

Weekly Compendium of Economic and Business Developments

For the week ending 7th December 2019

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 OECD Economic Survey of India, reaffirmation of Sovereign Credit Rating of India by S&P, GST revenue collection for the month of November, 2019, ECBs during October 2019, status quo in Fifth Bi-monthly Monetary Policy Statement by RBI, release of guidelines for on tap Licensing of Small Finance Banks in the Private Sector by the RBI, Exchange Rate of conversion of the Foreign Currencies relating to Imported and Exported Goods; decisions taken by the Union Cabinet; revision of norms for ARCs on acquisition of financial assets by the RBI, among others. The details of disseminated information during the week ending 7th December 2019 are appended.

India and World Economy

- **[India should step up reform efforts to increase quality jobs and incomes: OECD Economic Survey of India](#)**- According to OECD Economic Survey of India, December 2019, India has become a key player in the global economy. Income has increased fast in recent years and millions of Indians have been lifted out of poverty. The implementation of an ambitious set of reforms has supported economic activity and helped put a break on inflation and on both fiscal and current account deficits. According to the report, India is set for a modest recovery after a loss of momentum, as reforms to simplify taxation, lighten business regulations and upgrade infrastructure start to bear fruit. Further reforms to modernise the economy are now needed to drive the creation of high-quality jobs, as well as measures to improve public services and welfare.
- **[S&P reaffirmed Sovereign Credit Rating of India at BBB- with Stable outlook](#)**- As notified by Ministry of Finance, Government of India, S&P has reaffirmed the Sovereign Credit Rating of India at BBB- with outlook as stable. According to S&P, India's economy continues to achieve impressive long term growth rates despite a recent deceleration. It is believed that the economic slowdown is cyclical rather than structural. It expects the economy to continue to outperform its peers on the back of rising domestic demand and strong demographics.
- **[Parliament passes the Dadra and Nagar Haveli and Daman and Diu \(Merger of Union Territories\) Bill, 2019](#)**- Parliament passed the Dadra and Nagar Haveli and Daman and Diu (Merger of Union Territories) Bill, 2019. Hon'ble Union Minister of State for Home Affairs, Shri G. Kishan Reddy addressed the Rajya Sabha and said that the bill has been brought to provide for merger of union territories of Dadra and Nagar Haveli and Daman and Diu, in view of fruitful utilization of manpower, improve administrative efficiency, reduce administrative expenditure and improve service delivery as well as facilitate better monitoring of schemes. It would also ensure better cadre management of employees, he added.
- **[GST revenue collection for the month of November, 2019 stands at Rs 1,03,492 crore](#)**- The gross GST revenue collected in the month of November, 2019 is Rs 1,03,492 crore of which CGST is Rs 19,592 crore, SGST is Rs 27,144 crore, IGST is Rs 49,028 crore (including Rs 20,948 crore collected on imports) and Cess is Rs 7,727 crore (including Rs 869 crore collected on imports). The total number of GSTR 3B Returns filed for the month of October up to 30th November, 2019 is 77.8 lakh.

- **India and ADB sign USD 206 million loan to strengthen urban services in 5 Tamil Nadu cities-** The Asian Development Bank (ADB) and the Government of India signed a USD 206 million loan to develop water supply and sewerage infrastructure in 5 cities of Tamil Nadu and strengthen capacities of urban local bodies (ULBs) for improved service delivery. This is the second project loan for the ADB-supported USD 500 million multi-tranche financing for Tamil Nadu Urban Flagship Investment Programme, approved in September 2018, that will overall develop climate-resilient water supply, sewerage, and drainage infrastructure in 10 cities of Tamil Nadu.
- **Decisions taken by the Union Cabinet-** Cabinet approves launch of Bharat Bond Exchange Traded Fund, pact with Germany on Railways and MoU between Election Commission of India and Election Commission of Maldives on cooperation in the field of Electoral Management & Administration.

