

## Weekly Compendium of Economic and Business Developments

(Period ending November 20, 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 announcement of Draft Rules under the Code on Social Security 2020 notified by Union Labour Ministry, Release of data on WPI inflation for the month of October 2020, GST implementation shortfall- Telangana resorted to Option-1, Government of India and the World Bank signed for the loan of US\$ 120 million for the implementation of Meghalaya Integrated Transport Project (MITP), RBI released the Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks, WTO released a report on Slowdown in G20 trade restrictions as COVID-19 impacts world economy and Decisions taken by the Union Cabinet, among others. The details of disseminated information during the week ending 20th November 2020 are appended.

### India and World Economy

- **Union Labour Ministry Notifies Draft Rules under the Code on Social Security 2020-** Union Labour Ministry has notified draft rules under the Code on Social Security 2020. The draft rules under the Code on Social Security, 2020 provide for operationalization of provisions in the Code on Social Security, 2020 relating to Employees' Provident Fund, Employees' State Insurance Corporation, Gratuity, Maternity Benefit, Social Security and Cess in respect of Building and Other Construction Workers, Social Security for Unorganised Workers, Gig Workers and Platform Workers.
- **WPI inflation stands at 1.5% in October 2020-** The WPI inflation stands at 1.5% in October 2020 as compared to 1.3% in September 2020, 0.4% in August 2020, (-) 0.25% in July 2020, (-)1.8% in June 2020, (-)3.4% in May 2020, (-)1.6% in April 2020, 0.4% in March 2020 and 2.3% in February 2020. The increase in WPI inflation in the month of October 2020 is attributed to increase in the prices of Onion whose inflation edged upto 8.5% in October 2020 as compared to (-)31.6% in September 2020 and Pulses, whose inflation edged upto 15.9% in October 2020 as compared to 12.53% in September 2020.
- **Telangana decides to go for Option-1 to meet the GST implementation shortfall-** The Government of Telangana has communicated its acceptance for Option-1 out of the two options suggested by the Ministry of Finance to meet the shortfall in revenue arising out of GST implementation. The State has now joined 22 other States and 3 Union Territories (Delhi, Jammu & Kashmir and Puducherry) who have opted for Option-1.
- **Decisions taken by the Union Cabinet-** India's Manufacturing Capabilities and Enhancing Exports – Atmanirbhar Bharat and Cabinet approves Continuation and Revamping of the Scheme for Financial

## Support to Public Private Partnerships in Infrastructure Viability Gap Funding VGF Scheme

- **Loan of US\$ 120 million signed between Government of India and the World Bank for the implementation of Meghalaya Integrated Transport Project (MITP)-** The Government of India, the Government of Meghalaya and the World Bank signed a US\$ 120 million project to improve and modernise the transport sector of state of Meghalaya. This will help Meghalaya to harness its vast growth potential for high-value agriculture and tourism. The project will improve about 300 km of strategic road segments and stand-alone bridges by using innovative, climate resilient, and nature-based solutions. It will also support innovative solutions such as precast bridges to reduce both time and cost of construction.
- **Government of India & NDB Sign Agreement for USD 500 Million to Provide Fast, Reliable, Safe and Comfortable Public Transport System in The National Capital Region-** The Government of India, the Ministry of Housing and Urban Affairs, National Capital Region Transport Corporation Limited and the New Development Bank (NDB) signed a loan agreement for lending USD 500 million for the 'Delhi-Ghaziabad-Meerut Regional Rapid Transit System Project' to provide fast, reliable, safe and comfortable public transport system in the National Capital Region (NCR).

