1 crore from Rs 1 lakh, suspension of fresh initiation of insolvency proceedings upto to one year and excluding COVID-19 related debt from the definition of default will lead to enhancement of ease of doing business in the coming times.

Reform of decriminalisation of Companies Act violation including technical and procedural defaults will de-clog the criminal courts and NCLT and provide much needed relief to the industry stakeholders. Announcement for corporates including direct listing of securities by Indian public companies in permissible foreign jurisdictions, lower penalties for all defaults of small companies, one person companies, producer companies and start-ups, among others will significantly improve our ease of doing business rankings. The significant reform of introducing new Public Sector Enterprise Policy will provide an excellent platform for private sector to leverage the opportunities in all sectors of economy including strategic sectors too.

Launching of PM eVIDYA programme for multi-mode access to digital/online education will contribute significantly to technology driven education system in the coming times. Reforms announced for supporting State Governments including borrowing limits of States being raised from 3% to 5% for 2020-21 only and to promote state level reforms part of the borrowing will be linked to specific reforms like increasing job creation through investment and promoting urban development, health and sanitation will go a long way in percolating the benefits at grass roots level.

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Structural reforms announced by Hon'ble Finance Minister will boost industrial and social development in the country, create employment for technocrats and workers : PHD Chamber - The structural reforms announced by Hon'ble Finance Minister will attract private sector investments and strengthen state of the art infrastructure in the strategic and growth promising sectors of Indian economy including coal, minerals, defence, airports and aerospace management, power, space sector, atomic energy sector and civil aviation. The structural reforms will give a big push to industrial and social development in the country and lead to a self-reliant New India with tremendous of new employment opportunities for technocrats, skilled, semi-skilled and unskilled workforce in India. Enhanced FDI limit in the defence manufacturing under automatic route from 49% to 74% and promoting Make in India along with time bound defence procurement process will strengthen our domestic defence capabilities.

The announcement on industrial clusters up gradation along with releasing rankings of Industrial parks in 2020-21, ranking of States on investment attractiveness to compete for new investments and making information available on Industrial Information system with GIS mapping will go a long way in transforming the industrial sector of our country with improved common infrastructure facilities and connectivity. Introduction of commercial mining in coal sector on revenue sharing model with liberalised norms along with investment of Rs 50,000 crore will reduce our import dependence, increase self-reliance in coal production and promote availability of coal at market prices. It is highly encouraging to note that introduction of seamless composite exploration –cum-mining-cum-production regime for mineral sector along with forming Mineral Index will enhance private investments and ensure better efficiency in mining and production process.

Reforms in the Civil Aviation sector for efficient airspace management with an outlay of Rs 1000 crore, development of world class airports through PPP model and measures for becoming global hub for Aircraft Maintenance, Repair and Overhaul (MRO) will create employment opportunities for our technocrats and facilitate the growth of businesses, trade and tourism sector in the country. Privatisation of power distribution departments/utilities in UTs will lead to better service to consumers and improvement in operational and financial efficiency in distribution. Boosting private sector investment in Social Infrastructure through revamped Viability Gap Funding Scheme with an outlay of Rs 8100 crores, introduction of tariff policy laying out reforms in consumer rights, promote industry and boosting private participation in space sector and atomic energy related reforms are highly appreciable and growth provoking which will not only attract the private sector investments in industrial sector but also push the development of social Infrastructure.

Economy So Far

- Government to introduce vehicle scrappage policy to boost manufacturing- Hon'ble Union Minister, Shri Nitin Gadkari said the government is set to introduce a vehicle scrappage policy, under which recycling clusters may be established near ports, expressing confidence that India will emerge as the world's leading automobile manufacturing hub in five years. The government has decided to increase the depth of the country's ports by 18 metres, and automobile clusters comprising recycling plants can be set up near the ports.

- Actual GDP growth in FY21 depends on intensity of Covid-19: FinMin Report- Expressing 'cautious optimism' about the country's economic prospects, a Finance Ministry report on Wednesday said actual GDP growth in 2020-21 would be contingent upon the intensity, spread and duration of the Covid-19 pandemic. The report, prepared by the Economic Affairs Division of the Finance Ministry, took comfort from an IMF note which projected a growth rate of 1.9 per cent for the current fiscal. However, it added, Government is cognizant of the relative severity of lockdown on economic activity in the country and is cautiously optimistic about the signals from Indian benchmark equity indices.