Finance

- **RBI maintains status quo in Fifth Bi-monthly Monetary Policy Statement, 2019-20-** On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting today decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 5.15 per cent. Consequently, the reverse repo rate under the LAF remains unchanged at 4.90 per cent, and the marginal standing facility (MSF) rate and the Bank Rate at 5.40 per cent. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target. These decisions of RBI are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth.
- **ECBs stands at about USD 3 billion during October 2019-** Indian firms have raised about USD 3.4 billion through external commercial borrowings (ECBs) by automatic and approval route in October 2019 as against USD 5 billion in September 2019. While, ECBs were at about USD 1.4 billion in October 2018. India has received gross ECBs worth around USD 409 billion between FY2001 and FY2020* (till October 2019). A closer look at the ECBs pattern reveals that the largest share in ECBs during the month of October 2019 is held for on-lending/sub-lending purpose by about 29% of the total borrowings followed by refinancing of earlier ECB by around 18%, modernization at about 17%, among others.
- **RBI revises norms for ARCs on acquisition of financial assets-**This is in refer to Circular DNBS (PD) CC.No.37/SCRC/26.03.001/2013-2014 dated March 19, 2014 of notification on Buyback of assets from Securitisation Companies/Reconstruction Companies (SC/RCs) by the Defaulters and acquisition of assets by SC/RCs from sponsor banks. On a review, it has been decided by RBI that Asset Reconstruction Companies (ARCs) shall not acquire financial assets on a bilateral basis, whatever may be the consideration.
- **NEFT transactions to be available 24x7 from 16th December 2019-**This is in reference refer to the circular DPSS (CO) RPPD No.510/04.03.01/2019-20 dated August 30, 2019 regarding availability of National Electronic Funds Transfer (NEFT) on a 24x7 basis. It has been decided by the RBI that the above facility shall be made available from December 16, 2019 with the first settlement taking place after 00:30 hours on December 16, 2019 (i.e. night of December 15, 2019).
- **RBI releases Guidelines for on tap Licensing of Small Finance Banks in the Private Sector-** The Reserve Bank had issued the Guidelines for Licensing of "Small Finance Banks" in the Private Sector on November 27, 2014. Recently, RBI released the revised guidelines on the same. Some of the major changes from the earlier Guidelines on Small Finance Banks dated November 27, 2014, are (i) The licensing window will be open on-tap; (ii) minimum paid-up voting equity capital / net worth requirement shall be ₹ 200 crore; (iii) for Primary (Urban) Co-operative Banks (UCBs), desirous of voluntarily transiting into Small Finance Banks (SFBs) initial requirement of net worth shall be at ₹ 100 crore, which will have to be increased to ₹ 200 crore within five years from the date of commencement of business. Incidentally, the net-worth of all SFBs currently in operation is in excess of ₹ 200 crore; among others.

- **CBDT seeks inputs on its draft notification on framing of rules with respect to Fund Manager Regime under Section 9A of the I.T. Act, 1961**- Section 9A of the Income-tax Act, 1961 (the Act) provides for a special taxation regime in respect of certain offshore funds in the context of their fund managers being located in India. It is provided that in case of an eligible investment fund, the fund management activity carried out through an eligible fund manager acting on behalf of such fund shall not constitute business connection in India of the said fund.

Trade

- **Exchange Rate of conversion of the Foreign Currencies relating to Imported and Exported Goods**- In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in supersession of the notification of the Central Board of Indirect Taxes and Customs No.85/2019-CUSTOMS (N.T.), dated 21st November, 2019 except as respects things done or omitted to be done before such supersession, the Central Board of Indirect Taxes and Customs hereby determines that the rate of exchange of conversion of each of the foreign currencies specified in column (2) of each of Schedule I and Schedule II annexed hereto, into Indian currency or vice versa, shall, with effect from 6th December, 2019, be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

Our Voice

PHD Chamber urge RBI for 50 basis points cut in policy repo rate to induce demand and revive economic growth- PHD Chamber of Commerce and Industry has urged the RBI for a significant cut of 50 basis points in policy repo rate in the forthcoming Fifth Bi-monthly Monetary Policy Statement, 2019-20 scheduled on December 5, 2019 to induce demand and revive economic growth as the GDP growth of the country has decelerated to the level of 4.5% in Q2 FY2019-20. Economic slowdown requires an immediate push to enhance the sentiments of businesses with reduced costs of capital. The reduction in repo rate will support the liquidity in the economy and easier access of credit to the industry, especially to the MSMEs. Easy availability of money at this juncture becomes crucial to enhance the domestic demand which is one of the major reasons of slowdown in the economy. Higher industrial growth vis-a-vis strong demand scenario coupled with speedy implementation of reforms and ease of doing business will refuel our economic growth trajectory.

