

Weekly Compendium of Economic and Business Developments

For the week ending 18th January 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 December 2019 CPI and WPI inflation, United Nations' World Economic Situation and Prospects 2020, measures announced by RBI for enhancing security of Card Transactions, release of operational guidelines for reporting of Large Exposures to CRILC – UCBs by the RBI, amendments in the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017 by the IBBI, India's Foreign Trade December 2019, USA & China successfully sign landmark Phase One Trade Agreement, First Session of India-Norway Dialogue on Trade & Investment held in New Delhi, among others. The details of disseminated information during the week ending 18th January 2020 are appended.

India and World Economy

- **India's GDP estimated to grow at 5.7% in FY20 and forecasted to grow at 6.6% in FY21 and 6.3% in FY22: United Nations' World Economic Situation and Prospects 2020-** United Nations, in its World Economic Situation and Prospects 2020 report estimates that global growth slowed to a 10-year low of 2.3% in 2019. A modest acceleration is expected going forward, with average world gross product growth projected at 2.5% in 2020 and 2.7% in 2021. According to the report, in the current environment of protracted trade tensions and high policy uncertainty, the global growth outlook has weakened significantly. This threatens to undermine progress towards eradicating poverty, raising living standards, and creating a sufficient number of decent jobs.
- **December 2019 CPI inflation rises to 7.4%-** The all India general CPI inflation (Combined) for December 2019 rises to 7.4% from 5.5% in November 2019. The inflation rates for rural and urban areas for December 2019 (Provisional) are 7.3% and 7.5% respectively as compared to 5.3% and 5.8% respectively, for November 2019. Rate of inflation is high during December 2019 in vegetables at 60.5%, pulses and products at 15.4% and meat and fish at 9.6%.
- **December 2019 WPI inflation grows at 2.6%-** The WPI inflation rises to 2.6% in December 2019 from 0.6% in November, 0.0% in October 2019, 0.3% in September 2019, 1.2% in August 2019, and 1.2% in July 2019. The increase in WPI inflation in the month of December 2019 is attributed to increase in the prices of vegetables (69.7%) and onion (455.8%).

Finance

- **RBI announces measures for enhancing security of Card Transactions-** RBI has decided to improve user convenience and increase the security of card transactions as over the years, the volume and value of transactions made through cards have increased manifold. Therefore, announcements have been made by RBI such as at the time of issue / re-issue, all cards (physical and virtual) shall be enabled for use only at contact based points of usage [viz. ATMs and Point of Sale (PoS) devices] within India, for existing cards, issuers may take a decision, based on their risk perception, whether to disable the card not present (domestic and international) transactions, card present (international) transactions and contactless transaction rights, among others.

- **SEBI releases Consultation Paper on Review of Regulatory Framework for Investment Advisers (IA)**- SEBI constituted a Working Group to examine the model of client level segregation of advisory and distribution activities, highlight the risks in the model and mitigating factors for each risk and review of Investment Advisers (IA) Regulations. The Working group has released a consultation Paper including the below mentioned issues and proposals related to IAs. The proposals provided are intended to strengthen the regulatory framework for IA as well as empower the IA to effectively discharge their responsibilities towards the investors who are the clients of IA.
- **RBI releases operational guidelines for reporting of Large Exposures to CRILC – UCBs**- This is in reference to Reserve Bank of India (RBI) Circular DOR (PCB). BPD.Cir.No.7/13.05.000/2019-20 dated December 27, 2019 on "Reporting of Large Exposures to Central Repository of Information on Large Credits (CRILC) - UCBs". In terms of the instructions, Primary (Urban) Co-operative Banks (UCBs) having total assets of Rs 500 crore and above as on 31st March of the previous financial year (referred to as banks) shall report credit information, including classification of an account as Special Mention Account (SMA), on all borrowers having aggregate exposures of Rs 5 crore and above with them to Central Repository of Information on Large Credits (CRILC) maintained by the Reserve Bank. Aggregate exposure shall include all fundbased and non-fund based exposure, including investment exposure on the borrower.
- **IBBI amends the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017**- The Insolvency and Bankruptcy Board of India (IBBI) has notified the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) (Amendment) Regulations, 2020 on 15th January, 2020. The aforesaid amendment provides that a Liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Voluntary Liquidation Account before submission of an application for dissolution of the corporate person. It also provides a process for a stakeholder to seek withdrawal from the Corporate Voluntary Liquidation Account.
- **SEBI amends Operational guidelines for Foreign Portfolio Investors, Designated Depository Participant and Eligible Foreign Investors regarding monitoring of investment limit at investor group level**- SEBI has amended Operational guidelines for Foreign Portfolio Investors (FPIs) & Designated Depository Participant (DDPs) and Eligible Foreign Investors (EFIs) regarding "Monitoring of investment limit at investor group level". This has been done with the background of SEBI's wide notification dated 19th December 2019, which amended the Securities and Exchange Board of India (Foreign Portfolio Investors) Regulations, 2019.
- **RBI amends Hedging of Commodity Price Risk and Freight Risk in Overseas Markets Directions, 2018**- This is in reference to the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 (Notification No. FEMA 25/RB-2000 dated May 3, 2000), as amended from time to time, and Hedging of Commodity Price Risk and Freight Risk in Overseas Markets (Reserve Bank) Directions, 2018 (issued vide A.P. (DIR Series) Circular No. 19 dated March 12, 2018). RBI has amended that the Paragraph 10 of the directions ibid shall be substituted with the following that Banks shall submit a quarterly report to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India through Extensible Business Reporting Language (XBRL) accessible at <https://xbml.rbi.org.in/orfsxbml/> in the format provided in Annexure I of the circular. In case of no transactions, a "Nil" report shall be submitted by the bank.

