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Economic Affairs Committee Newsletter

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



PHD Research Bureau

PHD CHAMBER OF COMMERCE & INDUSTRY

EAC Newsletter
July 2016

Recently, the BREXIT has resulted in financial markets volatility across the world and could also spur a number of other risks through various trade, finance and confidence channels.

Notwithstanding, adverse international economic developments, no significant impact has been observed on Indian economy as its economic resilience has strengthened during the recent times on account of factors such as announcements of big bang FDI reforms and a significant jump in FDI inflows, narrowing current account deficit, declining trade balance due to fall in commodity prices. India's strong macroeconomic fundamentals and conducive policy measures undertaken by the government will help in mitigating the impact of adverse international economic developments, going forward.

At domestic front, our government in the recent months has announced various policies which would boost employment opportunities and accelerate growth of the economy in the coming times. The most significant development has been the radical changes in the FDI policy regime with the increase in sectoral caps, bringing more activities under automatic route and easing of conditionalities for foreign investment which will make India a more open economy in the world economic system. The FDI reforms were very crucial at this juncture which will lead to further FDI inflows which already increased from around US\$36 billion in FY14 to US\$55 billion in FY16 due to recent initiatives of the government.

In addition, the Cabinet has approved a slew of proposals such as the special package for employment generation and promotion of exports in Textile and Apparel sector, National Mineral Exploration Policy and implementation of the recommendations of 7th Central Pay Commission which will facilitate industrial growth and consumption demand, thereby fueling growth in the coming times.

At the macro-economic front, some lead indicators have shown a decelerating trend as the growth in core infrastructure declined to 2.8% in May 2016 in comparison to 8.5% in April, 2016. The WPI inflation has increased from 0.79% in May 2016 to 1.62% in June 2016. The CPI inflation has remained more or less same at 5.77% in June 2016 as against 5.76% in May 2016. However, industrial production, as measured by IIP, has improved from (-)1.3% in May 2016 to 1.2% in June 2016. The exports also showed a positive growth of 1.3% in June 2016 as compared to a growth of (-) 0.79% in May 2016.

Recently, Hon'ble Prime Minister of India visited African countries for advancement of a stronger comprehensive relationship between the nations. During his visit, a number of MOUs were signed in regards to areas such as drug demand reduction and prevention of illicit trafficking in narcotic drugs, psychotropic substances and precursor chemicals, science and technology, cultural operations, tourism, water resource management, vocational training, among others.

The Ministry of Railways will be taking up 21 port-rail connectivity projects, as identified under the port-connectivity enhancement objective of Sagarmala, the flagship programme of the Ministry of Shipping. These projects will improve port connectivity to the hinterland and help in reducing logistics cost and time for cargo movement making Indian trade more competitive. With the improvement in physical infrastructure, the industry is expected to scale higher growth rate this year also and overall the economy is expected to grow in a positive trajectory and register high growth rate in FY2017.

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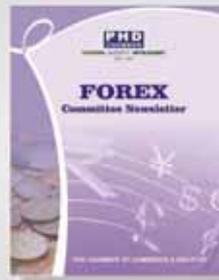
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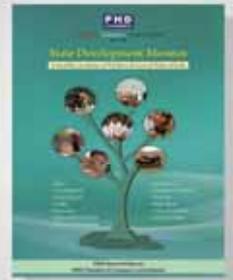
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Warm regards

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1. Indian economy so far

1.1 Growth

May 2016 IIP grows at 1.2%- Growth in industry output, as measured in terms of IIP, for the month of May 2016 is estimated at 1.2% as compared to (-)1.3% during April 2016. The growth in the three sectors mining, manufacturing and electricity in May 2016 stands at 1.3%, 0.7% and 4.7% respectively as compared to 1.1%, (-)3.6%, and 14.6% respectively. Capital goods growth stands at (-)12.4% in May 2016 as against (-)25% during April 2016.

May core infra stands at 2.8%- The core infrastructure stands to 2.8% (Y-O-Y) in May 2016 in comparison to 8.5% in April, 2016. The combined Index of Eight Core Industries stands at 183.7 in May, 2016 with a growth of 2.8% as compared to 4.4% in May 2015. Crude Oil and Natural gas registered a growth rate of (-)3.3% and (-)6.9% respectively in the month of May 2016.

1.2 Inflation

June 2016 CPI inflation grows at 5.77%- The all India general CPI (Combined) for June 2016 stands at 5.77% as compared to 5.76% in May 2016. The inflation rates for rural and urban areas for June 2016 are 6.20% and 5.26% as compared to 6.45% and 4.89% respectively, for May 2016. Rate of inflation during June 2016 is high in pulses and products at 28.28%, Sugar and Confectionary at 12.98% and Vegetables at 12.72%.

