



PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

April
2015

Economic Affairs Committee Newsletter

(Monthly update on India's socio-economic developments)



PHD Research Bureau
PHD CHAMBER OF COMMERCE & INDUSTRY

EAC Newsletter

April 2015

Almost all the international organizations are positive on India's growth story. The World Bank recently in its semi-annual report has projected that India's GDP growth is expected to accelerate to 7.5% in fiscal year 2015-16 and could reach 8% in FY 2017-18, on the back of significant acceleration of investment growth. Also, according to the World Economic Outlook of the IMF, the Indian economy is projected to grow 7.5% in 2015-16, more than China, owing to a rise in disposable income and a pick-up in investment due to recent policy reforms. Further, Global rating Agency, Moody's ratings has revised the India's sovereign rating outlook from "stable" to "positive" as it expects the actions by policymakers will enhance the country's economic strength in the medium term.

In addition to this, there has been some relief from the inflation side. The WPI inflation for the month of March 2015 declined to (-) 2.33% from (-) 2.06% in February 2015. The all India general CPI for March 2015 stands at 5.2% as compared to 5.4% in February 2015. Further, Growth in industry output measured in terms of IIP, for the month of February 2015 is increased to 5% as compared with 2.8% during January 2015.

However, India's exports have shown a decelerating trend. The exports have declined by (-) 21.06% in March 2015 and have registered a growth rate of (-) 1.2% during the period April-March 2015. Export performance has been progressively weakening and contraction is set in on both non-oil and petroleum product exports since December 2014 due to weakness in external demand conditions and revenue shortfalls in major energy exporting countries due to low crude oil prices.

However, new Foreign Trade Policy entails the long term vision of the government to place India in one of the significant trade countries by 2020 which is inspiring. The government has very rightly focused not only on the promising export sectors but also to rejuvenate and strengthen the traditional export sectors to absorb skilled and semi skilled workforce and creates more and more employment opportunities for the vast pool of young population, going forward.

Nonetheless, weak domestic demand coupled with mixed signals from the services sector made a strong case for rate cut in the bi-monthly monetary policy 2015-16 of the RBI. However, the RBI kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.5% in its First Bi-monthly Monetary Policy Statement, 2015-16.

Going ahead, we believe that in order to rejuvenate the demand scenario and reduce the cost of doing business, the RBI should reduce repo rate by at least 50 basis points from 7.5% to 7% in the coming times.

1. Indian economy so far

1.1 Growth

February 2015 IIP grows at about 5%-Growth in industry output, as measured in terms of IIP, for the month of February 2015 is estimated at 5% as compared with 2.8% during January 2015. The cumulative growth for the period Apr-Feb 2015 stands at 2.8% as compared to (-)0.1% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in Feb 2015 stands at 2.5%, 5.2% and 5.9% respectively as compared to (-)2.0%, 3.4% and 3.3% in Jan 2015. The cumulative growth for the period Apr-Feb 2014-15 in the three sectors mining, manufacturing and electricity over the corresponding year stands at 1.5%, 2.2% and 9.1% respectively. Capital goods growth stands at 8.8% during Feb 2015 as compared to 12.5% during Jan 2015.

February core infra grows at 1.4%- The core infrastructure grows to 1.4% (Y-O-Y) in February 2015 as compared to 1.8% (Y-O-Y) in January 2015. The combined index of Eight Core Industries stands at 161.5 in February 2015 with a growth rate of 1.4% in February 2015 as compared to 6.1% in February 2014. Crude oil and Natural gas registered a growth rate of (-)1.9% and (-)8.1% respectively in the month of February 2015.

1.2 Inflation

March 2015 CPI inflation at 5.2%- The all India general CPI (Combined) for March 2015 stands at 5.2% as compared to 5.4% in February 2015. The inflation rates for rural and urban areas for March 2015 are 5.6% and 4.8% as compared to 5.8% and 4.9% respectively, for February 2015. Rate of inflation during March 2015 is high in pulses and products at 11.48%, Spices at 9.16%, Milk and products at 8.35%, and Prepared meals, snacks & sweets etc. at 7.54%.

March 2015 WPI inflation stands at (-)2.33%- Driven by the decrease in the prices of food articles, Potato, Cereals, vegetables, fuel & power and manufactured products, the WPI inflation decreased to (-)2.33% (Y-O-Y) for the month of March 2015 as compared to (-)2.06% (Y-O-Y) for the month of February 2015. The Index for Wholesale Prices for the month of March 2015 increased by 0.2% to 176.1 from 175.8 for the previous month.

1.3 External sector

March merchandise exports registered at (-) 21.06%- India's exports for the month of March 2015 stand at around USD 23.9 billion with a (Y-O-Y) growth of (-)21.06% as compared to USD 30.3 billion in March 2014. During March 2015, the imports are registered at USD 35.7 billion with a (Y-O-Y) growth of around (-) 13.44% as compared to USD 41.2 billion in March 2014. The balance of trade stands at around UDS (-)11.8 billion in March, 2015 as compared to around USD (-) 11 billion during March 2014.

February services exports stand at USD 14 bn- India's services exports for the month of February 2015 stand at around USD 14 billion and services imports stand at around USD 7.8 billion. The trade balance in services stands at USD 6.2 billion for the month of February 2015.

India's External Debt at about US\$ 462 billion-India's total external debt stands at US\$ 461.9 billion at end-December 2014, recording an increase of US\$ 15.5 billion (3.5%) over the level at end-March 2014. India's external debt to GDP ratio stood at 23.2% at end-December 2014 vis-à-vis 23.7% at end March 2014. The rise in external debt during the period was due to long-term debt such as commercial borrowings and NRI deposits. Short-term external debt, however witnessed a decline during the period.

Net FII investments stands at about USD 3337 million in March 2015-The net FII investments in the month of March 2015 are estimated at around USD 3337 million as against USD 3966 million in February 2015, registering a growth of about (-)16% (Y-O-Y). The net FII investments stands at about USD 5453 million in January 2015, USD 1998 million in December 2014, USD 4134 million in November 2014 and USD 2730 million in October 2014.

