

Weekly Compendium of Economic and Business Developments

(Period ending 19th March, 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 WPI inflation data for the month of February 2021, IIP data for January 2021, CPI inflation data for the month of February 2021, decisions taken by the Union Cabinet, release of 100% of the estimated GST compensation shortfall of Rs.1.10 Lakh crore, India's foreign trade data for the month of February 2021, among others. The details of disseminated information during the week ending 19th March 2021 are appended.

India and World Economy

- **WPI inflation rises to 4.2% in February 2021-** The WPI inflation rises to 4.2% in February 2021 as compared to 2.0% in January 2021, 2.0% in December 2020, 2.3% in November 2020, 1.3% in October 2020 and 1.3% in September 2020. The increase in WPI inflation in the month of February 2021 is attributed to increase in the prices of Onions, whose inflation spiked to 31.3% in February 2021 as compared to (-)32.6% in January 2021, Crude Petroleum, whose inflation increased to 7.2% in February 2021 as compared to (-)10.3% in January 2021 and Petrol, whose inflation rose to 0.8% in February 2021 as compared to (-)10.3% in January 2021.
- **January 2021 IIP growth stands at (-)1.6%-** Growth in industry output, as measured in terms of IIP, for the month of January 2021 declined to (-)1.6% as compared to December 2020 growth of around 1.6%. The growth in the three sectors mining, manufacturing and electricity in January 2021 stands at around (-)3.7%, (-)2%, 5.5%, respectively over January 2020. Primary goods growth stands at around 0.2%, capital goods growth stands at (-)9.6%, intermediate goods growth stands at 0.5%, infrastructure/construction goods growth stands at 0.3%, consumer durables stands at (-)0.2% and consumer non-durables growth stands at (-)6.8% during January 2021 as compared to the previous year.
- **CPI inflation rises to 5% in February 2021-** According to The National Statistical Office (NSO), Ministry of Statistics and Programme Implementation (MoSPI), the CPI inflation has risen to 5% in February 2021 as compared to the 4.1% in January 2021. CPI for urban stands at 6% and rural stands at 4.2% in February 2021.
- **Decisions taken by the Union Cabinet-** Cabinet approves MoU between India and Maldives on Cooperation in Sports and Youth Affairs; Cabinet approves closure of Handicrafts and Handlooms Export Corporation of India Limited; Cabinet approves Revised Cost Estimates for strengthening of Transmission and Distribution in Arunachal Pradesh and Sikkim.

Banking & Finance

- **100% of the estimated GST compensation shortfall of Rs.1.10 Lakh crore released-** The Ministry of Finance, Department of Expenditure has released the final weekly installment of Rs.4,104 crore to the States to meet the GST compensation shortfall. Out of this, an amount of Rs.4,086.97 crore has been released to 23 States and an amount of Rs.17.03 crore has been released to the 3 UTs with Legislative Assembly. With the current release, 100% of the total estimated GST compensation shortfall of Rs.1.10 lakh crore for the year 2020-21 has now been released to the States & UTs with Legislative Assembly.

Trade

- **Merchandise exports and imports grew by 0.7% and 7% respectively in February 2021-** Exports in February 2021 were USD 27.93 Billion, as compared to USD 27.74 Billion in February 2020, exhibiting a positive growth of 0.7 per cent. Imports in February 2021 were USD 40.54 Billion (Rs. 2,94,985.04 Crore), which is an increase of 7.0 per cent in Dollar terms and 8.9 per cent in Rupee terms over imports of USD 37.90 Billion (Rs 2,70,973.39 Crore) in February 2020. As per the latest press release by RBI dated 15th March 2021, exports in January 2021 were USD 17.08 Billion (Rs. 1,24,841.61 Crore) registering a negative growth of (-) 10.06 per cent in Dollar terms, vis-à-vis January 2020. As per the latest press release by RBI dated 15th March 2021, imports in January 2021 were USD 10.10 Billion (Rs. 73,825.87 Crore) registering a negative growth of (-) 15.86 per cent in Dollar terms, vis-à-vis January 2020.

Our Voice

PHDCCI Quick Economic Trends for February 2021- Economy seen consolidating in March 2021 with new hopes of double digit growth in FY 2021-22: PHD Chamber | Increased passenger vehicle sales, GST Collections, improved railway freight and strong stock market in February 2021 indicate steady economic movement, says the industry body PHD Chamber- Economic activity is expected to consolidate in the month of March 2021 as the Covid-19 impacted difficult financial year 2020-21 is winding with the new hopes of next financial year with a great growth trajectory of Indian economy. Out of the 10 indicators of QET (Quick Economic Trends) of economic and business activity tracked by the industry body PHDCCI, 7 have performed positive in February 2021 of which passenger vehicle sales has shown a highest growth of 18% over the corresponding month in previous year.

