PHD CHAMBER

PROGRESS HARMONY DEVELOPMENT

Estd. - 1905

February 2015

Economic Affairs Committee Newsletter

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

PHD Research Bureau

PHD CHAMBER OF COMMERCE & INDUSTRY

EAC Newsletter
February 2015

The Union Budget 2015-16 presented in the Parliament encourages economic and businesses' confidence with fine tuning of socio economic policies and announcement of some steady reforms. Reforms in corporate tax structure; reducing it from 30% to 25% in the next 4 years, steps for infrastructural development and deferment of GAAR by 2 years are good steps and would go a long way to bolster the business environment in India and will help Indian economy strengthen in the coming times. Roadmap for GST implementation before April 2016 is a potential game changer and will improve the business sentiment. The estimated GDP at 8-8.5% in 2015-16 is encouraging and it is expected that the economy will attain double digit growth trajectory in the medium term.

For agricultural sector, allocation of Rs 5,300 crore for micro-irrigation schemes would reduce the dependence of farmers on the monsoon and would facilitate the growth of agriculture sector. National Investments and Infrastructure Fund (NIIF) with an annual flow of Rs. 20,000 crores would help infrastructure sector's problems to a certain extent and has the potential to attract more private sector investments.

Looking ahead, the fiscal deficit target at 3.9% and GDP growth expectations are highly realistic and maintaining this level of fiscal discipline sends a strong message on the judicious management of finances. In a nutshell, though the Union Budget for FY2015-16 offers no Big Bang proposals, it lays down roadmap for fulfilling promises which will refuel growth in the coming times.

Economic Survey 2014-15 has poised economy for a double digit growth trajectory driven by its structural strengths and improving policy environment. The growth rate anticipated for the FY2015-16 in the Economic Survey at around 8% is inspiring and is achievable and we look forward to enter the double digits growth trajectory in the medium term.

The Indian economy has been witnessing positive sentiments during the past few months. Recently, the CSO released the new series of National Accounts where in the base year was revised from 2004-05 to 2011-12 and also brought some changes in the methodology of GDP computation which are on lines of international standards. With the introduction of new series, GDP at market prices will be referred as GDP and will help in giving a clear picture of the GDP in comparison to other countries. According to the advance estimates, India's economic growth is estimated at 7.4% this year as against 6.9% in 2013-14. According to the new data, the first quarter recorded 6.5% growth, the second quarter recorded a growth of 8.2% and the third 7.5% though agricultural output contracted in this quarter.

However, some of the economic indicators have shown a decelerating trend last month. Growth in core infrastructure declined to 1.8% (Y-O-Y) in January 2014 as compared to growth of 2.4% (Y-O-Y) registered in December 2014. Industrial growth on the other hand, declined to 1.7% in December 2014 as compared to 3.9% during November 2014. Further, India's merchandise exports for the month of January declines by 11.19% and stands at stand at around USD 23.8 billion.

However, on the inflation scenario, the latest WPI and CPI numbers have shown some relief. Driven by the increase in the prices of potatoes, egg, meat and fish, the WPI inflation decreased to (-) 0.39% for the month of January 2015 from 0.11% for the month of December 2014. The all India general CPI (Combined) for January 2015 stands at 5.11% as compared to 5% in Dec 2014.

In view of declining inflation, the RBI in a surprise cut reduced the repo rate from 25 bps. The repo rate cut will re-fuel the demand scenario which is affected by high interest rate regime vis-à-vis high inflation in the economy during the recent past. While common man will be benefited with softening of EMIs on loans; the ripple effect of rate cut will also improve market sentiment and enable businesses to raise equity, going forward. The growth prospects of the economy are expected to widen with revival of demand and investments.

1. Indian economy so far

1.1 Growth

Advance Estimates of National Income 2014-15-According to the Advance Estimates of National Income 2014-15 by the Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation, Real GDP growth is estimated at 7.4% in 2014-15 while Q3 growth is estimated at 7.5%. Gross Domestic Product (GDP) at factor cost at constant (2011-12) prices in 2014-15 is is likely to attain a level of Rs. 106.57 lakh crore, as against the First Revised Estimate of GDP for the year 2013-14 of Rs. 99.21 lakh crore. The growth in GDP during 2014-15 is estimated at 7.4% as compared to the growth rate of 6.9% in 2013-14. While GDP at current prices in the year 2014-15 is likely to attain a level of Rs. 126.54 lakh crore, showing a growth rate of 11.5% over the year 2013-14 of Rs. 113.45 lakh crore.