Though expectation was of a 25bps cut in repo rate, appreciate RBI concerns on Inflation: PHD Chamber - At least a 25 basis points cut was expected from RBI to enhance the liquidity in the system and support demand in the economy. RBI in its Fifth Bi-monthly Monetary Policy Statement, 2019-20 has kept the repo rate unchanged at 5.15%, reverse repo rate under the LAF at 4.90%, marginal standing facility (MSF) rate and the Bank Rate at 5.40%. At this juncture, the full transmission of the earlier policy rate cuts by the banking sector in terms of reduced lending rates would be crucial to boost liquidity, induce demand and industrial growth in the country. We appreciate that the RBI has given an adequate approach to the accommodative stance of monetary policy in the era where lot of developmental activities are on the move and thrust of the Government is to create demand in the economy. Easy availability of money at this juncture becomes crucial to enhance the domestic demand and sentiments of businesses to capture slowdown in the economy. inflationary conditions are expected to benign in the coming quarters which will create a scope for a cut in repo rate. The rise in fiscal deficit is majorly because of decline in net collections of direct and indirect taxes and not because of unwanted expenditure of the Government which causes inflation. We are hopeful that fiscal deficit will remain under the projected trajectory of the Government. Going ahead, we look forward to the continued softer stance of monetary policy to help revive demand, enhance sentiment for investments and expanding production capacities. We expect reduction in repo rate to the level of 4.5% in the coming quarters to support the liquidity in the economy and easier access of credit to the industry, especially for the MSMEs.

Economy so far

- **We are not done with stimulus: Hon'ble Finance Minister on reviving economy**- Hon'ble Finance Minister, Smt Nirmala Sitharaman has said that the Government was working on more steps, including rationalisation of personal income tax rates to revive the economy. "So there are ways in which for giving stimulus for consumption. We are adopting a direct method and also the method through which

we are spending on infrastructure, whose spillover can go to core industries labour and so on,” she has said.

- **RBI's consumer confidence index dips in November 2019-** The consumer confidence index (CCI) based on the current perception of the economic situation, employment, price level and income weakened further in November 2019 vis-a-vis the year ago period, according to the Reserve Bank of India's November 2019 round of consumer confidence survey (CCS). The CCI reading, which also includes spending besides the mentioned variables, in the latest round of CCS was at 85.7% vis-a-vis 89.4% in September 2019 and 93.9% in November 2018.
- **Government taking several steps to incentivise renewable energy sector-** The Hon'ble Minister of State (IC), New & Renewable Energy, Power and Skill Development and Entrepreneurship, Shri R.K. Singh, in Lok Sabha has stated that private sector developers selected through transparent bidding process were undertaking most of the renewable energy projects in the country. “Government has issued standard bidding guidelines to enable the distribution licensees to procure power at competitive rates in a cost-effective manner,” he said. He further added that the Government is facilitating developers by allowing Foreign Direct Investment (FDI) of up to 100% through the automatic route. Moreover, Inter State Transmission System (ISTS) charges and losses for inter-state sale of solar and wind power shall also be waived for renewable projects commissioned by December 2022.
- **Forex reserves hit a new high of around USD 452 billion-** Foreign exchange reserves continue the upward journey to attain a new high of around USD 452 billion as of 3rd December 2019. Since the beginning of the current fiscal, the forex kitty has gained by USD 39 billion as of 3rd December 2019, the largest in recent year.
- **Government plans new scheme to revive 24,000-MW gas power plants-** The Government is working on a scheme to salvage 24,000 MW of stressed gas-based power plants, built at an investment of over Rs 1 lakh crore, by importing natural gas and bundling the output with cheaper solar energy. The power and petroleum ministries are working on the new proposal. The earlier scheme entailing subsidy has been shelved. The proposed new scheme will offer no subsidy and hopes to help operate the power stations at 90% capacity by selling the bundled power.
- **Centre pushes for eNAM in states without APMCs-** The Centre is pushing the online agri-trading platform eNAM in states that do not have Agricultural Produce Market Committees (APMCs) to give farmers bigger opportunities to sell their produce. Smt Nirmala Sitharaman, Hon'ble Finance Minister recently asked states to scrap APMCs and join eNAM to help farmers get better price realisation of their produce. APMC is a marketing board meant to moderate prices and prevents big traders from exploiting farmers.
- **Government raises Rs 2.8 lakh crore through divestment in last 5 years-** According to Shri Anurag Singh Thakur, Hon'ble Minister of State for Finance, the government raised Rs 2,79,622 crore from the disinvestment of public sector undertakings (PSUs) during 2014-19 compared to Rs 1,07,833 crore during 2004-14. In five years, the government has raised double the amount. This was done in an average 21 transactions each year.
- **GST structure to be reviewed on revenue concerns-** The Goods and Services Tax (GST) Council is set to embark on a comprehensive review of the tax structure in the wake of growing revenue concerns when it meets on December 18, 2019. The review will include exempted items, GST and compensation cess rates and revenue augmentation measures. The GST Council secretariat has sought inputs from state governments on all these issues.
- **More reforms to make India better investment destination: Hon'ble Finance Minister** - According to Smt Nirmala Sitharaman, Hon'ble Finance Minister, the government is open to further reforms for making India a more attractive investment destination. The government has taken various steps,