June 2016 WPI inflation grows at 1.62%- Driven by the increase in the prices of potato, pulses, sugar and vegetables, inflation increased to 1.62% (Y-O-Y) as compared to 0.79% (Y-O-Y) for the month of May 2016. The Index for Wholesale Prices for the month of May 2016 rose by 1.4% to 182.0 (provisional) from 179.4 (provisional) for the previous month.

1.3 External sector

CAD narrowed to 1.1% of GDP in 2015-16 from 1.3% in 2014-15- India's current account deficit (CAD) narrowed sharply to US\$ 0.3 billion (0.1 per cent of GDP) in Q4 of 2015-16, significantly lower than US\$ 7.1 billion (1.3 per cent of GDP) in Q3 of 2015-16 and marginally lower than US\$ 0.7 billion (0.1 per cent of GDP) in Q4 of 2014-15. The CAD narrowed to 1.1 per cent of GDP in 2015-16 from 1.3 per cent in 2014-15, on the back of contraction in the trade deficit.

Exports in June 2016 posted a positive growth of 1.27%- During June,2016 exports were valued at US\$ 22572.30 million (Rs.151904.56 crore) which was 1.27 per cent higher in Dollar terms (6.72 per cent higher in Rupee terms) than the level of US\$ 22289.43 million (Rs. 142341.88 crore) during June,2015. Cumulative value of exports for the period April-June 2016-17 was US\$ 65311.77 million (Rs.436960.98 crore) as against US\$ 66690.90 million (Rs.423315.24 crore) registering a negative growth of 2.07 per cent in Dollar terms and positive growth of 3.22 per cent in Rupee terms over the same period last year.

May, 2016 Services Exports stands at USD 13.4 billion- Exports during May, 2016 were valued at US\$ 13460 Million (Rs. 90056.42 Crore) registering a positive growth of 4.28 per cent in dollar terms as compared to positive growth of 0.10 per cent during April 2016 (as per RBI's Press Release for the respective months).

Net FII investments stands at about (-) USD 367 million in June 2016- The net FII investments in the month of June 2016 stands at (-) USD 367 million as against (-) USD 276 million in May 2016 representing a y-o-y growth of about 47.3%. The net FII investments in June 2015 stands at (-) USD 249 million. The total net FII investments consists of around USD 555.05 million of equity and about (-) USD 922.03 million of Debt during June 2016.

FDI equity inflows rose by 40% during April-December 2015 - The FDI equity inflow during April-December 2015 rose by 40% to around US\$29billion as compared with US\$21 billion during the same period of the previous year. Mauritius with 34% share in India's cumulative FDI inflows tops the chart as an investing country between April2000- December 2015. While the top investing sector on cumulative basis (April2000- December 2015) is the services sector (includes financial, banking, insurance, non-financial / business, outsourcing, R&D, courier, tech. testing and analysis). Also, Mumbai and New Delhi are observed to be the cities attracting the highest FDI equity inflows on cumulative basis for the period (April2000-May 2015).

1.4 Fiscal scenario

May 2016 Fiscal deficit registered at 42.9% of actuals to BEs- The gross fiscal deficit of the Central government stands at 42.9% of the actuals to budget estimates at the end of May 2016 as compared to 37.5% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 422.6% of the actuals to budget estimates at the end of May 2016 as compared to 161% of the actuals to budget estimates during corresponding period of the previous year.

Government's total public debt decreases by 0.04% in Q4 of FY2016- The total public debt (excluding liabilities under the 'Public Account') of the Government provisionally decreased marginally to Rs. 5,573,332 crore at end-March 2016 from Rs. 5,575,376 crore at end-December 2015. This represented a quarter-on-quarter (QoQ) decrease of 0.04% (provisional) compared with an increase of 3.9% in the previous quarter (Q 3 FY 16).

Indirect Tax collections stand at Rs. 64,394 crore during the month of April 2016- Indirect Tax collections for the month of April 2016 is Rs 64,394 crore registering a growth of 41.8% as compared to Rs. 45,417 crore collected during the same period previous year i.e. month of April 2015. Overall growth in revenue collections on account of Indirect taxes excluding Additional Revenue Measures is 17%. The overall collections of Indirect Taxes during the month of April, 2016 amounts to achievement of 8.3% of BE target for Indirect Taxes for 2016-17.

