

Weekly Compendium of Economic and Business Developments

(Period ending January 8, 2021)

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 India's GDP growth estimated at (-)7.7 % in FY2021 as per First Advance Estimates by MOSPI, release of Global Economic Prospects Report, January 2021 by World Bank, November 2020 Core infra stands at (-)2.6%, November 2020 Fiscal Deficit stands at 135.1% of actuals to Be Madhya Pradesh and Andhra Pradesh rewarded for completing three out of four reforms, Government approves Central Sector Scheme for Industrial Development of Jammu & Kashmir, GST Revenue collection for December 2020 stands at Rs 1,15,174 crore, Current Account Surplus moderated to 2.4% of GDP in Q2 2020-21 from 3.8% in Q1 2020-21, Gross Bank Credit growth stands at 6.0% in November 2020, Seventh Trade Policy Review of India at the WTO, Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme gets implemented from 01.01.2021, among others. The details of disseminated information during the week ending 8th January 2021 are appended.

India and World Economy

- India's GDP growth estimated at (-)7.7 % in FY2021 as per First Advance Estimates by MOSPI-** The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation has released the First Advance Estimates of National Income at both Constant (2011-12) and Current Prices, for the financial year 2020-21 along with the corresponding estimates of expenditure components of the Gross Domestic Product (GDP). Real GDP or GDP at Constant Prices (2011-12) in the year 2020-21 is likely to attain a level of ₹134.40 lakh crore, as against the Provisional Estimate of GDP for the year 2019-20 of ₹145.66 lakh crore, released on 31st May 2020. The growth in real GDP during 2020-21 is estimated at -7.7 per cent as compared to the growth rate of 4.2 per cent in 2019-20. Real GVA at Basic Prices is estimated at ₹123.39 lakh crore in 2020-21, as against ₹133.01 lakh crore in 2019-20, showing a contraction of 7.2 percent.
- World Bank released Global Economic Prospects Report, January 2021-** According to World Bank released Global Economic Prospects Report, January 2021, Although the global economy is emerging from the collapse triggered by the pandemic, the recovery is projected to be subdued. Global economic output is expected to expand 4 percent in 2021 but still remain more than 5 percent below its pre-pandemic trend. Moreover, there is a material risk that setbacks in containing the pandemic or other adverse events derail the recovery.
- November 2020 Core infra stands at (-)2.6%-** The core infrastructure growth stands at (-)2.6% in November 2020 as against (-)0.9% in October 2020. The cumulative growth of core infrastructure during April-November 2020-21 stands at (-)11.4% as compared to 0.3% in April-November 2019-20. The growth rate of Coal stands at 2.9%, Crude Oil at (-)4.9%, Natural Gas at (-)9.3%, Refinery Products at (-)4.8%, Fertilizers at 1.6%, Steel at (-)4.4%, Cement at (-)7.1% and Electricity at 2.2% in November 2020 as compared to 11.7%, (-)6.2%, (-)8.6%, (-)

)17%, 6.3%, 4%, 3.2% and 11.2% in October 2020, respectively.

- **Ease of doing business with Railway gets a solid boost-** Indian Railways is the backbone of the country's logistics sector. During 2020, when most of the activities were under lockdown, Indian Railways was providing relentless services in Freight transportation in the country. Indian Railways achieved highest ever loading continuously in Sept, Oct, Nov and Dec 2020. Indian Railways has embraced a "Freight on Priority" policy by pushing for an aggressive customer-centric approach to expand the freight carried not only from the traditional segments but also by attracting new customers to its fold. In its commitment to take level of customer services to new heights, Shri Piyush Goyal, Hon'ble Minister for Railways, Commerce & Industry, Consumer Affairs and Food & Public Distribution has launched on 05.01.2021 a Freight Business Development Portal as one stop solution for all the needs of freight customers.
- **10th 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 10th 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. Now, more than 50 percent of the estimated GST compensation shortfall has been released to the States & UT with Legislative Assembly.
- **ADB, India sign US\$ 100 million loan to upgrade power distribution system in Bengaluru-** The Asian Development Bank (ADB) and the Government of India recently signed a US\$ 100 million loan to modernise and upgrade the power distribution system to enhance the quality and reliability of electricity supply in Bengaluru city in the state of Karnataka. The signatories to the Bengaluru Smart Energy Efficient Power Distribution Project were Dr. C. S. Mohapatra, Additional Secretary, Department of Economic Affairs in the Ministry of Finance who signed for the Government of India, and Mr. Hoe Yun Jeong, Officer-in-Charge of ADB's India Resident Mission, who signed for ADB.
- **November 2020 Fiscal Deficit stands at 135.1% of actuals to Bes-** The gross fiscal deficit of the Central government stands at 135.1% of the actuals to budget estimates (BEs) in November 2020 as compared to 114.8% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit and revenue deficit stands at 785.3% and 139.9% of the actuals to budget estimates in November 2020 as compared to 1076.5% and 128.3% of the actuals to budget estimates in the corresponding period of the previous year.
- **Odisha becomes the 7th State to complete ease of doing business reforms-** Odisha has become the 7th State in the country to successfully undertake "Ease of Doing Business" reform stipulated by the Department of Expenditure, Ministry of Finance. Thus, the State has become eligible to mobilise additional financial resources of Rs. 1,429 crore through Open Market Borrowings. Permission for the same was issued by the Department of Expenditure on 30th December, 2020. Odisha has now joined the six other States namely, Andhra Pradesh, Karnataka, Madhya Pradesh, Rajasthan, Tamil Nadu and Telangana, who have completed this reform. On completion of reforms facilitating Ease of Doing Business (EODB), these six States have been granted additional borrowing permission of Rs. 20,888 crore.