February, 2015 FDI grows by 63%- The FDI equity inflows in the month of February 2015 are estimated at around US\$3.2bn as against about US\$2bn in February 2014, posting a growth (Y-o-Y) of 63%. The growth in FDI equity inflows stands at around 104.71% in January, 2015 and 96.28% in December, (-)6.17% in November, 116.6% in October and (-) 35.1% in September, 2014. The total FDI equity inflows, in the period April-February 2014-15 are estimated at around US\$28.8 bn; representing an increase of around 39% over the FDI equity inflows of about US\$ 20.7 bn for the corresponding period last year.

1.4 Fiscal scenario

Fiscal deficit crossed RE by 17.5% in Apr-Feb- Centre's fiscal deficit crossed the Budget's revised estimate (RE) by 17.5%, during the April 2014-February 2015 period. The fiscal deficit stood at Rs 6.02 lakh crore in the first 11 months of this year against the RE of Rs 5.13 lakh crore. This means the government will have to ensure a fiscal surplus of around Rs 89,000 crore in the month of March.

India's External Debt at about US\$ 462 billion-India's total external debt stands at US\$ 461.9 billion at end-December 2014, recording an increase of US\$ 15.5 billion (3.5%) over the level at end-March 2014. India's external debt to GDP ratio stood at 23.2% at end-December 2014 vis-à-vis 23.7% at end March 2014. The rise in external debt during the period was due to long-term debt such as commercial borrowings and NRI deposits. Short-term external debt, however witnessed a decline during the period.

Indirect Taxes Collections for the Financial Year 2014-15 exceeds the Revised Estimates target by Rs. 4,000 Crore- Based on the provisional report, the indirect taxes collections for the Financial Year (FY) 2014-15 has exceeded the Revised Estimates (RE) target of FY2014-15 by Rs. 4,000 crore. The total collections as on 31st of March 2015 is Rs.5,46,479 crore, as against the Revised Estimates target of Rs. 5,42,325 crore for the FY 2014-15. Further, the provisional collections during the Financial Year 2014-15 has increased by 9.9% as against the actual collections during the Financial Year 2013-14, which was Rs. 4,97,061 crore.

Direct tax collection falls short by Rs 19,028 cr in FY15- According to the data internally released by the Income tax department, the direct tax collection is short of the revised target by over Rs. 19,028 crore. The Income tax department has so far collected Rs. 6,85,972 crore during the fiscal year 2015, against the projected target of Rs. 7,05,000 crore, thus falling short of Rs. 19,028 crore.

1.5 Monetary scenario

RBI kept the policy repo rate unchanged at 7.5% in First Bi-monthly Monetary Policy Statement, 2015-16- RBI in its first Bi-monthly Monetary Policy Statement, 2015-16 has kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 7.5% and the cash reserve ratio (CRR) of scheduled banks unchanged at 4% of net demand and time liabilities (NDTL). Consequently, the reverse repo rate under the LAF will remain unchanged at 6.5%, and the marginal standing facility (MSF) rate and the Bank Rate at 8.5%. RBI has continue to provide liquidity under overnight repos at 0.25% of bank-wise NDTL at the LAF repo rate and liquidity under 7-day and 14-day term repos of up to 0.75% of NDTL of the banking system through auctions. Further, it has continue with daily variable rate repos and reverse repos to smooth liquidity.

Feb 2015 Gross Bank Credit grows at 9.3%- On a year-on-year basis, gross bank credit stands at 9.3% in the month of February 2015 as compared with 9.6% in the month of January 2015. The growth of food credit stands at 5.1% in February 2015 as against 3.7% in January 2015 and the non-food bank credit growth stands at 9.4% in February 2015 as against 9.7% in January 2015.

2. Major policy pronouncements

Foreign Trade Policy 2015-2020 Unveiled- The Foreign Trade Policy 2015-20 was unveiled by Hon'ble Minister of Commerce & Industry, Ms. Nirmala Sitharaman, at Vigyan Bhawan. The new five year Foreign Trade Policy, 2015-20 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in keeping with the "Make in India" vision of Prime Minister. The focus of the new policy is to support both the manufacturing and services sectors, with a special emphasis on improving the 'ease of doing business'.

17 New Mega Food Parks Sanctioned- Government has sanctioned 17 new Mega Food Parks which are likely to attract investment of around Rs. 2000 crore in modern infrastructure, additional collective investment of around Rs. 4000 crore in 500 food processing units in the Parks and an annual turn-over of Rs. 8000 crore. These Parks, when fully functional, will create employment for about 80,000 persons and benefit about 5 lakh farmers directly and indirectly.

Panel set up to finalise funds to end open defecation- A panel has been set up to finalise funds for the Swachh Bharat Mission (SBM), that seeks to make India an 'open defecation-free' country by the year 2019. A sub-group comprising of 11 chief ministers, headed by Hon'ble Karnataka chief minister, Shri Siddaramaiah has been set up to finalise the financing modalities for the scheme.

Cabinet allows use of imported gas to revive stuck power plants- Cabinet Committee for Economic Affairs has decided to use imported natural gas to revive stuck power plants. Further, to ensure that

electricity generated from imported gas does not become expensive, Government has fixed a preliminary price of Rs.5.50 a unit to begin with. Depending on the fluctuations in the imported gas price, an empowered pool management committee will then review the rates.

Reserve Bank of India lifts lending ban on United Bank of India- RBI has removed the lending restriction on United Bank of India (UBI) after it demonstrated its ability to arrest bad loans and non-performing assets. The bank is now allowed to do business like any other bank in the country.

Coal Minister launches online project monitoring portal- Hon'ble Minister of State for Coal, Power and New and Renewable Energy, Shri Piyush Goyal has launched Online Coal Project Monitoring Portal (e-CPMP) in order to track public and private sector projects. The portal has been launched to remove the implementation bottlenecks in the projects. Further, the benefit will now be extended to recent coal block allottees.