- Interest rates charged by banks capped at 9.25% under MSME package- Interest rates on collateral-free loans extended by banks and financial institutions have been capped at 9.25 per cent and at 12 per cent for loans extended by non-banking financial companies (NBFCs) to micro, small and medium enterprises (MSMEs) under the recently announced package. The package, approved by the Cabinet, carries lower interest rate than normally charged by banks and NBFCs. Banks charge 11-13 per cent interest rates and NBFCs charge 16-23 per cent interest rates from MSMes. The loans will have a moratorium of a year on the principal amount, and must be repaid in four years thereafter.

- 15th Finance Commission to lay out roadmap till FY26- A committee to review fiscal consolidation, led by Finance Commission chairman Shri NK Singh, will hold its first meeting on Thursday to workout the fiscal consolidation roadmap for the government from 2021-22 to 2025-26. The mandate of the XVFC is to work out the fiscal consolidation roadmap for the general government for the period 2021-22 to 2025-26. This task has been complicated by the extraordinary situation caused by the spread of the pandemic and the concomitant fiscal compulsions on the central and state governments, the government has said.

- Current account may turn surplus in FY21- India's current account could show a surplus this year for the first time in several years, following a sharp decline in domestic demand for investment and consumption goods. The slump in crude and commodity prices and lower demand for them are also contributing to the decline in imports. The surplus is expected to be USD19-20 billion in FY21 or around 0.7% of GDP.

- Bank credit grows 6.5% to Rs 102 trillion, deposits rise 10.6%- Bank credit rose 6.52 per cent year-on-year to Rs 102.52 trillion, while deposits grew 10.64 per cent to Rs 138.50 trillion in the fortnight ended May 8, according to latest RBI data. In the fortnight ended May 10, 2019, bank loans had stood at Rs 96.24 trillion, and deposits at Rs 125.17 trillion. On a fortnightly basis, bank credit declined by Rs 21,010.36 crore to Rs 102.52 trillion in the reporting period from Rs 102.73 trillion in the fortnight ended April 24, 2020.

- Centre gives Rs 15,340 crore as GST compensation to states- The Centre has released ₹15,340 crore to states as GST compensation despite insignificant tax collection due to relief provided in terms of filing of returns and payment of taxes owing to the national lockdown, government insiders said. The amount released includes the second instalment of GST compensation to states of over ₹14,100 crore for the October-November period, they said, adding that the government had aimed to clear any pending dues for that period. Under GST law, states are guaranteed full compensation for any revenue loss for the first five years after the introduction of the goods and services tax (GST) in July 2017.

- Fruit, veggie exports fall 70% during lockdown- Fruit and vegetable exports from India have seen a fall of approximately 70% since the lockdown began. They attribute it to the high freight charges by airlines which has increased by as much as 166% to Rs 250 a kg. March to May is the peak season for their exports.

- Super Cyclone Amphan to badly hit mango trade in Bengal, already shattered with CoVID 19 lockdown- Already shattered by CoVID 19 lockdown, mango trade in West Bengal is about to have another jolt of devastation due to approaching super cyclone Amphan. After the landfall this evening near Kolkata, Amphan is predicted to swipe over Bengal's main mango zones in South 24 Paraganah, Murshidabad or Malda by Thursday afternoon. With its annual production of around 2 million ton, West Bengal is one of the largest contributors to India's national mango output of around 22 million ton (mt) that is near 40% of global yield.

- Lessons of 2008-13 guided coronavirus stimulus: Smt Nirmala Sitharaman- The government kept the lessons of the 2008-13 period in mind when designing its Rs 20 lakh crore stimulus package, Smt Nirmala Sitharaman, Hon'ble Finance Minister said, while explaining why they had avoided spending recklessly to revive the economy. The steps that have been announced since last week cannot be boxed into “supply side measures” as they put money in the hands of people who will spend and create demand. The finance minister also said the government wants to help migrants but does not have the data to reach out to them. As India goes forward the Government has to keep assessing, she said when asked about announcement of more measures. Experts estimated the direct impact of the package on the budget at about Rs 2 lakh crore or less than 1% of GDP. She added that coming from the learning based on the experiences of 2008-13 is one of the reasons why the Government has taken this course.