- Telangana becomes the 3rd State to complete Urban Local Bodies reforms-** Telangana has become the 3rd State in the country to successfully undertake “Urban Local Bodies (ULB)” reform stipulated by the Department of Expenditure, Ministry of Finance. Thus, the State has become eligible to mobilise additional financial resources of Rs.2,508 crore through Open Market Borrowings. Permission for the same was issued by the Department of Expenditure on 7th January, 2021. Telangana has now joined the two other States namely, Andhra Pradesh and Madhya Pradesh, who have completed this reform. On completion of urban local bodies reform, these three States have been granted additional borrowing permission of Rs.7,406 crore.
- World Economic Forum released Indian Cities in the Post-Pandemic World Report, January 2021-** World Economic Forum released Indian Cities in the Post-Pandemic World Report, January 2021, with recommendations from 14 global urban experts to translate lessons learned from the pandemic into a new urban reforms agenda. According to report, the unfolding COVID-19 pandemic has been catastrophic for cities, which have borne the brunt of the outbreak. According to estimates, about 70% of India’s GDP comes from its cities and around 25-30 people migrate to the cities from rural areas every minute. However, most big cities in India have wide economic disparity, with expansive slums and a large urban poor population. Studies estimate that about 25 million households in India – 35% of all urban households – cannot afford housing at market prices. It is time to create a new urban paradigm that enables cities to be healthier, more inclusive and more resilient.
- Government publishes the Draft Model Standing Orders for the Manufacturing Sector, Mining Sector and Service Sector -** Pursuant to section 29 of the Industrial Relations Code, 2020; the Central Government has published the draft Model Standing Orders for the Manufacturing Sector, Mining Sector and Service Sector in the official gazette, inviting suggestions/objections from the stakeholders within a period of thirty days. Keeping in view the needs of the services sector, a separate Model Standing Orders for Services Sector has been prepared first time.
- Madhya Pradesh and Andhra Pradesh rewarded for completing three out of four reforms-** Madhya Pradesh and Andhra Pradesh have become the first group of States to complete three out of the four citizen centric reforms stipulated by the Department of Expenditure, Ministry of Finance. The two States have completed the One Nation, One Ration Card Reforms, Ease of Doing Business Reforms, and Urban Local Bodies Reforms. Consequent upon completion of reforms in the three sectors, the Department of Expenditure, Ministry of Finance has decided to provide additional financial assistance amounting to Rs.1004 crore to these States under the newly launched Scheme of “Special Assistance to States for Capital Expenditure”. Andhra Pradesh will get an additional amount of Rs.344 crore while Madhya Pradesh has become entitled to receive Rs.660 crore for capital projects. The Scheme was announced by the Hon’ble Finance Minister on 12th October, 2020 as part of Aatma Nirbhar Bharat package. The additional financial assistance for the capital expenditure is in addition to the permission of Rs.14694 crore issued to these States for extra borrowings for completing the reforms.
- Japan’s Official Development Assistance for the COVID-19 crisis response support loan for social protection-** The Government of Japan has committed Official Development Assistance loan of an amount of JPY 30 billion (approx. Rs. 2,113 crore) for a programme loan to support India's efforts at providing social assistance to the poor and vulnerable households, severely impacted by the COVID-19 pandemic. The Notes were exchanged today between Dr. C.S. Mohapatra, Additional Secretary, Department of Economic Affairs, Government of India and Mr. Suzuki Satoshi, Ambassador, Embassy of Japan to India for COVID-19 Crisis Response Support Loan for Social Protection. Subsequent to the Exchange of Notes, Loan Agreement for this programme loan

was signed between Dr. Mohapatra and Mr. Katsuo Matsumoto, Chief Representative, JICA, New Delhi.

- **Government approves Central Sector Scheme for Industrial Development of Jammu & Kashmir-** The Union Cabinet, chaired by Hon'ble Prime Minister Shri Narendra Modi, has approved the proposal of Department for Promotion of Industry and Internal Trade for Central Sector Scheme for Industrial Development of Jammu & Kashmir. The scheme is approved with a total outlay of Rs. 28,400 crore upto the year 2037. Government of India has formulated New Industrial Development Scheme for Jammu & Kashmir (J&K IDS, 2021) as Central Sector Scheme for the development of Industries in the UT of Jammu & Kashmir. The main purpose of the scheme is to generate employment which directly leads to the socio economic development of the area. Considering the historic development of reorganization of Jammu & Kashmir with effect from 31.10.2019 into UT of Jammu & Kashmir under the J&K Reorganisation Act, 2019, the present scheme is being implemented with the vision that industry and service led development of J&K needs to be given a fresh thrust with emphasis on job creation, skill development and sustainable development by attracting new investment and nurturing the existing ones.

Finance

- **GST Revenue collection for December 2020 stands at Rs 1,15,174 crore-** The gross GST revenue collected in the month of December is Rs 1,15,174 crore of which CGST is ₹ 21,365 crore, SGST is ₹ 27,804 crore, IGST is ₹ 57,426 crore (including ₹ 27,050 crore collected on import of goods) and Cess is ₹ 8,579 crore (including ₹ 971 crore collected on import of goods). The total number of GSTR-3B Returns filed for the month of November up to 31st December 2020 is 87 lakhs. The government has settled ₹ 23,276 crore to CGST and ₹ 17,681 crore to SGST from IGST as regular settlement. The total revenue earned by Central Government and the State Governments after regular settlement in the month of December 2020 is ₹ 44,641 crore for CGST and ₹ 45,485 crore for the SGST.
- **RBI issues Introduction of Legal Entity Identifier for Large Value Transactions in Centralised Payment Systems-** The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide. It was conceived as a key measure to improve the quality and accuracy of financial data systems for better risk management post the Global Financial Crisis. LEI has been introduced by the Reserve Bank in a phased manner for participants in the over the counter (OTC) derivative and non-derivative markets as also for large corporate borrowers. It has now been decided to introduce the LEI system for all payment transactions of value ₹50 crore and above undertaken by entities (non-individuals) using Reserve Bank-run Centralised Payment Systems viz. Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT).
- **RBI announces Operationalisation of Payments Infrastructure Development Fund (PIDF) Scheme-** This is in reference to the Statement on Developmental and Regulatory Policies dated October 4, 2019 and the Press Release dated June 05, 2020 announcing creation of Payments Infrastructure Development Fund (PIDF). PIDF is intended to subsidise deployment of payment acceptance infrastructure in Tier-3 to Tier-6 centres with special focus on North-Eastern States of the country. It envisages creating 30 lakh new touch points every year for digital payments.
- **Current Account Surplus moderated to 2.4% of GDP in Q2 2020-21 from 3.8% in Q1 2020-21-** India's current account surplus moderated to US\$ 15.5 billion (2.4 per cent of GDP) in Q2 of 2020-21 from US\$ 19.2 billion (3.8 per cent of GDP) in Q1 of 2020-21; a deficit of US\$ 7.6 billion (1.1 per cent of GDP) was recorded a year ago [i.e. Q2 of 2019-20]. The narrowing of the current account surplus in Q2 of 2020-21 was on account of a

rise in the merchandise trade deficit to US\$ 14.8 billion from US\$ 10.8 billion in the preceding quarter.

