

Weekly Compendium of Research

For the week ending 1st December 2018

During the last week, PHD Research Bureau, the research arm of PHD Chamber of Commerce and Industry focused on various issues and challenges pertaining to the economic and business environment in the country. PHD Research Bureau disseminated information to members of PHD Chamber & other stakeholders on various issues such as • India's GDP stands at 7.1% in Q2 FY2019; October 2018 fiscal deficit stands at 103.9 % of actuals to Bes; October 2018 core infra grows at 4.8%; the Ministry of Statistics and Programme Implementation has released the back series data for the year 2005-06 to 2011-12 based on the new base year 2011-12; Government of India and Asian Development Bank (ADB) sign \$200 Million Loan to improve State Highways in Bihar; Government of India and Asian Development Bank (ADB) Signs \$75 Million Loan to Improve Urban Services in 4 Karnataka Towns; RBI relaxes guidelines for NBFCs on securitisation transactions; World Trade Outlook Indicator signals further loss of momentum in trade growth into Q4 of 2018; among others.

India and World Economy

- [India's GDP stands at 7.1% in Q2 FY2019-](#) GDP stands at 7.1% in Q2 FY2019 as compared to 8.2% in Q1 FY2019 and 6.3% in Q2 FY2018. The agriculture sector growth stands at 3.8% in Q2 FY2019 from 5.3% in Q1 FY2019. Manufacturing sector registered a growth of 7.4% in Q2 FY2019 as compared to 13.5% in Q1 FY2019. Construction registered a growth of 7.8% in Q2 FY2019 as compared to 8.7% in Q1 FY2019. Growth of Trade, Hotel, Transport, Communication has been registered at 6.8% in Q2 FY2019 from 6.7% in Q1 FY2019. Financial, Real Estate & Professional Services registered a growth of 6.3% in Q2 FY2019 as compared to 6.5% in Q1 FY2019. Public Administration, Defence & Other Services registered a growth of 10.9% in Q2 FY2019 from 9.9% in Q1 FY2019.

- October 2018 fiscal deficit stands at 103.9 % of actuals to BEs- The gross fiscal deficit of the Central government stands at 103.9% of the actuals to budget estimates (BEs) at the end of October 2018 as compared to 96.1% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 735.3% of the actuals to budget estimates at the end of October 2018 as compared to 1140.2% of the actuals to budget estimates during corresponding period of the previous year.
- [October 2018 core infra grows at 4.8%-](#) The core infrastructure grows at 4.8% in October 2018 as against 4.3% in September 2018. The combined Index of Eight Core Industries stood at 134.8 in October, 2018, which was 4.8% higher as compared to the index of October, 2017. Cement and Refinery products growth stands at 18.4% and 1.3% respectively in the month of October 2018.
- [National Account Statistics: Back-Series 2004-05 to 2011-12-](#) The Ministry of Statistics and Programme Implementation has released the back series data for the year 2005-06 to 2011-12 based on the new base year 2011-12. The Ministry had released the new series of national accounts, revising the base year from 2004-05 to 2011-12 in January, 2015. The methodology for preparing the back-series estimates for the years 2004-05 to 2010-11 is largely the same as the methodology followed in the new base (2011-12). Base year of National Accounts is periodically revised to account for the structural changes that have taken place in the economy over time and to depict a better picture of the economy through macro-economic aggregates like Gross Domestic Product (GDP), National Income, consumption expenditure and other related aggregates and indicators. GVA and GDP growth stood at 8.3% and 7.9% respectively in 2005-06, as compared to 5.2% each in 2011-12. The average GVA and GDP growth for the years 2008-09 to 2011-12 stood at 6.1% and 6.17%, respectively.
- [Government of India and Asian Development Bank \(ADB\) sign \\$200 Million Loan to improve State Highways in Bihar](#) - The Asian Development Bank (ADB) and the Government of India signed a \$200 million loan recently to finance widening and upgrading of about 230 Kilometers State Highways in Bihar to all-weather standards with road safety features. The loan will complement the efforts of the Government of Bihar to upgrade all State Highways to meet the minimum two-lane standard with better surfaces and improved road safety leading to improved connectivity.
- [Hon'ble Vice President laid Foundation Stone for Kartapur Corridor-](#) The Hon'ble Vice President of India, Shri M. Venkaiah Naidu has laid the foundation stone for construction of Dera Baba Nanak - Kartapur Sahib

corridor on the Indian side that will provide a passage to Sikh pilgrims to visit the holy site of Gurudwara Darbar Sahib at Kartarpur in Pakistan. This marked a new beginning in India-Pakistan relations and the possibility of reducing the tensions between the two countries. Pakistan has accepted the demand of India to develop a corridor with facilities on their side. The corridor is a bridge between the people of the two countries.