December 2014 IIP grows at about 1.7%- Growth in industry output, as measured in terms of IIP, for the month of December 2014 is estimated at 1.7% as compared with 3.9% during November 2014. The cumulative growth for the period Apr-Dec2014-15 stands at 2.1% as compared to 0.1% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in Dec 2014 stands at (-)3.2%, 3.1% and 4.8% respectively as compared to 3.4%, 3.1% and 10% in Nov 2014. The cumulative growth for the period Apr-Dec 2014-15 in the three sectors mining, manufacturing and electricity over the corresponding year stands at 1.7%, 1.2% and 10% respectively. Capital goods growth stands at 4.1% during Dec 2014 as compared to 6.6% during Nov 2014. The cumulative growth of capital goods stands at 4.8% during Apr-Dec 2014-15 as compared to (-) 0.4% during Apr-Nov 2013-14.

January core infra grows at 1.8%-The core infrastructure grows to 1.8% (Y-O-Y) in January 2015 as compared to 2.4% (Y-O-Y) in December 2014. The combined index of Eight Core Industries stands at 174.8 in January 2015 with a growth rate of 1.8% in January 2015 as compared to 3.7% in January 2014. Crude oil and Natural gas registered a growth rate of (-)2.3% and (-)6.6% respectively in the month of January 2015.

1.2 Inflation

January 2015 CPI inflation at 5.1%- The all India general CPI (Combined) for Jan 2015 stands at 5.11% as compared to 5% in Dec 2014 under the new series with a revised base year of 2011-12. The inflation rates for rural and urban areas for Jan 2015 are 5.25% and 4.96%. Rate of inflation during January 2015 is high in fruits at 10.62%, Milk and products at 9.38%, pulses and products at 9.37%, vegetables at 9%, spices at 8.38%, pa, tobacco and intoxicants at 8.21% and Prepared meals at 7.28%. In addition to this, Consumer Food Price Indices (CFPI) of Jan 2015 for rural, urban and combined stands at 120.2, 118.5 and 119.4 respectively.

January 2015 WPI inflation stands at (-)0.39%- Driven by the increase in the prices of fibres, potatoes and egg, meat and fish, the WPI inflation decreased to (-)0.39% (Y-O-Y) for the month of January 2015 as compared to 0.11% (Y-O-Y) for the month of December 2014. The index for the Wholesale Prices for the month of December 2014 declined by 0.8% to 178.3 from 179.8 for the previous month.

1.3 External sector

January merchandise exports declines by 11.19%- India's exports for the month of January 2015 stand at around USD 23.8 billion with a (Y-O-Y) growth of (-) 11.19% as compared to USD 25.3 billion in December 2014 with a (Y-O-Y) growth of (-)3.7%. During January 2015, the imports were USD 32.2 billion with a (Y-O-Y) growth of around (-) 11.39% as compared to USD 34.8 billion in December 2014 with a (Y-O-Y) growth of (-)4.8%. The balance of trade stands at around USD (-) 8.32 billion during January 2015 as compared to USD (-) 9.43 billion during December 2014.

December Services Exports stands at USD 14.3 bn-India's services exports for the month of December 2014 stand at around USD 14.3 billion and services imports stand at USD 7.2 billion. The trade balance in services stands at USD 7.06 billion for the month of December 2014.

December FDI increases by 96.2%- The FDI equity inflows in the month of December 2014 are estimated at around US$2.1bn as against about US$1.1bn in December 2013, posting a growth of 96.2% (Y-o-Y). The growth in FDI equity inflows stands at around (-)6.17% in November, 116.6% in October, (-) 35.1% in September and (-) 9.2% in August 2014.

1.4 Fiscal scenario

January 2015 fiscal deficit at around 107% of actuals to BEs- The gross fiscal deficit of the Central government stands at 107% of the actuals to budget estimates at the end of Jan 2015 as compared to 98.2% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit significantly increased to 245.6% of the actuals to budget estimates at the end of Jan 2015 as compared to 144.0% of the actuals to budget estimates during corresponding period of the previous year.

Indirect Tax Revenue (Provisional) Collections Increase from Rs. 3,98,238 Crore in April-January 2014 to Rs. 4,27,822 Crore During April-January 2015- Indirect Tax Revenue (Provisional) collections have increased from Rs 3,98,238 crore in April-January 2014 to Rs. 4,27,822 crore during April-January 2015. Thus an increase of 7.4% has been registered during April-January 2015 over the corresponding period in the previous year.

Gross Direct Tax Collections during April-January rises by 11.38%- Gross direct tax collection during April-January of the Financial Year 2014-15 is up by 11.38% at Rs. 5,78,715 crore as against Rs. 5,19,588 crore collected during the same period last year.

1.5 Monetary scenario

RBI slashes repo rate by 25 bps- RBI has slashed the repo rate by 25 bps from 7.75% to 7.5% with immediate effect. Consequently, the reverse repo rate under the LAF stands adjusted to 6.5%, and the marginal standing facility (MSF) rate and the Bank Rate to 8.5%. However, the cash reserve ratio (CRR) of scheduled banks remains unchanged at 4% of net demand and time liabilities.

Sixth Bi-monthly Monetary Policy Statement for 2014-15 -RBI in its Sixth Bi-monthly Monetary Policy Statement has kept repo rate unchanged at 7.75% and reduced the SLR by 50 basis points from 22% to 21.5%. However, Cash reserve ratio (CRR) of scheduled banks kept unchanged at 4% of net demand and time liabilities (NDTL).