- **RBI issues Circular on Risk Based Internal Audit (RBIA) Framework** – Strengthening Governance arrangements- In terms of the Guidance Note on Risk-Based Internal Audit issued by RBI vide circular DBS.CO.PP.BC.10/11.01.005/2002-03 dated December 27, 2002, banks, inter alia, are required to put in place a risk based internal audit (RBIA) system as part of their internal control framework that relies on a well-defined policy for internal audit, functional independence with sufficient standing and authority within the bank, effective channels of communication, adequate audit resources with sufficient professional competence, among others. To bring uniformity in approach followed by the banks, as also to align the expectations on Internal Audit Function with the best practices, banks are advised by RBI to maintain Authority, Stature and Independence, Competence, Staff Rotation, among others.
- **Ministry of Finance notifies extension of time limits for income tax returns**- In view of the challenges faced by taxpayers in meeting the statutory and regulatory compliances due to the outbreak of COVID-19, the Government brought the Taxation and Other Laws (Relaxation of Certain Provisions) Ordinance, 2020 ('the Ordinance') on 31st March, 2020 which, inter alia, extended various time limits. The Ordinance has since been replaced by the Taxation and Other Laws (Relaxation and Amendment of Certain Provisions) Act. Considering the problems being faced by the taxpayers, it has been decided to provide further time to the taxpayers for furnishing of Income Tax Returns, tax audit reports and declaration under Vivad Se Vishwas Scheme. Further, in order to provide more time to taxpayers to comply under various ongoing proceedings, the dates of completion of proceedings under various Direct Taxes & Benami Acts have also been extended.
- **Gross Bank Credit growth stands at 6.0% in November 2020**- Gross bank credit growth (year-on-year) stands at 6.0% in November 2020 as against 5.5% in October, 2020. On a year-on-year (y-o-y) basis, non-food bank credit growth stood at 6.0 per cent in November 2020 as compared to 7.2 per cent in November 2019. Reversing the downtrend, credit growth to agriculture and allied activities accelerated to 8.5 per cent in November 2020 from 6.5 per cent in November 2019. Credit to industry contracted marginally by 0.7 per cent in November 2020 as compared with 2.4 per cent growth in November 2019 mainly due to contraction in credit to large industries by 1.8 per cent in November 2020 (3.0 per cent growth a year ago), though credit to medium industries registered a robust growth of 20.9 per cent in November 2020 vis-a-vis contraction of 2.4 per cent a year ago.

Foreign Affairs & Trade

- **India's response to S 301 Report of U.S. on Equalisation Levy**- The office of USTR on 6th Jan 2021 released its findings on the section 301 investigation into India's digital Services tax (DST) and concluded that India's DST - the equalisation levy - is discriminatory and restricts US commerce. Similar determinations were also made against Italy and Turkey on 6th Jan, 2021, itself. The Government of India will examine the determination / decision notified by the U.S. in this regard, and would take appropriate action keeping in view the overall interest of the nation.
- **Seventh Trade Policy Review of India at the WTO begins**- India's seventh Trade Policy Review (TPR) began on Wednesday, 6th January 2021, at the World Trade Organization in Geneva. The TPR is an important mechanism under the WTO's monitoring function, and involves a comprehensive peer-review of the Member's national trade policies. India's last TPR took place in 2015. India's official delegation for the TPR is headed by the Commerce Secretary, Dr. Anup Wadhawan. In his opening statement to the WTO Membership on the occasion, Commerce Secretary emphasized that this TPR is taking place at a time when the world is

witnessing an unprecedented health and economic crisis. He highlighted the far-reaching efforts made by India to effectively address the health and economic challenges posed by the COVID-19 pandemic, including the Aatma Nirbhar Bharat initiative.

- **DGFT issues Trade Advisory regarding Cyber fraud complaints from Indian Exporters**-The Directorate General of Foreign Trade, Government of India has issued a trade advisory regarding email spoofing/ phishing cyber frauds causing increased bilateral trade disputes. The victims are Indian exporters who having supplied the goods; neither have the goods in their possession nor have received the payment. Such problems can be largely resolved by implementing security protocols which meet various safety issues and ensure best possible deliverability. For details, you may please access the detailed circular released by Directorate General of Foreign Trade (DGFT) for your kind reference:
<https://content.dgft.gov.in/Website/dgftprod/560b7a9a-8c43-4e9a-ad87-45f3d4853519/TN%2036.pdf>
- **Cabinet approves signing of Memorandum of Cooperation between India and Japan on Partnership in "Specified Skilled Worker"**- The Union Cabinet, chaired by Hon'ble Prime Minister Shri Narendra Modi, has approved the signing of a Memorandum of Cooperation between the Government of India and Government of Japan, on a Basic Framework for Partnership for Proper Operation of the System Pertaining to "Specified Skilled Worker". The present Memorandum of Cooperation would set an institutional mechanism for partnership and cooperation between India and Japan on sending and accepting skilled Indian workers, who have qualified the required skill and Japanese language test, to work in fourteen specified sectors in Japan. These Indian workers would be granted a new status of residence of "Specified Skilled Worker" by the Government of Japan.
- **Government announces amendment in import policy and condition of items classified under Chapter 41 & 43 of ITC (HS), 2017, Schedule – I (Import Policy)**- The Directorate General of Foreign Trade, Ministry of Commerce and Industry, Government of India has announced a new Policy Condition as Policy Condition No.4 in Chapter 41 & Condition No.3 in Chapter 43 of ITC (HS), 2017, Schedule – I (Import Policy). Imports are subject to compliance with the health protocol for import of hides and skin or sanitary conditions as may be prescribed from time to time by Department of Animal Husbandry and Dairying. The effect of the notification is that import policy of some items classified under Chapter 41 and 43 of ITC (HS), 2017, Schedule – I (Import Policy) is amended from "prohibited" to "free" and new Policy Conditions added to Chapter 41 and 43. For details, you may please access the detailed circular released by Directorate General of Foreign Trade (DGFT) for your kind reference:
<https://content.dgft.gov.in/Website/dgftprod/b8332978-c197-419b-a33b-e571ba84cd64/Notification%2055%20English.pdf>
- **Government announces insertion of a Policy Condition for items under HS Code 33074900 of Chapter- 33 of ITC (HS), 2017, Schedule-I (Import Policy)**- The Directorate General of Foreign Trade has announced insertion of a Policy Condition for items under HS Code 33074900 of Chapter- 33 of ITC (HS), 2017, Schedule-I (Import Policy). The imports of odoriferous preparations such as room fresheners/ car fresheners that do not operate by burning under HS Code 33074900 is free. For details, you may please access the detailed circular released by Directorate General of Foreign Trade (DGFT) for your kind reference:
<https://content.dgft.gov.in/Website/dgftprod/a4afeef5-b35b-4ffa-b29c-1a0c58dfdb97/Notification%2054%20english.pdf>
- **Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme gets implemented from 01.01.2021**- Taking a major step to boost exports, Government has decided to extend the benefit of the Scheme for