- [Government of India and Asian Development Bank \(ADB\) Signs \\$75 Million Loan to Improve Urban Services in 4 Karnataka Towns-](#) Government of India and the Asian Development Bank signed a \$75 million loan to provide 24 x7 water supply in Karnataka's four coastal towns of Kundapura, Mangalore Puttur and Udupi and improve sanitation infrastructure for Mangalore town. The Program, approved by ADB Board in 2014, aims to improve urban water resource management in selected river basins in Karnataka through modernization and expansion of urban water supply and sanitation infrastructure and strengthening institutions to improve water use efficiency, water resource planning, monitoring and service delivery. The \$75 million tranche 1 loan is helping strengthen urban water supply and sanitation services in three other towns of the State - Byadagi, Davangere, and Harihar.
- [More than 65 Lakhs Cumulative Number of Houses sanctioned under PMAY\(U\)-](#) The cumulative number of houses sanctioned under PMAY(U) now is 65,04,037. The Ministry of Housing & Urban Affairs has approved the construction of another 2,05,442 more affordable houses for the benefit of urban poor under Pradhan Mantri Awas Yojana (Urban). The approval was given in the 40th meeting of the Central Sanctioning and Monitoring Committee. Maharashtra has been sanctioned 1,16,042 houses while the sanction for Karnataka is 31,657 affordable houses. The number of houses sanctioned for Bihar is 26,880, while Tamil Nadu has been sanctioned 15,529 houses and Jammu & Kashmir 15,334 houses. A total of 392 projects with a project cost of Rs 7,391 crore with central assistance of Rs 3,082 crore has been approved.
- [International Labour Organisation's Global Wage Report, 2018-19-](#) According to International Labour Organisation's Global Wage Report, 2018-19, the average world labour force participation rate stands at about 62% of the working-age population, with approximately 3.3 billion individuals engaged in employment. Among all who are employed, some 54%, that is, 1.8 billion, are wage and salaried workers, which represents an increase of some 760 million wage and salaried workers compared to 25 years ago.

- [RBI eases hedging rules for external commercial borrowing-](#) This is with reference to the paragraphs 2.4.2 and 2.5 of Master Direction No.5 dated January 1, 2016 on “External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers”, as amended from time to time and A. P. (DIR Series) Circular No. 11 dated November 06, 2018, in terms of which certain eligible borrowers raising foreign currency denominated ECBs under Track I, having an average maturity between 3 and 5 years, are mandatorily required to hedge their ECB exposure fully, the attention of Authorized Dealer Category-I (AD Category-I) banks is invited. On a further review of the extant provisions, it has been decided by RBI, in consultation with the Government of India, to reduce the mandatory hedge coverage from 100 per cent to 70 per cent for ECBs raised under Track I of the ECB framework by eligible borrowers given at paragraph 2.4.2 (vi) of the aforesaid Master Direction for a maturity period between 3 and 5 years.
- [RBI relaxes guidelines for NBFCs on securitisation transactions-](#) This is in reference to the Guidelines on Securitisation Transactions vide paragraph 102 of Master Directions on Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions dated September 01, 2016 and paragraph 89 of Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions dated September 01, 2016. In order to encourage NBFCs to securitise/assign their eligible assets, it has been decided by RBI to relax the Minimum Holding Period (MHP) requirement for originating NBFCs, in respect of loans of original maturity above 5 years, to receipt of repayment of six monthly installments or two quarterly installments (as applicable), subject to the following prudential requirement: Minimum Retention Requirement (MRR) for such securitisation/assignment transactions shall be 20% of the book value of the loans being securitised/20% of the cash flows from the assets assigned
- [Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit-](#) This is in reference to the operational instructions contained in RBI circular on Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit issued vide DBR.Dir.BC.No.62/04.02.001/2015-16 dated December 4, 2015 and DCBR.CO.SCB.Cir.No.1/13.05.000/2015-16 dated February 11, 2016. In this regard, it has been decided by the Government of India to increase w.e.f. November 02, 2018 Interest Equalisation rate from 3% to 5% in respect of exports by the Micro, Small & Medium Enterprises (MSME) sector manufacturers under the Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit.
- [SEBI releases operating guidelines for Alternative Investment Funds in International Financial Service](#)

