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



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The government's initiative on 'Make in India' to facilitate ease of doing business and enhance growth and productivity of the manufacturing sector is gathering pace. Recently, a National Workshop on "Make in India" was organized to address the concerns of various stakeholders for making a globally recognized Brand India. Further, it is also encouraging to note that Corporate from India and abroad have pledged to invest about Rs 25 lakh crore and have signed nearly 21,000 MoUs during Vibrant Gujarat Summit 2015 held on 11th to 13th January 2015 at Gandhinagar, Gujarat.

Economic activity seems to be reviving with growth in industry output, as measured in terms of IIP, for the month of Nov 2014 entering in the positive growth trajectory of about 4% as compared with (-) 4.2% during Oct 2014. The core infrastructure grew at 6.7% (Y-O-Y) in November 2014 as compared to 6.3% (Y-O-Y) in October 2014. The FDI equity inflows in the month of October 2014 are estimated at around US\$2.6bn as against about US\$1.2bn in October 2013, posting a growth (Y-o-Y) of around 117%. The growth in FDI equity inflows stands at around (-) 35% in September 2014 and (-) 9.2% in August 2014.

However, India's current account deficit (CAD) increased to US\$ 10.1 billion (2.1% of GDP) in Q2 of 2014-15 from US\$ 7.8 billion (1.7% of GDP) in Q1 of 2014-15. India's external debt stands at about US\$ 456 billion at end September 2014, recording an increase of around US\$ 14 billion (3.1%) over the level at end-March 2014. CPI inflation for the month of Dec 2014 also scaled up to 5% as compared to 4.4% in Nov 2014. There has been a marginal increase in WPI from 0% in November 2014 to 0.11% in December 2014 while exports declined to 3.7% in December 2014 from 7.3% in November 2014.

With inflation under control and other lead indicators picking up pace, the RBI slashed repo rate by 25 basis points to 7.75% ahead of the monetary policy on 3rd February 2015. This is the first repo rate cut since May 2013. The cash reserve ratio (CRR) has been kept unchanged at 4% of net demand and time liabilities (NDTL) while the reverse repo rate stands adjusted to 6.75%.

Repo rate cut by Reserve Bank of India is inspiring and would lead to re - capture industrial activity which is impacted by multiple factors and high borrowing cost is one of them and we can expect more from RBI in terms of rate cut in the coming times.

Looking ahead, revival of industrial activity should be at utmost priority and implementation of recent reform measures to ease the doing business in India are expected to re-capture the growth momentum.

1. Indian economy so far

1.1 Growth

Real GDP grows at 5.3% in Q2 FY2015- India's real GDP growth for Q2 of 2014-15 is estimated at 5.3% as against growth of 5.7% during Q1 of 2014-15 and 4.6% in Q4 2013-14. The GDP at factor cost at constant (2004-2005) prices for Q2 of 2014-15 is estimated at Rs. 14.39 lakh crore as against Rs.13.66 lakh crore in Q2 of 2013-14. Whereas, GDP at factor cost at current prices in Q2 of 2014-15, is estimated at Rs. 27.20 lakh crore, as against Rs. 24.87 lakh crore in Q2 of 2013-14, showing an increase of 9.4%.

November 2014 IIP grows at about 4%- Growth in industry output, as measured in terms of IIP, for the month of November 2014 is estimated at 3.8% as compared with (-)4.2% during October 2014. The cumulative growth for the period Apr-Nov 2014-15 stands at 2.2% as compared to 0.1% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in Nov 2014 stands at 3.4%, 3% and 10% respectively as compared to 5.2%, (-)7.6% and 13.3% in Oct 2014. The cumulative growth for the period Apr-Nov 2014-15 in the three sectors mining, manufacturing and electricity over the corresponding year stands at 2.5%, 1.1% and 10.7% respectively.

November core infra grows at 6.7%- The core infrastructure grows to 6.7% (Y-O-Y) in November 2014 as compared to 6.3% (Y-O-Y) in October 2014. The combined index of Eight Core Industries stands at 166.2 in November 2014 with a growth rate of 6.7% in November 2014 as compared to 3.2% in November 2013. Crude oil and Natural gas registered a growth rate of (-)0.1% and (-)2.9% respectively in the month of November 2014.

1.2 Inflation

December 2014 CPI inflation at 5%- The all India general CPI (Combined) for Dec 2014 stands at 5% as compared to 4.4% in Nov 2014. The inflation rates for rural and urban areas for Dec 2014 are 4.7% and 5.3% as compared to 4.1% and 4.7% respectively, for Nov 2014. Rate of inflation during December 2014 is high in fruits at 14.84%, Milk and products at 9.62%, Condiments and spices at 7.89%, Pulses and products at 7.24% and Prepared meals at 6.61%.

December 2014 WPI inflation stands at 0.11%- Driven by the increase in the prices of fruits, potatoes and milk, the WPI inflation increased to 0.11% (Y-O-Y) for the month of December 2014 as compared to 0.00% (Y-O-Y) for the month of November 2014. The Index for Wholesale Prices for the month of December 2014 declined by 0.9% to 179.8 from 181.5 for the previous month.