Remission of Duties and Taxes on Exported Products (RoDTEP) to all export goods with effect from 1st January, 2021. The RoDTEP scheme would refund to exporters the embedded Central, State and local duties/taxes that were so far not being rebated/refunded and were, therefore, placing our exports at a disadvantage. The refund would be credited in an exporter's ledger account with Customs and used to pay Basic Customs duty on imported goods. The credits can also be transferred to other importers.

- **Government announces incorporation of policy condition under Exim Code 05040039 of Chapter 05 of ITC (HS), 2017, Schedule – I (Import Policy)**- The Directorate General of Foreign Trade (DGFT) has announced that import of only porcine intestinal mucosa [guts, bladders and stomach of animals (other than fish) whole and pieces thereof, fresh, chilled, frozen, salted, in brine, dried or smoked] under the HS code 05040039 is "free" subject to obtaining Sanitary Import permit from the department of Animal Husbandry and Dairying as per notification S.O 2666(E) dated 17.10.2014 under the Livestock Importation Act (Amendment), 2001. However, import of other items under the HS code 05040039 will continue to remain "restricted" subject to import policy conditions of Chapter 5 of ITC (HS) classification. For details, you may please access the detailed circular released by Directorate General of Foreign Trade (DGFT) for your kind reference: <https://content.dgft.gov.in/Website/dgftprod/3c32bd54-14f2-4a71-9912-8a9c02c622eb/Notification%20No.52%20dated%2030.12.2020%20inksigned%20%20english.pdf>

Our Voice

- **GOI projects (-)7.7% in FY 2020-21 in line with our 21st October projection based on PHDCCI EBM Index : PHD Chamber-** PHD Chamber of Commerce and Industry has appreciated the Government for pulling the economy from the low growth of (-)23.9% in Q1 FY 2020-21 to the overall growth of (-)7.7% in FY 2020-21 in the extremely difficult time of Pandemic COVID-19. National Statistical Office, GOI has released today the latest estimates of India's GDP growth at (-)7.7% for FY 2020-21 in its First Advance Estimates of National Income, of which the growth of Agriculture, forestry & fishing is estimated at 3.4%, Mining & quarrying at (-)12.4%, Manufacturing at (-)9.4%, Electricity, gas, water supply & other utility services at 2.7%, Construction at (-)12.6%, Trade, hotels, transport, communication & services related to broadcasting at (-)21.4%, Financial, real estate & professional services at (-)0.8% and Public administration, defence & other services at (-)3.7%.

Today's GOI estimate at (-) 7.7% is very much in line with our expectations as our PHDCCI Economic and Business Momentum (EBM) Index released on October 21, 2020, we had estimated that the GDP growth will be at around (-) 7.9% for the current financial year 2020-21. Going forward, we expect significant growth trajectory of more than 7.7% in next financial year 2021-22. At this juncture, to continue the recovery momentum of economic and business activity, immediate policy attention is required towards credit access to industry and services sectors. Credit disbursement should be the top most priority at this juncture by the banking sector.

The focus should be on ensuring provision of hassle free disbursements of loans vis-à-vis enhanced liquidity for MSMEs, especially in rural sectors. Going ahead, demand creation will have a multiplier effect on enhanced production possibilities, expansion of employment in factories, expansion of capital investments and overall virtuous circle of growth and development of Indian economy. The increased spending on infrastructure will give a multiplier effect to rejuvenate the aggregate demand in the economy and to mitigate the daunting impact of COVID-19 on the economy. Also, there is a need to lower interest rates for consumers and businesses, 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.

- **PHDCCI Economy GPS Index January 2021; Economic activity based on composite GPS Index including GST Collections, Passenger Vehicle Sales and SENSEX at 33 months high, broad based recovery will attain higher growth trajectory soon : PHD Chamber-** The trinity of the Stimulus of Policy, Financials and Confidence instilled by the Government during the last 9 months have enhanced the economic activity at significantly higher level, the December month economic activity based on the composite index of three broad economic indicators including GST collections, Passenger Vehicle Sales and SENSEX is at its 33 months high.

The composite PHDCCI Economy GPS including three lead indicators ; GST Collections, Passenger Vehicle sales and movement SENSEX is indexed at 100 with a base year of 2017-18 to check quickly the momentum of the economy based on three broad indicators representing not only demand and supply but also revenue growth of the government, financial markets movement in the country. GST collections indicate the momentum of business activity, passenger vehicle sales is broad indicator of demand activity in the economy and movement of SENSEX indicate mood of the investors both domestic and foreign and India's attractiveness to the foreign investors on the back of various reforms undertaken by the government. PHDCCI Economy GPS Index has shown a sharp recovery from the lows of 43.8 in April 2020 to 55.3 in May 2020, 81.8 in June 2020, 92.8 in July 2020, 97.8 in August 2020, 108 in September 2020, 118 in October 2020, 115.4 in November 2020 and 124.1 in December 2020.