[Centres-](#) Securities and Exchange Board of India (SEBI) has issued SEBI (International Financial Services Centre) Guidelines, 2015 (hereinafter referred to as 'IFSC Guidelines') on March 27, 2015 for facilitating and regulating financial services relating to securities market in an IFSC set up under section 18(1) of Special Economic Zones Act, 2005. The IFSC Guidelines provide for broad framework for setting up of Alternatives Investment Funds (hereinafter referred to as 'AIF') in IFSC. Based on the deliberations in Alternative Investment Policy Advisory Committee (AIPAC) and in consultation with other stakeholders, it has been decided by SEBI in place 'Operating Guidelines for Alternatives Investment Funds in IFSC'.

Trade

- [World Trade Outlook Indicator signals further loss of momentum in trade growth into Q4 of 2018-](#) Trade growth is likely to slow further into the fourth quarter of 2018 according to the WTO's latest World Trade Outlook Indicator (WTOI). The most recent WTOI reading of 98.6 is the lowest since October 2016 and reflects declines in all component indices. It is below the previous value of 100.3 and falls under the baseline value of 100 for the index, signalling that trade growth in the coming months is expected to be below-trend.
- [India to export fish meal and fish oil to China: Protocol signed-](#) The Vice Minister, General Administration of Customs of China (GACC), Hu Wei, led a six-member delegation to India to discuss various issues of market access for different products like milk and milk products, agricultural products like soy meal, fruits and vegetables, tobacco and pharmaceutical products for which India has been seeking market access from China. A protocol on Hygiene and Inspection requirements for the export of Fish Meal and Fish Oil from India to China was signed. The signing of Protocol formalizes the consensus reached by both sides on hygiene and inspection requirements of fish meal and fish oil to be exported from India to China, and will enable India to commence export of fish meal and fish oil to China. China imports fish oil to the tune of USD 143.29 million, and fish meal to the tune of USD 263.43 million, and signing of the protocol between the two countries paves the way for export of Indian fish oil and fish meal to China.

Our Voice

- **GDP growth at 7.6% in the first half of FY2018-19** is impressive and expected to pick up in the coming quarters. With the improvement in India's ranking on Ease of Doing Business and announcement of major reforms for the MSMEs, we expect the growth of manufacturing sector to improve in subsequent quarters. Reforms in the agriculture sector would be critical to strengthen the growth of the sector and create

employment opportunities in the food processing sector, going forward. Growth of the private final consumption expenditure at 7% at constant prices is an indication of revival in demand and so will be the industrial activity in the coming times. Going ahead, we expect higher GDP growth of 7.5% in FY2019 as compared to 6.7% in FY2018.

Economy so far

- **Water management to play key role in India's economic growth: Amitabh Kant** - Water needs to be priced well as India's economic growth will be determined by how the country manages and recycles its water, said Niti Aayog CEO Amitabh Kant. He further stated that 30 per cent of urban and 70 per cent of rural water comes from groundwater, which is depleting rapidly. Stating that water is a state subject in India, which makes cooperation and ownership of water management crucial. Building infrastructure for storage, transmission and treatment of water is important, along with encouraging behavioral change mechanisms.
- **Darjeeling tea growers tap US, East Europe markets**- The four-month-long closure of Darjeeling tea estates last year due to agitation in the hills has come to haunt Darjeeling planters with some regular buyers from Japan staying away from the auctions. This has forced the trade to explore newer markets such as Eastern Europe and the US. The trade is also exploring eastern European markets and the US.
- **Centre to infuse Rs 42,000 crore in PSU banks by March, next tranche likely in December**- The government will infuse Rs 42,000 crore in the state-owned banks by March-end and the next tranche would be released as early as next month. The government earlier this year pumped Rs 11,336 crore in five PSBs -- PNB Allahabad Bank Indian Overseas Bank, Andhra Bank and Corporation Bank -- to improve their financial health. State-owned banks will need less capital to meet their capital adequacy norms, as the Reserve Bank of India decided to defer the deadline for them to meet the global norms or Basel-III requirement by a year till March 2020.
- **Commerce ministry recommends continuation of anti-dumping duty on chemical from EU, US**- The commerce ministry has recommended continuation of anti-dumping duty for five years on a chemical used in pharma and agro industries, imported from the European Union and the US. The move is aimed at guarding domestic manufacturers of 'Methylene Chloride' from cheap imports from the European Union