CBDT releases data on direct taxes- CBDT has released time series data on direct tax collections, state and U.T. wise break-up of collection, contribution of direct taxes to total tax revenue, direct-tax GDP Ratio, among others. Direct tax collections have increased from about Rs. 68,305 crore in 2000-01 to around Rs. 6,95,792 crore in 2014-15 and estimated to reach at Rs. 7,42,295 crore in 2015-16 (provisional). Contribution of Direct Taxes to Total Tax Revenue has increased from around 36% in

2000-01 to more than 56% in 2014-15. The Contribution of Direct Taxes to Total Tax Revenue is estimated to reach at 51% in 2015-16 (provisional). Direct-Tax GDP Ratio has scaled up from 3.25% in 2000-01 to more than 5% in 2014-15. However, tax growth rate has declined from about 18% to about 9% during the same period.

1.5 Monetary scenario

Gross Bank Credit grows at 8% in May 2016- Gross bank credit grows at 8% in May 2016 as against 8.4% during April 2016. The gross bank credit growth stands at 8.5% during May 2015. On a year-on-year (y-o-y) basis, non-food bank credit increased by 8.4% in May 2016 and April 2016. Credit to agriculture and allied activities increased by 15.6% in May 2016 as compared to 15.3% in April 2016.

ECBs stand at US\$ 0.3 bn during April 2016- Indian firms have raised about US\$ 0.3 billion through external commercial borrowings (ECBs) in the month of April 2016 as against US\$ 0.7 billion during April 2015 by automatic and approval route. The borrowings stood at US\$ 1.5 billion in March 2016.

2. Major policy pronouncements

Government introduces changes in FDI policy regime to provide impetus to job creation and infrastructure- The Union Government has recently liberalized the FDI regime with the objective of providing major impetus to employment and job creation in India. The decision was taken at a high-level meeting chaired by Prime Minister Shri Narendra Modi. This is the second major reform after the last radical changes announced in November 2015. Now most of the sectors would be under automatic approval route, except a small negative list. With these changes, India is now the most open economy in the world for FDI. The FDI rules have been eased in various sectors viz. Animal Husbandry, Broadcasting, Civil Aviation, Defence, Pharmaceutical and Single Brand Retail trading.

Cabinet approves special package for employment generation and promotion of exports in Textile and Apparel sector- The Union Cabinet under the Chairmanship of Hon'ble Prime Minister of India has given approval for a special package for employment generation and promotion of exports in Textile and Apparel sector. The move comes in the backdrop of the package of reforms announced by the Government for generation of one crore jobs in the textile and apparel industry over next 3 years. The package includes a slew of measures which are labour friendly and would promote employment generation, economies of scale and boost exports. The steps will lead to a cumulative increase of US\$ 30 bn. in exports and investment of Rs. 74,000 crores over next 3 years. The majority of new jobs are likely to go to women since the garment industry employs nearly 70% women workforce. Thus, the package would help in social transformation through women empowerment.

Cabinet approves Implementation of the recommendations of 7th Central Pay Commission- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi ji has approved the implementation of the recommendations of 7th Central Pay Commission (CPC) on pay and pensionary benefits. It will come into effect from 01 January 2016. The recommendations will benefit over 1 crore employees which includes over 47 lakh central government employees and 53 lakh pensioners, of which 14 lakh employees and 18 lakh pensioners are from the defence forces. The arrears of pay and pensionary benefits will be paid during the current financial year (2016-17) itself. The minimum pay has been increased from Rs. 7000 to 18000 per month. Starting salary of a newly recruited

employee at lowest level will now be Rs. 18000 whereas for a freshly recruited Class I officer, it will be Rs. 56100. This reflects a compression ratio of 1:3.12 signifying that pay of a Class I officer on direct recruitment will be three times the pay of an entrant at lowest level. Further, rate of increment has been retained at 3%. This will benefit the employees in future on account of higher basic pay as the annual increments that they earn in future will be 2.6 times than at present.

Cabinet approves National Mineral Exploration Policy- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi ji has approved the National Mineral Exploration Policy (NMEP). The NMEP primarily aims at accelerating the exploration activity in the country through enhanced participation of the private sector. The policy emphasizes on making available baseline geoscientific data of world standards in the public domain, quality research in a public-private partnership, special initiatives for search of deep-seated and concealed deposits, quick aerogeophysical surveys of the country, and creation of a dedicated geoscience database etc.

Cabinet considers Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016- The Union Cabinet chaired by the Hon'ble Prime Minister Shri Narendra Modi ji has considered the Model Shops and Establishment (Regulation of Employment and Conditions of Service) Bill, 2016. The Bill will now be sent to States/UTs to enable them to modify their individual Acts, if they so desire either by adopting the said Bill as it is or after modifying its provisions as per their requirements. The Bill provides for freedom to operate 365 days in a year and opening/closing time of establishment. The Model Bill would bring about uniformity in the legislative provisions, making it easier for all the States to adopt it and thereby ensuring uniform working conditions across the country and facilitate the ease of doing business and generate employment opportunities.

