

Weekly Compendium of Economic and Business Developments

(Period ending August 7, 2020)

Research Bureau disseminated information to the members of PHD Chamber & other industry stakeholders on economic and business developments at International, National and Sub-national arena such as draft Defence Production and Export Promotion Policy 2020 released by MoD, releases Rs. 890 crore as 2nd installment of COVID-19 Financial Package to States/UTs by the Union Government, amendments in the Liquidation Process 2016 and Voluntary Liquidation Process, 2017, list of 101 items for import embargo on beyond given timelines to boost indigenisation of production notified by MoD, maintenance of repo rate at 4% in RBI's Second Monetary Policy Statement of 2020-21, Bank Credit for the month of June 2020, amendment in Export Policy of Ventilators, among others. The details disseminated information during the week ending 7th August 2020 are appended.

India and World Economy

- **MoD releases draft Defence Production and Export Promotion Policy 2020-** In order to provide impetus to self-reliance in defence manufacturing, multiple announcements were made under 'Atmanirbhar Bharat Package'. In implementing such framework and to position India amongst the leading countries of the world in defence and aerospace sectors, Ministry of Defence (MoD) has formulated a draft Defence Production and Export Promotion Policy 2020 (DPEPP 2020). The DPEPP 2020 is envisaged as overarching guiding document of MoD to provide a focused, structured and significant thrust to defence production capabilities of the country for self-reliance and exports.
- **Union Government releases Rs. 890 crore as 2nd installment of COVID-19 Financial Package to States/UTs-** Government of India has released Rs. 890 crore as the second installment of the COVID-19 Emergency Response and Health System Preparedness Package to 22 States/UTs. These include Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Rajasthan, Telangana, Andhra Pradesh, Goa, Gujarat, Karnataka, Kerala, Punjab, Tamil Nadu, West Bengal, Dadra & Nagar Haveli and Daman & Diu, Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland and Sikkim. The amount of the financial assistance is based on the COVID-19 case load in these States/UTs.
- **Ministry of Information & Broadcasting launches Assam's own 24/7 Doordarshan Channel-** Shri Prakash Javadekar, Hon'ble Union Minister for Information and Broadcasting, has launched Doordarshan Assam, a 24-hour dedicated channel for the State, via video conferencing from New Delhi. Speaking on the occasion the Minister said that the channel is a gift to people of Assam and this channel will cater to all sections of the population of Assam and will be immensely popular. The Minister said that it is important that all States have their own Doordarshan channel. The Minister applauded the programmes on six national channels of Doordarshan. Re-iterating Prime Minister Shri Narendra Modi's vision of turning North East into India's growth engine, Shri Prakash Javadekar said that the region has immense natural and human resource potential, and the connectivity has been improving steadily.

- **Hon'ble Chief Minister of Goa launched the MyGov Goa portal-** Dr. Pramod Sawant, Hon'ble Chief Minister of Goa, has launched the MyGov Goa portal, on 4th August 2020 in an online event making Goa join the MyGov Citizen Engagement Platform for enabling participative governance. During the launch, the Minister said that MyGov Goa portal will go a long way in strengthening public participation in the governance process and allow the state to connect to nationwide audience allowing citizens to participate in different forums and give their view/inputs on government policies/schemes.
- **IBBI notifies the amendments in the Liquidation Process 2016 and Voluntary Liquidation Process, 2017-** The Insolvency and Bankruptcy Board of India (IBBI) has amended the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 and notified the Insolvency and Bankruptcy Board of India (Liquidation Process) (Third Amendment) Regulations, 2020. The amendment made to the Regulations clarifies that where a liquidator realises any amount, but does not distribute the same, he shall be entitled to a fee corresponding to the amount realised by him. Likewise, where a liquidator distributes any amount, which is not realised by him, he shall be entitled to a fee corresponding to the amount distributed by him. The Insolvency and Bankruptcy Board of India (IBBI) has amended Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 and notified the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Second Amendment) Regulations, 2020. . The amendment made to the Regulations provides that the corporate person may replace the liquidator by appointing another insolvency professional as liquidator by a resolution of members or partners, or contributories, as the case may be.
- **MoD notifies list of 101 items for import embargo on beyond given timelines to boost indigenisation of defence production-** The Department of Military Affairs (DMA), Ministry of Defence (MoD) has prepared a list of 101 items for which there would be an embargo on the import beyond the timeline indicated against them. This is a big step towards self-reliance in defence. It also offers a great opportunity to the Indian defence industry to rise to the occasion to manufacture the items in the negative list by using their own design and development capabilities or adopting the technologies designed and developed by Defence Research and Development Organisation (DRDO) to meet the requirements of the Armed Forces in the coming years.