- Government extends deadline to fulfill contractual obligations by up to 6 months- The Ministry of Finance has extended the deadline for fulfillment of contractual obligations of all government projects, including public-private partnerships (PPP), which were due for completion on or after February 20, by up to six months in view of COVID-19 crisis. In view of the restrictions placed on the movement of goods and services and manpower on account of the lockdown situation prevailing overseas and in the country it may not be possible for parties to the contract to fulfil contractual obligations, the department said, adding in respect of public-private partnership (PPP) concession contracts, period of the contract may have become unremunerative.

- Outward remittances at all-time high in March 2020- Indian remittances overseas surged to a record in March as many wealthy Indians might have shifted a part of their savings to safe haven assets and to purchase popular technology company stocks, taking advantage of the sudden collapse in valuations. Indians sent a record US$ 18.8 billion in FY'20 under the liberalised remittance scheme whose scope was widened in 2015 to facilitate investments in overseas markets, send money for maintenance of close relatives abroad and other purposes.

- Petrochem, Chemical imports likely to face 15% Covid tax- India is considering a proposal to levy 15% Covid-19 tax on all chemical and petrochemical imports from May 1, 2020 to March 31, 2021 to protect domestic industry. As per the proposal, the provisional duty would also be applicable on all preferential imports under India's various free trade agreements (FTA), and would cover organic chemicals, inorganic chemicals, plastics, rubber, man-made filaments and man-made staple fibres. The proposal has been made by a certain section of industry to the department of chemicals and petrochemicals, and the department is still doing stakeholder consultations.

- Whatsapp allowed for GST, excise related virtual hearings- Virtual hearing of all demand notices relating to indirect taxes including goods and services tax (GST) can be done through Whatsapp, authorities in Thane tax zone said in a notice while issuing standard procedure for conducting the hearings. The decision has been taken due to situation arising from Covid 19, and the mandatory guidelines from government on maintaining social distancing norms. The facility will remain in place till any other more secure or easier mode is established, the authority said in the letter issued for general information.

- West Bengal government, DEA, World Bank and AIIB sign loan agreements for US$ 413 million major irrigation project- West Bengal government, the Department of Economic Affairs (DEA), the World Bank and the Asian Infrastructure Investment Bank(AIIB) have recently signed loan agreements for US$ 413 million (Rs. 2931crore) West Bengal Major Irrigation and Flood Management Project (WBMIFMP) to improve irrigation and flood management in the Damodar Valley Command Area (DVCA) in Purba and Paschim Burdwan, Bankura, Hooghly and Howrah districts. The project will benefit 27 lakh farmers of these five districts. The duration of the project is from 2020 to 2025.

- Finance Ministry sanctions Rs 92,077 crore to states as devolution of central taxes- The government has released Rs 92,077 crore towards devolution of central taxes to states for April and May. The devolution amount for April stood at Rs 46,038.10 crore, while for May, it is Rs 46,038.70 crore.

- Malaysia to strengthen trade ties with India after palm oil purchases- Malaysia voiced its commitment to further strengthen diplomatic and trade ties with India, after the world's largest edible oil buyer renewed purchases of Malaysian Palm oil, in a sign of improving relations between the two countries.

- Safe harbour framework rates unchanged- India has kept the rates under the safe harbour framework unchanged for the assessment yyear 2020-2021 turning down plea for a reduction by industry hit hard by the COVID-19 pandemic. As per the Central Board of Direct Taxes (CBDT) notification on May 20th, safe harbour rules issued back in 2017 will continue for the ongoing assessment year as well.

- India Inc's foreign direct investment dips 62 pc to USD 976 millon in April- India's overseas direct investment (ODI) in April dipped 62 per cent to USD 976.14 million, data from the Reserve Bank showed. The fall in ODI can mainly be attributed to the coronavirus pandemic, which led to a global lockdown and halt in most of the business activities.