Development of Port-Rail Connectivity Projects approved under Sagarmala Programme- The Ministry of Railways will be taking up 21 port-rail connectivity projects, at an estimated cost of more than Rs.20,000 Crores, as identified under the port-connectivity enhancement objective of Sagarmala, the flagship programme of the Ministry of Shipping. These projects will improve port connectivity to the hinterland and help in dipping logistics cost and time for cargo movement making Indian trade more competitive.

Interest subvention to Public Sector Banks, Private Sector Banks, Cooperative Banks, Regional Rural Banks and NABARD for providing short term crop loan to farmers- The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved the Interest Subvention Scheme for farmers for the year 2016-17. The Government has allocated a sum of Rs. 18,276 Crore for this purpose. This will help farmers getting short term crop loan payable within one year up to Rs. 3 lakhs at only 4% per annum. The Central Government will provide interest subvention of 5 % per annum to all farmers for short term crop loan upto one year for loan upto Rs. 3 lakhs borrowed by them during the year 2016-17. Farmers will thus have to effectively pay only 4% as interest. In case farmers do not repay the short term crop loan in time they would be eligible for interest subvention of 2% as against 5% available above. To provide relief to the farmers affected by Natural Calamities, the interest subvention of 2% will be provided to Banks for the first year on the restructured amount. In case farmers do not repay the short term crop loan in time they would be eligible for interest subvention of 2% as against 5% available above.

Cabinet approves Pradhan Mantri Kaushal Vikas Yojana 60 lakh youth to be trained afresh- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi ji has approved the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) with an outlay of Rs.12000 crore to impart skilling to one crore people over the next four years (2016-2020). The target allocation between fresh trainings and RPL

will be flexible and interchangeable depending on functional and operational requirements. Financial support to trainees will be given in the form of travel allowance, boarding and lodging costs. Skill training would be done based on industry led standards aligned to the National Skill Qualification Framework (NSQF).

Cabinet approves the facilities being extended to persons residing in India on Long Term Visa- The Union Cabinet chaired by Hon'ble Prime Minister Shri Narendra Modi ji has approved the following facilities being extended to persons from Minority communities of Afghanistan, Bangladesh and Pakistan, namely Hindus, Sikhs, Buddhists, Jains, Parsis and Christians staying on Long Term Visa (LTV) in India. The move is aimed at easing out the difficulties being faced by them and includes opening of bank account, permission for purchase of property for self occupation and suitable accommodation for carrying out self – employment, issuance of driving licence, PAN card and Aadhar number, transfer of LTV papers from one State to other, among others.

RBI sets up Inter-regulatory Working Group on Fin Tech and Digital Banking- The Reserve Bank of India has set up an inter regulatory Working Group (WG) to study the entire gamut of regulatory issues relating to Fin Tech and Digital Banking in India. The Working Group has been set up in view of the growing significance of Fin Tech innovations and their interactions with the financial sector as well as the financial sector entities. The Financial Stability and Development Council - Sub Committee (FSDC - SC) at its meeting held on April 26, 2016 had decided to set up such a Working Group to look into and report on the granular aspects of Fin Tech and its implications so as to review and appropriately reorient the regulatory framework and respond to the dynamics of the rapidly evolving Fin Tech scenario.

Ease of “Getting Electricity” Connection- Ministry of Power has undertaken several reforms measures to ease the process of ‘Getting Electricity’ over a period of last two years. The Government has made it mandatory to provide electricity connection within fifteen days to the consumers in normal conditions. DERC has made the required changes to allow LT connection up to 150 KVA and had also rationalized the tariff for the same in 2015. Within three days of online form submission for electricity connection, the field inspection of the site will be done, which will lead to the process to assess preparation, load sanction and intimation for fee deposit to be completed in next four days. After this, installation work including meter and flow of electricity will be done in eight days, thus completing the whole process in 15 days.

3. Other key developments

India can gain hugely from regional power trade: World Bank- According to a study by World Bank, regional trade in electricity can spare India from investing in 35,000 MW coal-fired capacities (at estimated \$26 billion) over the next 25 years. Larger benefits will accrue through reduction in fuel cost and 6.5% cut in greenhouse gas emission. The savings should come through replacement of thermal power with hydro-electricity to be sourced mostly from Nepal, followed by Bhutan and Afghanistan.

India ranks low at 105th on human capital index- According to World Economic Forum’s Human Capital Index, India was ranked low at 105th position globally while Finland topped the Index. India ranks much below China’s 71st position while Bangladesh, Bhutan and Sri Lanka are also placed higher on the index.