Trade

- **Merchandise exports and imports grew by (-) 2% and (-) 9% respectively in December 2019**- Exports in December 2019 were USD 28 billion, as compared to USD 28 billion in December 2018, exhibiting a negative growth of (-) 2 per cent. Imports in December 2019 were USD 39 billion (Rs.2,74,884 crore), which was 9 per cent lower in Dollar terms over imports of USD 42 billion in December 2018. The trade deficit for December 2019 was estimated at USD 11 billion as against the deficit of USD 14 billion in

December 2018. Taking merchandise and services together, overall trade deficit for April-December 2019-20* is estimated at USD 58 billion as compared to USD 89 billion in April-December 2018-19.

- **USA & China successfully sign landmark Phase One Trade Agreement-** The President of US, Mr. Donald Trump has signed a new, fully-enforceable Phase One Trade Agreement with China. The historic agreement will begin to rebalance USA's vital trade partnership with China and benefit both the countries. China has agreed to make significant structural reforms in a wide range of critical areas. The signing of this agreement will be an incredible boost for American businesses, farmers, manufacturers, and innovators.
- **First Session of India-Norway Dialogue on Trade & Investment held in New Delhi-** The first Session of India-Norway Dialogue on Trade & Investment (DTI) was convened in New Delhi on 15th-16th January, 2020. The session was based on the Terms of Reference (ToR) signed between India and Norway on 8th January, 2019 in New Delhi, during the visit of Prime Minister of Norway. This was the first meeting after the signing of DTI. Both sides noted that the dynamic nature of commercial exchange between the two countries will result in increasing number of companies interested in establishing and gaining access to the markets in India and Norway.

Our Voice

Spike in Inflation to subside soon: PHD Chamber: Escalation in CPI inflation stoked by high food inflation is majorly because of sustained cold wave in the month of December and disruption in the supply of food items. Inflation will come down very soon as supply of these items is improving significantly. The CPI inflation grew at 7.4% in December 2019 due to high inflation in vegetables (60.5%). We don't expect that the rise in inflation rate is sustainable; the average inflation should remain at around 5.5% for the current financial year. Going ahead, we look forward to the continuation of softer stance of monetary policy by RBI to spur investments and consumption demand in the coming times.

Demand rejuvenating measures at the top of our Budget Wishlist: PHD Chamber- PHD Chamber of Commerce and Industry has stressed majorly on the demand rejuvenating reforms to become a major focus area of the forthcoming Union Budget 2020-21. Demand creation reforms will push the broad based recovery of the economy and create an environment of enthusiasm to become a US\$5 trillion economy, going forward. At this juncture, rationalisation of direct taxes and an income tax exemption upto the level of income of Rs 5 lakhs will be a great breakthrough to enhance the personal disposable income of the individuals and to increase the consumption demand in the economy. Increased expenditure of the government to enhance consumption demand along with implementation of Rs 102 lakh crore National Infrastructure Pipeline (NIP) has the potential to push economic growth trajectory to more than 8% in the next 3 years.

Access to finance is a major roadblock being faced by the industries particularly by the MSMEs impacting their competitiveness and growth. To address the liquidity crunch in MSMEs, there is a need to set up a dedicated fund of Rs 25,000 crore or more with no collateral being asked for the MSMEs. To kick-start the exports growth trajectory, suggested increase in export earnings by the exporters on the base of the previous year (year-on-year earnings) should be tax free. For doubling farmers' income, a properly designed market support scheme for agricultural produce and dismantling of barriers to markets for farmers must be pursued. There is a need to initiate work on inclusive and approachable education with a spending of at least 4.5% of GDP on education. Skill Mapping must be done to scientifically plan human resource needs in the different sectors of the economy. At judiciary reforms front, vacancies of judges should be filled up in order to speed up the justice delivery system. Procedural laws must be simplified, mediation should be encouraged and judicial and court management system should be strengthened to speed up the judicial process

Economy so far

- **World Bank approves Rs 630 crore loan to Assam Inland Water Transport-** The World Bank has approved a loan of Rs 630 crore to Assam Inland Water Transport (AIWT) for modernisation of the state's passenger ferry services on Brahmaputra and other rivers. Under the Assam Inland Water Transport Project (AIWTP), the infrastructure of passenger ferry services will be improved and the capacity of institutions running the inland water transport will be strengthened. Better-designed terminals and energy-efficient vessels will make the ferry services more sustainable with least disruption to nature. Of the total

project cost of Rs. 770 crore, the bank will provide Rs. 630 crore.

