

Weekly Compendium of Economic and Business Developments

(Period ending December 11th , 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 release of 6th Instalment of Rs.6,000 crore to the States, Cabinet approval for the proposal of Securities & Exchange Board of India (SEBI), decision of Ministry of Commerce and Industry and Ministry of AYUSH to set up an AYUSH Export Promotion Council, Value of global merchandise trade projected to fall by 5.6% in 2020, among others. The details of disseminated information during the week ending 11th December 2020 are appended.

India and World Economy

- **6th Instalment of Rs.6,000 crore released to the States as back to back loan to meet the GST compensation shortfall**-The Ministry of Finance has released the weekly instalment of Rs. 6,000 crore to the States to meet the GST compensation shortfall. Out of this, an amount of Rs. 5,516.60 crore has been released to 23 States and an amount of Rs.483.40 crore has been released to the 3 Union Territories (UT) with Legislative Assembly (Delhi, Jammu & Kashmir & Puducherry) who are members of the GST Council. The remaining 5 States, Arunachal Pradesh, Manipur, Mizoram, Nagaland and Sikkim do not have a gap in revenue on account of GST implementation. The Government of India is borrowing this amount on behalf of the States and UTs through a special borrowing window to meet the estimated shortfall of Rs.1.10 lakh crore in revenue arising on account of GST implementation.
- **Cabinet approves the proposal of Securities & Exchange Board of India (SEBI) to sign Bilateral Memorandum of Understanding between India and Luxembourg**:-The Union Cabinet chaired by the Hon'ble Prime Minister, Shri Narendra Modi has given its approval for the proposal of Securities & Exchange Board of India (SEBI) to sign a bilateral Memorandum of Understanding (MOU) between Securities and Exchange Board of India and Financial and Commission de Surveillance du Secteur Financier (CSSF), Luxembourg. The Objectives of The MoU is likely to strengthen cross border cooperation in the area of securities regulations and facilitate mutual assistance, contribute towards efficient performance of the supervisory functions aid in imparting technical domain knowledge and enable effective enforcement of the laws and regulations governing the securities markets of India and Luxembourg.
- **Ministry of Commerce and Industry and Ministry of AYUSH decides to set up an AYUSH Export Promotion Council**:-The Ministry of Commerce and Industry and the Ministry of AYUSH have decided to work together to set up an Export Promotion Council to boost AYUSH exports. This decision was taken recently in a joint review meeting of AYUSH trade and Industry by Shri Piyush Goyal, Hon'ble Minister of Commerce and Industry and Shri Shripad Naik, Hon'ble Minister of AYUSH. It was also decided in the review that the entire AYUSH sector will work together to achieve price and quality competitiveness to boost AYUSH exports.

Secretary AYUSH initiated the discussions with a presentation on the action taken on the recommendations of the previous meeting by the Ministry of AYUSH. He also briefed about the various other initiatives taken by the Ministry of AYUSH to mitigate the COVID19 situation and to promote AYUSH industry. He spoke about the emerging opportunities for promotion of AYUSH sector and listed a few hurdles that deserved attention.

Finance

- **RBI announces date for launching of RTGS 24x7:-** Reserve Bank had announced in the Statement on Developmental and Regulatory Policies dated October 09, 2020, that the Real Time Gross Settlement System (RTGS) will be available round the clock on all days of the year. Accordingly, RTGS 24x7x365 will be launched with effect from 00:30 hours on December 14, 2020. India will become one of the few countries in the world to operate its RTGS system round the clock throughout the year. This comes within a year of operationalising NEFT 24x7 by the Reserve Bank. RTGS, which began its operations on March 26, 2004 with a soft launch involving four banks, presently handles 6.35 lakh transactions daily for a value of ₹4.17 lakh crore across 237 participant banks. The average ticket size for RTGS in November 2020 was ₹57.96 lakh making it a truly large value payment system. RTGS uses ISO 20022 format which is the best-in-class messaging standard for financial transactions. The feature of positive confirmation for credit to beneficiary accounts is also available in RTGS.
- **Regional Rural Banks - Access to Call/Notice/Term Money Market:-** A reference is invited to the Statement of Developmental and Regulatory Policies dated December 4, 2020 wherein it was announced that Regional Rural Banks (RRBs) shall be permitted to participate in the call/notice/term money market. Accordingly, RRBs shall be permitted to participate in the call/notice and term money markets both as borrowers and lenders. The prudential limits and other guidelines on call/notice/term money markets for the RRBs shall be the same as those applicable to Scheduled Commercial Banks in terms of the RBI Master Direction No.2/2016-17, dated July 7, 2016 on Money Market Instruments: Call/Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year), as amended from time to time. RRBs may approach the Chief General Manager, Financial Market Regulation Department, Reserve Bank of India Central Office, 9th floor, Central Office building, Shahid Bhagat Singh Marg, Fort, Mumbai-400 001 (cgmfmrd@rbi.org.in) in this regard. These Directions have been issued by RBI in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf. These Directions shall be applicable with immediate effect.