Nod to the norms of the expenditure on Central assistance to States under the National Food Security Act, 2013- The Cabinet Committee on Economic Affairs, has given its nod to the norms of the expenditure and pattern of central sharing on Central assistance to States under the National Food Security Act, 2013 (NFSA) for meeting expenditure on intra-state movement, handling of foodgrains and FPS dealers' margin. For the General category states, the center will contribute 50% to the total expenditure and for special category states, the center will contribute 75% to the total expenditure.

India signs US\$500mn loan agreements with World Bank for MSMEs growth & innovation- Government of India and World Bank signed loan agreements worth US\$500mn for assistance to Small Industries Development Bank of India (SIDBI) for MSME growth innovation and inclusive finance project. The objective of the project is to improve access to finance of Micro, Small and Medium Enterprises (MSME) in manufacturing and service sectors from early to growth stage, including through innovative financial products. The project also aims to support growth and employment creation through unlocking opportunities for firm growth that the financing would provide.

MCA softens its stand on 'deposits'- The Corporate Affairs Ministry (MCA) has softened its stand on 'deposits' received by private companies. MCA has now clarified that amounts received by private companies prior to April 1, 2014 by such entities from their members, directors or their relatives will not be considered as "deposits" under the new company law. This would mean that private companies' deposits before April 1, 2014 will not be required to conform to the stringent conditions specified for deposits' acceptance under the new company law enacted in 2013.

Union Cabinet clears repromulgation of land ordinance- The Union Cabinet has decided to recommend re-promulgation of the land acquisition ordinance incorporating nine amendments that were part of the bill which was passed in Lok Sabha earlier this month. Now the recommendation will go to the Hon'ble President, Shri Pranab Mukherjee, who is expected to re-issue the ordinance before April 5, when the previous ordinance will lapse.

Approval to amendments to guidelines for financial support to Public Private Partnerships in infrastructure- The Cabinet Committee on Economic Affairs, chaired by the Hon'ble Prime Minister, Shri Narendra Modi, has approved the change in the definition of a 'Private Sector Company' in the guidelines for financial support to Public Private Partnerships in Infrastructure under the Viability Gap Funding Scheme (VGF Scheme). This has been done to remove any ambiguity in interpretation of the term 'Private Sector Company' and to align it with the definition of 'Government Company' at Section 2 (45) of the Companies Act, 2013.

CBDT signs 3 more unilateral APAs- Central Board of Direct Taxes (CBDT) has signed three more unilateral advance pricing agreements (APAs) with companies in India thus taking the overall number of APAs to nine. An APA is an agreement between a corporate taxpayer and the tax authority on its transfer pricing methodology and the tax rate applicable on inter-company transactions. It normally covers multiple years and helps avoid any disputes with the taxman over transfer pricing. Of the nine APAs signed till date, eight are unilateral while one is a bilateral agreement which signed with Japan in December last year.

RBI increases the limit for foreign portfolio investors and domestic investors in Exchange traded currency derivatives (ETCD) market- RBI has increased the limit for foreign portfolio investors and domestic investors in USD-INR pair upto \$15 million per exchange from \$10 million.

PM launches national Air Quality Index- Hon'ble Prime Minister, Shri Narendra Modi has launched the National Air Quality Index (AQI) for monitoring the quality of air in major urban centres across the country and enhancing public awareness for taking mitigative action. The AQI has been at present launched for 10 cities- Delhi, Agra, Kanpur, Lucknow, Varanasi, Faridabad, Ahmedabad, Chennai, Bangalore and Hyderabad.

RBI tightens rules for export credit to repay rupee loans- The Reserve Bank of India has tightened the rules for granting long-term export advances to curb the practice of using trade finance to retire old rupee loans. This facility for long-term export advances was primarily being utilized for refinancing rupee loans of borrowers, instead of using it to execute long-term supply contracts for export of goods. Further, now RBI has permitted exporters to receive long-term export advance to execute long-term supply contracts for the export of goods.

DIPP forms committee to identify the areas in which self certification can be allowed- The Department of Industrial Policy and Promotion has formed a committee to identify the areas in which self certification can be allowed. The 11 member committee will be chaired by former DIPP Secretary, Shri Ajay Shankar and will come up with a draft legislation on the regulatory framework to do away with the need to take multiple approvals.

Cabinet clears revised real estate Bill, commercial sector to be covered too-The Union government has cleared amendments to the Real Estate (Regulation and Development) Bill, 2013. The Bill was introduced in the Rajya Sabha in August 2013 and was further referred to the standing committee on urban development. Most of the panel's recommendations have been incorporated in the amendments. Through the amendments to the Bill of 2013, the Cabinet has extended the applicability of the bill to the commercial real estate sector also.

India and USA Sign Memorandum of Cooperation- A Memorandum of Cooperation for India-US transportation was signed by Hon'ble Minister of Road Transport & Highways and Shipping, Shri Nitin Gadkari and Hon'ble US Secretary of Transportation, Mr. Anthony Foxx. The Memorandum aims to foster cooperative work on key issues of mutual interest for all modes of transportation and coordinating public and private sector resources and expertise to advance safe, secure, efficient and integrated transportation systems.

PM launches MUDRA Bank to fund small businesses- Hon'ble Prime Minister, Shri Narendra Modi has launched the Micro Unit Development and Refinance Agency (MUDRA), to fund and promote microfinance institutions (MFIs), which would in turn provide loans to small and vulnerable sections of

the businesses. MUDRA will have an initial corpus of Rs 20,000 crore and a credit guarantee corpus of Rs 3,000 crore which will be provided by banks from their priority sector lending shortfall.

Banks will have the discretion to offer differential interest rates on term deposits- Banks are allowed to offer differential rates of interest on term deposits on the basis of tenor for deposits less than Rs.1 crore and on the basis of quantum and tenor on term deposits of Rs. 1 crore and above. In reference to the sixth Bi-monthly Monetary Policy Statement- 2014-15 which was announced on February 3, 2015, it was decided by RBI to introduce the feature of early withdrawal facility in a term deposit as a distinguishing feature for offering differential rates of interest.