Indian solar energy to get \$1 bn from World Bank- The World Bank Group signed an agreement with the International Solar Alliance (ISA), consisting of 121 countries, led by India. It has committed to provide \$1 billion support to Indian solar energy projects.

RBI releases Financial Stability Report -June 2016- The Reserve Bank of India released the Financial Stability Report (FSR) June 2016, a biannual publication and the thirteenth in the series. The Financial Stability Report (FSR) reflects the overall assessment on the stability of India's financial system and its resilience to risks emanating from global and domestic factors. Besides, the report also discusses issues relating to development and regulation of the financial sector. Beginning from June 2015 issue, a special thematic discussion is included in the FSRs brought out in June. Accordingly, this issue of FSR brings out a thematic discussion on 'An optimal configuration for the financial system – Banks versus Market' in the context of the progress towards making the Indian financial system more effective in supporting the economic growth.

RBI releases Payment and Settlement Systems in India: Vision-2018- The Reserve Bank of India has introduced "Payment and Settlement Systems in India: Vision-2018". The Vision-2018 aims at building best of class payment and settlement systems for a 'less-cash' India. The Vision-2018 for Payment and Settlement Systems in India reiterates the commitment of the Reserve Bank of India (the Bank) to encourage greater use of electronic payments by all sections of society so as to achieve a "less-cash" society. The objective is to facilitate provision of a payment system for the future that combines the much-valued attributes of safety, security and universal reach with technological solutions which enable faster processing, enhanced convenience, and the extraction and use of valuable information that accompanies payments.

Visit of Hon'ble Prime Minister to African Countries (July 7- July 10, 2016)- The Hon'ble Prime Minister of India during his visit to African nations (July 7- July 10, 2016) expressed that there is great synergy between India and African nations. A number of MOUs and Agreements have been signed with the African countries which are expected to generate new opportunities to bolster economic growth and sustainable development, strengthen cooperation in diverse areas of tourism, Science and Technology, ICT, Cultural Cooperation and Education etc. for common development and prosperity of India and African nations.

Government Unveils Fourth Tranche of Sovereign Gold Bonds- The Ministry of Finance has launched the 4th Tranche of Sovereign Gold Bonds (SGB) and it will be open for investment by resident individuals and institutional investors from 18th to 22nd July 2016. The 4th tranche of the SGB scheme is the first series in 2016-17. Based on average of last week prices of physical gold, the issue price of the 4th tranche has been fixed at 3119 per gram of gold.

India among 'worst' countries for workers' rights- According to the International Trade Union Confederation's Global Rights Index 2016 which ranked 141 countries on a scale of 1-5 on the basis of 97 international indicators such right to organise, collective bargaining, civil rights, freedom of association among others, has ranked India in Group 5 (no guarantee of rights), along with 25 countries, citing rising contracterisation and "disproportionate violence" against workers by the police and hired private security guards by some companies. According to the index, the countries with the "best" record are Austria, Denmark, Estonia, Finland, France, Germany, Iceland, Italy, Netherlands, Norway, Slovakia, Sweden and Uruguay, while the worst ever (5+) record are Burundi, Central African Republic, Eritrea, Iraq, Libya, Palestine, Somalia, South Sudan, Sudan and Syria as there is "no guarantee of rights due to the breakdown of the rule of law" in these countries.

FSSAI frames safety standards for alcoholic drinks- FSSAI has approved standards for alcoholic drinks like whiskey and beer and finalised a list of additives to be used for making these products. These standards are in alignment with International Organisation of Vine and Wine (OIV) standards. The file has been moved to the Ministry of Health, and the standards will be operationalised soon after a notification.

India becomes 35th member of MTCR- India has formally joined the Missile Technology Control Regime (MTCR), paving the way for the country to access technologies that will boost its missile, space and unmanned aerial vehicle programmes. With India's entry, MTCR now has 35 members. Membership of MTCR will allow India access to state-of-the-art technology and allow further joint ventures with traditional partners such as Russia, France and USA, as well as other members of the exclusive club, people familiar with the matter said. It will also boost India's defence exports to friendly countries.

Jan Dhan deposits up 118 per cent over 21 months- The average deposit per account under the Pradhan Mantri Jan Dhan Yojana (PMJDY) - a financial inclusion programme launched by Prime Minister Narendra Modi in August 2014 - increased 118 per cent from Rs 795 in September 2014 to Rs 1,735 in May 2016, according to India Spend analysis of government data. PMJDY accounts quadrupled (increased by 308 per cent), from 53 million in September 2014 to 219 million in May 2016, while the proportion of accounts with no money in them - zero-balance accounts, as they are called - declined from 76 per cent in 2014 to 25.7 per cent in 2016.