(EU) and the US. Continuation of the duty was recommended by the ministry's investigation arm Directorate General of Trade Remedies (DGTR), which conducted a probe into the alleged dumping of the chemical from these two regions. In its findings, DGTR concluded that there is a "continued dumping" of the product from the EU and the US and that is causing injury to domestic industry here. Despite the anti-dumping duty in force, the financial performance of the domestic industry has deteriorated.

- **India-China amends double taxation avoidance treaty-** India and China have amended the bilateral tax treaty which will help prevent tax evasion by allowing the exchange of information, the Finance Ministry said. The Government of India and the People's Republic of China have signed a protocol on 26 November, 2018, to amend the Double Taxation Avoidance Agreement (DTAA) for the avoidance of double taxation and for the prevention of fiscal evasion with respect to taxes on income. Under Section 90 of the Income-tax Act, 1961, India can enter into an agreement with a foreign country or specified territory for the avoidance of double taxation of income, for the exchange of information for the prevention of evasion.
- **India welcomes European Union's policy paper on deepening bilateral ties-** India welcomed the release of a policy document by the European Union, outlining the bloc's roadmap to significantly scale up ties between the two sides in a range of areas like trade, investment, defence and security. The Ministry of External Affairs Ministry (MEA) said India looked forward to engaging with the EU not only on a robust bilateral agenda, but also on regional and global issues of shared concern. The report recognises India's consistent economic growth, demographic dynamism and modernisation drive and calls for greater India-EU political, security and defence cooperation. It further said the EU document refers to India as an emerging global power that plays a key role in the current multi-polar world and a factor of stability in a complex region. India's engagement with the EU has substantially intensified since the establishment of strategic ties in 2004. India-EU cooperation now spans over 30 dialogue mechanisms, covering foreign policy and security issues, trade and investment and sustainable development among others.
- **GST brings Bhutan's cardamom exports to India to a halt** - Bhutan's exports of cardamom to India have come to a halt due to knots in Indian official formalities, leading to large-scale illegal cross-border trade. As a way out, Bhutan has requested India to bring the widely-used spice out of GST purview. The reversal began when India put GST in place in July 2017, with the new regime bringing the Rs 65-crore

trade to a complete halt. Following GST introduction, customs department now follows new system that includes Indian e-Payment Gateway ICEGATE in all Indo-Bhutan border gates. The system demands exporters to produce Plant Quarantine Services of India (PQSI) certificates for items to be exported to India. Bhutan is not included in PQSI list. Moreover, the system does not recognize BAFRA, (Bhutan Agriculture and Food Regulatory Authority) that issues quality certificate to exporters in Bhutan.