Foreign Affairs and Trade

- **Value of global merchandise trade projected to fall by 5.6% in 2020: UNCTAD:-** According to UNCTAD, the value of global merchandise trade is predicted to fall by 5.6% in 2020 compared with last year. This would be the biggest fall in merchandise trade since 2009, when trade fell by 22%. This is a significantly more optimistic nowcast than only a few weeks ago when UNCTAD nowcasts were estimating a fall of 9%. The predicted decline in services trade is much greater, with services likely to fall by 15.4% in 2020 compared with 2019. This would be the biggest decline in services trade since 1990, when this series began. In 2009, following the global financial crisis, services trade fell by 9.5%. The nowcasts – data-led projections for the immediate future – are published as part of UNCTAD's comprehensive annual Handbook of Statistics for 2020, which presents the statistical landscape for 2019 with nowcasts for 2020.

Our Voice

Over the last 8 months, the Government of India has undertaken proactive and fast track measures to safeguard its people, economy, trade and industry against the wild tide of pandemic COVID-19. The series of stimulus announcements by the Government under the AatmaNirbhar Bharat Abhiyaan 1.0, 2.0 and 3.0 along with the measures undertaken by the RBI have taken the total of stimulus package to the level of around Rs 30 lakh crores, which is highly laudable and encouraging.

The recovery in the key economic and business indicators is visible on the back of these string of reforms, which is indicated by an improvement in GDP in Q2 at (-)7.5% from (-) 23.9% in Q1 2020-21. This has instilled the expectations of a strong, sustainable and even positive growth in Q3 FY2021 with robust resumption of the lost economic activity sooner than later. Rural resilience and pent-up of demand activity is supporting the economic activity at this juncture to rejuvenate it from the extreme lows caused by daunting impact of COVID-19. The recent growth projections by the RBI, such as positive growth in H2 FY2021 and revised real GDP growth rate at (-)7.5%, are inspiring and will build confidence in the economic and business activities, going forward.

These growth projections by RBI are very encouraging and in line with expectations as PHDCCI EBM Index (Economic and Business Momentum Index) released in November 2020, which has projected that GDP growth will become positive from Q3 FY 2020-21 at around 0.1% to 2%, around 2% to 4% in Q4 FY 2020-21 and the overall growth for the FY 2020-21 is expected to contract by not more than 7.9% on the back of various effective reforms undertaken by the government during the last few months to lift the economy from the daunting impact of COVID-19.

At this juncture, increased spending on infrastructure along with demand creation will have multiplier effects on the economic growth trajectory by boosting private investments, creating new employment opportunities in the sectors such as steel, cement and power and demand creation in the country. Continuous facilitation of industry and further effective implementation of reforms at the grassroot level with enhanced synchronization between Central and State Governments would be crucial for fruitful outcomes going forward.

Economy so far

- **India should open its economy further, says Walmart CEO:-** Doug McMillon, CEO of Walmart Inc., urged India to further open its economy and said the growth recorded by Flipkart, Myntra and PhonePe during the pandemic has cemented the company's belief in the South Asian nation. He said Flipkart, the e-commerce company that is its flagship India business, could have one or multiple listings in the coming years. Walmart plans to increase its exports out of India more than three times to \$10 billion by 2027, up from \$3 billion at present. It plans to boost exports by expanding its pool of hundreds of suppliers, especially among micro, small and medium enterprises, and the company pledged to strengthen the supply chain ecosystem in India.
- **Finance Ministry notifies updated viability gap funding scheme:** The finance ministry on Monday, notified the updated Viability Gap Funding (VGF) scheme which gives a push to the social infrastructure sector in India along with extending the existing scheme to continue support to core sector infrastructure. The new scheme, applicable with immediate effect, allows for funding up to Rs 200 crore to be sanctioned by an Empowered Committee (EC) headed by the economic affairs secretary, while projects requiring over Rs 200 crore would be approved by the EC with the approval of the finance minister.
- **Agitation on, but Punjab sees rise in wheat planting:-** Farmers in Punjab have increased wheat planting by 4%, in step with the rest of the country, even though many from the state have been camping on the Delhi

border to protest against farm laws, prompting officials to say that farmers are focused on cultivation not agitation .Area under wheat has gone up to 3.18 million hectare, over 100,000 hectares more than last year, while area under oilseeds and pulses is almost the same as last year. Overall acreage across the county is also up by 4% from last year at 43.6 million hectares.