Tepid growth in Q1 corporation tax collections- According to Ministry of Finance, corporation tax yielded Rs 55,000 crore in Q1 which reflects persistently weak profitability and output, besides sluggish demand in the economy. While direct tax collections posted a 22% growth at Rs 1.2 lakh crore, it could be attributed to buoyant growth in personal income tax because of changes in the advance tax collection rules. Of the total direct tax collection, Rs 64,000 crore came from personal income tax, representing a growth of 48%.

India improves its ranking by 19 places on World Bank Logistics Performance Index- India has improved its ranking in the World Bank Group's bi-annual "Logistics Performance Index 2016", jumping from 54th in 2014 to 35th in 2016 and has gone past countries such as New Zealand, Thailand, Saudi Arabia, Iceland, Latvia and Indonesia who were ahead of it in the index.

Manufacturing PMI at 3-month high in June- The Nikkei Manufacturing Purchasing Managers' Index jumped to a three-month high of 51.7 in June, against 50.7 in May indicating an improvement in the industrial activity. The main contributing factors to the upward movement in the PMI were stronger rates of growth in new orders and output, both of which reached three-month highs in June.

Coffee exports up 20% in volume in H1 2016- Exports of coffee — both green beans and the instant variety — have jumped by a fifth in volume terms during the first six months of the current calendar year. Besides a bigger crop, a steady increase in re-exports has also contributed to the surge in volumes during the period. However, the volatile prices have impacted realisations, which have been rather flat in dollar terms but saw a marginal increase in rupee terms.

Ministry identifies 20 stuck port projects worth Rs 15,000 crore – The Ministry of Shipping has identified 20 stuck port projects worth Rs. 15,000 crore lying idle because of policy issues. The identified projects are stuck because the concession agreement does not allow commodity transfer. Many of these projects are also stuck because of bad design of model concession agreement (MCA)

that included insufficient storage area for terminal, high storage charges for private players and an unviable revenue share clause with the government.

FPIs invest ₹3,700 cr in June- Foreign investors brought in over ₹3,700 crore into Indian stock markets in June, taking the total to more than ₹20,600 crore so far this year, mainly on hopes of a good monsoon. It follows a staggering inflow of more than ₹32,000 crore in preceding three months (March-May).

India's service activity slows in June as PMI drops to 50.3- The pace of activity in India's service sector slowed in June, a private survey showed on Tuesday. The Nikkei India Services Business Activity Index was 50.3 in June, its second-lowest reading in the current 12-month sequence of above-50 readings. The headline index was down from 51 in May, pointing to a slower pace of expansion that was marginal.

India maintains its supremacy over China in pharmaceutical exports- According to the latest release from the Ministry of Commerce & Industry, India has continued to maintain its lead over China in pharmaceutical exports, as India's pharma exports grew from \$11.66 billion to \$12.54 billion in 2015 recording a growth of 7.6%. Meanwhile, China increased its exports of pharma products from \$6.59 billion to \$6.94 billion exhibiting growth of 5.3% during the same period. Further, India moved ahead of China in all important markets such as US, European Union and Africa.

HSBC sees growth easing to 7.4% this fiscal- According to HSBC, the Indian economy may be growing at a faster rate than most of the other large countries, but GDP growth is expected to slow gently from 7.6% last year to 7.4% in FY17 and further to 7.2% in FY18. HSBC has also flagged concern over the method of calculating GDP growth, as according to them India's official Q1 GDP growth was 7.9% y-o-y, the data is fraught with methodological concerns, primarily pertaining to how the deflators are calculated.

Recovery in sales to continue for India Inc in Q1- India Inc's sales growth recovery, which started in the March 2016 quarter, is likely to continue in the June 2016 quarter too with a year-on-year growth of 8% for Nifty 50 companies, excluding oil & gas and financials. In the March quarter, revenues of the same universe grew 5.6% y-o-y.

India likely to grow 7.9% this fiscal, but rains key: Crisil- According to a report by Crisil, Indian economy is likely to grow at 7.9% in the current fiscal as against 7.6% in the previous fiscal provided the country receives normal monsoon as it will boost agriculture growth and lift rural demand.

Mineral output index grows 1.3% in May- According to the Mines Ministry, the index of mineral production in the mining and quarrying sector grew 1.3% in May 2016 to 129.5, compared to the same month last year, with the total value of mineral production being ₹18,809 crore. For the period April-May, the growth in the index was 1.2% over the same period last year

₹28,000 cr released under MGNREGA- The Centre has released more than ₹28,000 crore so far this year to States under MGNREGA to clear the last year's liabilities and for running the programme in the ongoing year.