1.3 External sector

CAD rises to 2.1% in Q2 2014-15- India's current account deficit (CAD) increased to US\$ 10.1 billion (2.1% of GDP) in Q2 of 2014-15 from US\$ 5.2 billion (1.2% of GDP) in Q2 of 2013-14. However, it

stands at US\$ 7.8 billion (1.7% of GDP) in Q1 of 2014-15. The increase in CAD was primarily on account of higher trade deficit contributed by both a deceleration in export growth and increase in imports. On BoP basis, merchandise export growth decelerated to 4.9% in Q2 of 2014-15 from 11.9% in Q2 of 2013-14. On the other hand, the merchandise imports increased by 8.1% in Q2 of 2014-15 as against a decline of 4.8% in Q2 of 2013-14, largely due to a sharp rise in gold imports.

December merchandise export grows by 3.7%- India's exports for the month of December 2014 stand at around USD 25.4 billion with a (Y-O-Y) growth of 3.7% as compared to USD 25.9 billion in November 2014 with a (Y-O-Y) growth of 7.3 %. During December 2014, the imports were USD 34.8 billion with a (Y-O-Y) growth of around 4.8% as compared to USD 42.8 billion in November 2014 with a (Y-O-Y) growth of 26.8%. The balance of trade stands at around USD (-) 9.4 billion during December 2014 as compared to USD (-) 16.9 billion during November 2014.

November Services Exports stands at USD 12.4 bn- India's services exports for the month of November 2014 stand at around USD 12.4 billion and services imports stand at USD 6.1 billion. The trade balance in services stands at USD 6.3 billion for the month of November 2014.

October FDI rises by 117%- The FDI equity inflows in the month of October 2014 are estimated at around US\$2.6bn as against about US\$1.2bn in October 2013, posting a negative growth (Y-o-Y) of 116.6%. The growth in FDI equity inflows stands at around (-) 35.1% in September, (-) 9.2% in August 2014, 111% in July 2014 and 33% in June 2014.

1.4 Fiscal scenario

Nov 2014 fiscal deficit at 98.9% of actuals to BEs- The gross fiscal deficit of the Central government stands at 98.9% of the actuals to budget estimates at the end of Nov 2014 as compared to 93.9% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit significantly increased to about 281% of the actuals to budget estimates at the end of Nov 2014 as compared to around 172% of the actuals to budget estimates during corresponding period of the previous year.

Indirect Tax Revenue rises 6.7% during Apr-Dec 2014-15- Indirect tax revenue collections have increased from Rs. 3,54,049 crore in April-December 2013 to Rs. 3,77,648 crore during April-December 2014 registering an increase of 6.7%. It is an achievement of 60.6% of the Budget Estimates for 2014-15. Service Tax collections have also increased from Rs. 1,09,887 crore in April-December 2013 to Rs.1,19,400 crore during April-December 2014 registering an increase of 8.7%. Collections from Customs have increased from about Rs.1,26,285 crore during April-December 2013 to Rs. 1,38,529 crore during April-December 2014 registering an increase of 9.7 %. It is an achievement of 68.6% of the Budget Estimates for 2014-15.

Government's total public debt increase by 2.8% at end-Sep 2014-The total public debt of the Government increased to Rs. 4,960,472.3 crore at end-September 2014 from Rs. 4,827,485.6 crore at end-June 2014 accounting for quarter-on-quarter (QoQ) increase of 2.8% as compared with an increase of 3.7% in the previous quarter-Q1 of FY15.

India's External Debt at about US\$ 456 billion- India's external debt stands at about US\$ 456 billion at end September 2014, recording an increase of around US\$ 14 billion (3.1%) over the level at end-

March 2014. The rise in external debt during the period was due to long-term external debt particularly commercial borrowings and NRI deposits. The maturity pattern of India's external debt indicates dominance of long-term borrowings. At end-September 2014, long-term external debt accounted for 81.1% of India's total external debt, while the remaining (18.9%) was short-term external debt. Long-term debt at end-September 2014 stands at US\$ 369.5 billion, showing an increase of US\$ 16.5 billion (4.7%) over the level at end-March 2014. Short-term external debt however witnessed a decline of 3.2% and stands at US\$ 86.4 billion at end-September 2014.

1.5 Monetary scenario

RBI cuts Repo rate by 25 bps- Dr. Raghuram G Rajan, Governor, RBI slashed repo rate by 25 bps from 8% to 7.75% with immediate effect. As since July 2014, inflationary pressures measured by changes in the consumer price index have been easing. In his statement, he mentioned that the path of inflation, while below the expected trajectory, has been consistent with the assessment of the balance of risks in the Reserve Bank's bi-monthly monetary policy statements.

Fifth Bi-monthly Monetary Policy Statement, 2014-15- RBI in its fifth Bi-monthly Monetary Policy Statement, 2014-15 has kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8% and the cash reserve ratio (CRR) of scheduled banks unchanged at 4% of net demand and time liabilities (NDTL). It will 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 and also continue with daily one-day term repos and reverse repos to smooth liquidity. Consequently, the reverse repo rate under the LAF will remain unchanged at 7%, and the marginal standing facility (MSF) rate and the Bank Rate at 9%.