## Finance

- **SEBI issues norms regarding holding of liquid assets in open ended debt schemes & stress testing of open ended debt schemes-**  
In order to augment the liquidity risk management framework for all open ended debt schemes, defined in SEBI circulars SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 4, 2017, the following has been decided: All open ended debt schemes (except Overnight Fund, Liquid Fund, Gilt Fund and Gilt Fund with 10 year constant duration) shall hold at least 10% of their net assets in liquid assets. For this purpose, 'liquid assets' shall include Cash, Government Securities, T-bills and Repo on Government Securities. The liquid assets specified at para 1(a) above shall not be included for determining the scheme characteristics of the open ended debt schemes as specified in SEBI circulars SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 6, 2017 and SEBI/HO/IMD/DF3/CIR/P/2017/126 dated December 4, 2017. In case, the exposure in such liquid assets / securities falls below the threshold mandated at para 1(a) above, the Asset Management.
- **Introduction of "Flexi Cap Fund" as a new category under Equity Schemes-** SEBI vide circular no. SEBI/HO/IMD/DF3/CIR/P/2017/114 dated October 06, 2017, has issued guidelines regarding categorization and rationalization of Mutual Fund Schemes. In order to give more flexibility to the mutual funds and taking into account the recommendations of Mutual Fund Advisory Committee (MFAC), a new category named "Flexi Cap Fund" under Equity Schemes will be available.
- **Outsourcing of activities, Business Continuity Plan (BCP) and Disaster Recovery (DR) and Cyber Security and Cyber Resilience framework -Limited Purpose Clearing Corporation (LPCC)-** The broad guidelines governing outsourcing of activities by Clearing Corporations have been prescribed by SEBI vide Circular SEBI/HO/MRD/DP/CIR/P/2017/101 dated September 13,

2017. Further, guidelines for Business Continuity Plan (BCP) and Disaster Recovery (DR) have been prescribed by SEBI vide Circular SEBI/HO/MRD/DMS1/CIR/P/2019/43 dated March 26, 2019 and the framework for Cyber Security and Cyber Resilience has been prescribed vide Circular CIR/MRD/DP/13/2015 dated July 06, 2015 and Circular CIR/MRD/CSC/148/2018 dated December 07, 2018.

- **DIPAM signs an agreement with World Bank for advisory services on Asset Monetization-** Department of Investment and Public Asset Management (DIPAM) has signed an agreement with World Bank (16 Nov 2020). Under the agreement, World Bank is to provide advisory services to DIPAM for asset monetization.
- **Ministry of Finance Notifies Reduction in Performance Security on Tenders-** Hon'ble Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman has recently announced Relaxation of Earnest Deposit Money & Performance Security on Government Tenders, as part of Government of India's stimulus to the economy, under AatmaNirbhar Bharat 3.0.
- **Maintenance of Escrow Account with a Scheduled Commercial Bank -** RBI has invited reference to the instructions vide (a) DPSS.CO.PD.No.1164/02.14.006/2017-18 dated October 11, 2017 (updated as on February 28, 2020) on 'Issuance and Operation of Prepaid Payment Instruments (PPIs)'; and (b) DPSS.CO.PD.No.1810/02.14.008/2019-20 dated March 17, 2020 on 'Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)'.
- **RBI releases the Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks-** The Reserve Bank of India had constituted an Internal Working Group (IWG) on June 12, 2020 to review extant ownership guidelines and corporate structure for Indian private sector banks. The Terms of Reference of the IWG inter alia included review of the eligibility criteria for individuals/ entities to apply for banking license; examination of preferred corporate structure for banks and harmonisation of norms in this regard; and, review of norms for long-term shareholding in banks by the promoters and other shareholders.

## Trade

- **Foreign Exchange Management Act, 1999 (FEMA)- Compounding of Contraventions under FEMA, 1999-** The attention of Authorized Dealer Category-I (AD Category-I) banks is invited by RBI to paragraph 3 of the Master Direction on "Compounding of Contraventions under FEMA, 1999", in terms of which the powers to compound certain contraventions of Notifications FEMA 20/2000-RB dated May 3, 2000 and FEMA 20(R)/2017-RB dated November 07, 2017 have been delegated to the Regional Offices/Sub-Offices of the Reserve Bank for enhanced customer service and operational convenience.
- **Slowdown in G20 trade restrictions as COVID-19 impacts world economy: WTO-** The WTO's latest Trade Monitoring Report on G20 trade measures shows a slowdown in the number and coverage of trade-restrictive and trade-facilitating measures on goods implemented by G20 countries between mid-May and mid-October 2020, primarily as a result of the sharp decline in overall global trade since the COVID-19 outbreak. The report also documents numerous trade-facilitating and support measures introduced by G20 economies in response to the economic downturn in order to prepare the ground for a strong economic recovery.