Dec 2014 Gross Bank Credit grows at 9.6%-On a year-on-year basis, gross bank credit stands at 9.6% in Dec 2014 as compared to 10.9% in Nov 2014. The growth of food credit stands at (-) 0.5% in Dec 2014 as against 5.1% in Nov 2014 and the non-food bank credit growth stands at 9.8% in Dec 2014 and 11% in the month Nov 2014. The credit to NBFCs increased by 3.3% in Dec 2014 as compared to 6.2% in Nov 2014. The credit to agriculture and allied activities increased by 18.3% in Dec 2014 as compared to 20.2% in Nov 2014. The gross bank credit stands at Rs. 59,330 billion as on Dec 2014 as compared to Rs. 54,157 billion as on Dec 2013, posting a growth of 9.6%.

Jan 2015 Gross Bank Credit grows at 9.6%- On a year-on-year basis, gross bank credit stands at 9.6% in the month of Jan 2015 and Dec 2014 each. The growth of food credit stands at 3.7% in Jan 2015 as against (-) 0.5% in Dec 2014 and the non-food bank credit growth stands at 9.7% in Jan 2015 as against 9.8% in Dec 2014. The credit to NBFCs increased by 5.3% in Jan 2015 as compared to 3.3% in Dec 2014. Credit to the agriculture and allied activities increased by 16.6% in Jan 2015 as against 18.3% in Dec 2014. The gross bank credit stands at Rs. 59,712 billion as on Jan 2015 as compared to Rs. 54,471 billion as on Jan 2014, posting a growth of 9.6%.

2. Major policy pronouncements

Union Budget 2015-16 presented in the Parliament on 28th February- The Union Budget 2015-16 encourages economic and businesses' confidence with fine tuning of socio economic policies and announcement of some steady reforms. The proposals unveiled in it on various socio-economic fronts of the economy indicate that the government is working towards fulfilling hopes and aspirations of the businesses and households. Focus on agriculture development and infrastructure development asserts that the government is working rightly in achieving an all inclusive growth. The Union Budget 2015-16 is encouraging on building business and economic confidence with fine tuning of socio economic policies and announcement of some steady reforms. Reforms in corporate tax structure: reducing it from 30% to 25% in the next 4 years, investment allowances in terms of additional depreciation allowance from the current level 20% to 35%, deferment of GARR by 2 years and infrastructure fund are inspiring and would go a long way to help Indian economy grow strength to strength.

Railway Budget 2015-16: Focus on cleanliness, safety and quality of life in journey- The budget highlighted the four goals for Indian Railways over next five years which include delivering a sustained and measurable improvement in customer experience, making Railways a safer means of travel, expanding Bhartiya Rail's capacity substantially and modernising infrastructure and making Bhartiya Rail financially self-sustainable. It also stated five key drivers for execution strategy which includes adopting a medium term perspective, building partnerships with key stake holders to gain access to long term financing and technology from overseas, the private sector to improve last mile connectivity, expand fleet of rolling stock and modernize our station infrastructure, leveraging additional resources, revamping management practices, systems, processes and re-tooling of human resources and setting standards of Governance and Transparency.

Fourteenth Finance Commission submits its recommendations to Government- The fourteenth Finance Commission has recommended substantial hike in share of states in central taxes and asked them to tailor make schemes as per their needs. The states share will now be 42% of the entire amount as compared to 32% previously which will translate into an additional, estimated Rs 1.78 lakh crore in the next fiscal year.

Government Promulgates Mines and Minerals Development and Regulation (Amendment) Ordinance, 2015- The Government has promulgated an Ordinance on Mines and Minerals Development and Regulation (Amendment) Ordinance, 2015, under Article 123(1) of the Constitution. Under this, all mineral concessions will be granted only through auction and the previous approval of the Central Government will not be required for grant of mineral concession except for Atomic Minerals, Coal and Lignite

Road Safety Website Launched- Hon'ble Union Minister of Road Transport, Highways and Shipping, Shri Nitin Gadkari, launched a road safety website at the Ministerial Meet on "Status of Road Safety and Safe Mobility Initiatives in India" to spread awareness on road safety. Speaking on the occasion, he said that there is a need to create awareness among people about road safety as cost of road accidents in the country is equivalent to 3% of GDP. Further, he said that strict enforcement of laws, use of e-governance and proper road and traffic engineering is must to prevent road accidents.

Government okays change in buffer limit for foodgrain- For the first time since 2005, Union government has approved for raising the quarterly buffer stock and strategic reserve limits of Food Corporation of India (FCI) for both wheat and rice. It is now required by FCI to hold compulsorily 29% more foodgrain in the central pool than the current requirement as on each July 1, and around 45% more as on October 1 every year. Also, on every April 1 and January 1, it will have to hold around 1% and 14.4% less grain than the existing stipulation.