Though COVID-19 cases are re-emerging in some states including, Maharashtra, Kerala, Punjab, Karnataka, Gujarat and Tamil Nadu, the movement of Indian economy remains steady in February 2021. The vaccination drive in the country is moving at a faster rate, with more than 2.6 crore vaccines being administered so far. Positive GDP growth to the level of 0.4% in Q3 FY 2020-21 and a steady improvement in lead economic and business indicators would go a long way to strengthen the economic growth in the coming quarters with the enhanced level of confidence of businesses.

At this juncture, to continue the pace of economic momentum, rapid administration of COVID-19 vaccination, especially in the States where COVID-19 cases are re-emerging, becomes crucial. Further, immediate policy attention is required towards credit access to industry. Credit disbursement should be the top 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. 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.

Economy so far

- **Medium-term framework: Government may maintain inflation target band-** The government may keep the inflation target band unchanged at 4% (+/-2) once a review of the medium-term framework is over this month, as it doesn't want to trim focus on price pressure in pursuit of economic growth. Economists had earlier cautioned against any dilution of the target – especially given the elevated fiscal deficit projections until FY26 – amid volatile food and soaring fuel prices. The inflation target typically influences rate-setting by the monetary policy committee (MPC) of the Reserve Bank of India (RBI).
- **Take steps to contain further deterioration in exports, imports: Parliamentary Panel-** A parliamentary panel has suggested to the Department of Commerce to take appropriate measures to check further deterioration in exports and crucial imports for preventing more disruptions in the supply chains.
- **FDI rules in e-commerce: Government starts consultation with various stakeholders-** The government has initiated consultation on the foreign direct investment (FDI) rules in e-commerce with various stakeholders. The deliberations may well go on for a week. The department for promotion of industry and internal trade (DPIIT) is scheduled to consider representation from trade bodies this week; sources said a meeting with e-commerce companies is due on March 25
- **Concessional 5% withholding tax continues for debt interest income of FPIs-** The Income Tax department said that concessional rate of tax of 5 per cent shall continue for certain interest income of foreign portfolio investors. Clarifying on reports which said that concessional withholding tax rate of 5 per cent on interest income of FPIs has been withdrawn, the Central Board of Direct Taxes (CBDT) said there is no change in the rate of tax chargeable.
- **Uttar Pradesh: Revenue collections fall 15% on year in February-** After six months of steady rise in revenue collections, the Uttar Pradesh government has hit a speed-breaker, with its own revenue collection going down to Rs 2,018 crore on year in February. According to the finance department, the state collected a total revenue of Rs 11,291.78 crore in February 2021, a drop of nearly 15% from Rs 13,309.92 crore collected a year ago. Against the target of Rs 13,775.72 crore set for the month, the state has been able to collect 82% of the revenue.
- **Job creation in India: 16.5 lakh benefited under Aatmanirbhar Bharat Rozgar Yojana-** Around 16.5 lakh people have benefited from the Aatmanirbhar Bharat Rozgar Yojana (ABRY) which was launched in October to encourage hiring in the country amid the COVID-19 pandemic.
- **Inflation remains low in last 7 years: Government-** The Government has recently informed Parliament that inflation has remained low in the last seven years - except for a spike in some items - and the government is taking steps to bring it further down. Hon'ble Minister of State for Finance Anurag Singh Thakur, during Question Hour in the Rajya Sabha, said that the food items in the consumer price index (CPI) are showing a month-on-month decline. Commodities such as cereals, meat and fish, egg, vegetables and pulses have declined during January-February
- **Labour ministry should delve into constraints impeding optimal fund utilisation: Parliamentary panel-** A parliamentary panel has asked the labour ministry to seriously look into the infrastructural or procedural constraints impeding optimal utilisation of funds especially made available during the pandemic. The observation was made by the Parliamentary Standing Committee on Labour in its 17th report on demand of grants for 2020-21 tabled in Parliament recently.
- **40% more jobs generated in current fiscal under MGNREGA: Government-** Hon'ble Rural development

minister Sh. Narendra Singh Tomar has said that 40% more employment has been generated till March 12 in the current fiscal at 363 crore person days under the Mahatma Gandhi National Rural Employment Guarantee scheme compared to same period last year. During FY 2020-21, more than 1.75 crore new job cards have been issued so far which is 153% more than the total number of new job cards issued during FY 2019-20.