## Our Voice

**GDP growth seen to contract around 10% in Q2 FY 2021 y-o-y, positive growth of 0.1% to 2% in Q3 FY 2021:**

**PHD Chamber-** The economic and business indicators have shown a remarkable strength in Q2 FY 2020-21 from the lows of Q1 FY 2020-21 according to PHDCCI EBM Index (Economic and Business Momentum Index). The economic reforms undertaken by the government have helped India to counteract the negative impact of the COVID-19 outbreak and the country's GDP growth is seen contracting at much lower rate of around (-)10% in Q2 FY 2020-21 as compared to the sharp contraction around (-)24% in Q1 FY 2020-21. The GDP growth will become positive from Q3 FY 2020-21 at around 0.1% to 2% and around 2% to 4% in Q4 FY 2020-21 and the overall growth for the FY 2020-21 is expected to contract by not more than 7.9% on the back of various effective reforms undertaken by the government during the last six months to lift the economy from the daunting impact of COVID-19. The PHDCCI EBM Index (Economic and Business Momentum Index) has improved significantly from 85.2 in Q1 FY 2020-21 to 96 in Q2 FY 2020-21.

Due to the daunting impact of COVID-19 on trade, industry and economy, the PHDCCI Economic and Business Momentum Index, with a base of 2018-19=100, decelerated to 85.2 in Q1 FY 2020-21 from 97.4 in Q4 FY 2019-20 with a sharp downfall of (-)12.2 percentage points, which has risen once again to the level of 96 in Q2 of FY 2020-21, with just 1.4 percentage points away from Pre-COVID levels of Q4 FY 2019-20. On monthly basis, the PHDCCI EBM Index has shown steady recovery from the lows of 78.3 in April 2020 to 85.7 in May 2020, 91.6 in June 2020, 96.0 in July 2020, 95.3 in August 2020 and 96.6 in September 2020. The PHDCCI EBM Index is a composite index of 25 lead economic and business indicators with base year at 2018-19=100, which considers the demand and supply parameters to present a broad perspective of the economy.

The series of stimulus announcements by the Government under the AatmaNirbhar Bharat Abhiyaan 1.0, 2.0 and 3.0 along with the measures undertaken by the RBI has taken the total of stimulus package to the level of around Rs 30 lakh crores. 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, among others, have made recovery sooner than expected.

Going ahead, the recent reforms announced by the government such as Central Government's contribution of 24% of EPF wages (12%+12%) for establishments having upto 1000 employees and 12% (employee part) of EPF for establishments having more than 1000 employees for 2 years, income tax relief to developers and home buyers, Production Linked Incentive Scheme for 10 champion sectors, among others, have potential to push the GDP growth in the positive trajectory of 0.1% to 2% in the Q3 FY 2020-21 and 2% to 4% in the Q4 FY 2020-21. Out of the 25 lead economic and business indicators which constitute the EBM Index, 20 have shown remarkable improvement in September 2020 from their lows of April 2020. Immediate policy attention is required towards reviving the 5 economic parameters which are yet to show recovery, particularly credit to Industry and credit to services sector. 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 disbursement of loans vis-à-vis enhanced liquidity for MSMEs, especially in rural sectors.

At this juncture, demand creation measures are needed to attain a positive growth trajectory. Demand creation along with increased spending on infrastructure will have multiplier effect on the economic growth trajectory by boosting private investments, creating new employment opportunities in the country and elevating growth of sectors that have strong backward and forward linkages.

The focus should be on providing competitive edge to the domestic businesses by enhancing Ease of Doing Business and simultaneously reducing the Cost of Doing Business in the country including the costs of capital, costs of compliances, costs of logistics, costs of land and availability of land and costs of labour. Continuous facilitation of industry and further effective implementation of reforms at the grassroot level with enhanced synchronization between Central and State Governments would be crucial for fruitful outcomes going forward.