Domestic firms had invested nearly USD 2.56 billion in their joint ventures/wholly-owned subsidiaries during April 2019, according to the RBI data on Outward Foreign Direct Investment. Indian firms had invested USD 2.7 billion in overseas businesses in March 2020.

• Government withdraws order on compulsory wage payment by firms during lockdown- In what may come as a major relief to businesses, the Union government has withdrawn its order directing employers to pay wages to workers, even with units remaining shut during lockdown. On Sunday, the Ministry of Home Affairs (MHA) had issued a fresh set of guidelines which will be applicable from Monday. It has repealed the order dated March 29, 2020 which had talked about compulsory wage payment to workers during lockdown. “Save as otherwise provided in the guidelines annexed to this order, all order issued by the NEC [national executive committee] under Section 10(2)(I) of the Disaster Management (DM) Act, 2005, shall cease to have effect from 18.05.2020.”

• IMF chief warns full global economic recovery unlikely in 2021- The global economy will take much longer to recover fully from the shock caused by the new coronavirus than initially expected, the head of the International Monetary Fund said, and she stressed the danger of protectionism. Managing Director, Ms Kristalina Georgieva said the Fund was likely to revise downward its forecast for a 3% contraction in GDP in 2020, but gave no details. That would likely also trigger changes in the Fund's forecast of a partial recovery of 5.8% in 2021. In an interview with Reuters, she said data from around the world was worse than expected. Obviously, that means it will take us much longer to have a full recovery from this crisis, she said.

• Road to Revival! Liquidity boost to create jobs, pep up demand: Shri Nitin Gadkari- Hon’ble Minister for MSMEs and road transport and highways Shri Nitin Gadkari has said the recent steps announced by the government to boost liquidity and credit flows would also bolster “the purchasing power of the people via employment creation and help accelerate the wheels of the economy”. Given the ambitious target to award national highway projects worth Rs 15 lakh crore over the next couple of years, the minister said renewed attempts were being made to raise money from abroad to execute the massive projects. We have decided to tap more FDI (for highway construction). Also, foreign pension funds and insurance funds are being approached, apart from multilateral bodies like ADB, World Bank and others, he said.

• India opposes WTO members’ push for permanent tariff cuts- India has objected to the push by developed countries including Singapore and New Zealand seeking permanent tariff liberalisation on a range of products such as ice cream and cut flowers in response to the temporary Covid-19 crisis terming it a “thinly-veiled bid” to use the crisis as an opportunity to gain market access for their exporters. “The narrative-push by some WTO members to seek permanent tariff liberalisation on a range of products in response to a temporary crisis, appears to be a thinly-veiled bid to use the crisis as an opportunity to gain market access for their exporters,” India said at the special vir settual meeting of the General Council on Covid-19 trade-related measures last week.

• ‘Don’t worry about rating downgrades’; RBI’s Shri Shaktikanta Das says India will keep getting FDI, FPI- It is the government’s policies, macroeconomic fundamentals, and the outlook that foreign investors have on an economy that matters. Even as various rating agencies cut India’s rating amid a major economic downturn due to coronavirus superimposed on a deep slowdown, RBI Governor Shri Shaktikanta Das said that foreign investors’ trust in India is intact. Irrespective of rating upgrade or downgrade, India has continued to enjoy the trust of foreign investors, both in terms of foreign portfolio investment (FPI) and foreign direct investment (FDI), he added. It is the government’s policies, macroeconomic fundamentals, and the outlook that foreign investors have on an economy that matters.

- NABARD frontloads Rs 20,500 crore financial assistance for pre-monsoon & Kharif operations- In an attempt to augment the resources of Cooperative banks and RRBs, NABARD has frontloaded financial assistance to these entities for their pre-monsoon Kharif operations. Of the Rs 20,500 crores that NABARD is providing the farmers, Rs 15,200 crore will be through cooperative banks and the balance Rs 5,300 crore will be through RRBs as special liquidity facility in various states. The fund is given as a means of front loading the resources of these banks so as to ensure adequate liquidity with them for financing farmers.