- **Government may push RBI to lift lending curbs on some banks-** The Indian government will push its central bank to ease lending restrictions for some weak banks and review rules governing its functioning at a board meeting next month. The members, including government nominees, will press for some of the weak banks to be removed from the so-called prompt corrective action list, particularly those ones that have been consistent in recovering outstanding debt, the people said, asking not to be identified as as the plan is not public. There are 11 state-run lenders on the list, which curbs their ability to lend.
- **India recorded highest average real wage growth in South Asia during 2008-17: Report-** India recorded the highest average real wage growth in South Asia during 2008–17, according to a report by the International Labour Organisation (ILO). Reflecting more rapid economic growth than in other regions, workers in Asia and the Pacific have enjoyed the highest real wage growth among all regions over the period 2006–17, with countries such as China, India, Thailand and Viet Nam leading the way. In South Asia, India led the average real wage growth in 2008–17 at 5.5 against a regional median of 3.7. Following India was Nepal (4.7), Sri Lanka (4), Bangladesh (3.4), Pakistan (1.8) and Iran (0.4). The report said that all emerging G20 countries except Mexico experienced significant positive growth in average real wages between 2008 and 2017.
- **National Housing Bank disburses record subsidy under Housing Mission 2022-** National Housing Bank, the principal agency to promote housing finance institutions in the country has disbursed a subsidy of Rs 3,270 crore to over 1.43 lakh households under the credit linked subsidy scheme (CLSS) in Housing for All Mission by 2022. Launched in 2015, for promotion of affordable housing for economically weaker section, lower and middle income group, CLSS is one of the four verticals of PMAY (Urban) under Housing for All Mission by 2022. CLSS is implemented through Scheduled Commercial Banks, Housing Finance Companies, Regional Rural Banks, Co-operative Banks, Small Finance Banks and registered Non-Banking Financial Company - Micro Finance Institutions.

- **15 states completely electrified: Power minister RK Singh-** Fifteen states have completed electrification while another eight are close to achieving complete household electrification. Eight states have achieved 100% saturation in household electrification under Saubhagya namely Madhya Pradesh, Tripura, Bihar, J&K, Mizoram, Sikkim, Telangana and West Bengal. Thus total 15 States in the country now have 100 % household electrification. Since launch of the programme in October 2017 2.1 crore connections have been released.
- **State govts must implement central schemes to boost agri sector: Harsimrat Kaur Badal-** The Centre has taken a number of initiatives, including sharp increase in MSP, for enhancing farmers' income and it is now for the state governments to implement these schemes, Union Food Processing Minister Harsimrat Kaur Badal said. The minister said that one of the big steps was increasing the minimum support price (MSP) of crops.
- **Q2 growth slows to 7.1%, but India still leads world -** India's economy grew at a slower-than-expected pace in the September quarter, easing by over a percentage point from the nine-quarter high of the preceding three-month period as a weak rupee, rising crude prices and tight liquidity conditions in the financial markets dented sentiment. Gross domestic product (GDP) expanded 7.1% in the second quarter of the fiscal year, down from 8.2% in the April-June period, data released by the statistics office showed. Slower manufacturing growth and 2.4% contraction in mining contributed to decline in growth.

Markets so far

Indicators	Yearly			Monthly			Daily		
	2015	2016	2017	Sep 18	Oct 18	Nov 18*	(27-11-2018)	(28-11-2018)	(29-11-2018)
BSE SENSEX	26118	26,626	34,056.83	36227.14	34442.05	36,194.30	35,513.14	35,716.95	36,170.41
GOLD (10 GRMS)	24994	29419.95	28966.08	30296.00	31698.00	30,240.00	30,673.00	30,394.00	30,360.00
CRUDE OIL (1 BBL)	2,431	2,924.63	3,317.11	5240	4869.00	3,597.00	3,651.00	3,656.00	3,555.00
EXCHANGE RATE (INR/USD)	64.15	67.21	65.11	72.91	73.45	69.58	70.78	70.61	69.85

Source: PHD Research Bureau, compiled from BSE, MCX and Bloomberg, RBI (*Data pertains to 30-November -2018)

Unemployment and Consumer Sentiments Indices

Indicators	27-11-2018			28-11-2018			29-11-2018		
	India	Urban	Rural	India	Urban	Rural	India	Urban	Rural
Unemployment Rate	6.55	7.46	6.07	6.53	7.46	6.05	6.54	7.46	6.06
Consumer Sentiments	100.53	97.34	102.37	100.7	97.51	102.55	100.53	97.67	102.37

Source: PHD Research Bureau, compiled from BSE

Newsletters

PHD Research Bureau, has released a newsletter to provide a broad view of industrial developments.

INDUSTRY DEVELOPMENT MONITOR FOR THE MONTH OF NOVEMBER 2018



PHD Research Bureau Subscription Opportunities

- [PHD Research Bureau Subscription Opportunities](#): PHD Research Bureau; the research arm of the PHD Chamber of Commerce and Industry was constituted 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,

Dr S P Sharma
Chief Economist



"Towards a Prosperous India"

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