## Economy so far

- **India not 'expansionist', believes in welfare of world: Shri Nitin Gadkari-** Hon'ble Union Transport Minister Shri Nitin Gadkari has said India is not an "expansionist" country and it only believes in the welfare of the world. He said there is a need for knowledge, entrepreneurship, science, technology, research and successful practices. "...while taking the country on the path of development, we need to emphasise on scientific advancement. We need to acquire the number one position on the basis of knowledge to make our country a world power," he said. "But while doing this, we are not expansionist.
- **Hon'ble PM pitches India as investment destination for urbanisation, mobility-** Hon'ble Prime minister Shri Narendra Modi has urged global investors to seize the massive investment opportunities thrown open by India's drive for urbanisation, mobility, innovation and sustainable solutions to improve quality of living conditions of the masses. "These opportunities come along with a vibrant democracy. A business-friendly climate. A huge market. And a government which shall leave no stone unturned to make India a preferred global investment destination," he said speaking at the 3rd Annual Bloomberg New Economy Forum. Noting that India is building 100 smart cities through competition in 2015, Modi said projects worth almost Rs 1.4 lakh crore have been completed or nearing completion in these cities out of Rs 2 lakh crore worth projects identified.
- **BRICS Virtual Summit: PM Modi calls for urgent reforms in WTO, IMF and UN-** Hon'ble Prime Minister Shri Narendra Modi has called for urgent reforms in International Monetary Fund, World Trade Organization and in the United Nations as important steps in strengthening multilateralism. "The multilateral system is going through a crisis. Questions are being raised on the credibility and effectiveness of the institutions of global governance. They have not changed appropriately with the times," he said, addressing a virtual summit of the BRICS – the 5-nation grouping comprising Brazil, Russia, India, China and South Africa.
- **Centre, states look to tighten GST registration process-** The Centre and states are looking to further tighten the GST registration process and legal measures to deal with the rising cases of fake invoicing. A meeting of the law committee of the GST Council has been convened on Wednesday to discuss these issues, finance ministry sources said. The committee, comprising senior central and state tax officers, would also discuss the GST fake invoice frauds, further tightening of the GST registration process and work out other legal measures including necessary law amendment required in the GST Act to curb the menace of fake invoicing, they added.
- **Crop insurance: Agriculture ministry seeks DGCA nod for taking drone-based crop images in 100 districts-** The Agriculture Ministry has sought civil aviation regulator DGCA's nod for allowing shortlisted private agencies operate drones to capture images of rice fields in 100 districts to assess crop yields at gram panchayat level under the Pradhan Mantri Fasal Bima Yojana (PMFBY), according to a senior government official. This is the second year the ministry has hired private agencies for a pilot study of



unmanned aerial vehicle (UAV) based remote sensing data collection in agricultural areas of 100 districts for assessing gram panchayat level under the PMFBY.

- **States pay 38 bps more to borrow in latest round, highest in 6 weeks-** The states have paid the highest price for their debt at the latest round of market borrowing on Tuesday wherein the cost of debt has gone up by 38 basis points (bps) to 6.65 per cent, according to a report. At Tuesday's auction of state development loans (SDLs), nine states raised Rs 8,716 crore, taking overall borrowings to Rs 4.72 lakh crore or 93 per cent of the target, by 28 states and two Union Territories since April 7, Care Ratings said in a note after the auctions.
- **NITI Aayog wants dedicated oversight body for use of artificial intelligence-** NITI Aayog has proposed setting up of an oversight body to set up standards, guidelines and benchmarks for use of artificial intelligence across sectors, which will be mandatory for public sector procurement. The body is expected to have field experts from computer science, AI, legal experts, sector specialists and representatives from civil societies, humanities and social science.
- **Indian economy will see double-digit growth next fiscal: Arvind Virmani-** Indian economy is likely to contract 7.5 per cent in the current fiscal but will see a double-digit growth in 2021-22, former chief economic adviser Arvind Virmani said. Addressing a virtual event organised by industry body PHDCCI, Virmani said the central government has come up with some noteworthy reforms, including Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC) and setting up of the Monetary Policy Committee (MPC).
- **Indian engineering exports hit by increasing raw material prices-** Rising steel and other metal prices coupled with the second wave of Covid pandemic has crippled India's engineering exports, EEPC India, the apex body of engineering exporters, said and sought the intervention of the commerce ministry to address the issue. Steel prices have increased from Rs 35,000 per tonne to Rs 42,000 per tonne in the past six months for a product like hot rolled coil, an essential raw material for engineering industry.
- **Slowdown in G20 trade restriction measures as COVID-19 impacts world economy: WTO report** There is a slowdown in the number of trade restrictive as well as facilitative measures on goods implemented by G-20 member countries between mid-May and mid-October, due to the sharp decline in overall global trade since the COVID-19 outbreak, according to a WTO report. The WTO's latest Trade Monitoring Report on G20 trade measures also said that although world trade had already been slowing before the pandemic, merchandise exports in nominal US dollar terms fell 21 per cent in the second quarter of 2020 compared to the previous year.
- **India pulled out of RCEP as concerns not addressed: EAM S Jaishankar-** India pulled out of the Regional Comprehensive Economic Partnership (RCEP) last year as joining it would have resulted in fairly negative consequences for the country's economy, Hon'ble External Affairs Minister Shri S Jaishankar said. In an address at an online discussion organised by the Centre for European Policy Studies, Jaishankar also forcefully pressed for reform of the United Nations, saying one or two countries must not be allowed to halt the process for their "perpetual gain" .
- **Brexit creates jobs for customs staff in eastern Europe, India-** UK companies are turning to cheaper overseas labor to complete their post-Brexit customs paperwork, creating jobs in countries such as

Romania and India due to a shortage of trained staff in Britain. Anticipating a surge in demand for its services, Xpediator Plc, which handles freight flows for international companies, has been hiring workers in Romania. Dave Gladen, the firm's group marketing manager, says the country has a deep pool of expertise in the EU's customs rules because it only joined the bloc in 2007.