Coal, Railway Ministries, Odisha Government sign MoU to form new joint venture- The Coal Ministry, Railway Ministry and Government of Odisha have signed a memorandum of understanding to form a joint venture which will identify and execute railway line projects for the evacuation of coal in the State. Coal India will hold 64% stake in the joint venture while the Indian Railways and Odisha Government will hold 26% and 10% stake respectively.

Transport allowance exemption doubled to Rs 1,600 per month- As announced in the Budget, the Finance Ministry has notified the increase in transport allowance to from Rs. 800 to Rs. 1,600 a month.

Government approves road projects worth Rs 5,150 crore in Haryana, Uttar Pradesh and Maharashtra-The Cabinet Committee on Economic Affairs has cleared three important highway projects in the states of Haryana, Uttar Pradesh and Maharashtra with the total length of more than 300 km and with an approximate cost of Rs 5,150 crore. All the three projects will be implemented on BOT model, with the private sector investing upfront to meet the capital cost which will be further recovered through collection of toll during the concession period.

End of paper trail in e-filing of Income Tax returns; Aadhaar added- In order to ease taxpayer grievances, CBDT has announced that assesseees who are filing I-T returns online will no longer have to send the paper acknowledgement by post as the new Aadhaar-based electronic verification code has been launched to authenticate this document.

3. Other key developments

India's GDP growth rate to reach 8% by 2017: World Bank- According to the World Bank's semi-annual report, India is projected to grow at 8% by 2017 and a strong expansion in the country, coupled with favourable oil prices, would accelerate the economic growth in South Asia. Further, the report states that the GDP growth is expected to accelerate to 7.5% in fiscal year 2015-16 and could reach 8% in FY 2017-18, on the back of significant acceleration of investment growth.

India's growth to exceed China's in FY16: IMF- According to the World Economic Outlook of the IMF, the Indian economy is projected to grow at 7.5% in 2015-16, more than China, owing to a rise in disposable income and a pick-up in investment due to recent policy reforms. However, it also projected the same growth for India in 2016-17 and said growth wouldn't exceed 7.8% till 2020-21.

Indian banks under risk as debtors are constrained: IMF- IMF in its Global Financial Stability Report has said that a significant share of debt in India is with firms that have relatively constrained repayment capacity, thus creating risk for the banks that already have low loss absorbing capacity. IMF in its report has further stated that the 36.9% of India's total debt is at risk which is highest among the emerging economies.

Potential output growth to remain below pre-crisis level in medium term: IMF- IMF, in its analytical chapters of World Economic Outlook, stated that the potential growth in advanced and developing economies will remain below pre-crisis level in medium term due to impact of aging population, lower capital and productivity growth.

Moody's upgrades outlook for Indian banking- Global Rating agency Moody's has changed the outlook for 12 public sector banks (PSBs) and financial institutions from 'stable' to 'positive', but downgraded the local currency bank deposit ratings and the senior unsecured ratings of three private sector banks- Axis Bank, HDFC Bank and ICICI Bank. However, the rating agency has changed their outlook to "positive".

Moody's upgrades India's rating outlook to positive- Global rating Agency, Moody's ratings has revised the India's sovereign rating outlook from "stable" to "positive" as it expects the actions by policymakers will enhance the country's economic strength in the medium term. The rating agency further stated that it expects structural advantages, supported by relatively moderating commodity prices and liquidity conditions globally, will keep India's growth above its peers over the rating horizon.

Banks to benefit from revival of gas-based power plants: Moody's- Credit rating agency Moody's has said that the Government's efforts to revive and improve the stranded gas-based power projects will benefit banks as they have significant credit exposure to such plants. The rating agency further asserted that among the biggest beneficiaries of these measures are IDBI Bank, State Bank of India and ICICI Bank.

Asia-Pacific economies, including India, resilient to shocks: Moody's- Global Rating agency Moody's has said that emerging economies in the Asia-Pacific region, including India, have a high degree of immunity to external shocks, but will face challenges when the US Federal Reserve begins raising interest rates.

7.5% growth may not be sustainable; resolve tax issues: Moody's - Global rating agency Moody's has said that a growth rate of more than 7.5% may not be "sustainable" for India in the present scenario and the country needs to resolve tax issues that are impacting its investment climate. It however said that the grow rate of 7.5% projected for the current fiscal year is "good" and India's outlook is better than its peers.

Private sector capital spending to return in 2016-17: S&P- According to a new report 'India Credit Spotlight' from the global rating agency Standard & Poor's, on the back of an overall improvement in the operating environment, Indian private sector's capital spending will make a comeback in the year 2016-17. The report further states that capital spending in India will continue to fall in fiscal year 2015-16 despite the economy being one of the few bright spots in Asia Pacific.

Capital spending in India to take 12 more months to recover: S&P- Global ratings agency Standard and Poor's, has said that capital spending in India will continue to fall in the fiscal year 2016, despite

its economy being one of the few bright spots in Asia-Pacific. In its report the rating agency has further said that corporates in the capital-intensive sectors are mostly focusing on improving profitability and lowering leverage rather than looking at new projects.

India Inc revenue growth to slip to 7-year low: Crisil- Crisil Research has said that it expects India Inc's revenue growth to slip to a 7-quarter low of 2.5% in the March 2015 quarter. In a statement, it has further said that the weak performance of investment-linked sectors and low global commodity prices will more than offset the moderate growth which is anticipated in export-oriented sectors and consumer-driven sectors.

Unseasonal rains to push CPI inflation to 6% in Q2 2015: Nomura- According to the global financial services firm, Nomura, Inflation momentum is likely to increase in the coming months largely due to unseasonal rains which can push CPI inflation to nearly 6% in next three months.

WTO registered world merchandise trade growth at 2.8% in 2014- According to the World Trade Organization (WTO) Trade Statistics for 2014 and Trade Growth Projections for 2015-16, world merchandise trade volume growth is registered at 2.8% in 2014 (less than the recent forecast of 3.1%) , while projects a modest trade recovery in the year 2015 and 2016.