Nov 2014 Gross Bank Credit grows at about 11%- On a year-on-year basis, gross bank credit stands at 10.9% in Nov 2014 as compared to 11.2% in Oct 2014. The growth of food credit stands at 5.1% in Nov 2014 as against 13.6% in Oct 2014 and the non-food bank credit growth stands at 11% in the month Nov and Oct 2014. The credit to NBFCs increased by 6.2% in Nov 2014 as compared to decrease by 7% in Oct 2014. The credit to agriculture and allied activities increased by 20.2% in Nov 2014 as compared to 20.3% in Oct 2014. The gross bank credit stands at Rs. 59,020 billion as on Nov 2014 as compared to Rs. 53,236 billion as on Nov 2013, posting a growth of about 11%.

ECBs stand at US\$ 0.6 bn during Dec 2014- Indian firms have raised US\$ 0.6 bn through external commercial borrowings (ECBs) in the month of December 2014 as against US\$ 3.5 bn during November 2014 by automatic and approval route. The borrowings stood at US\$ 0.6 bn in Dec 2014 as compared to US\$ 4.5 bn in Dec 2013.

2. Major policy pronouncements

India, US sign infra development pact- India and US have signed a memorandum of understanding for providing an infrastructure collaboration platform that will help the US industry to participate in infrastructure development projects in India. The agreement will improve the bilateral commercial relationship between the two economies.

India, Australia signed 5 MoUs- Hon'ble Prime Minister, Shri Narendra Modi on his visit to Australia has signed five Memoranda of Understanding on Social Security, Transfer of Sentenced Persons, Combating Narcotics Trafficking and Developing Police Cooperation, Field of Arts and Culture and Field of Tourism.

Relaunch of Kisan Vikas Patra Scheme-At the re-launch of Kisan Vikas Patra Scheme, the Hon'ble Finance Minister, Shri Arun Jaitley has urged people to increase their domestic savings and invest the same in small savings schemes such as Kisan Vikas Patras (KVPs) which will be used for undertaking various development activities in the country for the benefit of the people at large.

Green panel suggests new law for environment project approvals- The panel headed by former cabinet secretary, Mr. TSR Subramanian has recommended a new law for approving projects, monitoring compliance, and punishing violations as he has questioned the present system of environment clearance procedure by saying that more than 99% of the projects get cleared with little or no scrutiny.

India - Australia signed five MOUs/Agreements- Following the G20 summit, Prime Minister of India, Shri Narendra Modi and Prime Minister of Australia, Mr. Tony Abbot signed 5 MOUs/Agreements to strengthen the partnership between the two countries and to unlock the vast potential of their economic relationship, especially in priority areas such as resources, education, skills, agriculture, infrastructure, investments, financial services and health.

SEBI board clears big ticket market reforms-The board of SEBI cleared some important market reforms, including a move to replace the two-decade-old insider-trading rules, new insider trading prohibition regulations, and amendment of the existing delisting regulations. In addition to this, SEBI approved new reforms in consent mechanism under which it will give entities, which found violating securities laws, the option of settling the matter before the issue of showcase notices and start of enforcement proceedings. However, this arrangement would be available only for minor violations.

Subramanian panel suggests overhaul of green laws- The TSR Subramanian committee, constituted to review laws regarding environment and forest protection, has recommended complete overhaul of certain laws, special fast-track dispensation for power, self-certification of compliance by industry and diluting the powers of the National Green Tribunal (NGT). The committee has also suggested an umbrella law, to set up new national and state-level regulators that would take over the powers of the existing pollution control boards.

SAARC Summit: India, Nepal ink 10 pacts- At the 18th SAARC Summit in Kathmandu, Hon'ble Prime Minister, Shri Narendra Modi held talks with Nepalese counterpart, Shri Sushil Koirala on key strategic issues of defence and security and inked 10 agreements, including a pact on \$1-billion assistance to Nepal. The 10 agreements also include a memorandum of understanding on training at Nepal Police Academy, tourism, traditional medicines and youth exchange. A pact was also signed on a project development agreement over the 900 megawatt hydro-electric project on the Arun river in Nepal. In addition to this, both the countries also inked three twin-city pacts between Kathmandu-Varanasi, Janakpur-Ayodhya and Lumbini-Bodh Gaya.

Indian, Chinese firms sign pacts worth \$2.4 billion- At the India-China Business Cooperation Conference, Indian and Chinese companies signed Memoranda of Understanding worth over \$2.4 billion.

Business visa for 3-5 years, immediate visa for patients from SAARC nations- Hon'ble Prime Minister, Shri Narendra Modi in his address at the 18th SAARC summit, pledged to extend all possible cooperation to SAARC countries in the diverse fields. He announced that India will provide immediate medical visa for the patient and an attendant for treatment in the country. He also said that India will now give business visa for 3-5 years for SAARC bloc nations.