- **India's container trade severely impacted on low supply, demand this year, says Maersk:-** Indian containerised trade has been severely impacted this year owing to the staggered supply and demand shocks across geographies along with challenging economic indicators, global container logistics major Maersk said on Thursday. The overall recovery in imports and exports is expected in the first half of the next year, it added .Maersk also said that while the exports witnessed a strong rebound on the back of rising demand for textiles and apparel, the imports remain subdued.
- **ADB sees lesser contraction than expected in Asia amid better China, India growth prospects-** Developing Asia is on course to contract this year, but probably less than previously thought as China recovers faster than expected, although the prolonged pandemic remains a risk to the outlook, the Asian Development Bank (ADB) said. Economic output in developing Asia, a group of 45 nations in the Asia-Pacific, is seen to shrink 0.4 per cent this year, the ADB said in a supplement to its Asian Development Outlook report, short of its earlier estimate of a 0.7 per cent decline.
- **Nomura projects India to be the fastest growing Asian economy in 2021-** Nomura projected India to be the fastest growing Asian economy in 2021, with an estimate of 9.9% gross domestic product (GDP) growth in the coming calendar year. The Japanese brokerage turned positive on India's cyclical outlook, with near term risks of a resurgent pandemic unlikely to derail growth. The firm believes India is on the cusp of a cyclical recovery as it projected GDP growth at 32.4% in the first quarter of the coming fiscal on the back of a low base followed by an easing to 10.2% in the next quarter.
- **Cabinet approves setting up of Public Wi-Fi Networks by Public Data Office Aggregators to provide public Wi-Fi service through Public Data Offices without levy of any License Fee-** The Union Cabinet chaired by the Hon'ble Prime Minister, Shri Narendra Modi has given its approval for the proposal of DoT for setting up of Public Wi-Fi Networks by Public Data Office Aggregators (PDOAs) to provide public Wi-Fi service through Public Data Offices (PDOs) spread across length and breadth of the country to accelerate proliferation of Broadband Internet services through Public Wi-Fi network in the country. There shall be no license fee for providing Broadband Internet through these public Wi-Fi networks. The proposal will promote the growth of Public Wi-Fi Networks in the country and, in turn, will help in proliferation of Broadband Internet, enhancement of income and employment and empowerment of people.
- **Cabinet approves Atmanirbhar Bharat RojgarYojana (ABRY)-** The Union Cabinet chaired by the Hon'ble Prime Minister, Shri Narendra Modi has given its approval for Atmanirbhar Bharat RojgarYojana (ABRY) to boost employment in formal sector and incentivize creation of new employment opportunities during the Covid recovery phase under Atmanirbhar Bharat Package 3.0. Cabinet has approved an expenditure of Rs. 1,584 crore for the current financial year and Rs.22,810 crore for the entire Scheme period i.e. 2020-2023.
- **World GDP recovery to strengthen from mid-2021 on vaccine rollout, India's GDP to shrink -9.4% in FY21: Fitch:-** The global economic recovery will strengthen and become more sure-footed from the middle of next year as coronavirus vaccines are rolled out and social distancing starts to unwind, says Fitch Ratings in its latest Global Economic Outlook. Fitch now expects world GDP to fall by 3.7% in 2020 compared to 4.4% in its September estimate. This is despite the expectation of renewed falls in GDP in the fourth quarter in the