- **RBI strengthening institutional mechanism to prevent bank frauds: Hon'ble Finance Minister-** Smt Nirmala Sitharaman, Hon'ble Finance Minister, recently informed Parliament that the Reserve Bank of India is taking measures to strengthen its regulatory and supervisory capacity, and expressed hope that these steps will ensure no regulatory mishaps take place in the future. The finance minister said the capacity of the RBI's regulatory and supervisory staff is being strengthened with specially tailored courses.
- **Advance tax collections for corporate tax, income tax turn positive-** Advance tax collections for both corporate tax and income tax have turned positive at the end of fourth instalment, which was to be paid on March 15. Also, shortfall in net direct collection has come down to 4 per cent now as against 9 per cent in January and around 13 per cent after payment of third instalment of advance tax on December 15.
- **324 companies filed for bankruptcy between 2018 to 2020-** As per data provided by the National Company Law Tribunal (NCLT), 149 in the year 2018, 103 in the year 2019 and 72 in the year 2020 making a total of 324 companies which have filed for bankruptcy during the aforesaid three years period. This was stated by Shri Anurag Singh Thakur, Hon'ble Union Minister of State for Finance & Corporate Affairs, in a written reply to a question in Rajya Sabha. Giving more details, the Minister stated, as per data provided by the NCLT, 8,330 applications in the year 2018, 12,091 in the year 2019 and 5,282 in the year 2020 were filed under the IBC. Therefore, it appears that number of applications have not increased over the last three years.
- **India should not go back to licence raj regime: Nobel prize-winning economist Paul Krugman:-** India should not go back to the 'licence raj' regime and the country should have a deliberate policy for fostering industries, Nobel prize-winning economist Paul Krugman said on Monday. Addressing a virtual event organised by Ashoka University, Krugman further said the income inequality issue is a severe one in India. "Don't go back (to) Licence Raj regime country Like India might want to have a deliberate policy for fostering industries," he said
- **Government likely to introduce Electricity Amendment Bill in ongoing session:-** The government is likely to introduce the Electricity Amendment Bill 2021, which seeks to enable power consumers to choose from multiple service providers as in the case of telecom services, in the ongoing session of Parliament. A proposal to seek the Cabinet approval for the Electricity (Amendment) Bill 2021 was circulated in January this year and the draft law can be introduced in Parliament in the ongoing Budget session itself, a source said.
- **Government collects Rs 26,457 crore by decreasing stakes in six DPSUs in last 5 years:-** The government has collected Rs 26,457 crore by decreasing its shareholding in six defence public sector undertakings (DPSUs) in the last five years, according to details provided by Minister of State for Defence Shripad Naik in Rajya Sabha on Monday. Responding to a question, Naik said a total of Rs 14,184.70 crore was collected by decreasing stakes in Hindustan Aeronautics Limited (while the amount was Rs 8,073.29 crore
- **Exports rise for 3rd straight month in Feb, gold imports surge:-** India's exports grew for the third straight month in February with total outbound shipments rising 0.65% last month, slower than the 6.16% growth seen in January. However, gold imports surged almost 124% on-year, leading to a 7% rise in overall imports and widening the country's trade deficit to \$12.62 billion from \$10.16 billion in the year ago period, provisional data released by the commerce and industry ministry on Monday showed.

- Government working on Atmanirbhar Niveshak Mitra portal to digitally facilitate investors-** In order to further strengthen efforts to promote domestic investments, the Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry is in the process of finalising a dedicated digital portal “Atmanirbhar Niveshak Mitra” for handholding and facilitation, information dissemination, and facilitation of domestic investors. The portal is in testing phase and the final version will be ready for launch by 15th May 2021. The webpage will also be available in regional languages and mobile App in due course. The portal will have a dedicated digital investment promotion and facilitation team at Invest India which will facilitate domestic investors to directly connect or request meetings with the Invest India experts and discuss their specific investment/ doing business related matters
- CEA Dr Krishnamurthy Subramanian explains the economic rationale behind current government's policy response to Covid-** According to CEA Dr Krishnamurthy Subramanian, increasing only revex (revenue expenditure) is myopic while increasing capex (capital expenditure) is far-sighted as the former increases aggregate demand ephemerally, while capex generates a sustained increase in demand. Capex increases construction activity, creates jobs and enhances demand, and creates jobs and investments in linked sectors such as steel and cement.
- Sustained economic growth key to India's future, critical for security reasons: NITI Aayog CEO-** NITI Aayog CEO Shri Amitabh Kant recently said that India's power is truly represented by its sustained economic growth, which is a key to its future and critical for security reasons. Delivering the keynote address at a Programme, he said that as a fallout of the Covid-19 pandemic radical reforms were ushered in across a range of sectors and asserted that India has had the sharpest recovery among the major economies.
- Drastic changes in monetary policy framework can upset bond market: Dr Raghuram Rajan-** As the economy slowly comes out of the pandemic blues, former RBI Governor Dr Raghuram Rajan recently cautioned that drastic changes in India's monetary policy framework can upset the bond market as the current system has helped in containing inflation and promoting growth. Dr Rajan, also a noted economist, opined that the government's ambitious target to make India a USD 5-trillion economy by 2024-25 was more aspirational, rather than a carefully computed one even before the pandemic
- New scheme announced for tourist vehicle operators-** The Ministry of Road Transport and Highways has announced a new scheme, under which any tourist vehicle operator may apply for an “All India Tourist Authorization/Permit” through online mode. It will be issued, after relevant documents are submitted and fees deposited, within 30 days of submission of such applications. The new set of rules, to be known as, “All India Tourist Vehicles Authorization and Permit Rules, 2021” has been published vide GSR 166(E) dated 10 March 2021. The new rules will be applicable from 01 April 2021. All existing permits shall continue to be in force during their validity.
- Hon'ble Minister of Road Transport & Highways, Shri Nitin Gadkari Announces Vehicle Scrapping Policy-** Hon'ble Minister for Road Transport and Highways, Shri Nitin Gadkari announced the Vehicle Scrapping Policy in Lok Sabha. The objectives of the policy are to reduce population of old and defective vehicles, achieve reduction in vehicular air pollutants to fulfil India's climate commitments, improve road and vehicular safety, achieve better fuel efficiency, formalize the currently informal vehicle scrapping industry and boost availability of low-cost raw materials for automotive, steel and electronics industry. The criteria for a vehicle to be scrapped is primarily based on the fitness of vehicles through Automated Fitness Centres in case of commercial vehicles and Non-Renewal of Registration in case of private vehicles. It is proposed that commercial vehicles be de-registered after 15 years in case of failure to get the fitness certificate. As a disincentive measure, increased fees for fitness certificate and fitness test may be applicable for