WTO Trade Facilitation pact, food security signed- Following tense negotiations and last-minute hiccups due to oppositions from Argentina and Pakistan, the General Council at a 'special' meeting of the WTO, signed the trade facilitation agreement (TFA), agreed to the extension of the 'peace clause' for an indefinite period and settled a deadline for the remaining Bali package commitments for poorer countries.

FM revises account opening target under Jan Dhan to 100 million- The government has raised the target for new bank accounts under the Pradhan Mantri Jan Dhan Yojana from 75 million to 100 million by January 26, 2015 as since launch the of the scheme, 80 million accounts had already been opened under it .

RBI's payment bank norms to deepen financial inclusion- The Reserve Bank of India (RBI) has announced the final guidelines for setting up payment banks and small banks, so to attract serious players and encourage financial inclusion. It has allowed corporate houses to set up payment banks, and also gave them the option of forming joint ventures with the commercial banks. But companies will not be allowed to set up small banks. However, the new draft norms have proposed that now small banks will not have any geographical restriction.

India rolls out visa-on-arrival carpet for 43 countries- To boost the tourism industry, the Central Government has extended the facility of Tourist Visa on Arrival enabled by Electronic Travel Authorization (ETA) to 43 countries. Also referred as e-visa, it will allow foreign tourists to enter the country without a physical visa, within 96 hours of applying for it. The list of the countries also includes Vietnam, Myanmar, Indonesia and Brazil, with whom India is trying to forge economic and diplomatic ties.

Committee for revamp of forest clearance-The T.S.R. Subramanian committee has recommended a revamp of various forest laws, to expedite the processing of industrial applications. The recommendations range from the way forests are defined to easing the procedures in obtaining forest clearance for industrial projects. At present, three forest laws - Indian Forests Act (IFA) of 1927, Forest Conservation Act (FCA) of 1980 and the Wildlife Protection Act (WPA) of 1972 govern all these matters.

Centre hikes excise duty on petrol, diesel- The central government, for the second time in a month, has hiked the excise duty on petrol and diesel. According to a statement by Hon'ble Finance Minister, Shri Arun Jaitley, the excise duty on petrol and for diesel has been raised by Rs. 2.25 a litre, and by Rs. 1/litre, respectively with immediate effect. This increase is expected to fetch additional revenue of Rs. 4,000 crore to the government in the remaining four months of the current fiscal year. However this increase is unlikely to have an immediate impact on retail prices.

RBI issues norms for setting up of and operating TReDS- With a view to facilitate the financing requirements of Micro, Small & Medium Enterprises (MSME), the Reserve Bank of India (RBI) issued the guidelines for setting up and operating the Trade Receivables Discounting System (TReDS). It is stated that TReDs is a scheme for setting up and operating the institutional mechanism to facilitate

the financing of trade receivables of micro, small and medium enterprises (MSMEs) from corporate and other buyers, including government departments and public sector undertakings (PSUs) through multiple financiers.

Panel set up to clarify tax laws- Following the Hon'ble Finance Minister, Shri Arun Jaitley's announcement during the 2014-15 budget speech, a high level committee was constituted under chairmanship of former chief economic advisor, Mr. Ashok Lahiri, to interact with trade and industry to ascertain clarity on some tax laws. The duties of the Committee includes making recommendations to the Central Board of Direct Taxes for issuance of appropriate clarifications, through circulars on tax issues, within two months from the date of receipt of its suggestions and also consult experts and tax professionals when it considers it is appropriate.

Government forms panel to check trade-based money laundering- The government in order to check the generation of black money by Indian entities both within and outside the country, has set up a high-level panel to look into the trade based money laundering activities involving manipulation of export and import invoices in Indian entities which are operating both within and outside the country. The director general (DG) of the Central Economic Intelligence Bureau (CEIB) will be the convener of the committee and it will also comprise DG of the Directorate of Revenue Intelligence, Enforcement Directorate, director of the Financial Intelligence Unit and the investigation wing of the Central Board of Direct Taxes.

Cabinet nod to 49% foreign equity cap in insurance sector – The Union Cabinet approved the much awaited bill to raise the composite foreign equity cap in the insurance sector from 26% to 49%. This insurance bill is likely to be passed by the Parliament in this session.

Ministry of Commerce launches new portal to give exporters info on FTAs- The Ministry of Commerce has launched a trade portal providing exporters with information on preferential tariffs and rules of origin in such markets so as to ensure better utilization of Free Trade Agreements (FTAs). This newly launched 'India Trade Portal' will also provide other important information to exporters such as technical barriers faced by trade in different markets.

Cabinet clears Constitutional Bill for GST-The Union Cabinet has cleared the GST Constitutional Amendment Bill to be tabled in the current session of Parliament. The government wants to stick to its stand on rolling out GST by April 2016 deadline.

Lok Sabha clears changes to Companies Act to improve business climate- The Lok Sabha has passed a number of amendments to the Companies Act, which will improve the ease of doing business in India, rectify drafting errors and tighten some provisions of the law. These amendments propose to relax the rules for related party transactions, drop the minimum capitalisation norms and prescribe a threshold for reporting fraud by auditors. The amendments also propose severe punishment for those raising illegal deposits from the public.