Slowing global trade growth may impact Indian export: WTO- WTO has cut global trade growth forecast for 2015 to 3.3% from 4% which will affect India's already sliding exports. In 2014, international trade grew by 2.8%, much less than the original forecast of 4.7% and also lower than the revised forecast of 3.1% in September 2014. In services exports, India fell two places to eighth position in 2014, down from sixth in the previous year while India's ranking in merchandise exports remained unchanged at 19 in 2014, with a share of 1.7% in global exports.

IMF releases Fiscal Monitor 2015- IMF in its recent publication of Fiscal Monitor 2015, has highlighted the influential role of factors including lower oil prices, growth-friendly monetary policy and slower rates of fiscal adjustment, in recovery in most economies. It further stated that in spite of recovery, fiscal risks has remained elevated. It further, outlined that advanced economies continue to face the triple threat of low growth, low inflation and high debt.

Infrastructure boost to revive cement sector in Q2 FY16- According to the brokerage firm PL India's report, India's cement demand continued to remain moderate in the month of March, but it is expected to see revival from the July-September quarter of current fiscal on the back of steep increase in allocations to infrastructure spending. The report further stated that the weakness in the cement demand was primarily due to reduced spending of the government so as to manage its fiscal deficit.

FIEO sees drop in exports in 2015-16- The Federation of Indian Export Organizations has said that exports in the year 2015-16 may be even lower than the previous fiscal as preliminary data for April indicates a drop in volume of exports as compared to the previous month. Exports had declined 21% in the month of March, thus pulling down the total exports in the year 2014-15 by 1.23% to \$ 310.53 billion.

Service sector sees slight moderation in March- According to the HSBC Purchasing Manager Index (PMI) for Services, India's service sector growth eased in the month of March. The HSBC Purchasing Manager Index (PMI) for Services came down to 53 in March from 53.9 in the month of February.

ASI lowers industrial growth for 2012-13 to 1.8%- The Annual Survey of Industries (ASI) has revised the net industrial growth rate to 1.8% from 2.8% estimated earlier for the year 2012-13. As the ASI estimates are incorporated in GDP figures, economic growth for 2012-13 is also likely to be revised. As a consequence, figures for 2013-14 and 2014-15 might also be altered. However, the industrial figures given in ASI are in current prices, while the GDP growth is given in constant prices.

India Inc invests \$2.27 billion overseas in March, down 59% - According to a release by RBI, Foreign Direct Investment made by Indian industry in the overseas markets fell by 59% to \$2.27 billion last month. The release has stated that the Indian firms had made FDI of \$5.47 billion in the month of March last year.

Wheat procurement to fall 10% in March: FCI- According to the Food Corporation of India, wheat procurement will fall by 10% this season due to unseasonal rains in the month of March. The FCI and other government agencies are expected to procure 30 million tonnes for various government schemes from of April 1.

Steel imports up 71% in FY15- According to the recently released provisional data by the Joint Plant Committee, India has imported 9.32 million tonnes of steel items in the year 2014-15, thus registering an increase of around 71%. This has been the highest import of steel items in the past five years. Further, the provisional data also shows that export of steel items dropped by 8.1% to 5.5 million tonnes in 2014-15.

Car exports from India declined 1.66% to 5,42,082 units in 2014-15 - According to the data from the Society of Indian Automobile Manufacturers (SIAM), Passenger car exports from India declined by 1.66% to 5,42,082 units in the year 2014-15 due to challenges in traditional overseas markets like Europe, Sri Lanka and Algeria. SIAM has further reported that the decline in passenger car exports was also mainly due to 18% decline in the overseas shipments by the largest car exporter Hyundai Motor India Ltd (HMIL) during the last fiscal.

Foreign fund inflows cross Rs 83,000 cr this year- The total foreign fund inflows have reached Rs 83,000 crore since the beginning of the year with overseas investors pumping in over Rs 4,000 crore in the Indian capital markets so far in this month.

ADB to give \$300 m loan to India- An agreement has been signed between Finance Ministry with Asian Development Bank under which ADB will extend a loan of \$ 300 million to India for improving road connectivity and increasing the domestic and regional trade along North Bengal. The loan has a 25 year repayment term.

Centre releases Rs 37,420 cr to states- In accordance with the recommendation of the Fourteenth Finance Commission (FFC), the Central government has released Rs 37,420 crore to the states as the first installment of devolution for the year 2015-16. FFC had recommended the Central transfer of 42% from the divisible tax pool to states for a period of five years, starting from the current financial year.

Commodity-Wise Freight Revenue Earnings of Railways Goes up by 12.7% in FY2014-15- During FY2014-15, the Indian Railways has generated Rs. 105312.09 crore of revenue earnings from commodity-wise freight traffic as compared to Rs. 93471.59 crore during the corresponding period last year, registering an increase of 12.7%. The commodity-wise freight traffic registered an increase of 4.18% from 1053.56 million tonnes in FY2013-14 to 1097.57 million tonnes.

Job growth dips in Dec quarter- According to Labour Bureau's report on quarterly changes in employment following the global economic slowdown, employment growth in eight key sectors grew at the slowest pace in the quarter ended December 2014, with 117,000 jobs generated as compared to 158,000 jobs in July-September 2014 and 182,000 in April-June 2014. The maximum fall was seen in the automobiles sector by 23,000, followed by the metals sector (20,000) and gems and jewellery sector (5,000).

Commodity-Wise Freight Revenue Earnings of Railways Goes up by 12.7% in FY2014-15- During FY2014-15, the Indian Railways has generated Rs. 105312.09 crore of revenue earnings from commodity-wise freight traffic as compared to Rs. 93471.59 crore during the corresponding period last year, registering an increase of 12.7%. The commodity-wise freight traffic registered an increase of 4.18% from 1053.56 million tonnes in FY2013-14 to 1097.57 million tonnes.