Finance

- **RBI keeps Repo Rate unchanged at 4% in Second Monetary Policy Statement of 2020-21-** On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today (August 6, 2020) decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 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 going forward.
- **RBI notifies details regarding Offline Retail Payments and Online Dispute Resolution System for Digital Payments-** In reference to the Statement on Developmental and Regulatory policies issued as part of Monetary Policy statement dated August 06, 2020 wherein RBI proposed a pilot scheme for small value payments in offline mode and announced Online Dispute Resolution (ODR) System for Digital Payments, RBI has now released the details regarding the same.
- **Gross Bank Credit grows at 6.9% in June 2020-** Gross bank credit grows at 6.9% in June, 2020 as against 7% in May, 2020 (year-on-year). On a year-on-year basis, non-food bank credit growth stands at 6.7% in June 2020 as against 6.8% in May 2020. Credit to agriculture & allied activities stands at 2.4% in June 2020 as against 3.5% in May 2020.

- **RBI announces constitution of an Expert Committee in regard to 'Resolution Framework for Covid19-related Stress'**- As part of the Statement on Developmental and Regulatory Policies released along with the Monetary Policy Statement on August 6, 2020, the Reserve Bank of India (RBI) has announced a 'Resolution Framework for Covid19-related Stress', as a special window under the Prudential Framework on Resolution of Stressed Assets issued on June 7, 2019. The Resolution Framework inter alia envisages constitution of an Expert Committee by the Reserve Bank to make recommendations on the required financial parameters to be factored in the resolution plans, with sector specific benchmark ranges for such parameters. The Expert Committee shall also undertake the process validation for the resolution plans to be implemented under this framework, without going into the commercial aspects, in respect of all accounts with aggregate exposure of ₹1500 crore and above at the time of invocation.

Trade

- **Government announces amendment in Export Policy of Ventilators**- In exercise of powers conferred by Section 3 of Foreign Trade (Development & Regulation) Act, 1992, No. 22 of 1992 as amended read, with paragraph 1.02 and 2.01 of the Foreign Trade Policy, 2015-20, the Central Government hereby amends the Export Policy of Ventilators with immediate effect. Thus, Export Policy of Ventilators is amended to the extent that all ventilators including any artificial respiratory apparatus or oxygen therapy apparatus or any other breathing appliance/device are made "free" for export.

Our Voice

PHD Chamber welcomes accommodative policy stance by the RBI & Debt Restructuring of stressed MSMEs-

The accommodative stance of the Reserve Bank of India in consideration of the recent developments at the global markets and in the domestic economy is highly appreciable. Though the high frequency economic indicators have started recovering from their lows, increase in inflation expectations in the coming months on the back of supply chain disruptions during the lockdown period cannot be ruled out. So, at this juncture, the calibrated decision of the Reserve Bank of India is highly appreciable and we look forward that inflation remains in benign conditions on the back of expected good Kharif crops and smoothening of supply chain as the unlock is in the process.

RBI's announcement of allowing stressed MSME borrowers to restructure debt if their loans were classified as standard as on 1 March 2020 is highly appreciable and would go a long way in addressing the financial problems of the MSMEs. At this juncture, we urge the banking sector to percolate all the 115 bps cut in the repo rate by the RBI during the last four months for the benefit of trade, industry and consumers for rejuvenating the demand and economic growth trajectory sooner than later.