Financial strains force government to cut health budget by Rs 6,000 crore in FY15- Due to the fiscal strains, the government has ordered a cut of nearly 20% in the 2014-15 health care budget. This move of the government has put at risk key disease control initiatives in a country whose public spending on health is already among the lowest in the world.

PM's NITI Aayog will have a three-layer structure- Hon'ble Prime Minister's, Shri Narendra Modi's NITI (National Institutions for Transforming India) Aayog', the body which replaces 'Yojana Aayog'

(Planning Commission), will have a three-tier structure headed by Hon'ble Prime Minister. The new body will have a Governing Council comprising State Chief Ministers and Lt. Governors of Union Territories, Regional Councils to address specific issues of States, and full-time organisational framework headed by the Hon'ble Prime Minister.

Dr. Arvind Panagariya to be new Vice Chairman of NITI Aayog- Hon'ble Prime Minister, Shri Narendra Modi, has made the appointment of noted free market economist Dr. Arvind Panagariya as the Vice Chairman of newly constituted NITI (National Institution for Transforming India) Aayog. He also appointed, Shri Bibek Debroy, Economist and Dr. V.K. Saraswat, Former Secretary Defence R&D, as the two full time members of the newly formed institution.

Former Plan Panel secretary Sindhushree Khullar appointed NITI Aayog's CEO-Former Planning Commission Secretary, Ms. 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.

Cabinet approves ordinance for auctioning of non-coal mines- The Cabinet has approved an ordinance for auction of iron ore and other minerals, therefore opting the emergency route that was adopted earlier for coal, insurance and land acquisition reforms. The ordinance would pave the way for introduction of competitive bidding for allocation of iron ore and other non-coal mines.

Web portal for online approval of Movement of Heavy Transport launched-The Ministry of Road Transport & Highways and Shipping has launched a web portal for online approval of movement of Over Dimensional (OD) and Over Weight Cargo (OWC). The digitalization in the sector will ensure smoother movement of heavy transport and make system corruption free. The number of e-tolls is expected to scale up to 350 by March this year while 108 e-tolls have become operational in the country in the present time.

Medical devices sector opens up to 100% FDI- The department of industrial policy and promotion (DIPP) has issued a press note notifying the Cabinet's decision to open the medical devices sector to 100% foreign direct investment through the automatic route.

Documents required for exports reduced from five to three- According to a senior official, the revenue department has agreed to reduce the number of documents required for exports from five to three. The move is an effort on the part of a government to make it easier to do business in India and in line with directorate general of foreign trade's recommendation in the 'Trade Across Borders' report.

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.

3. Other key developments

Railways earnings up by over 12%- According to the data from Ministry of Railway, Railways has earned Rs 1,14,656.13 crore during April-December 2014, registering an overall increase of 12.57%. It had earned Rs 1,01,856.45 crore during the same period in the previous year.

Banks achieve target of opening 100 million accounts- Banks have achieved the target set by the government to open 100 million accounts under the Pradhan Mantri Jan Dhan Yojana (PMJDY), well before the 26 January deadline. As of 26 December, the number of accounts opened under the scheme stood at 100.8 million. Banks have issued 72.8 million RuPay Cards as on 22 December.

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.

Quarterly Report on Public Debt Management for the Quarter July to September 2014 Released- The Department of Economic Affairs, Ministry of Finance has released a Quarterly Report on Debt Management for the Quarter July to September 2014. The report states that during Q2 of Fiscal Year 2014-15 (FY15), the Government issued dated securities worth of Rs.1,54,000 crore taking the gross borrowings of the government for HY1 of FY 15 to Rs.3,52,000 crore (58.7% of BE), as compared to Rs.3,44,000 crore (59.4% of BE) in H1 of FY 14.

Moody's pegs stable outlook for Indian non-financial corporates- Global ratings agency Moody's Investors Service in its 2015 outlook for non-Indian financial corporates has changed the outlook for Indian non-financial corporates from negative to stable. According to its report, this change in outlook is driven by economic recovery, political stability, enhanced access to the global markets and successful implementation of pro-market policies.

India has world's largest youth population: UN report- According to a latest UN report, India has the world's largest youth population with 356 million people between the age group of 10-24 years. Further the report states that China is second with 269 million young people, followed by Indonesia (67 million), the US (65 million), Pakistan (59 million), Nigeria (57 million), Brazil(51 million), and Bangladesh with 48 million young population.

India ranks 2nd in Asia with \$1.4-bn FII inflows: HSBC- According to a report by HSBC, Foreign institutional investors invested heavily in Asian equities in November as the region recorded net inflows of \$5.3 billion, out of which India attracted \$1.4 billion. According to the report after two consecutive months of sell-offs, FIIs have warmed up to Asian equities and all markets have received positive flows in the month of November. Among Asian economies, China regained the top position as the 'most loved' market, pushing India down to second the rank in the region, while Thailand was placed at the third spot.