Textile exports may rise 6% to USD 40 bn in FY17: ICRA- According to ICRA Research, textile exports are expected to grow at 6% to USD 40 billion in 2016-17, mainly driven by the expectations of

growth in the apparel segment and higher fibre prices. The sector had witnessed a growth of (-)2% in 2015-16 driven by lower fibre prices (cotton as well as polyester).

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FACILITATE YOUR BUSINESS IN THE DYNAMIC
FOREIGN EXCHANGE ENVIRONMENT

OBJECTIVES

- Updates on global and domestic changes in the dynamic forex regulatory environment.
- Information on recent relaxations and curbs on current and capital account instruments.
- Clarifications about interpretation of the rules, regulations and procedures.
- Advice by panel of experts to MSMEs on their FEMA issues.

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Skilling India for Global Competitiveness

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In a nutshell

In the wake of developments in Europe, volatility in financial and currency markets has more or less been stabilised as Indian economy is resilient enough and sustainable on account of its strong macroeconomic fundamentals and well supported dynamic policy reforms. Recently, the government introduced reforms in the areas of FDI, textile and apparel sector, National Mineral Exploration Policy and implementation of the recommendations of 7th Central Pay Commission which will facilitate industrial growth and consumption demand, thereby fuelling growth in the coming times.

Some of the key leading economic indicators such as exports and industrial growth have improved marginally representing a slight pick-up in industrial activities. Going ahead, it is important to boost entrepreneurship-led economic growth to boost innovation and create employment opportunities and overall consumption in the economy.

Further, India has signed several MOUs with African nations recently which are expected to generate new opportunities to bolster economic growth and sustainable development, strengthen cooperation in diverse areas of tourism, science and technology, ICT, cultural cooperation and education etc. for common development and prosperity of the nations.

The lead economic and financial indicators so far...

S. No	Components	April	May	June
1.	IIP Growth	(-)1.3%	1.2%	-
2	Export Growth	(-)6.8%	(-)0.79%	1.3%
3	WPI Inflation Y-O-Y growth	0.34%	0.79%	1.62%
4	CPI inflation (combined)	5.39%	5.76%	5.77%
5	Gold (10 GRMS)	29918 [^]	28615 ^{^^}	30539 ^{^^^}
6	Crude Oil (1 BBL)	3057 [#]	3308 ^{##}	3379 ^{###}
7	BSE Sensex	25607 [!]	26668 ^{!!}	26999 ^{!!!}
8	Exchange rate average (INR/ 1 USD)	66.3 [*]	67.3 ^{**}	67.5 ^{***}
9	Repo rate	6.50%	6.50%	6.50%
10	CRR	4%	4%	4%
11	10 year Bond yield	7.6279% [@]	7.6685% ^{@@}	7.3902% ^{@@@}
12	Base rate	9.30% - 9.70% [@]	9.30% - 9.70% ^{@@}	9.30% - 9.70% ^{@@@}

Source: PHD Research Bureau compiled from various sources, [^] Data pertains to 29th April 2016, ^{^^} Data pertains to 31st May 2016, ^{^^^}Data pertains to 30th June 2016, [#] Data pertains to 29th April 2016, ^{##} Data pertains to 31st May 2016, ^{###} Data pertains to 30th June 2016, [!] Data pertains to 29th April 2016, ^{!!}Data pertains to 31st May 2016, ^{!!!}Data pertains to 30th June 2016, ^{*}Data pertains to 29th April 2016, ^{**}Data pertains to 31st May 2016, ^{***}Data pertains to 30th June 2016, [@]Data pertains to 18th May 2016, ^{@@} Data pertains to 20th June 2016, ^{@@@} Data pertains to 30th June 2016