Railways earnings grows 12% to Rs 157,880 cr in 2014-15- According to the latest data from Railways, Indian Railways' earnings jumped by 12.2% to Rs 1,57,880 crore in the year 2014-15, against Rs 1,40,761 crore in 2013-14. Further, freight earnings, which account for 66% of the total earnings, grew by 12.7% to Rs. 1,07,074 crore in the year 2014-15.

Coal imports jump 34% in 2014-15- Coal imports into India, the world's third largest buyer, jumped 33.5% in the last fiscal year to 242.4 million tonnes as lower purchases by China affected the prices and helped consumers elsewhere. Imports in March were estimated to have risen to 24.73 million tonnes which is an increase of 80%.

Credit growth slows to 9.4% in February- RBI in its data for sectoral deployment of credit has said that slowdown in loan pick up by the corporates continued to compress credit growth, with non food lending expansion falling below the double digit mark to 9.4% in the month of February. The data further shows that credit growth to industry reduced to 6% in this month of February from 13.2% in the corresponding month of previous year.

RBI snaps up \$49.2-billion in April-February, highest in 7 years- In order to reduce the rupee volatility on account of higher inflows and increase the reserves to cushion against any external shock, RBI bought \$49.2 billion in April-February 2014-15, the highest amount of dollars in the last seven years. Further, in this period, the forex reserves touched a record high of \$338 billion in the week that ended on February 27.

Industries to require 109 mn skilled workforce over next decade- According to human resource and skill requirement reports commissioned by the National Skill Development Corporation, India will need close to 109 million skilled workers over the next decade. The findings of the report further shows that the incremental human resource requirement across 24 sectors is nearly 109.73 million, whereby the top 10 sectors, including automobile, retail, handloom and leather, account for about 80% of the requirement.

Power generation crosses 1 trillion units in 2014-15- The Ministry of Power has said that the electricity generation in the year 2014-15 was over a trillion units. According to the official statement by the ministry, the power generation in 2014-15 grew by 8.4% over last year to 1048.4 billion units.

Wheat output might drop 4-5% due to unseasonal rain- According to initial reports, received from various states, because of unseasonal rain, India's wheat production in the 2015-16 crop marketing

season that started from the month of April, might fall by 4-5% from the initial estimate of 95.76 million tonnes. This would mean that India might have to use its accumulated reserves to meet the domestic consumption.

Rains won't impact inflation target: Chief Economic Advisor - Hon'ble Chief Economic Advisor, Mr. Arvind Subramanian has said that the recent unseasonal rains will not affect the medium term inflation target. He further said that if the monsoon forecast for this year is good, it will have an offsetting impact on the losses due to unseasonal rains. Therefore this loss due to unseasonal rains has to be viewed as a temporary blip and not the permanent shift in the inflationary process.

Part-hedging must for ECBs: Sahoo panel- The committee, headed by Mr. M S Sahoo, former member of the SEBI, which was set up to review and liberalize external commercial borrowing (ECB) norms has recommended for compulsory hedging of a part of the foreign debt a company takes on its books. It has also recommended the removal of sectoral caps, overall caps and end-use restrictions for the debt raised by companies from abroad.

Centre lowers crop damage estimate- Following a meeting between Hon'ble Prime Minister, Shri Narendra Modi and officials from the affected states, Centre has lowered its earlier estimate of crop damage in the recent rains and hailstorm across several states. Further, Centre is also working to include rain into the category of national calamities, apart from hailstorm and frost, which will help in enhancing the compensation to the affected areas. According to the government's revised estimates, standing Rabi crops on 10.67 million hectares have been damaged in the recent rains and hails.

Tribal farmers to form Co-ops to roll out ' Farm to Fork' Scheme:- As the government's 'Farm to Fork' programme begins to roll out, over 2000 farmers organizations in the tribal states of Chhattisgarh, Jharkhand, Madhya Pradesh, Andhra Pradesh and Telangana are joining hands to form corporate structures. These cooperatives will be helped by government in sourcing inputs, machine requirements, processing of produce, marketing and linking up with large value chains.

PM increases compensation for crop damage by 50%- Hon'ble Prime Minister, Shri Narendra Modi has announced a 50% increase in compensation to the farmers for damage to their crop because of untimely rainfall and hailstorm. Also, the eligibility criterion for this compensation was lowered from loss of 50% of potential crop to 33%.

HDFC Bank, ICICI Bank, State Bank of India cut lending rates after RBI Guv Raghuram Rajan's tough talk- Three leading banks of the country cut their lending rates after Hon'ble RBI Governor, Dr. Raghuram Rajan dismissed the argument of the banks that their marginal cost of funds has not fallen despite the two repo rate cuts by the central bank in the last four months. State Bank of India and HDFC Bank slashed their base rates by 15 basis points to 9.85% while ICICI Bank reduced their base rates by 25 basis points to 9.75%.

Centre extends food law deadline by another 6 months- Hon'ble Union Food Minister, Shri Ram Vilas Paswan has said that Centre has given six months more to the states for rolling out the National Food Security Act (NFSA). The deadline for implementing the law was ending on April 4. Till now, only 11 states and Union Territories (UTs) have so far implemented the National Food Security Act which was passed by Parliament in September 2013. The rest 25 states and UTs have not implemented it yet.

Natural gas price slashed by 7.7% to \$4.66 per unit- The government has announced that domestically produced natural gas will be priced at \$5.17 per million British thermal units (mBtu) on the basis of net calorific value (NCV) between April 1 and September 30, around 7.7% cut from the existing price of \$5.61 per mBtu. On gross calorific value (GCV) basis, the price will come down from the existing \$5.05 per unit to \$4.66 per unit.

NITI Aayog not to estimate poverty line- The National Institution for Transforming India (NITI) Aayog will not estimate either poverty line or the number of the poor in the country. A task force under Hon'ble NITI Aayog Vice-Chairman, Shri Arvind Panagariya on poverty alleviation will not define or compute poverty as an aggregate measure. Rather, it will look at social indicators to assess the impact of social schemes on the poor.

