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Economic Affairs Committee Newsletter

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



PHD Research Bureau
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EAC Newsletter

June 2014

The Union Budget is going to be presented on the 10th of July 2014. The industry is expecting reforms in complex tax system and implementation of GST, manufacturing sector reforms in terms of amendments in land acquisition act, reforms in labor laws, reforms in environment clearances and defined outcomes of social sector expenditure etc.

A simple tax regime coupled with easy procedures, effortless compliance and straightforward interpretation of tax laws is what is expected from the new government. Many Industrial segments are also expecting relief on inverted duty structures, where import tariffs on raw materials are higher than the import tariffs on final products. There should be reduction of multiple laws which leads to high transaction cost and increases cost of doing business. In terms of long-term measures, there is a need to review the policies that impact manufacturing decisions and manufacturing operations as well as curbing inflation. The quality of governance plays a vital role in the economic development of nations. Without good governance, there can be no sustainable development in a country. Hence proper implementation of reforms with good governance should be encouraged.

In this direction, the government is expected to consider the option of formally approaching the judiciary to find a way of dealing with litigation and disputes that are holding up investments in the country, as it prepares an action plan for reviving the investment climate in the country. Further, the Hon'ble Prime Minister has set in motion the first major revamp in decades of the archaic labour laws to boost manufacturing and create jobs.

On the macro-economic front, IIP improved to 3.4% in April 2014 as compared with (-) 0.5% during March 2014, while exports registered a growth of 12.4% in May as compared to growth of 5.26% in April. Further, CPI inflation declined marginally from 8.59% in April 2014 to 8.2% in May, 2014, which is encouraging.

The WPI inflation increased to 6% in May 2014 from 5.2% in April 2014. Also, agricultural production is likely to be affected due to weak upcoming southwest monsoon due to El-Nino phenomenon which would have an adverse impact on the food inflation, going ahead.

Going ahead, effective measures have to be taken in advance by the Government to address problem of deficit in agricultural production. Focus on agriculture sector especially the agri-supply chain infrastructure will prevent jump in prices of various commodities especially the food items which causes cascading impact on the overall WPI inflation scenario.

Rising inflation needs to be tackled at grass root level as there exists enough agricultural production to serve food demand in the economy but the delivery from the farm gate to consumer doorstep is problematic in terms of various hurdles in the supply chain management.

1. Indian economy so far

1.1 Growth

April 2014 IIP at 3.4%- Growth in industry output, as measured in terms of IIP, for the month of March 2014 is estimated at 3.4% in April 2014 as compared with (-) 0.5% during March 2014. The cumulative growth for the period FY2013-14 stands at (-) 0.1% as compared to 1.1% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in April 2014 stands at 1.2%, 2.6% and 11.9% respectively as compared to (-) 0.4%, (-) 1.2% and 5.4% in March 2014.

May core infra grows at 2.3%-The core infrastructure grows to 2.3% (Y-O-Y) in May 2014 as compared to 4.2% (Y-O-Y) in April 2014. The combined index of Eight Core Industries stands at 168.7 in May 2014 with a growth rate of 2.3% in May 2014 as compared to 5.9% in May 2013. Crude oil and Natural gas registered a growth rate of (-) 0.3% and (-) 2.2% respectively in the month of May 2014.

1.2 Inflation

May 2014 WPI inflation increases to 6% -Driven by the increase in the prices of fruits, egg, meat and fish, oil seeds, the WPI inflation increased to 6.01% (Y-O-Y) for the month of May 2014 as compared to 5.2% (Y-O-Y) for the month of April 2014. The Index for Wholesale Prices for the month of May 2014 rose by 0.8% to 181.7 from 180.2 for the previous month.

May 2014 CPI inflation stands at 8.28% - The all India general CPI (Combined) for May 2014 stands at 8.28% as compared to 8.59% in April 2014. The inflation rates for rural and urban areas for May 2014 are 8.9% and 7.5% as compared to 9.2% and 7.7% respectively, for April 2014.

Inflation for factory workers remains flat at 7.02% in May- Retail inflation for industrial workers remained almost flat at 7.02% in May as compared to 7.08% in April, mainly due to the lower price of petrol

1.3 External sector

CAD narrows sharply in Q4 2013-14- India's current account deficit (CAD) narrowed sharply to US\$ 1.2 billion (0.2% of GDP) in Q4 of 2013-14 from US\$ 18.1 billion (3.6% of GDP) in Q4 of 2012-13 which was also lower than US\$ 4.2 billion (0.9% of GDP) in Q3 of 2013-14. The lower CAD was primarily on account of a decline in the trade deficit as decline in imports was sharper than that in exports. On a BoP basis, merchandise exports declined by 1.3% to US\$ 83.7 billion in Q4 of 2013-14 as against an increase of 5.9% in Q4 of 2012-13. On the other hand, declining trend in merchandise imports (on

BoP basis) continued in Q4 of 2013-14. Imports stands at US\$ 114.3 billion moderated by 12.3% in Q4 of 2013-14 as compared with a decline of 1% in Q4 of 2012-13.