The value of PHDCCI Economy GPS Index stood at 124.1 in December 2020, showing an improvement by around 15 points as compared to its value in December 2019 which indicate that the economy has significantly recovered in the recent months. The continuous improvement in the broad economic indicators reflect that the worst is behind us. The series of stimulus announcements by the Government in last 9 months under the AatmaNirbhar Bharat Abhiyaan 1.0, 2.0 and 3.0 along with the calibrated measures undertaken by the RBI have pulled the economy from the lows of Q1 FY 2020-21 (-) 23.9% in Q1 2020-21 and (-) 7.5% in Q2 FY 2020-21. With the continuous improvement in the broad economic and business indicators, expectations of a positive GDP growth at 0.1% to 2% in Q3 and 2% to 4% in Q4 FY 2020-21 are becoming strong with a higher growth trajectory in FY 2021-22 at more than 7.7%.

On an average, the PHDCCI Economy GPS index during the period April – December of FY 2020-21 stands at 93 as compared with April – December FY 2019-2020 at 106.2. To continue the momentum of economic and business activity at the same pace, immediate policy attention is required towards credit access to industry and services sectors. Credit disbursement should be the top most priority at this juncture by the banking sector. The focus should be on ensuring provision of hassle free disbursements of loans vis-à-vis enhanced liquidity for MSMEs, especially in rural sectors.

Going ahead, demand creation will have a multiplier effect on enhanced production possibilities, expansion of employment in factories, expansion of capital investments and overall virtuous circle of growth and development of Indian economy. The increased spending on infrastructure will give a multiplier effect to rejuvenate the aggregate demand in the economy and to mitigate the daunting impact of COVID-19 on the economy. Undoubtedly, robust growth of infrastructure is the key ingredient to realize the vision of Aatmanirbhar Bharat. The Government can consider raising investment funding for the National Infrastructure Pipeline (NIP) through borrowings from overseas markets by issuance of overseas bonds through an SPV that could act as a mega Development Financial Institution- DFI.

Also, there is a need to lower interest rates for consumers and businesses, 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. Strengthening the MSMEs sector must also be on priority. It is suggested that the value

chains of MSMEs should be enhanced; thus, making them more structurally competent to add to their efficiency, share in manufacturing sector, employment generation and the country's overall export growth momentum.

PHDCCI Economy GPS Index is a composite index of 3 lead economic and business indicators with base year at 2017-18=100, which is a measure of the broad based economic and business activity. The PHDCCI Economy GPS Index is based on the monthly value of three high frequency indicators viz., GST Collection (Rs. Crore), Passenger vehicle sales (units) and SENSEX (Daily average) which provides movement of economic trajectory of the country.

- **PHDCCI Quick Economic Trends for January 2021; Economic recovery turns from steady to speedy path, Q3 FY 2020-21 growth seen at more than 0.1 percent: PHD Chamber-** Increase in Exports, high E-way Bills, all-time high GST Collections, strong stock market and rising railway freight in December 2020 indicate speedy economic recovery in the coming months, however, employment creation needs more focus. Out of the 10 indicators of QET (Quick Economic Trends) of economic and business activity tracked by the industry body PHDCCI, 9 have performed positive of which merchandise exports have shown a highest sequential growth of around 17% in December 2020 over the previous month. On the back of various reforms undertaken by the Government in last 9 months, the expectations of a positive GDP growth at 0.1% to 2% in Q3 and 2% to 4% in Q4 FY 2020-21 are becoming strong with a higher growth trajectory in FY 2021-22 at more than 7.7%.

Going by the performance of 10 economic and business indicators of QET, the performance in December 2020 is better as compared to October and November 2020, as 9 out of 10 economic and business indicators have improved in December 2020 as against 8 in October 2020 and 6 in November 2020. 10 economic and business indicators of QET include demand and supply side indicators along with external sector and financial indicators. Economic and business indicators such as GST Collections, E way bills, Railway Freight, Passenger Vehicle Sales, Forex Reserves, Exports, Stock Market, Merchandise Exports and Manufacturing PMI, have shown positive sequential growth in December 2020 as compared with November 2020. However, unemployment rate has recorded an increase to the level of 9% in December 2020 as compared to 6.5% in previous month of November 2020.

We believe that improvement in 9 economic and business indicators on sequential basis is a good indication that economy is moving in right direction and stronger economic recovery is expected in the coming month. The Reforms such as emergency credit line for MSMEs, liquidity scheme and partial credit guarantee scheme 2.0 for NBFCs, extension of the credit linked subsidy scheme (CLSS) scheme till March 2021, structural reforms in growth promising sectors including coal, minerals, defence, airports and aerospace management, power, space sector, atomic energy sector and civil aviation, six months moratorium on term loans, Production Linked Incentive Scheme for 10 champion sectors, income tax relief to developers and home buyers among others, have made recovery sooner than expected.

At this juncture, to continue the recovery momentum of economic and business activity, immediate policy attention is required towards credit access to industry and services sectors. Credit disbursement should be the top most priority at this juncture by the banking sector. The focus should be on ensuring provision of hassle free disbursements of loans vis-à-vis enhanced liquidity for MSMEs, especially in rural sectors.

Going ahead, demand creation will have a multiplier effect on enhanced production possibilities, expansion of employment in factories, expansion of capital investments and overall virtuous circle of growth and development of Indian economy. The increased spending on infrastructure will give a multiplier effect to

rejuvenate the aggregate demand in the economy and to mitigate the daunting impact of COVID-19 on the economy. Undoubtedly, robust growth of infrastructure is the key ingredient to realize the vision of Aatmanirbhar Bharat.

The Government can consider raising investment funding for the National Infrastructure Pipeline (NIP) through borrowings from overseas markets by issuance of overseas bonds through an SPV that could act as a mega Development Financial Institution- DFI. Also, there is a need to lower interest rates for consumers and businesses, 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.