Economy so far

- **Monetary policy: Taming Covid-19 key to soften GDP fall, says RBI**- India's economy would contract in the current financial year, according to the Reserve Bank of India's Monetary Policy Committee (MPC), adding that the fall could be contained in the latter part of FY21 if Covid-19 was arrested soon. The country's gross domestic product (GDP) growth had fallen to 3.1 per cent in the three months ended March 2020, the slowest in 44 quarters. The MPC in its statement said a revival in coming months would come from the robust rural side, buoyed by progress in kharif sowing. Agriculture forms less than a fifth of GDP.
- **Agriculture emerges as bright spot amid pandemic, says RBI; rural demand picks up too-** While Indian

economy is facing headwinds of coronavirus, the agricultural sector is an outlier, with the growth in the sector also helping spur rural demand. In fact, several sectors whose sales heavily depend on rural India have already started to exhibit a demand revival. The agricultural sector has emerged as a bright spot; developments have had a salutary effect on rural demand as reflected in fertiliser production and sales of tractors, motorcycles and fast-moving consumer goods, according to RBI in its Monetary Policy statement. Owing to good progress of monsoon in July, the sowing in the season has been higher by 5.9% as of 31st July 2020 as compared to last five year average. The live storage in major reservoirs in the country also bodes well for the rabi season. Going ahead as well, rural India is expected to report robust recovery, buoyed by the progress in kharif sowing.

- **RBI attempts a delicate balancing act to ease coronavirus related stress on economy-** The RBI had previously announced a regulatory package to help borrowers mitigate the burden of debt servicing brought about by disruptions on account of the COVID 19 pandemic, maintain continuity of viable businesses and to stabilise financial markets. These measures, particularly the moratorium on loan repayment and the standstill on asset classification, were intended to deal with the immediate crisis. However, as the end of the moratorium period approaches, it was apparent that more permanent measures would be required to address the financial conditions caused by the pandemic. These permanent measures have been announced by the RBI by way of the Resolution Framework for Covid Related Stress.
- **Balanced trade: Shri Piyush Goyal wants FTA to be tweaked to lower trade deficit with Japan-** India pitched for greater Japanese investments but at the same time called upon Tokyo to reduce its huge trade surplus of about \$8 billion with New Delhi and move towards balanced trade, hinting possibly at the need to review an existing free trade agreement (FTA) between the two sides. This is in tune with New Delhi's new policy thrust on reducing the sticky and yawning trade deficits with some of its trading partners, most notably China. Shri Piyush Goyal, Hon'ble Commerce and industry minister, addressed a virtual seminar for Japanese companies looking to invest in India.
- **Consultants likely to scrutinise government tenders and track Make-in-India: DPIIT-** The Department for Promotion of Industry and Internal Trade (DPIIT) on the previous day said that it will rope in a consulting agency to scrutinise the tenders of government procuring entities for compliance with public procurement rules that seek to promote Made in India products. The department said that it intends to onboard an agency for one year for scrutinising tenders of central government procuring agencies for its compliance with the order. It said that the main objective of the assignment is to assist and support the public procurement cell, DPIIT, for the implementation of the Public Procurement (Preference to Make in India) Order, 2017 by scrutinising tenders of central government procuring entities, including CPSUs and autonomous bodies.
- **India terminates anti-dumping probe on naphthalene imports from China, EU, others-** India has terminated the anti-dumping investigation on imports of crude naphthalene coming from China, the EU, Russia, Iran and Japan, and refined naphthalene coming from China, EU and Taiwan at the request of the domestic industry which has claimed dumping from more countries and wants to enhance the scope of the probe with other countries as well.
- **Punjab to provide health insurance to all state government employees, pensioners-** Amid the Covid-19 pandemic, the Punjab Government on the previous day, decided to provide health insurance cover to all state government employees and pensioners besides the employees of various boards and corporations and those in the organised private sector. The decision was taken in a Cabinet meeting chaired by Shri Amarinder Singh, Hon'ble Chief Minister of Punjab. The Department of Health and Family Welfare has been asked to prepare a detailed proposal for inclusion of the new categories into the ambit of the Ayushman Bharat -- Sarbat Sehat Bima Yojana (AB-SSBY) scheme -- which provides insurance cover of Rs 5 lakh per family per year.