India's credit trend in 2015 hinges on reining fiscal deficit: Moody's- Global rating agency Moody's in its outlook report "2015 Outlook: Global Sovereigns", stated that India's credit trend in 2015 will depend on the steps that government will take to address issues such as high fiscal expenditures, recurrent food price inflation and a wide infrastructure deficit. The report further states that the sovereign outlook for India (Baa3) remains stable and the global sovereign outlook for 2015 is also stable as a gradual global recovery supports sovereign credit quality.

Mid-Year Economic Review projects 5.55% growth- The Mid-Year Economic Analysis for the current year, tabled in Parliament by Hon'ble Union Finance Minister, Shri Arun Jaitley projects 2014-15 growth at 5.5%. The mid-year economic review stated that the investment is yet to pick up significantly, but the inflation has come down dramatically. According to the review, the retail inflation will be seen in range of 5.1-5.8% in the next five quarters. The report further says that India faces challenges that are mostly domestic.

India the brightest spot in Asia Pacific region: S&P- Credit rating agency, Standard & Poor's Ratings Services, in a statement has said that India has emerged as the brightest spot in the Asia Pacific region because of the reforms that have picked up pace in the country in recent months like elimination of the diesel subsidy in early November, liberalising foreign investment into the insurance sector, and curbing discretionary government spending for the second half of the current fiscal year.

GDP growth may expand at 5.6% in FY15: Fitch- According to global ratings agency, Fitch Ratings, real GDP growth is expected to pick up to 5.6% in FY15 and 6.5% in FY16 from 4.7% in FY14 on account of structural reforms being rolled out by the new government. However, factors such as slow pace of fiscal consolidation, investment and inflation environment, poor banking sector's asset quality and slow structural reforms form downside risks to the economy.

Economy to gradually recover in 2015, FY15 GDP at 5.5%: Nomura- According to the global financial services firm Nomura's report, a gradual recovery is underway for the Indian economy and the country is expected to register a GDP growth rate of 5.5% in the current fiscal and 6.6% in FY2016. The report also says that, the recovery is likely to get support from easing inflationary pressures and various measures taken by the government towards economic reforms.

India's manufacturing, services growth outpaced China in Dec: HSBC- According to an HSBC survey, the manufacturing and services sectors in India expanded at a faster pace than those in China in the month of December. The HSBC Emerging Markets Index (EMI), a monthly indicator derived from PMI surveys, rose to a three-month high of 51.7, from November's six-month low of 51.2, but still signalled only a modest rate of expansion. During December, the HSBC composite index for India that includes both manufacturing and services, stood at 52.9, whereas it stood at 51.4 for China.

India Inc's revenue growth to slip to a 6-quarter low in Q3FY15: CRISIL- India's largest independent and integrated research house, CRISIL Research, expects India Inc's revenue growth to slip to a 6-quarter low of 7% on a year-on-year (y-o-y) basis in the December 2014 quarter. This moderate growth rate will be due to weak performance of investment-linked sectors, stable currency exchange rates (y-o-y) impacting growth of export-oriented sectors and weak global commodity prices.

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's GDP may grow 5-6% in 2015: Moody's- According to global rating agency Moody's report titled "2015 Outlook-Global Credit Conditions", Indian economy is expected to pick up pace in 2015 and grow in the range of 5% to 6%, basically driven by strong domestic demand and diversified export market. The report further states that India will have stronger GDP growth in 2015, which is forecasted in the range of 5-6%, up from around 5% in 2014.

India among top 10 destinations for expats: HSBC- In a survey conducted by HSBC, India has been ranked as the second most 'up and coming' destination, as the country is getting better as a place to live and work in, for expatriates after China. Further, the report states that development of industrial sector because of greater infra development and the greater proportion of foreign direct investment inflows in the country, would bring more expats in India. Nearly 9,300 expats from around the world participated in the survey for 2014. According to the report, Switzerland topped the overall rankings, while India stood at 9th position.

Manufacturing index hits 2-year high in December- The performance of the manufacturing sector in the country, as shown by the HSBC Purchasing Managers' Index (PMI) rose to a two-year high of 54.5 in the month of December as against 53.3 in November. This rise is due to combination of good orders from both home and foreign countries.

Services sector PMI dips in December- The HSBC survey of purchasing managers in the private sector shows that India's services sector expanded both in terms of activity and new orders in the month of December, though at a lower rate as compared to month of November. According to the Index, Business activity eased with PMI figure registered at 51.1 in the month of December, against 52.6 in November.

India 3rd on black money list; \$440 bn flows out in 10 years- As per GFI's (Global Financial Integrity) 2014 Annual Global Update on Illicit Financial Flows report, India has been ranked third globally with an estimated \$94.76 billion (nearly Rs. 6 lakh crore) illicit wealth outflows in 2012. As a result, the cumulative illicit money moving out of the country over a ten-year period from 2003 to 2012 has risen to USD 439.59 billion (Rs 28 lakh crore).