Centre raises sugarcane price to Rs.230 per quintal- The Cabinet Committee on Economic Affairs, chaired by Hon'ble Prime Minister, Shri Narendra Modi, approved a "fair and remunerative" price of Rs.230 per quintal, for the 2015-16 marketing season, that will be payable by mills to sugarcane farmers. For the 2014-15 sugar season, the fair and remunerative price was fixed at Rs.220 per quintal.

FCI revamp committee suggests lower food security law coverage- High Level Committee (HCL) on restructuring of Food Corporation of India (FCI) which was constituted under chairmanship of Mr. Shri Shanta Kumar on 20th August, 2014 has submitted its report to the Government. The committee made the suggestion to limit foodgrain distribution under the National Food Security Act (NFSA) from current norm of 67% to 40%, thus saving the exchequer around Rs 30,000 crore per year. The committee, however, recommended the entitlement for below poverty line (BPL) people to be increased from five kg in a month to seven kg in a month.

Draft guidelines issued for onion, potato price stabilisation fund- The draft guidelines for the price stabilisation Fund, which was announced in the 2014-15 Budget by Hon'ble Finance Minister, Shri Arun Jaitley, states that if any central government agency (such as Nafed, SFAC) suffers a loss in undertaking a market intervention programme, then the Central government will bear the entire loss from the fund. However, in the case of state governments and agencies, this would be 50% and for the northeast states, it will be 75%.

CBDT forms panel to simplify tax procedures- The CBDT has constituted a committee to redraft existing guidelines for undertaking write-off procedures in irrecoverable tax demand cases. According to an official order issued by the Central Board of Direct Taxes (CBDT) in this regard, the committee has been formed to make guidelines and rules in this context "simpler and easier to administer."

Ease of doing business: No certificate of commencement required for private companies- To facilitate ease of doing business in India, the government has done away with the requirement of waiting for a certificate of commencement to start business operations. Promoters will only have to inform the Registrar of Companies online

Shipping ministry eliminates requirement of registration of Ship Repair Units (SRUs)- To promote ease of doing business in the ship repair sector, the Ministry of Shipping has simplified the procedure and eliminated the requirement of registration of Ship Repair Units (SRUs) with Directorate General (Shipping). Ministry of Finance and Ministry of Commerce & Industry have been informed to extend concessions and facilities to SRUs without insisting on the requirement of registration with DG (Shipping).

Centre raises excise duties on petrol and diesel- The government has announced a rise of Rs. 2 per litre each in the excise duties on petrol and diesel. In spite of this, oil marketing companies (OMCs) cut the prices of the two fuels by a little over Rs 2 a litre. The rise in the excise duties, the fourth by the Central government in the two months, will generate a revenue of Rs 5,000 crore in the rest of this financial year.

Repo in Corporate Debt Securities (Reserve Bank) Directions, 2015- In order to further develop the corporate debt market, RBI has decided to permit bonds issued by multilateral financial institutions like World Bank Group (e.g., IBRD, IFC), the Asian Development Bank and the African Development Bank in India as eligible underlying for repo in corporate debt securities.

New portal for e-filing of FDI applications- The Finance Ministry has launched a new website, http://fipb.gov.in , for the filing and processing of FDI applications which require Government approval. Currently, the applications are filed online at www.fipbindia.com, which has limited features and processing capabilities. But from now onwards, an applicant will have to submit only one copy of the application for records with the FIPB secretariat.

EPFO sets up online helpdesk for inoperative accounts- The Employees Provident Fund Organisation (EPFO) has set up an online helpdesk for employees to claim retirement funds which are lying under 'inoperative accounts'. Uptil March 31, 2014, over Rs. 27,000 crore has been lying in operative accounts with the EPFO. This helpdesk, which will be officially inaugurated today, will require a PF account holder to register with it to enable EPFO to "trace and settle all cases proactively.

Ministerial Departments agree to extend M-SIPS by 5 years- Various ministerial departments have given a nod to the extension of Modified Special Incentive Package Scheme by five years. This would allow additional benefits for high investment projects in the country by reducing dependence on electronic imports and further giving a boost to the "Make in India" initiative of the government.

RBI further eases gold import norms- RBI has relaxed the gold import norms in a bid to ease the constraints being faced by the gems and jewellery trade industry. It has said that nominated banks are now permitted to import gold on the consignment basis. Further, Star and Premier Trading Houses (STH/PTH) can import gold on DP (documents against payment) basis as entitled without any end use restrictions.

MCA notifies accounting norms, implementation road map- The Ministry of Corporate Affairs has notified the rules for the Indian Accounting Standards along with its implementation roadmap. In the notification, the corporate affairs ministry has said that the new rules would come into force from April 1 this year. However, it would be made mandatory only from next year, and that too in phases.