including reduction of corporate tax. She gave the assurance that the government is committed for further reforms in various sectors — whether it is banking, mining or insurance, among others. Further she said that the government is looking at building more smart cities where Swedish businesses can contribute adding that the government has appointed a task force to track the pipeline of big-ticket projects.

- **Projects worth Rs 50,000 crore underway to decongest Delhi roads: Shri Gadkari-** Shri Nitin Gadkari, Hon'ble Union minister of Road Transport & Highways said in the Rajya Sabha that the Centre is working on road projects worth Rs 50,000 crore to decongest the national capital and this will help reduce pollution in the city. The Centre is developing Dwarka Expressway with a cost of Rs 10,000 crore and also a dedicated road to connect Delhi airport from Dhaula Kuan, he said, adding that more spots been identified for decongestion.
- **Over 3.38 lakh companies deregistered in last two financial years: Government-** According to the Government, more than 3.38 lakh companies were struck-off from official records in the last two financial years for failing to submit annual returns. Shri Anurag Singh Thakur, Hon'ble Minister of State for Corporate Affairs told the Lok Sabha that the ministry through its RoCs (Registrar of Companies) files prosecutions against companies that have not filed financial statements from time to time. He mentioned that during the financial year 2017-18 and 2018-19, RoCs had removed/struck off 3,38,963 companies for failing to file financial statements or annual returns for a continuous period of two or more financial years.
- **India will not negotiate any FTA on back foot; will protect India's interest: Shri Piyush Goyal-** According to Shri Piyush Goyal, Hon'ble Union Commerce and Industry Minister, India will not negotiate any free trade agreement (FTA) on the back foot and will always ensure protection of interest of people and industry. He further mentioned that Hon'ble Prime Minister Shri Narendra Modi is ready to bite the bullet and because of that India decided to walk out from the mega free trade pact Regional Comprehensive Economic Partnership (RCEP) as the concerns of India was not addressed.
- **Rural India achieved 100% ODF status: Government-** The sanitation coverage under Swachh Bharat Mission (Grameen) is 100 per cent and all the 5,99,963 villages have declared themselves Open-Defecation Free (ODF), the Government has said. As per the data reported by states/UTs on the online Integrated Management Information System of SBM(G), 10.14 crore individual household toilets have been constructed under the programme as on 28th November 2019. As a result, the sanitation coverage in the country, which was 38.7 per cent as on 2nd October, 2014 has increased to 100 per cent and all the 5,99,963 villages of the country have declared themselves ODF," the Hon'ble Minister of State in the Jal Shakti Ministry, Shri Rattan Lal Kataria has said in Rajya Sabha.

Markets So Far

Indicators	Yearly			Monthly			Daily		
	2016	2017	2018	Sept 19	Oct 19	Nov 19	(04-12-2019)	(05-12-2019)	(06-12-2019)
BSE SENSEX	26626	34057	36068	38667	40129	40,793*	40,850	40,779	40,445
GOLD (10 GRMS)	29420	28966	30600	37926	38246	38125	38,162	38,042	38,032
CRUDE OIL (1 BBL)	2925	3317	4437	4062.2	3850.2	4074	4,017	4,194	4,181
EXCHANGE RATE (INR/USD)	67	65	68	71.4	71.05	71.45	71.53	71.29	71.20

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg, RBI (*denotes value as on 29th November 2019)

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Warm Regards,

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