Subsidy enjoyed by rich, never reaches poor: Parliamentary panel- According to the Parliamentary Panel, the government benefits are being mostly enjoyed by the rich and affluent and "never reach" the intended target. The panel suggested the Government to "introspect upon" whether the right good/service is being subsidised or there is an "urgent need to re target" the subsidies. The subsidy bill on food, petroleum and fertilisers for 2014-15 has been pegged at Rs 2.51 lakh crore, up 2.47% over the previous year.

India ranked 85th on Corruption Perception Index- Transparency International, in its Corruption Perception Index 2014 has placed India at a significantly improved rank of 85 out of 175 countries with an overall score of 38. India has seen a gradual improvement in its ranking on the index, wherein it was ranked 94 out of 177 in 2013 and 2012, and 95 out of 183 countries in 2011. The index measures the perceived levels of public sector corruption in countries and territories.

Direct selling sales up just 4.3%, policy uncertainty blamed- According to the industry's annual survey conducted by the Indian Direct Selling Association (IDSA) and the PHD Chamber of Commerce, the Indian direct selling industry grew 4.3% in 2013-14 and achieved sales of Rs. 7,472 crore, registering a sharp decline from previous fiscals. The survey suggests that sales grew at 12.2% (Rs 7,164 crore) in

the year 2012-13 and 22% (Rs 6,385 crore) in the year before. The survey also estimates industry turnover at about Rs. 24,000 crore by the year 2019-20.

Diesel consumption down 3% in October- According to Petroleum Planning & Analysis Cell, diesel consumption fell by about 3% year-on-year in the month of October despite a cut of around Rs. 3 per litre, after de-regulation of prices on October 18. In October 2014, diesel consumption remained at 5.44 million tonnes (mt) against 5.61 mt in the same month last year.

India's steel output growth fastest in October- Even as world's average growth remained stagnant, India's steel production grew at the fastest pace among the top steel producing nations in the month of October at 8.5%. According to the data prepared by World Steel Association, India produced 7.080 million tonnes steel in the last month as compared to 6.523 million tonnes in the year ago period.

Car sales accelerate in November, but motorcycles in lower gear- According to the data by the Society of Indian Automobile Manufacturers (SIAM) said that the continuation of excise duty cuts and reduction in fuel prices over the past few months has led to better sales for passenger cars in the month of November. Passenger car sales were up by 9.52% year-on-year, at 1.56 lakh in November, compared with 1.43 lakh in the same month last year. However, motorcycle sales fell by 3% y-o-y to around 8.53 lakh units (8.80 lakh units).

India's direct investment abroad down 58% to \$1.34 billion in November- According to the data by Reserve Bank of India, direct investments by Indian firms abroad fell by 58% to USD 1.34 billion in the month of November 2014 as compared to the same month last year. In the month of October 2014, Indian companies had invested USD 2.68 billion in overseas markets.

Textile industry voices concern over delay in subsidy disbursement- Textile industry have raised concerns over the undue delay in disbursement of TUF (Technology Upgradation Fund) subsidy as nearly a sum of Rs. 3,400 crore remains payable to the respective textile units. Although this scheme has helped to transform the industry into a technologically advanced one but the delay in TUF subsidy disbursement is negatively impacting the growth of the Textile industry.

101 cancelled mines to be put up for auction under new rules- Under new auction rules, bidding for coal blocks will now have different methodologies for the power sector. Where the end use is generation of power, there will be a reverse auction to prevent a cascading effect on power tariffs and there will be a forward bidding model for the captive power generation, steel and cement sectors.

Expenditure panel to submit interim report before Budget-The Expenditure Management Commission would stick to its deadline for submitting its interim report before Budget 2015-16.

14th Finance Panel report to be tabled in Budget session- The Fourteenth Finance Commission report, would be presented in the Budget session of the parliament, as it had various ramifications on the government's taxation and expenditure plans. The recommendations of this commission, headed by former RBI governor Y V Reddy, relate to the period between April 1, 2015, and March 31, 2020.

Centre to upgrade MGNREGA with new skill drive for better employment opportunities- Government so as to boost its Skill India initiative and to make MGNREGA more effective, has decided to converge its recently unveiled Deen Dayal Upadhyaya Grameen Kaushalya Yojana with MGNREGA. Through this initiative of the government, beneficiaries of the Centre's flagship rural jobs programme,

MGNREGA, who seek an unskilled manual job, could soon be offered an opportunity to learn for free a skill that will make them employable at much higher remunerations.

Budget 2015: Lower corporate tax, higher spend on India Inc's wishlist - In customary pre-budget consultations with Hon'ble Finance Minister, Shri Arun Jaitley, Industry honchos has pitched for reduction in corporate tax rate, aggressive disinvestment of government stake in public sector units, higher personal income tax exemption limits and a massive increase in public expenditure to boost growth.

Centre plans new fund for direct transfer of wages to MGNREGA beneficiaries- The Union government, so as to reduce instances of delayed payments under the employment guarantee scheme and preventing leakages, is considering a proposal to set up a National Employment Guarantee Fund, which will facilitate the transfer of wages directly to the accounts of MGNREGA beneficiaries.