Centre notifies rules for FDI in insurance- The Centre has notified rules for higher foreign direct investment (FDI) in the insurance sector, which will help foreign companies to make fresh investments in the Indian companies. The new rules have come two months after an ordinance was promulgated. This ordinance was issued as the Insurance Laws (Amendment) Bill has been pending in Rajya Sabha since 2008. According to the new rules, foreign equity investment cap of 49% is applicable to all Indian insurance companies. This will comprise both FDI and foreign portfolio investment (FPI).

Government okays raw sugar export subsidy- The Cabinet Committee on Economic Affairs has cleared a proposal to extend a subsidy of Rs 4,000 a tonne on export of 1.4 million tonnes of raw sugar in the 2014-15 crop year. This export subsidy is expected to help millers export a portion of the surplus production and will also help sugar mills to clear the cane price dues of farmers.

India signs agreement with World Bank for Special Climate Change fund Assistance of US$8mn - A Grant Agreement was signed between India and the World Bank for assistance of US$8mn for Sustainable Livelihoods and Adaptation to Climate Change (SLACC) Project. The grant project is funded through the Special Climate Change Fund of US$8mn.

Eleven government services launched on eBiz Portal- The Department of Industrial Policy and Promotion (DIPP), Ministry of Commerce & Industry has announced the launch of 11 Central Government Services on eBiz portal. These services are required for starting a business in the country - four services from Ministry of Corporate Affairs, two services of Central Board of Direct Taxes, two services of Reserve Bank of India and one service each from Directorate General of Foreign Trade, Employees' Provident Fund Organisation and Petroleum & Explosives Safety Organisation. Through eBiz portal, a business user can fill the eForms online/offline, upload the attachments, make payment online and submit the forms for processing of the department.

3. Other key developments

Economic Survey 2014-15: Economy poised for double digit growth trajectory- Driven by its structural strengths and improving policy environment, the Indian economy is looking up and the growth prospects are bright to attain double digit growth trajectory in the coming times. The critical macroeconomic worries such as persistent inflation, higher fiscal deficit, external account imbalances and oscillating value of rupee are now behind us and the economy is set to attain sustained macroeconomic stability, going forward. The growth rate anticipated for the FY2015-16 in the Economic Survey at around 8% is inspiring and is achievable and we look forward to enter the double digits growth trajectory in the medium term. However, decline in the rate of gross domestic savings as indicated by Economic Survey during the recent years vis-à-vis decline in the rate of household physical savings needs to be seriously looked in as the household savings are also a major source of investments.

World Bank expects 6.4% economic growth in India in 2015– Hon'ble President of World Bank Group, Mr. Jim Yong Kim speaking at the "Vibrant Gujarat" conference, said that India's immediate economic outlook is likely to be a bright spot in an otherwise lackluster global economy, with its growth expected at 6.4% this year and even faster in the coming year of 2016.

Growth impetus of Indian economy firming up: OECD- According to the think tank, OECD, India's economic growth is firming up even as mixed trends are projected for most of the developed and developing nations. The think tank in its latest projections also stated that India, along with Japan, is expected to see positive changes in the growth momentum.

India will catch up with China's growth rate in 2016-17: World Bank- World Bank Chief Economist and Senior Vice-President, Mr. Kaushik Basu speaking at a conference call said that due to the economic reform measures taken by the new government, India economy is expected to catch up with China's growth in 2016-17 and is set to become the fastest-growing big economy in the world in the fourth year of Shri Narendra Modi ji's government. The World Bank in its report has also forecasted a growth rate of 7% each in the fiscal year 2016 and 2017 as against China's 7% and 6.9% respectively.

Global economy projected to expand 3% this year: World Bank- According to the World Bank's report titled 'Global Outlook: Disappointments, Divergences, and Expectations Global Economic Prospects', the global economy grew by an estimated 2.6% in the year 2014, and is projected to expand by 3.3% in 2016 and 3.2% in the year 2017.

IMF expects India to grow faster than China by 2016-17- The International Monetary Fund (IMF) in its World Economic Outlook Update, has pegged the country's growth rate at 6.5% for 2016-17. IMF has slightly cut projections for India's economic growth to 6.3% for the year 2015-16 against 6.4% made in the month of October last year.

Economy likely to grow at 6.5% next fiscal: India Ratings- Ratings firm, India Ratings & Research, has said that Indian economy is expected to grow at about 6.5% in the next fiscal. Further it has said that in the current fiscal year 2014-15, the domestic economy is likely to grow at about 5.6% and the industrial sector at 3.6%.

Global unemployment to go up in next five years: UN report- According to the World Employment Social Outlook report compiled by International Labour Organization (ILO), global unemployment is expected to increase by 11 million in the next five years as the world economy continues to grow at "tepid rates". The report further states that more than 212 million people will be jobless by 2019 as compared with the current level of 201 million.

Retained India's growth projections due to lower oil prices: IMF- Hon'ble deputy director of Research Department, with IMF, in a press conference which was held in Beijing said that IMF has retained projections for India's economic growth for the financial year, 2014-15 at 5.6% due to the positive effect of declining oil prices and not due to any recovery process. In fact, economic activities in India are slower than what it had earlier expected.