- **Government is committed to improving ease of doing business, says Niti Aayog Vice Chairman:-** The government is committed to improving the ease of doing business and innovation ecosystem where every school student has access to the innovative tools and trends, Niti Aayog Vice Chairman Rajiv Kumar has said. He said the Indian economy will be among the top economies in the world in the next few years using science, technology, and innovation in all the sectors, bouncing back soon from the after-effects of COVID-19. "Steps and reforms have been taken by the government
- **Faced with revenue worries, Centre may look at PSUs for higher dividends:-** The Union government may look towards its cash-rich public sector undertakings and those falling behind on their capex plans for current fiscal to declare higher dividends this year to reward their shareholders in this difficult period of Covid-19 pandemic. Officials sources said that the PSUs with stock prices higher than their book values and those with sufficient cash may be asked to shell out higher dividends in FY21. A call will be taken after the third quarter results of companies .
- **CAI cuts cotton export estimate by 10%:-** Cotton Association of India has revised its cotton export estimate for 2020-21 downward by 10% to 5.4 million bales of 170 kilograms each because Indian cotton is no longer the cheapest in the world after a jump in domestic prices. Indian cotton is no longer the cheapest in the world as price of our cotton has increased from Rs 38,000 per candy of 356 kg each to Rs 41,500, while the international prices have declined by about 4%," said Atul Ganatra, president of the trade body that represents.
- **New PCPIR policy moots central funding for infrastructure:-** The failed PCPIR policy 2007, is being completely overhauled, now making the Centre the main driver to develop India as a global hub for petroleum, chemicals and petrochemicals processing and manufacturing by attracting an investment of Rs 20 lakh crore by 2035. The very concept of Petroleum, Chemicals and Petrochemicals Investment Region (PCPIR) is being redrawn in the proposed new policy 2020-35 wherein the size of each investment region will be drastically cut down.
- **India's coal import drops 19% to 117 million tonnes during April-October this fiscal:-** India's coal import saw a drop of 18.6 per cent to 116.81 million tonnes (MT) during April-October this fiscal as against the same period a year ago. India had imported 143.63 MT of coal during the corresponding period of FY 2019-20, according to a provisional compilation by mjunction services, based on monitoring of vessels' positions and data received from shipping companies. mjunction -- a joint venture between Tata Steel NSE 0.39 % and SAIL NSE 2.09 % -- is a B2B e-commerce.
- **ICAR bags global award from FAO for creating awareness about soil health:-** India's agri-research body Indian Council of Agricultural Research (ICAR) on Sunday said it has bagged the prestigious 'International King Bhumibol World Soil Day Award' from the United Nation's Food and Agriculture Organization (FAO) for raising awareness about importance of soil health among all stakeholders. The award was conferred to ICAR on the occasion of World Soil Day, celebrated on December 5, through a virtual function, ICAR said in a statement.
- **Fitch Ratings improves India's GDP projections; says economy recovered strongly in Q2-** Fitch Ratings revised up India's GDP projection to a contraction of 9.4 per cent due to a strong economic recovery in the second quarter of the current fiscal year. It earlier suggested that India's GDP may shrink by 10.5 per cent in the FY21. Fitch Ratings further projected an 11 per cent growth and 6.3 per cent growth in the following years. In its Global Economic Outlook, the rating agency said that the coronavirus recession has inflicted

severe economic scarring and the country needs to repair balance sheets and increase caution about long-term planning. It is to be noted that following the first-quarter results, Fitch Ratings had revised the full-year GDP projections to a contraction of 5 per cent, from a contraction of 10.5 per cent.

- **Draft e-commerce policy: Government mulls new probe body, data audits-** The government may set up an investigation body to “holistically inquire” into the violation of various laws by e-commerce entities and initiate action, if a draft policy firmed up by the Department for Promotion of Industry and Internal trade (DPIIT) is adopted.
- **Chinese exports to India decline 13%; India's trade up 16% in 2020-** China's exports to India declined by 13 per cent in the first 11 months of the year, while Indian exports to China rose 16 per cent in the same period, according to Chinese customs data released. The bilateral trade in the first 11 months of 2020 touched \$78 billion, amidst border tensions between the two countries in eastern Ladakh.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2017	2018	2019	Sept 20	Oct 20	Nov 20	Dec 8 20	Dec 9 , 20	Dec 10 , 20
BSE SENSEX	34057	36068	41253	38067	39614	44149	45608	46103	45959
GOLD (10 GRMS)	28966	30600	34813	50902	50705	50423	49671	49505	49049
CRUDE OIL (1 BBL)	3317	4437	4007.8	2915	2917	3055	3414	3372	3468
EXCHANGE RATE (INR/USD)	65	68	70.4	73.47	73.47	74.31#	73.52	73.56	73.66

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg (Note: # data pertains to average of November 2020 till 20th November 2020)

Warm Regards,

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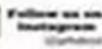


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