- Delhi to Andhra, states take slow and steady steps to exit lockdown- Delhi implemented most of the demands made to the Centre in a letter to Hon'ble Prime Minister Shri Narendra Modi on 14 May. Hon'ble Delhi CM Shri Arvind Kejriwal said shops would open on odd-even days and, within Delhi, buses would run, subject to social distancing. He said all government and private offices can open with full attendance and private vehicles, cabs, and e-rickshaws can operate, subject to social distancing restrictions. However, Delhi's border with Uttar Pradesh and Haryana remained closed for the most part. Hon'ble UP CM Yogi Adityanath also said inter-state and inter-district travel should not be permitted for now. Traffic coming from Delhi towards Noida moved at snail's pace as UP allowed only vehicles with e-pass from the Noida District Magistrate to enter.

- Goldman sees worst India recession with 45% second quarter slump- Goldman Sachs expects India will experience its deepest recession ever after a poor run of data underscored the damaging economic impact of lockdowns in the world's second-most populous nation. Gross domestic product will contract by an annualized 45% in the second quarter from the prior three months, compared with Goldman's previous forecast of a 20% slump. A stronger rebound of 20% is now seen for the third quarter, while projections for the fourth quarter and first of next year are unchanged at 14% and 6.5%. Those estimates imply that real GDP will fall by 5% in the 2021 fiscal year.

- Union Power Ministry writes to States/UTs extending Rs 90,000 crore package under Atmanirbhar Bharat Abhiyan- Union Ministry of Power has written to all States/UTs extending Rs 90,000 crore financial package to assist the stressed DISCOMs. A communication in this regard has been sent on 14.05.2020. The funding would be done in two tranches of Rs. 45, 000 crore each. Union Ministry of Power has also decided to defer Fixed Charges of Central Power Gencos for power not scheduled to the DISCOMs during the lockdown period; to be repaid without interest in three equal instalments after lockdown. Central Power Gencos/Central Transmission Companies have been suggested to consider giving rebate of 20-25% on power supplied (fixed charges) to DISCOMs during the lockdown period. Discoms asked to pass on the cost savings to consumers.

- Government plans mega sops to attract local, global companies to coal mining- The government is likely to offer major rebates on revenue share to winners of commercial coal block auctions in order to attract investments from local and global miners. Companies that start early production from the blocks will be offered 50% rebate on revenue share payable to the government. The rebate will start from the day of production till the scheduled commencement date of mining agreed at the time of awarding of the block. Similarly, a rebate of 50% of revenue share is proposed to be given on coal produced in excess of the scheduled target in a financial year.

- CBIC amends rules to disallow transitional credit claims retrospectively- The Central Board of Indirect Taxes and Customs (CBIC) notified retrospective amendments to section 140 of CGST Act, granting it power to prescribe a time limit for availing transitioning credit – the credit from pre-goods and services tax (GST) regime which was moved to the GST regime as input tax credit from July 1, 2017.

• National Migrant Information System (NMIS) - a central online repository on Migrant Workers - developed by NDMA to facilitate their seamless movement across States- Government of India has allowed the movement of migrant workers by buses and 'Shramik' special trains to enable them to travel to their native places. In order to capture the information regarding movement of migrants and facilitate the smooth movement of stranded persons across States, National Disaster Management Authority (NDMA) has developed an online Dashboard - National Migrant Information System (NMIS). The online portal would maintain a central repository on migrant workers and help in speedy inter-State communication/co-ordination to facilitate their smooth movement to native places. It has additional advantages like contact tracing, which may be useful in overall COVID-19 response work.

Newsletters/Studies

PHD Research Bureau released Report on PHDCCI Quick survey on Post lockdown Business Scenario- PHD Chamber of Commerce and Industry has conducted a quick pan India survey to assess the impact of pandemic COVID-19 on Indian businesses and their preparedness to face post Lockdown issues and challenges.

Report on PHDCCI Quick survey on Post lockdown Business Scenario (https://www.phdcci.in/wp-content/uploads/2020/05/PHDCCI-Quick-Survey-on-Post-Lockdown-Business-Scenario-1.pdf)

Please find enclosed detailed Weekly Compendium of Economic and Business Developments (Period ending May 22, 2020) for your kind reference.

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