Economy so far

- **Crying Foul: USTR calls India's digital services levy discriminatory-** Digital Services Taxes (DST) imposed by India, Italy and Turkey discriminate against American companies and are out of sync with established international tax principles, the US Trade Representative's (USTR) office has said, rejecting New Delhi's contention of its equalisation levy, or the so-called 'Google tax', being non-discriminatory. Although the USTR held off potential retaliatory tariffs against the country, for the time being, it warned it "will continue to evaluate all available options". The US Trade Representative's "Section 301" investigation into the DST suggests that of the 119 companies that are likely liable under the tax regime, 86 or 72% were American companies.
- **India's GDP may shrink 7.7% this fiscal year, says govt; projection in line with street estimates-** The Ministry of Statistics and Programme Implementation (MOSPI) said that India's GDP may contract by 7.7 per cent in the current fiscal year 2020-21. Real GDP at constant prices in the year 2020-21 is likely to attain a level of Rs 134.40 lakh crore, as against the Provisional Estimate of GDP for the year 2019-20 of Rs 145.66 lakh crore, it added. The government's first advance estimates are in line with the estimates of the Reserve Bank of India and various rating agencies. RBI has predicted India's economy to shrink by 7.5 per cent in FY21.
- **Budget 2021: RBI support could cut cost for deploying payment terminals in rural India-** The central bank's newly established corpus of Rs 345 crore for developing payment infrastructure in rural India could ease the unit economics for key stakeholders to deploy terminals in the absence of Merchant Discount Rate (MDR).
- **Telangana completes urban local bodies reforms; gets nod for Rs 2,508 cr additional borrowings-** After Andhra Pradesh and Madhya Pradesh, Telangana has become the third state to complete urban local bodies reforms stipulated by the Union finance ministry. With the completion of the reforms, the ministry has allowed the state to make additional borrowing of Rs 2,508 crore.
- **LG Manoj Sinha announces new industrial development scheme worth Rs 28,400 cr for Jammu and Kashmir-** The Jammu and Kashmir administration on Thursday announced a new industrial developmental scheme (IDS) with a total outlay of Rs 28,400 crore to encourage new investment and to take industrial development to the block level. "In a major decision of far-reaching consequence, Government of India has approved a new Industrial Developmental Scheme for Jammu and Kashmir," Lieutenant Governor Manoj Sinha announced at a press conference here.
- **Hon'ble FM Smt Nirmala Sitharaman asks health ministry, water resources department to push infra spending under NIP-** Hon'ble Finance Minister Smt Nirmala Sitharaman asked the secretaries of the health

and family welfare ministry and the department of water resources to push infrastructure expenditure through projects listed under the National Infrastructure Pipeline (NIP). The discussions were part of a review meeting on the progress made on implementation of projects under the NIP, chaired by her. Detailed discussions were held on the headway made and the bottlenecks associated with 24 projects worth Rs 80,915 crore undertaken by the health ministry and 10 large projects amounting to Rs 2.8 lakh crore being implemented by the department of water resources.

- **Services PMI hits 3-month low in December-** Services activity slowed to a three-month low in December, as the Covid-19 pandemic continued to weigh on fresh orders amid fading business optimism and employment faltered on liquidity concerns and weak demand. The Nikkei-IHS Markit Services Purchasing Managers' Index (PMI) for services dropped to 52.3 in December from 53.7 in the previous month. But it still held above the 50-mark, which separates growth from contraction, for a third straight month. The drop in payroll numbers was the ninth in ten months.
- **India considers creating bank with \$13.7 billion equity capital to fund roads-** India is considering a proposal to create a bank to help fund port, road and power projects as Prime Minister Narendra Modi's administration aims to lift Asia's third-largest economy out of the recession. The new entity, likely to be part of the budget announcement in February, may have an equity capital of 1 trillion rupees (\$13.7 billion). The existing India Infrastructure Finance Co., which has a 20 billion rupee corpus, will be merged with the bank. Initially, the institution will be funded by the government, which will later invite investors, the people said. It could be on the lines of state-run National Investment and Infrastructure Fund Ltd., which counts the Canada Pension Plan Investment Board, Asian Development Bank and Abu Dhabi Investment Authority among its investors.
- **Share of gas in India energy basket to double, says Hon'ble PM Shri Narendra Modi-** Hon'ble Prime Minister Shri Narendra Modi has said the share of natural gas in India's energy basket will be more than doubled and the nation will be connected with 'one nation one gas grid' to help bring affordable fuel to people and the industry. He said a gas-based economy is a must to achieve self-reliant India. The Prime Minister, speaking via a video conference at the inauguration of the 450-km long Kochi-Mangaluru Natural Gas Pipeline in Karnataka, said that efforts are on to prepare for the country's future energy needs. To achieve this goal, natural gas and energy resources are being focused.
- **Income Tax refunds worth Rs 1.64 lakh cr issued to 1.41 cr taxpayers till January 4-** The Income Tax department on Wednesday said it has issued refunds worth over Rs 1.64 lakh crore to over 1.41 crore taxpayers so far this fiscal. This includes Personal income tax (PIT) refunds amounting to Rs 53,070 crore and corporate tax refunds of over Rs 1.10 lakh crore during this period. Over 5 crore income tax returns (ITRs) for fiscal year 2019-20 have been filed till January 4.
- **Finance Ministry grants Rs 1,004 crore additional financial assistance to Andhra, MP-** The finance ministry has provided additional financial assistance worth Rs 1,004 crore to Andhra Pradesh and Madhya Pradesh for capital expenditure after they completed three of the four citizen-centric reforms. The two states have completed the One Nation, One Ration Card Reforms, Ease of Doing Business Reforms, and Urban Local Bodies Reforms.
- **Budget 2021 run-up: Green shoots galore, agri stands out in the year of the pandemic-** Agriculture has been the only bright spot of the Indian economy from past couple of years carrying the heavy weight of

lifting the growth rate of the overall economy. Even during the pandemic, it is only the agriculture sector that has shown signs of hope be it on the front of the production or exports. During the April to June 2020, agriculture was the only sector to register growth. During the second quarter from July to September, while India's GDP contracted 7.5%, agriculture grew by 3.4%. The contribution of agriculture in 2019-20 to the overall economic growth surpassed that of the industrial sector.