RBI norms to affect bank's pricing power: Moody's- Global rating agency, Moody's Investor Services, has said that RBI's new norms which require banks to outline their framework to determine the loan spread about their benchmark lending rates will reduce pricing power of the banks. Moody in an article in its Credit Outlook has said that "the new RBI's requirements are credit negative because they will reduce bank's discretion to price loans at higher spreads to correspond to market conditions and each borrower's credit worthiness".

Ratings upgrade will depend on further reforms: S&P- S&P in its recent analysis has said that after raising the outlook on India's rating to 'stable' last year, it is further reforms by the new government, particularly on the subsidy front, that could increase the chance of revising the rating for India which is currently at the lowest investment grade.

Fiscal deficit target of 4.1% GDP likely to be met: Citigroup- According to the global brokerage firm Citigroup, Government is likely to meet its fiscal deficit target of 4.1% of the GDP for the current financial year, though the fiscal trends are "weak". According to the data released by the Controller General of Accounts, India's fiscal deficit exceeded the budget estimate of Rs 5.31 lakh crore by the end of the month of December. However, a "compression" in Plan expenditure coupled with a pick-up in divestments, is expected to help the government to meet its fiscal deficit target for this year.

Lower crude prices to boost Asia-Pacific sovereigns: Moody's- Global rating agency Moody's said lower global crude oil prices since June last will benefit most Asia-Pacific sovereigns, including India, as the region is a net oil importer.

Low oil prices won't spur world growth: Moody's- The Moody's would not revise its forecasts for G20 citing a variety of offsets to the expected windfalls even though low oil prices normally help grease the wheels of business and spur global economic growth. Moody's expect GDP growth of just under 3% each year in 2015 and 2016, unchanged from 2014 and from our November 2014 Global Macro Outlook.

Base year revision to up Indian economy to Rs. 111 trn in fiscal 2014: India Ratings - Ratings firm, the India Ratings in a release has said that the revision in base year of India's national accounts will increase the size of the economy from Rs. 93.89 trillion in the year 2012-13 to Rs. 111.7 trillion in the year 2013-14. Further, it has also stated that it expects India's fiscal deficit to decline to about 4.3% of the GDP in FY2014.

India Ratings revises infra sector outlook to stable- India Ratings & Research has revised its overall outlook on the infrastructure sector from negative to stable for financial year 2015-16. This is in spite of having mixed outlook on the sub-sectors. The agency has also said that the ongoing measures by the government and regulators to address the fundamental shortcomings on the policy side could gradually rebuild dwindling stakeholders' confidence in the infrastructure sector.

India outperforms China in manufacturing, services sectors growth in Jan- According to HSBC's report, India's manufacturing and services sectors expanded at a faster pace than China in January registering one of the fastest growth in two years. HSBC Emerging Markets Index (EMI) fell to 51.2 in January from December's 51.7 which was a three—month high. Among the four largest emerging economies, HSBC said that only India bucked the trend and recorded one of the fastest growth in January.

FY2015 (2nd Advance Estimates) food grain production at 257 million tonnes- According to the 2nd Advance Estimates for the year 2014-15, India is estimated to produce 257.07 million tonnes of food grains during 2014-15 as compared to 265.57 million tonnes during 2013-14. Rice production is expected at record 103.04 million tonne and wheat production is expected to reach 95.76 million tonnes. Maize production is estimated at 22.97 million tonnes while production of pulses is estimated at 18.43 million tonnes. The production of nine major oilseeds put together is estimated at 29.83 million tonne and cotton production is estimated at 35.15 million bales.

SBI Composite Index for manufacturing sector slips to 51.5 in January- SBI Composite Index, an indicator for tracking India's manufacturing activity, registered a decline, due to sluggish credit growth and high interest rates. The Monthly Index has slipped from 55.4 in the month of December 2014 to 51.5 in January 2015. On a year-on-year basis however, the index increased from 50.6 in December 2014 to 52.1 in the month of January 2015.

Railway sees over 4.64% hike in freight traffic- Indian Railways' freight loading grew by 4.64% to 906.36 million tonnes during April-January 2014-15 from 866.14 million tonnes carried during the corresponding period in the previous year. During January 2015, the revenue earning freight traffic carried by Indian Railways was 97.79 million tonnes, up 1.44% from the level of 96.40 million tonnes achieved during the same month of last year.

FY16 disinvestment target to be around Rs 43,000 cr- The Hon'ble Finance Minister in the Budget for 2015-16, is likely to target around Rs 43,000 crore from disinvestment proceeds, almost the same level that the government expects to realise from stake sale in PSUs this financial year.

Railways posts 12.23% jump in freight earnings between April-December '14- Indian Railways has recorded around 12% growth in the earnings from freight traffic between April and December, 2014. It has generated Rs. 75986.04 crore of revenue earnings from commodity-wise freight traffic during April-December 2014 as compared to Rs. 67705.11 crore during the corresponding period last year, thus registering an increase of 12.23%.