Centre approves 10 FDI proposals worth Rs 2,858 cr- The Central government has approved ten proposals for foreign direct investment (FDI) amounting to Rs 2,857.83 crore.

Mr. MS Sahoo becomes whole time Member of Competition Commission- Former SEBI Member, Mr. MS Sahoo has joined the Competition Commission of India as a whole time member. He was till recently Secretary at the Company Secretaries' Institute. The other serving wholetime members of the competition Commission are Mr. SL Bunker, Mr. Sudhir Mital, Mr. Augustine Peter and Mr. UC Nahta.

Swachh Rail – Swachh Bharat: Indian railways aims to eliminate direct discharge toilets by 2020-21- With the aim to eliminate direct discharge toilets from all the passenger coaches by the year 2020-21, Railways has drawn up an action plan to replace them with environment friendly bio-toilets. According to the action plan, all new coaches will be fitted with bio-toilets by 2016-17, while the retrofitting of existing coaches with bio-toilets will continue.

Financial sector regulators like SEBI and RBI to come under service tax scanner- The service tax department has sent notice to Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and Insurance Regulatory and Development Authority of India (IRDAI) for the tax dues on income generated through its services. The total tax liability of SEBI is around Rs 600 crore since April 2012 when the negative list of services was introduced.

Bill to hike investment limits of MSMEs in machinery- The Centre has moved a Bill to amend the existing Micro, Small and Medium Enterprises Development (MSMED) act in the Lok Sabha to enhance the limit for investment in plant and machinery in such units. The investment limits in plant and machinery is proposed to be raised from Rs. 25 lakh to Rs. 50 lakh for micro enterprises, from Rs. 5 crore to Rs.10 crore for small enterprises and from Rs.10 crore to Rs.30 crore for medium enterprises.

In a nutshell

The Indian economic growth is firming and the international organisations are positive on India's growth story. World Bank recently has forecasted that India's GDP growth is expected to accelerate to 7.5% in fiscal year 2015-16 and could reach 8% in FY 2017-18. However, India's exports still remained sluggish and registered a growth rate of (-) 21%. In this light, the newly launched Five Year Foreign Trade Policy, 2015-20 which provides a framework for increasing exports of goods and services and increasing value addition in the country and Government's sanction to 17 new Mega Food Parks which is likely to attract investment of around Rs. 2000 crore in modern infrastructure will give much needed boost to the export growth. Also, the Union Cabinet has cleared amendments to the Real Estate (Regulation and Development) Bill, 2013 under which it has extended the applicability of the bill to the commercial real estate sector also. Going ahead, effective implementation of the announced policy regime would be critical to achieve desired outcomes. Further, given the weak domestic demand scenario, repo rate cut of 50 basis points by the RBI is also desired to rejuvenate the growth scenario of the economy in the coming times.

The lead economic and financial indicators so far...

| S. No | Components | January | February | March |
|-------|------------------------------------|--------------------|---------------------|----------------------|
| 1. | IIP Growth | 1.7%(December) | 2.6% (January) | 5% (February) |
| 2 | Export Growth | (-)11.19% | (-)15.02% | (-) 21.06% |
| 3 | WPI Inflation Y-O-Y growth | (-)0.39% | -2.06% | (-)2.33% |
| 4 | CPI inflation (combined) | 5.2% | 5.4% | 5.2% |
| 5 | Gold (10 GRMS) | 26547 [^] | 25838 ^{^^} | 26610 ^{^^^} |
| 6 | Crude Oil (1 BBL) | 3069 [#] | 2810 ^{##} | 3528 ^{###} |
| 7 | BSE Sensex | 29008 [!] | 28438 ^{!!} | 27735 ^{!!!} |
| 8 | Exchange rate average (INR/ 1 USD) | 61.97 [*] | 62.81 ^{**} | 63.19 ^{***} |
| 9 | Repo rate | 7.75% | 7.50% | 7.50% |
| 10 | CRR | 4% | 4% | 4% |
| 11 | 10 year Bond yield | 8.0907% | 8.0907% | 8.0907% |
| 12 | Base rate | 10.00%-10.25% | 10.00%-10.25% | 10.00% - 10.25% |

Source: PHD Research Bureau compiled from various sources, [^] Data pertains to 25th February 2015, ^{^^} Data pertains to 16th March 2015, ^{^^^} Data pertains to 23rd April 2015, [#] Data pertains to 25th February 2015, ^{##} Data pertains to 16th March 2015, ^{###} Data pertains to 23rd April 2015, [!] Data pertains to 25th February 2015, ^{!!} Data pertains to 16th March 2015, ^{!!!} Data pertains to 23rd April 2015, ^{*} Data pertains to 25th February 2015, ^{**} Data pertains to 16th March 2015, ^{***} Data pertains to 23rd April 2015.