- Worst seems to be over, farm sector to cushion COVID-19 impact on economy: Ministry of Finance report-** According to a Ministry of Finance monthly economic report for July, the economy was past the worst of the pandemic as leading indicators showed a recovery in June compared to the trough in April, however, the rising number of daily cases and intermittent lockdowns have made recovery prospects fragile. Report highlighted that with India unlocking, the worst seems to be over as high-frequency indicators show an improvement from the unprecedented trough the economy had hit in April 2020. However, the increase in the COVID cases and subsequent intermittent lockdowns make the recovery prospects fragile and call for constant and dynamic monitoring, report added.
- India-ASEAN Free Trade Agreement review can double bilateral trade-** Shri Hardeep Singh Puri, Hon'ble Minister of State for Commerce and Industry, recently said that a review of the India's Free Trade Agreement (FTA) with the Association of Southeast Asian Nations (Asean) group has the potential to double the bilateral trade. He also said that e-commerce, fintech, Artificial Intelligence and blockchain have the maximum potential for collaboration
- Disposed of claims under services export scheme except Delhi, Mumbai, Bangalore: Government-** The government on the previous day said that all claims related to a key scheme for services exports have been disposed of except those in Delhi, Mumbai and Bangalore. Services exporters had alleged that hundreds of crores in claims were pending for multiple years under the Service Exports from India Scheme (SEIS), compounding liquidity problems of the sector hit the hardest by the Covid-19 outbreak.
- Affordable Rental Housing scheme: Centre to sign agreements with states within a month-** The Centre will sign agreements with states within a month for the construction of affordable living spaces for the poor and migrant workers in urban areas under the Affordable Rental Housing Complexes scheme. Shri Durga Shanker Mishra, Union Housing and Urban Affairs Secretary, said that besides government-funded flats, vacant plots can also be developed to construct flats under the scheme, but states will have to choose use permission in their respective master plan to allow the same.
- Sports Minister urges states to host annual Khelo India Games to strengthen grassroot-level talent identification-** Shri Kiren Rijju, Hon'ble Union Minister of Youth Affairs and Sports, chaired the 1st General Council meeting of the Khelo India Scheme today and addressed officials of state sports departments and other central ministries. Speaking at the meeting, he urged the states to organise State-level Khelo India Games annually with an effort to identify a larger number of grassroot-level talents. Shri Kiren Rijju said that the annual competitions being organized at the national level under the Khelo India Scheme, like the Khelo India Youth Games and University Games, have helped to identify sporting talent from all states. However, that is not enough.
- Jan Dhan Yojana reaches new height; 40 crore bank accounts added under PMJDY in 6 years- Hon'ble Prime Minister's flagship programme** – Jan Dhan Yojana – to make every citizen of the country avail a bank account, has been successful in attracting 40 crore people in the last six years. The Department of Financial Services has said that another milestone has been achieved under the world's largest financial inclusion initiative and it is committed to taking financial inclusion to the last mile. Prime Minister Jan Dhan Yojana provided huge infrastructure support to the government in making schemes related to Direct benefit Transfers (DBT) meaningful. While PMJDY played a major role during demonetisation, it also acted as a lifeline recently during the coronavirus pandemic-led lockdown when the government transferred cash directly into the bank accounts of migrant labourers and poor sections of the society
- E-way bill generation higher in July at 48.3 million; still lower than pre-Covid levels-** Over 48.3 million e-way bills were generated in July 2020, higher than June where the total number of bills stood at 43.4 million, but still short of pre-Covid levels of over 55.3 million in January and February this year. The numbers of bills