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.

In a nutshell

Recent developments in the policy scenario such as follow-up on Make in India and efforts to improve the ease of doing business are inspiring. Investors are also enthusiastic once again which is visible from the recent Vibrant Gujarat Summit as Corporate from India and abroad have pledged to invest about Rs 25 lakh crore and have signed nearly 21,000 MoUs during the Summit.

The macro-economic outlook is also stabilizing as key economic indicators are showing signs of improvements such as increased industrial growth, rising exports, growth in core infrastructure, declining inflation, increased FDI inflows though Current Account Deficit (CAD) and external debt have also increased. The fiscal challenges also remain high as about 99% of budget earmarked for the current financial year has been utilized. In light of such a scenario, the government should cut wasteful subsidies and promote growth-inducing investments in the coming times.

The lead economic and financial indicators so far...

S. No	Components	October	November	December
1.	IIP Growth	2.5% (September)	-4.2% (October)	3.8%(November)
2	Export Growth	-5.04%	7.3%	3.7%
3	WPI Inflation Y-O-Y growth	1.7%	0%	0.11%
4	CPI inflation (combined)	5.5%	4.4%	5%
5	Gold (10 GRMS)	25706 [^]	26458 ^{^^}	27167 ^{^^^}
6	Crude Oil (1 BBL)	4568 [#]	3491 ^{##}	2850 ^{###}
7	BSE Sensex	28047 [!]	27506 ^{!!}	27347 ^{!!!}
8	Exchange rate average (INR/ 1 USD)	61.65 [*]	63.29 ^{**}	62.19 ^{***}
9	Repo rate	8%	8%	7.75%
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%	10.00%

Source: PHD Research Bureau compiled from various sources, [^]Data pertains to 14th November, ^{^^}Data pertains to 23rd December, ^{^^^}Data pertains to 14th January 2014, [#]Data pertains to 14th November, ^{##}Data pertains to 23rd December 2014, ^{###}Data pertains to 14th January 2014, [!]Data pertains to 14th November, ^{!!}Data pertains to 23rd December, 2014, ^{!!!}Data pertains to 14th January 2014, ^{*}Data pertains to 14th November 2014, ^{**}Data pertains to 23rd December, 2014, ^{***}Data pertains to 14th January 2014.

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	57,418	14392***
GDP at FC - Constant prices growth YoY	6.7	8.6	8.9	6.7	4.5	4.7	5.3***
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50	15421***
Agriculture growth	0.1	0.8	8.6	5.0	1.4	4.7	3.2***
Industry growth	4.1	10.2	8.3	6.7	0.8	(-)0.1	2.2***
Services growth	9.6	8.0	7.5	4.9	7.0	6.7	7.1***
Consumption	7.6	8.2	8.1	8.1	3.9	4.9	-
Private consumption	7.1	7.1	8.6	8.0	4.0	4.5	-
Gross domestic savings as % of GDP	32.0	33.7	34.0	30.8	30.2	30.5	-
Gross Fixed Capital Formation as % of GDP	32.3	31.7	30.9	31.8	30.4	28.3*	-
Gross fiscal deficit of the Centre as a % GDP	6.0	6.5	4.8	5.7	4.8	4.6	4.1
Gross fiscal deficit of the states as a % GDP	2.4	2.9	2.1	1.9	1.9	2.4	2.3
Gross fiscal deficit of Centre & states as a % GDP	8.3	9.3	6.9	7.6	6.8	7.0	6.4
Merchandise exports (US\$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	241.1^^^
Growth in exports	12.3	-2.6	40.6	21.9	(-)1.8	3.98^	4.02^^^
Imports (US\$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	351.2^^^
Growth in imports (YoY)	19.8	-3.9	28.5	32.4	0.2	(-)8.1^	3.63^^^
Trade deficit (US\$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	110.1^^^
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^^	-
Current account deficit as % of GDP	2.6	3.2	2.6	4.2	4.8	1.7^^	-
Net capital account US\$Bn	8.7	53.4	60	67.8	94.2	33.3^^	-
Overall balance of payments US\$Bn	20.1	-13.4	-13.1	12.8	3.8	15.5^^	-
Foreign exchange reserves US\$Bn	252	279.1	304.8	294.9	292.04	304.22	294.5~
External debt - Short term US\$Bn	43.4	52.3	65	78.2	96.7	89.2``	-
External debt - Long term US\$Bn	181.2	208.7	240.9	267.5	293.4	351.4``	-
External debt - US\$Bn	224.5	260.9	305.9	345.8	392.1	441``	-
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	10.9##
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7#	0.11@
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	5.0@
Exchange rate Rs/US\$ annual average	46	47.4	45.6	47.9	54.4	60.68	62.15@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimate of 2013-14 from MOSPI, ^Planning Commission Data Book Dec 2013, ** Projection For 2013-14 from PMEAC Economic Outlook 2013-14, ***Data pertains to Q2 2014-15. ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ^^^data pertains to April- December, 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 December 2014, @@ Data as on 14 January 2015 from RBI, ##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

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

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