Former Plan Panel secretary Sindhushree Khullar appointed NITI Aayog's CEO: Former Planning Commission Secretary, Miss Sindhushree Khullar, a retired IAS officer has been appointed as Chief Executive Officer of the newly formed NITI Aayog on contract basis for a period of one year from January 1, 2015.

Dr. Arvind Panagariya assumes charge of NITI Aayog vice-chairman- Noted economist, Dr. Arvind Panagariya has taken charge as the first vice-chairman of the National Institution for Transforming India (NITI) Aayog, which has replaced the Planning Commission. Other economists, Mr. Bibek Debroy and former DRDO chief, Mr. V K Saraswat who were appointed as full-time members of the NITI Ayog are also expected to join shortly.

Raghuram Rajan named Governor of the Year in Central Banking Awards 2015- Hon'ble Governor of the Reserve Bank of India, Mr. Raghuram Rajan has won the "Governor of the Year" in the Central Banking Awards for 2015. In his speech, he said that this is the recognition of the effort, RBI and its staff has made in bringing macroeconomic stability to the Indian economy and in creating more competition and new growth opportunities in the banking and financial markets.

SEBI proposes easier norms for domestic mutual fund managers- SEBI so as to make it easier for domestic mutual funds to manage offshore pooled assets, has proposed to drop '20-25 rule', which requires a minimum of 20 investors and a cap of 25% investment by an individual investor in a particular scheme, for certain foreign entities. Besides this, it has also suggested to do away with the rule that requires appointment of separate fund manager for managing an offshore fund.

Government likely to retain Rs 65K cr divestment target in FY16- Central government is likely to retain its target for proceeds from disinvestment at about Rs 65,000 crore in the year 2015-16. The department of disinvestment is also in process of finalizing a list of such PSUs that can be taken up for disinvestment in the next fiscal.

10% stake sale in Coal India to raise Rs 24,000 cr- In order to contain the Centre's fiscal deficit at the targeted 4.1% of gross domestic product for this financial year, the Union government has decided to go for the biggest disinvestment decision by offloading up to 10% stake in Coal India, which will fetch up to nearly Rs 24,000 crore at current market prices to the government.

RBI asks banks to review minimum lending rate every quarter- The Reserve Bank of India, so as to push lenders to pass on changes in policy rate to the borrowers, has asked banks to notify the minimum lending rate(base rate), at least once in every three months, based on their cost of the funds.

Jan Dhan Yojna makes it to Guinness World Records, 11.5 cr Jan Dhan accounts opened- India has become fully banked, a feat which has been commended by the Guinness Book of World Records, for being accomplished in the short span of about five months. It paves the way for the government's ambitious financial inclusive plan to transfer annual subsidy of around Rs 51,029 crore directly to bank accounts of 15.45 crore beneficiaries in the next year.

Government likely to begin quarterly job surveys from June-July- To assess the impact of a changing macro-economic environment in the labour market and to collect data on employment figures on regular basis, the ministry of statistics and programme implementation (Mospi) is expected to launch new survey from June-July to provide quarterly employment estimates.

New index for retail inflation to be unveiled next month; lower weightage on food items- Government is expected to unveil an updated index for measuring retail inflation in the next month. The new index would give lower weightage to food items, thus giving more weightage for items such as pan, tobacco and intoxicants, medical and education services and articles of clothing like shirts and trousers. The Central Statistics Office is also in the process of revising the Base Year from 2010 to 2012.

Green Nod Given to Rs 6.31 Lakh Crore Projects- The government has granted environmental clearance to 190 projects worth an estimated Rs 6.31 lakh crore across sectors like mining and steel during the June-December 2014 in order to fast-track industrial activities in the country.

Banks advised by RBI to efficiently follow up with concerned exporters to address delay in utilization of Advance Received for Exports - RBI has informed that exporter receiving an advance payment for exports (with or without interest) from a buyer outside India shall be under an obligation to ensure that the shipment of goods is made within the stipulated period from the date of receipt of advance payment ,as it has been observed that there is substantial increase in the number and amount of advances received for exports remaining outstanding beyond the stipulated period on account of non-performance of such exports (shipments in case of export of goods).

Ministry of Labour and Employment Moves Forward for Implementation of Amended Apprentices Act, Seeks Suggestions from Public- Ministry of Labour and Employment has placed the Draft recommendations for the rules under amended Apprentices Act on its official website and has sought suggestions on the same.

Social spending cut: Rural job scheme, SSA in focus- As cuts in social sector spending in the forthcoming Union Budget are widely anticipated, the focus will be on two of the biggest flagship schemes — the Mahatma Gandhi National Rural Employment Guarantee Act and the Sarva Siksha Abhiyan, both with individually high budget allocations.