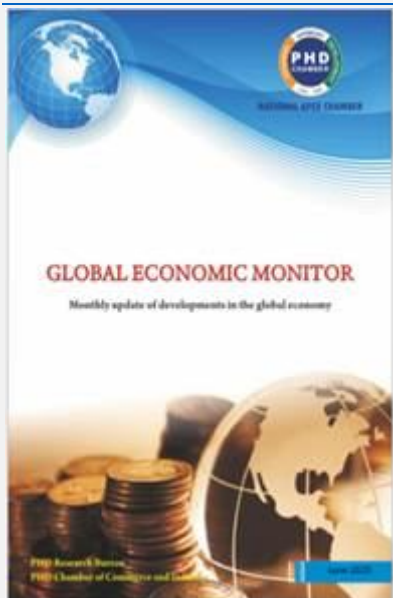
generated in the months post lockdown is a strong indicator of the economy recovering from the affects of Covid 19 pandemic. E-way bills, a must for transportation of goods worth more than Rs 50,000, clocked a daily average of 1.5 million in July, marginally higher than the daily average of 1.4 million in June

- **NITI panel recommends scrapping of buffer stock subsidy scheme for sugar-** A task force under the NITI Aayog has recommended scrapping of the buffer stock subsidy scheme for sugar on grounds that it incentivises mills to overproduce, and so is an additional expense for the government. The task force in a report submitted to the Prime Minister's Office has said maintenance charges given to mills act as an additional expense on the government exchequer, as the stocks are usually resold in the market the following year. The task force is of the view that there is no justification for continuation of the scheme in its current form
- **Cut stake in top public sector banks to 51% in 12-18 months: RBI to Government-** The Reserve Bank of India (RBI) has suggested bringing down the government's stake in six leading public sector banks (PSBs) to 51 per cent over the next 12 to 18 months. This, the regulator feels, will give a much-needed push to the government's disinvestment efforts. State Bank of India (SBI), Punjab National Bank (PNB), Bank of Baroda (BoB), Canara Bank, Union Bank of India, and Bank of India have been shortlisted for this. "The government has taken the suggestion positively," said a person in the know.

Newsletters

search Bureau released a newsletter on Global Economic Monitor (GEM) that aims Global Economic Monitor provides information on latest updates on global macroeconomic indicators including growth, inflation, trade, financial markets, policy developments, among others.

Global Economic Monitor for the month of August 2020



Markets So Far

Indicators	Yearly			Monthly			Daily		
	2017	2018	2019	May 20	Jun 20	Jul 20	Aug 5, 20	Aug 6, 20	Aug 7, 20
BSE SENSEX	34057	36068	41253	32424	34915	37606	37663	38025	38323

GOLD (10 GRMS)	28966	30600	34813	40989	47048	49913	55230	55560	55922
CRUDE OIL (1 BBL)	3317	4437	4007.8	2113	2895	3054	3164	3140	3086
EXCHANGE RATE (INR/USD)	65	68	70.4	75.65	75.74	75.0*	74.93	74.93	74.90

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

Warm Regards,

Dr S P Sharma

Chief Economist

PHD Chamber of Commerce and Industry

PHD House, 4/2 Siri Institutional Area

August Kranti Marg, New Delhi-110016, India

Tel: +91 49545454

Fax: +91 11 26855450

Email: spsharma@phdcci.in

Website: www.phdcci.in



NATIONAL APEX CHAMBER



"Towards Inclusive & Prosperous New India"



PHD House, 4/2 Siri Institutional Area, August Kranti Marg, New Delhi - 110 016 (India) • Tel. : +91-11-2686 3801-04, 49545454, 49545400
Fax : +91-11-2683 5450, 49545451 • E-mail : phdcci@phdcci.in • Website : www.phdcci.in CIRC: U74899OL1951GAF001947

Connect with us:



COPYRIGHT: All rights reserved. No part of this publication/Release may be reproduced, distributed, or transmitted in any form or by any means, without the prior written permission of the publisher. For permission requests, write to the publisher.

DISCLAIMER: This message and its attachments contain confidential information. If you are not the intended recipient, you are strictly prohibited to disclose, copy, distribute or take any action in reliance on the contents of this information. E-mail transmission cannot be guaranteed to be secure or error-free, as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this message, which arise as a result of e-mail transmission. If verification is required please request a hard-copy version.