India: Statistical snapshot

Indicators	FY12	FY13	FY14	FY15	FY16	FY17
GDP at FC - Constant prices (Rs cr)	8736039	9226879	9839434	10552151	11350249	-
GDP at FC-Constant prices growth YOY (%)	6.7	5.6	6.6	7.2*	7.6*	-
Agriculture growth	5.0	1.5	4.2	(-)0.2*	1.2*	-
Industry growth	7.8	3.6	5	5.9*	7.4*	-
Services growth	6.6	8.1	7.8	10.3*	8.9*	-
Consumption (% YOY)	8.9	5.2	4.7	-	-	-
Private consumption (% YOY)	9.3	5.5	6.8	6.2	7.4	-
Gross domestic savings as % of GDP	31.4	30.1	30.5	30.6'''	-	-
Gross Fixed Capital Formation as % of GDP	34.3	34.1	33	32.3	31.2	-
Gross fiscal deficit of the Centre as a % GDP	5.7	4.9	4.5	4.1''	3.9	3.5* [@]
Gross fiscal deficit of the states as a % GDP	1.9	1.9	2.5	2.3''	-	-
Gross fiscal deficit of Centre & states as a % GDP	8.1	7.2	6.7	6.6''	-	-
Merchandise exports (US\$Bn)	305.7	300.2	312.35	310.5	261.14	22.3 ^{^^^^}
Growth in exports	21.9	-1.8	3.98	(-)1.2	(-)15.9	1.27 ^{^^^^}
Imports (US\$Bn)	489.1	490.3	450.94	447.5	379.59	33.1 ^{^^^^}
Growth in imports (YOY)	32.4	0.2	-8.1	-0.59	(-)15.3	(-)7.3 ^{^^^^}
Trade deficit (US\$Bn)	183.4	190.1	138.6	137	118.46	10.8 ^{^^^^}
Net invisibles US\$Bn	111.6	107.5	115.0	-	107.9 ^{^^}	-
Current account deficit US\$Bn	78.2	88.2	32.4	26.8 ^{^^}	22.1 ^{^^}	-
Current account deficit as % of GDP	4.2	4.8	1.7	1.3	1.1 ^{^^}	-
Net capital account US\$Bn	67.8	94.2	33.3 ^{^^}	11.8	-	-
Overall balance of payments US\$Bn	12.8	3.8	15.5 ^{^^}	6.9	-	-
Foreign exchange reserves US\$Bn	294.9	292.04	304.22	316.2	355.56 ^{^^~}	361.9 ^{^^~}
External debt - Short term US\$Bn	78.2	96.7	89.2 ^{``}	86.4 ^{``}	83.6 ^{^^&&&}	-
External debt - Long term US\$Bn	267.5	293.4	351.4 ^{``}	376.4 ^{``}	398.6 ^{^^&&&}	-
External debt - US\$Bn	345.8	392.1	441 ^{``}	462 ^{``}	480.18 ^{^^&&&}	-
Money supply growth	13.5	13.6	13.2	11.1 ^{&&}	11.3 ^{^^&&&}	10.4 ^{^^&&&}
Bank credit growth	16.8	13.5	14	8.6	9 ^{^^~}	-
WPI inflation	8.9	7.4	5.7 [#]	2.1	(-)0.85 ^{^^^^}	1.62 ^{^^^^}
CPI inflation	6.0	10.2	9.8	6.4	4.83 ^{^^^^}	5.77 ^{^^^^}
Exchange rate Rs/US\$ annual average	47.9	54.4	60.68	61.14	66.43 ^{@@}	67.10 ^{@@@}

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of National Income 2015-16 from MOSPI, '' Handbook of Statistics of Indian Economy 2014-15 from RBI, ''' Data pertains to Annual Report of RBI 2013-14, *[@]Data pertains to Budget Estimates of 2016-17, **'' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, '''Data pertains to the new Series Estimates from economic survey 2014-15, ** Data pertains to Provisional estimates of National income, 2014-15, MOSPI, ***Data pertains to Q2 2014-15. ^^Data pertains to India's Balance of payment for 2015-16 from RBI, ^^^Data pertains to March 2016, ``India's external debt end Dec 2013 from RBI, ```` Data pertains to end Dec 2014 from RBI, # Data pertains to Mar 2013, ~ Data pertains to 2014-15 from the Economic Survey, ^^Data as on week ending 25th March 2016 from RBI, ~~~ Data as on week ending 8th July 2016 from RBI, ~~~~Data pertains to March 2016 & Projections from RBI for FY2016 from October 2015 RBI Bulletin, && Data pertains to March 2015, &&& External debt at end December 2015 (Quick Estimates), @ Data pertains to 13th April 2016 from RBI, @@@Data pertains to February 2015, # Data pertains to November 2014, ^^^^Data pertains to June 2016, @@@@ Data as on 18th July 2016 from RBI, &&&& Y-o-Y Growth of Money Supply, 2015-16 from RBI.

About the PHD Chamber

PHD Chamber of Commerce & Industry, a leading Industry Chamber of India, ever since its inception in 1905, has been an active participant in the India Growth Story through its Advocacy Role for the Policy Makers and Regulators of the Country. Regular interactions, Seminars, Conference and Conclaves allow healthy and constructive discussions between the Government, Industry and International Agencies bringing out the Vitals for Growth. As a true representative of the Industry with a large membership base of 48000 direct and indirect members, PHD Chamber has forged ahead leveraging its legacy with the Industry knowledge across sectors (58 industry verticals being covered through Expert Committees), a deep understanding of the Economy at large and the populace at the micro level.

At a Global level we have been working with the Embassies and High Commissions in India to bring in the International Best Practices and Business Opportunities.



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Ms. Megha Kaul, Associate Economist

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