- **Will finalise data protection law very soon: Ravi Shankar Prasad:-** Union IT and Communications Minister Ravi Shankar Prasad on Thursday said the government was very keen to promote India as a very big centre of the data economy and would finalise a data protection law very soon. "I'm very keen to promote India as a very big centre of the data economy. Data is going to drive the digital economy. It is also going to drive international commerce," he said. Addressing the Bengaluru Tech Summit, 2020 (BTS2020) virtually, he said India produces huge data.
- **India's overall spending on health sector 'low', says Niti Aayog member V K Paul:-** India's overall spending on the health sector is "low" and the situation must be "corrected", Niti Aayog Member (Health) V K Paul said on Thursday. Emphasizing that there is a need to request both the union and state governments to enhance spending on health, he said the COVID-19 experience will justify an increase in expenditure on health sector. India's overall spending on the health sector is low. It has been coming from constrained resources... many many competing priorities. It is low and must be corrected.
- **Centre declares one national highway in Assam:-** Responding to state government's appeal, Ministry of Road Transport and Highways declared the roads connecting the National Highway-715 near Jorhat with Kamalabari Ghat in Majuli as National Highways (NH) 715K under National Highways Act, 1956. Chief Minister Sarbananda Sonowal welcomed Centre's decision to declare the new highways in the state and said that the move would expedite the development process of the river island district Majuli while further bolstering road communication. Chief Minister Sarbananda Sonowal welcomed Centre's decision to declare the new highways in the state and said that the move would expedite the development process of the river island district Majuli while further bolstering road communication infrastructure in the state.
- **India lost opportunity to export 1.7 million tonnes of sugar as buyers turned to other suppliers:** Industry executives:- India has lost an opportunity to export up to 1.7 million tonnes of sugar in the new sugar year which started on October 1, as buyers turned to other suppliers after waiting for India's announcement of export policy, said industry executives. This has helped increase international prices of raw as well as white sugar by about 15% since October, We could have contracted for export of 15-17 lakh tonnes of sugar while physical dispatches could have hit 12 lakh tonnes had the policy been announced on time in September," said Praful Vithalani, president, All India Sugar Trade Association.
- **India, Luxembourg ink 3 pacts to push investment ties in their maiden summit in two decades:-** Prime Minister Narendra Modi on Thursday emphasised that the belief in democracy, rule of law and freedom is the strength of the partnership between India and Luxembourg as the two sides signed three pacts at their first bilateral summit in two decades to push their business and investment partnership. The two sides have proposed agreement between the regulatory authorities "Commission de Surveillance du Secteur Financier" (CSSF) and the Securities and Exchange Board of India (SEBI) would deepen bilateral cooperation in the financial sector.
- **Corporate stressed debt dipped 37% in Sept quarter: Credit Suisse:-** Vodafone Idea, Tata Motors and Adani Power top the list of chronically-stressed entities even as the corporate stressed debt across sectors

dropped 37 per cent in the September quarter to ₹15-lakh crore against ₹24-lakh crore in the June quarter. Corporate debt position has improved on the back of the gradual reopening of the economy after the lockdown and the economic stimulus announced by the government

## Markets So Far

Indicators	Yearly			Monthly			Daily		
	2017	2018	2019	Aug 20	Sept 20	Oct 20	Nov 18, 20	Nov 19, 20	Nov 20, 20
BSE SENSEX	34057	36068	41253	38628	38067	39614	44180	43732	43882
GOLD (10 GRMS)	28966	30600	34813	53063	50902	50705	50738	50141	50199
CRUDE OIL (1 BBL)	3317	4437	4007.8	3159	2915	2917	3054	3133	3099
EXCHANGE RATE (INR/USD)	65	68	70.4	75.0*	73.47	73.38#	74.19	74.27	74.14

Source: PHD Research Bureau, PHDCCI, compiled from BSE, MCX and Bloomberg (Note: # data pertains to average of October 2020 till 23rd October 2020)

Warm Regards,

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