Aadhaar-based DBT to cover all schemes from next fiscal- The Finance Ministry will implement a common framework for Direct Benefit Transfer (DBT) across the country, which will cover all the schemes being funded by the Central government. The 12-digit unique identification number 'Aadhaar' will form the base of this common framework, which is expected to be implemented from April 1.

Centre tightens definition of 'small company'- The Corporate Affairs Ministry has tightened the definition of a 'small company' in the new company law which was enacted in 2013 so as to prevent misuse of the privileges available for this category. Under the earlier definition, a company was considered a small company if it met either one of the two criteria – i.e. whose paid-up share capital did not exceed Rs. 50 lakhs or whose turnover did not exceed Rs. 2 crore. But after the latest change, a company would have to clear both the tests—paid up capital as well as turnover norm, to qualify as a 'small company'.

RBI Governor favours punishment for black money holders- Hon'ble governer of RBI, Mr. Raghuram Rajan has termed the black money issue as "sensitive" and has favoured punishing black money holders by streamlining laws that should be enforced better. He also said that it is important to ensure that the laws are such that people don't misuse the rules and regulations and don't have the incentive to park their money outside.

In a nutshell

The Union Budget 2015-16 encourages economic and businesses' confidence with fine tuning of socio economic policies and announcement of some steady reforms. The proposals unveiled in it on various socio-economic fronts of the economy indicate that the government is working towards fulfilling hopes and aspirations of the businesses and households. The growth rate anticipated for the FY2015-16 in the Economic Survey at around 8% is inspiring and is achievable and we look forward to enter the double digits growth trajectory in the medium term. Looking ahead, the recent initiatives of the government coupled with macro-economic stability are likely to transform into a better industrial environment which is expected to accelerate industrial sector thereby leading to further growth in GDP in the coming times.

The lead economic and financial indicators so far...

S. No	Components	November	December	January
1.	IIP Growth	-4.2% (October)	3.8%(November)	1.7%(December)
2	Export Growth	7.3%	3.7%	(-)11.19%
3	WPI Inflation Y-O-Y growth	0%	0.11%	(-)0.39%
4	CPI inflation (combined)	4.4%	5%	5.1%
5	Gold (10 GRMS)	26458^	27167^^	26547^^^
6	Crude Oil (1 BBL)	3491#	2850##	3069###
7	BSE Sensex	27506!	27347!!	29008!!!
8	Exchange rate average (INR/ 1 USD)	63.29*	62.19**	61.97***
9	Repo rate	8%	7.75%	7.75%
10	CRR	4%	4%	4%
11	10 year Bond yield	8.0907%	8.0907%	8.0907%
12	Base rate	10.00%	10.00%	10.00%-10.25%

*Source: PHD Research Bureau compiled from various sources, ^ Data pertains to 23rd December, ^^ Data pertains to 14th January2014, ^^^ Data pertains to 25th February2015, # Data pertains to 23rd December 2014, ## Data pertains to 14th January2014, ### Data pertains to 25th February2015, ! Data pertains to 23rd December2014, !! Data pertains to 14th January2014, !!! Data pertains to 25th February2015, * Data pertains to 23rd December2014, **Data pertains to14th January2014, *** Data pertains to 25th February2015.*

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^	7.5*
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50	29575*'
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$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	265^^^
Growth in exports	12.3	-2.6	40.6	21.9	-1.8	3.98^	2.44^^^
Imports (US$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	383.4^^^
Growth in imports (YOY)	19.8	-3.9	28.5	32.4	0.2	-8.1^	2.17^^^
Trade deficit (US$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	118.3^^^
Net invisibles US$Bn	91.6	80.0	79.3	111.6	107.5	115.0`	-
Current account deficit US$Bn	28.7	38.4	48.1	78.2	88.2	32.4^^	10.1
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	4.8	1.7^^	2.1
Net capital account US$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	303.33 ~
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``	369.5```
External debt - US$Bn	224.5	260.9	305.9	345.8	392.1	441``	456```
Money supply growth	19.3	16.9	16.1	13.5	13.6	13.2	11.1%&
Bank credit growth	17.5	17.1	21.2	16.8	13.5	14	9.6@@@
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7#	-0.39@
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	5.1@
Exchange rate Rs/US$ annual average	46	47.4	45.6	47.9	54.4	60.68	61.79@@

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, `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- January, 2014, ``India's external debt end Dec 2013 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 2 January, 2015 from RBI, @Data pertains to January 2015, @@ Data as on 27 February 2015 from RBI, @@@Data pertains to December 2014, #Data pertains to November 2014, & Data pertains to December, 2014-15.

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.

PHD signifies
PROGRESS • HARMONY • DEVELOPMENT

Six Thrust Areas

- **Industrial Development**
- **Infrastructure**
- **Housing**
- **Health**
- **Education and Skill Development**
- **Agriculture and Agribusiness**

Economic Affairs Committee

Dr. SP Sharma, Chief Economist
Ms. Megha Kaul, Senior Research Officer
Ms. Ekta Goel, Research Associate

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