commercial vehicles 15 year onwards from the date of initial registration.

- **UNCTAD sees India growth at 5% in 2021 (calendar year)-** The United Nations Conference on Trade and Development (UNCTAD) on Thursday said India's Covid-19 stimulus fell short of initial announcements, leading to a lower than expected economic performance in 2020. In its Trade and Development 2020 update, it said that the relief measures adopted by India were not only much smaller in scale, but also centred on easing supply side constraints and providing liquidity support rather than aggregate demand support. UNCTAD expects India's GDP to have contracted 6.9% in 2020 and grow 5% in 2021, attributing the stronger recovery projected for 2021 to the deeper-than-expected downturn in 2020.
- **Private consumption to pick up in next few quarters: Moody's-** Private consumption as well as non-residential investment are expected to materially pick up over the next few quarters, according to Moody's Analytics. This will strengthen the domestic demand revival in 2021, it said in a research report. The report noted that domestic as well as external demand have been on the mend since the easing of restrictions leading to improved manufacturing output in recent months.
- **Over Rs 2.46 lakh crore sanctioned under Emergency Credit Line Guarantee scheme: Government-** The cumulative sanctioned and disbursed amounts under the Emergency Credit Line Guarantee Scheme (ECLGS) to MSMEs stood at Rs 2.46 lakh crore and Rs 1.81 lakh crore, respectively, as on February 28, according to the government. Hon'ble MSME Minister Shri Nitin Gadkari said that under the Credit Guarantee Scheme for Subordinate Debt (CGSSD), 343 number guarantees have been issued amounting to Rs 40.56 crore as on March 10.
- **APEDA signs MoUs with NSIC for harnessing the exports potentials of MSMEs-** The Agricultural and Processed Food Products Export Development Authority (APEDA) recently signed memorandum of understanding (MoU) with National Small Industries Corporation Ltd (NSIC) for ensuring cooperation in range of areas focussing on harnessing exports potential of agricultural and processed food products manufactured by Micro, Small and Medium Enterprises (MSMEs). According to the MoU, the key areas of cooperation include facilitating APEDA registered members getting assistance under all the NSCI schemes. The MoU also envisages ensuring sustainability and growth of MSMEs by addressing issues such as technology, skill, quality products and market access.

Newsletters/ Studies

PHD Research Bureau has released newsletter on Economic Affairs Committee, which pertains to a broad view of economic developments in the Indian economy and a newsletter on the developments on various fronts such as economic, health, infrastructure, rural economy and tourism in India in a particular month.

[Economic Affairs Committee Newsletter- March 2021](#)



Markets So Far

Indicators	Yearly			Monthly		Daily		
	2018	2019	2020	Jan, 21	Feb, 21	March 16, 2021	March 17, 2021	March 18, 2021
BSE SENSEX	36068	41253	47751	46285	49099	50363	49801	49216
GOLD (10 GRMS)	30600	34813	46985	49664	47125	44740	44763	44706
CRUDE OIL (1 BBL)	4437	4007.8	2966	3773	4260	4699	4672	4439
EXCHANGE RATE (INR/USD)	68	70.4	74.11	72.9	72.78	72.51	72.55	72.69

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

Warm Regards,

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