- **Government forms society to run centre-funded farmer schemes-** The Government has formed a society to run all Centre-sponsored farmer welfare schemes including PM-KISAN to improve monitoring and targeting. The Farmers' Welfare Programmes Implementation Society has been registered under the Societies Registration Act and it will run as an independent unit with Agriculture Secretary as the chairman.
- **DGTR initiated 34 anti-dumping probe during Apr-Dec 2019: Commerce Ministry-** The Directorate General of Trade Remedies (DGTR) has initiated as many as 34 anti-dumping probe during April 2019 to December last year. The directorate has also started four countervailing and six safeguard investigations during the same period. Time taken in issue of final findings from the date of initiation has come down to 234 days in 2019 - 2020 from 478 days in 2014-15. average time taken to initiate an anti-dumping investigation has also come down to 33 days in 2019-20 as compared to 43 days in 2018-19.
- **India needs to move aggressively in areas of cybersecurity, cyber hygiene: IT Secretary-** As connected systems and increasing use of smartphones raise risk of vulnerabilities, India with its proven prowess in software and services should now move aggressively in the area of cybersecurity. We have an estimated USD 1.9 billion (about Rs 13,500 crore) in cybersecurity service business, and USD 450 million (about Rs 3,200 crore) of cybersecurity products business from India. There is also presence of multinational and Indian entities which engage in R&D in cybersecurity...all of it currently amounts to USD 5 billion (about Rs 35,500 crore) worth cybersecurity ecosystem in India, Shri Ajay Prakash Sawhney, IT Secretary has said.
- **Government will put restrictions on imports of products under 'others' category: Shri Piyush Goyal-** Hon'ble Commerce and Industry Minister, Shri Piyush Goyal has said that India is facing "big" problem in the country's imports of a category called "others". Imported products, termed "others", do not have HS codes and are tagged along with parts and accessories of categorised goods. He said that importers will have to approach the Commerce ministry to take a special licence for that import without which "one cannot import any product in the others category".
- **Government launches award to laud breakthrough startups in cyber security-** With an aim to promote a culture of innovation and entrepreneurship in the Cyber Security startup ecosystem, the Ministry of Electronics & Information Technology (MeitY) and Data Security Council of India (DSCI) have launched the Cyber Security Grand Challenge. The award will include a cash prize of Rs 3.2 crore to a startup doing breakthrough work in this area.
- **Government notifies mandatory gold hallmarking-** The Government has notified the mandatory hallmarking of gold jewellery and artefacts, which will come into force from January 15, 2021. As per the notification, only a registered jewellers will be allowed to sell the hallmarked gold articles through certified sales outlets. Instead of ten grades earlier, registered jewellers will be allowed to sell jewellery and artefacts only in three grades of gold -- 14, 18 and 22 carat.
- **NITI Aayog extends deadline for consultations on draft model concession agreement-** NITI Aayog has extended deadline for seeking comments and the consultation meeting on draft model concession agreement for setting up medical colleges in the country under the public private partnership mode by a month. The last date for providing comments on the draft model concession agreement has now been extended to February 10, 2020, it said. The earlier date was January 10, 2020.
- **Housing ministry launches e-commerce platform for real estate sector-** Housing ministry has launched an e-commerce platform to facilitate homebuyers in identifying genuine properties. The objective of e-commerce platform is to bring transparency in the sector and offer only certified projects. The online platform is for projects that have received occupancy certificates (OCs) and is expected to create a seamless, safe and transparent home-buying experience for home buyers.

- **India imposes anti-subsidy duty on imports of copper wire rods from 4 nations-** India has imposed anti-subsidy duty for a period of five years on copper wire rods from Indonesia, Malaysia, Thailand and Vietnam after concluding a probe that these imports have impacted domestic players. In a notification, the Finance Ministry has said that it has imposed the anti-subsidy or countervailing duty after considering the final findings of the Commerce Ministry's investigating arm Directorate General of Trade Remedies (DGTR).

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Oct 19	Nov 19	Dec 19	(15-1-2020)	(16-1-2020)	(17-1-2020)
BSE SENSEX	26626	34057	36068	40129	40,793	41253*	41,873	41,933	41,945
GOLD (10 GRMS)	29420	28966	30600	38246	38125	38084	39,602	39,727	39,804
CRUDE OIL (1 BBL)	2925	3317	4437	3850.2	4074	4241	4,130	4,097	4,149
EXCHANGE RATE (INR/USD)	67	65	68	71.05	71.45	71.3	70.8	70.9	71.0

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (*denotes value as on 31st December 2019)

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- **PHD Research Bureau Subscription Opportunities:** PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was established in 2010 with the objective to review the economic situation and policy developments at sub-national, national and international levels and comment on them in order to update the members from time to time, to present suitable memoranda to the Government as and when required, to prepare State Profiles and to conduct thematic research studies on various socio-economic and business developments. Subscribers of PHD Research Bureau would receive daily updates on various international, national and sub-national business and economic developments, monthly newsletters related to international, national and sub-national economy, forex markets and trade and investments, analytical information on various developments, etc.

Warm Regards,

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