- **Indian economy expected to contract by 9.6 per cent in 2020-21: World Bank-** India's economy is estimated to contract by 9.6 per cent in the fiscal year 2020-21, reflecting a sharp drop in household spending and private investment, and the growth is expected to recover to 5.4 per cent in 2021, according to the World Bank. In its Global Economic Prospects report, the World Bank said that the informal sector, which accounts for four-fifths of employment, has been subject to severe income losses during the COVID-19 pandemic.
- **MGNREGA: Work demand still strong, supply flat-** Demand for work under the rural employment guarantee scheme remained at highly elevated levels since May; while the supply responded adequately in June-July, it has since declined. In December, the demand was still up 56% on year, but the supply hardly grew.
- **Economy likely to maintain V-shaped recovery: Finance Ministry-** India's economy is on course to perform better in the second half of the fiscal buoyed by sustained improvement in high frequency indicators while approval of emergency use of two Covid-19 vaccines will provide tailwinds to a V-shaped recovery, the government has said.
- **RBI operationalises payment infra development fund-** The Reserve Bank of India (RBI) announced the operationalisation of the payment infrastructure development fund (PIDF) scheme, which is intended to subsidise deployment of payment acceptance infrastructure in tier-3 to tier-6 centres, with a special focus on the north-eastern states of the country. The regulator prescribed details of contribution to the fund and sought to incentivise the usage of payment devices. An advisory council (AC) under the chairmanship of RBI deputy governor BP Kanungo has been constituted for managing the PIDF. The fund will be operational for three years effective from January 1, 2021 and may be extended for two more years. The PIDF presently has a corpus of Rs 345 crore, with Rs 250 crore contributed by the RBI and Rs 95 crore by the major authorised card networks in the country.
- **Uttar Pradesh: December tax revenue up by 25 percent, state collects Rs 2522 crore more-** For the fifth month in a row, Uttar Pradesh's tax revenue collection has increased by an impressive 25%, with the state having collected Rs 2,522 crore more in December 2020 than December 2019. Numbers released by hon'ble state finance minister Shri Suresh Khanna show that despite missing out on its revenue estimate for December by almost Rs 2,000 crore, the state's tax collections have shown a steady improvement since August last year.
- **Amended steel policy to focus on bolstering domestic industry-** The government has buttressed the policy that provides preference to domestically-manufactured iron & steel products (DMI&SP) over imports in government procurement, widening its applicability to every project where the procurement value of iron and steel is above Rs 5 lakh, against Rs 25 crore earlier. The steel ministry also said in a gazette notification that buyers must ensure that procurement is not split for the purpose of avoiding the provisions of this policy. The amended policy will not apply to any tender or procurement for which notice inviting tender or other form of procurement solicitation has been already issued. Apart from promoting the use of domestically-manufactured steel in government projects, the amendment will also encourage local

manufacturing further. Launched in 2017, the DMI&SP policy has till December led to import substitution of more than Rs 21,000 crore worth of steel, which implies that more and more domestic steel is being used in government procurement. Domestic steel has been defined as one which has been manufactured in India and having local content ranging from 20-50%.

- **Vietnam - the third biggest exporter of rice - buys from India for the first time in decades:-** Vietnam, the world's third biggest exporter of rice, has started buying the grain from rival India for the first time in decades after local prices jumped to their highest in nine years amid limited domestic supplies, four industry officials told Reuters. The purchases highlight tightening supplies in Asia, which could lift rice prices in 2021 and even force traditional buyers of rice from Thailand and Vietnam to switch to India - the world's biggest exporter of the grain.
- **Atal Pension Yojana gets over 52 lakh new subscribers in FY21 so far:-** Over 52 lakh new subscribers have joined Atal Pension Yojana (APY) during 2020-21 so far, taking the total enrolment under the government's social security scheme to 2.75 crore at end-December, an official release said. APY is a guaranteed pension scheme of the government which offers triple benefits to subscribers on attaining 60 years of age. It offers minimum guaranteed pension to subscribers, same guaranteed pension to the spouse after the demise of a subscriber and return.
- **Centre releases 10th installment to states to meet GST compensation shortfall:-** The Centre has released the tenth instalment of Rs 6,000 crore to states as back-to-back loan to meet the goods and services tax (GST) compensation shortfall, taking the total amount released so far through the special borrowing window to Rs 60,000 crore, the finance ministry said on Monday. Of this, an amount of Rs 5,516.60 crore has been released to 23 states and Rs 483.40 crore to Delhi and the union territories of Jammu & Kashmir and Puducherry.
- **Record-high GST collection due to reforms at system level: Finance Secretary:-** New Year cheer: Nomura's business index hits a new high in an encouraging start to the new year, financial services major Nomura on Monday said its weekly tracker that measures economic normalization in India, has touched a new high starting January reflecting a further moderation in new cases and also indicated an economic upcycle in 2021. Led by an improvement in mobility indices, in sync with the holiday season, the Nomura India Business.
- **Infrastructure credit grew marginally to Rs 22.6 lakh crore in H1FY21, says new report:-** Infrastructure credit by banks and NBFC-IFCs in the country marginally grew to Rs 22.6 lakh crore in the first half of the current fiscal compared to Rs 22.5 lakh crore in 2019-20, says a report. "While the infrastructure credit grew 7 per cent in FY2020 (19 per cent in FY2019) to Rs 22.5 lakh crore as on March 31, 2020, it increased marginally to Rs 22.6 lakh crore as on September 30, 2020," Icra Ratings said in the report.
- **Manufacturing activity rose in December while jobs declined, PMI at 56.4:-** The health of the India's manufacturing sector continued to strengthen at the end of 2020 with manufacturers stepping up production in December even though employment decreased and the degree of optimism weakened, a private survey showed on Monday. The IHS Markit India Manufacturing Purchasing Managers' Index was at 56.4 in December, a tick higher than November's reading of 56.3 and above the critical 50 threshold, that differentiates expansion from contraction, for the fifth straight month.
- **India's exports of basmati rice to Belgium and Netherlands soar:-** In the midst of the farmers' agitation,

South Asians in Belgium and the Netherlands are stocking up on basmati rice from India, benefitting growers in Punjab and Haryana. India's exports of basmati rice to Belgium have increased 60% in the first eight months of the current financial year, while imports by the Netherlands have almost doubled.