India: Statistical snapshot

| Indicators | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 | FY15 |
|--|--------|--------|--------|--------|----------|---------------------|------------------------|
| GDP at FC - Constant prices Rs Bn | 41,586 | 45,161 | 49,185 | 52,475 | 54,821 | 91698 [^] | 98577 ^{*'} |
| GDP at FC - Constant prices growth YOY (%) | 6.7 | 8.6 | 8.9 | 6.7 | 4.5 | 6.6 [^] | 7.4 ^{*'} |
| GDP at MP-current prices Rs. Bn | 56,300 | 64,778 | 77,841 | 90,097 | 1,011,33 | 1,135,50 | 116897 ^{*'} |
| Agriculture growth | 0.1 | 0.8 | 8.6 | 5.0 | 1.4 | 3.7 [^] | 1.1 [*] |
| Industry growth | 4.1 | 10.2 | 8.3 | 6.7 | 0.8 | 1.2 [^] | 1.5 [*] |
| Services growth | 9.6 | 8.0 | 7.5 | 4.9 | 7.0 | 4.6 [^] | 5.6 [*] |
| Consumption (% YOY) | 7.7 | 8.4 | 8.2 | 8.9 | 5.2 | 4.7 [`] | - |
| Private consumption (% YOY) | 7.2 | 7.4 | 8.7 | 9.3 | 5.0 | 4.8 [`] | - |
| Gross domestic savings as % of GDP | 32.0 | 33.7 | 34.0 | 31.35 | 30.09 | 30.5 [`] | 30.6% ^{'''} |
| Gross Fixed Capital Formation as % of GDP | 32.3 | 31.7 | 30.9 | 31.8 | 30.4 | 28.3 | 29.1 ^{**} |
| Gross fiscal deficit of the Centre as a % GDP | 6.0 | 6.5 | 4.8 | 5.7 | 4.9 | 4.5 | 4.1 ^{''} |
| Gross fiscal deficit of the states as a % GDP | 2.4 | 2.9 | 2.1 | 2.4 | 2.3 | 2.2 | 2.3 ^{''} |
| Gross fiscal deficit of Centre & states as a % GDP | 8.3 | 9.3 | 6.9 | 8.1 | 7.2 | 6.7 | 6.4 ^{''} |
| Merchandise exports (US\$Bn) | 183.1 | 178.3 | 250.8 | 305.7 | 300.2 | 312.35 [^] | 310.5 ^{^^^} |
| Growth in exports | 12.3 | -2.6 | 40.6 | 21.9 | -1.8 | 3.98 [^] | (-).1.2 ^{^^^} |
| Imports (US\$Bn) | 299.3 | 287.6 | 369.4 | 489.1 | 490.3 | 450.94 [^] | 447.5 ^{^^^} |
| Growth in imports (YOY) | 19.8 | -3.9 | 28.5 | 32.4 | 0.2 | -8.1 [^] | -0.59 ^{^^^} |
| Trade deficit (US\$Bn) | 116.2 | 109.3 | 118.6 | 183.4 | 190.1 | 138.6 [^] | 137 ^{^^^} |
| Net invisibles US\$Bn | 91.6 | 80.0 | 79.3 | 111.6 | 107.5 | 115.0 [`] | - |
| Current account deficit US\$Bn | 28.7 | 38.4 | 48.1 | 78.2 | 88.2 | 32.4 ^{^^} | 10.1 |
| Current account deficit as % of GDP | 2.6 | 3.2 | 2.6 | 4.2 | 4.8 | 1.7 ^{^^} | 1.3 ⁻⁻ |
| Net capital account US\$Bn | 8.7 | 53.4 | 60 | 67.8 | 94.2 | 33.3 ^{^^} | 11.8 |
| Overall balance of payments US\$Bn | 20.1 | -13.4 | -13.1 | 12.8 | 3.8 | 15.5 ^{^^} | 6.9 |
| Foreign exchange reserves US\$Bn | 252 | 279.1 | 304.8 | 294.9 | 292.04 | 304.22 | 310.3 [~] |
| External debt - Short term US\$Bn | 43.4 | 52.3 | 65 | 78.2 | 96.7 | 89.2 ^{``} | 86.4 ^{``} |
| External debt - Long term US\$Bn | 181.2 | 208.7 | 240.9 | 267.5 | 293.4 | 351.4 ^{``} | 376.4 ^{``} |
| External debt - US\$Bn | 224.5 | 260.9 | 305.9 | 345.8 | 392.1 | 441 ^{``} | 462 ^{``} |
| Money supply growth | 19.3 | 16.9 | 16.1 | 13.5 | 13.6 | 13.2 | 11.2% ^{&} |
| Bank credit growth | 17.5 | 17.1 | 21.2 | 16.8 | 13.5 | 14 | 9.3 ^{@@@} |
| WPI inflation | 8.1 | 3.8 | 9.6 | 8.9 | 7.4 | 5.7 [#] | (-).2.33% [@] |
| CPI inflation | 7 | 12.4 | 10.4 | 6.0 | 10.2 | 9.8 | 5.2 [@] |
| Exchange rate Rs/US\$ annual average | 46 | 47.4 | 45.6 | 47.9 | 54.4 | 60.68 | 63.19 ^{@@} |

Source: PHD Research Bureau compiled from various sources, [^] Data pertains to 1st Revised Estimates of National Income 2013-14, ^{*}Data pertains to Advance Estimates of National Income 2014-15 from MOSPI, ['] Data pertains to GVA at Basic prices in 2014-15 from Advance Estimates of National Income of MOSPI, based on the new methodology of the Government, [`]Planning Commission Data Book Dec 2013, ^{'''}Data pertains to the new Series Estimates from economic survey 2014-15, ^{**} Data pertains to Q3, 2014-15 from Advance estimates of National income, 2014-15, MOSPI, ^{^^^}Data pertains to Q2 2014-15. ^{^^}Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ^{^^^}data pertains to April- March 2014-15, ^{``}India's external debt end Dec 2013 from RBI, ^{``} Data pertains to end Dec 2014 from RBI, [!] The money supply growth pertains to the month of November from RBI Bulletin December 2014, [#] Data pertains to Mar 2013, [~] Data as on 13th March, 2015 from RBI, ⁻⁻ Data pertains to 2014-15 from the Economic Survey, [&] Data pertains to January, 2014-15 from RBI, [@]Data pertains to March 2015, ^{@@} Data pertains to 23rd April 2015 from RBI, ^{@@@}Data pertains to February 2015, [#]Data pertains to November 2014.

About the PHD Chamber

PHD Chamber is a 108 years old vibrant and proactive representative organization of business and mercantile community of northern and central India, serving their interest. This apex regional organization plays an active role in India's development and acts as a much needed link between government and industry, serving as a catalyst for rapid economic development and prosperity of the community in the region through promotion of trade, industry and services.

With its base in the National Capital, Delhi, the Chamber has Regional offices in States of Bihar, Chhattisgarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Jharkhand, Madhya Pradesh, Punjab, Rajasthan, Uttar Pradesh, Uttarakhand and the Union Territory of Chandigarh.



Economic Affairs Committee

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Ms. Megha Kaul, Senior Research Officer
Ms. Ekta Goel, Research Associate

Mr. Prabhat Jain, Chairman
Mr. Akhil Bansal, Co-Chairman