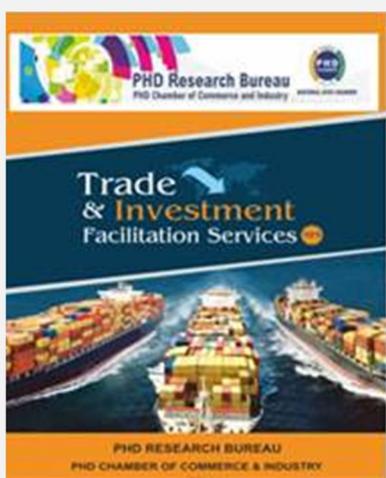
- **Recovery continues despite phases of Covid-19 resurgence: Shri Ajay Bhushan Pandey-** Hon'ble Finance Secretary Shri Ajay Bhushan Pandey has said that the transactions under the goods and services tax show that the economy is on a continued path of recovery even after a resurgence of Covid-19 forcing reimposition of movement restrictions and lockdowns in major parts of the country.
- **Government publishes the Draft Model Standing Orders for the Manufacturing Sector, Mining Sector and Service Sector-** Pursuant to section 29 of the Industrial Relations Code, 2020; the Central Government has published the draft Model Standing Orders for the Manufacturing Sector, Mining Sector and Service Sector in the official gazette, inviting suggestions/objections from the stakeholders within a period of thirty days. Keeping in view the needs of the services sector, a separate Model Standing Orders for Services Sector has been prepared first time. The salient features of these Model Standing Orders are: Where an employer adopts a Model Standing Orders of the Central Government with respect to matters relevant to his industrial establishment or undertaking, then, such model standing order shall be deemed to have been certified; The model standing orders adopted in respect of an industrial establishment shall also be applicable to all other industrial units of the industrial establishment irrespective of location; among others.
- **Rs 1 lakh crore disputed tax to be settled under Vivad Se Vishwas scheme-** According to a Ministry of Finance official, in a massive clean up of legacy issues, nearly one-fifth of about 5 lakh entities locked in tax litigation with the government have opted for a dispute redressal scheme, helping settle around Rs 83,000 crore of contested amount.
- **6.03 crore GST e-invoices generated in December 2020-** As many as 6.03 crore GST e-invoices were generated in December 2020, higher than 5.89 crore in November 2020. The government had made it mandatory for businesses with turnover of over Rs 500 crore to generate electronic invoice or e-invoice for B2B transactions, from October 1, 2020.
- **India's Merchandise Trade Preliminary Data for December 2020-** India's merchandise exports in December 2020 was USD 26.89 billion, as compared to USD 27.11 billion in December 2019, a marginal fall of 0.80%. Exports during April-December 2020-21 were USD 200.55 billion, as compared to USD 238.27 billion during the same period last year, exhibiting a negative growth of 15.8%. India's merchandise imports in December 2020 were USD 42.60 billion, as compared to USD 39.59 billion in December 2019, an increase of 7.6%. Merchandise imports during April-December 2020-21 were USD 258.29 billion, as compared to USD 364.18 billion during the same period last year, exhibiting a negative growth of 29.08%. India is thus a net importer in December 2020, with a trade deficit of USD 15.71 billion, as compared to trade deficit of USD 12.49 billion, widened by 25.78%.
- **Hon'ble Prime Minister lays foundation stone of the permanent campus of IIM Sambalpur-** The Hon'ble Prime Minister, Shri Narendra Modi laid the foundation stone of the permanent campus of IIM Sambalpur today via video conferencing. Governor and Chief Minister of Odisha, along with Union Ministers Shri Ramesh Pokhriyal 'Nishank', Shri Dharmendra Pradhan and Shri Pratap Chandra Sarangi were also present on the occasion. Speaking on the occasion, the Hon'ble Prime Minister said that the permanent campus of the IIM Sambalpur will not only showcase the culture and resources of Odisha but will also give Odisha a global recognition in the field of management.

- **Andhra Pradesh faces debt burden of Rs 3.73 lakh crore: CAG-** The Andhra Pradesh government's gross debt burden has increased to Rs 3,73,140 crore by the end of November 2020. CAG's latest accounts revealed that from April to November 2020 alone Rs 73,811.85 crore was borrowed from different sources as against the annual target of Rs 48,295.59 crore for the whole year.
- **Freight figures continue to maintain the high momentum in terms of earnings and loading in the month of December 2020 for Indian Railways-** In the month of December 2020, Indian Railways loading was 118.13 million tonnes which is 8.54% higher compare to last year's loading (108.84 million tonnes) for the same period. In this period Indian Railways earned Rs. 11788.11 crores from freight loading which is also Rs. 757.74 crores (6.87%) higher compare to last year's earnings((Rs. 11030.37 crores).

Newsletters/ Studies

PHD Research Bureau has released newsletter on Newsletter on Trade and Investment Facilitation Services (TIFS) Newsletter Edition December 2020 that provides information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO, among others.

[Trade and Investment Facilitation Services Newsletter: Edition December 2020](#)



Markets So Far

Indicators	Yearly			Monthly			Daily		
	2018	2019	2020	Oct 20	Nov 20	Dec, 20	Jan 5, 20	Jan 6, 20	Jan 7, 20
BSE SENSEX	36068	41253	47751	39614	44149	47751	48437	48,174	48093
GOLD (10 GRMS)	30600	34813	46985	50705	50423	49462	51465	51539	50871
CRUDE OIL (1 BBL)	4437	4007.8	2966	2917	3055	3458	3662	3662	3718
EXCHANGE RATE (INR/USD)	68	70.4	74.11	73.47	74.31	73.6	73.18	73.11	73.32

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

Warm Regards,

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