Decline in imports was primarily led by a steep decline in gold imports, which amounted to US\$ 5.3 billion, significantly lower than US\$ 15.8 billion in Q4 of 2012-13. As a result, the merchandise trade deficit (BoP basis) contracted by about 33% to US\$ 30.7 billion in Q4 of 2013-14 from US\$ 45.6 billion in the corresponding quarter a year ago.

May exports grows at 12.4% - India's exports for the month of May 2014 stand at around USD 28 billion with a (Y-O-Y) growth of 12.4 % as compared to USD 25.63 billion in April 2014 with a (Y-O-Y) growth of 5.26%. During May 2014, the imports were USD 39.23 billion with a (Y-O-Y) growth of around (-) 11.41% as compared to USD 35.72 billion in April 2014 with a (Y-O-Y) growth of (-) 15%. The balance of trade stands at around USD (-) 11.23 billion during May 2014 as compared to USD (-) 10.08 billion during April 2014.

April 2014 FDI declines by 26%- The FDI equity inflows for the month of April 2014 are estimated at around US\$1.7 bn as against about US\$2.3 bn in April 2013, posting negative growth (Y-o-Y) of 26%. The growth in FDI equity inflows stands at around 131% (Y-o-Y) in March 2014, at 12% in Feb 2014, and 1.5% in Jan 2014. The total FDI equity inflows, in the period April-March 2013-14 are estimated at around US\$24.3 bn; representing an increase of around 8% over the FDI equity inflows of about US\$22.4 bn for the corresponding period last year. Service sector and construction development constitute the highest share in attracting FDI equity inflows during April 2000-April 2014 of around 18% and 11% respectively

ECBs stand at US\$ 3.2 bn during Apr 2014-Indian firms have raised US\$ 3.2 bn through external commercial borrowings (ECBs) in the month of April 2014 and US\$ 3.5 bn during March 2014 by automatic and approval route. The borrowings stood at US\$ 3.20 bn in April 2014 as compared to US\$ 1.12 bn in April 2013. India has received gross ECBs worth around US\$246 bn between FY2001 and FY2015 (till Apr 2014). A closer look at the ECBs pattern reveals that the lion's share in ECB during the month of Apr 2014 is held by Import of Capital Goods contributing to about 54% of the total, followed by Refinancing of Earlier ECB at about 31% and Mining, Exploration and Refining at around 8%.

Services export stands at US\$13.2 bn- After a volatile trend in the export and import scenario of services over the last many months, the services exports declined to US \$13.63 bn in April 2014 from US \$14.32 bn in March 2014. Service imports on the other hand, also declined to US \$8.06 bn from US \$ 8.5 bn during the same period.

1.4 Fiscal scenario

May 2014 fiscal deficit at 45.6% of actuals to Budget estimates - The gross fiscal deficit of the Central government stands at 45.6% of the actuals to budget estimates at the end of May 2014 as compared to 33.3% of the actuals to budget estimates in the corresponding period of the previous year.

India's external debt at about US\$ 441 bn - India's external debt, as at end-March 2014, was placed at US\$ 440.6 billion showing an increase of US\$ 31.2 billion or 7.6% over the level at end-March 2013. The increase in total external debt during financial year 2013-14 was primarily on account of rise in Non-Resident Deposits. The surge in outstanding stock of NRI deposits can mainly be attributed to

mobilisation of fresh FCNR(B) deposits by commercial banks under the swap scheme offered by the Reserve Bank during September to November 2013. In terms of major components, the share of external commercial borrowings continued to be the highest at 33.3% of total external debt, followed by NRI deposits (23.6%) and short term debt (20.3%)

Net direct tax collections rise- Gross direct tax collections during April-December 2013-14 has increased to Rs. 4,81,914 crore as against Rs. 4,29,023 crore during the corresponding period of last year with a growth of 12.33%. The gross collection of corporate taxes has also scaled up to Rs. 3,10,126 crore from Rs. 2,83,605 crore during the same period, with a growth of 9.35%. Gross collections of personal income tax posted a growth of about 18.53%, which stands at Rs. 1,67,589 crore during April-December 2013-14 as against Rs. 1,41,385 crore during the same period last year. Net direct tax collections increased to Rs. 4,15,328 crore during April-December 2013-14 as against Rs. 3,69,067 crore during corresponding period of last year posting a growth of 12.53%. The collection of wealth tax registered a growth of 11.92%, which stands at Rs. 742 crore in April-December 2013-14 as against Rs. 663 crore during the same period last year, while the collection of securities transaction tax (STT) stands at Rs. 3,427 crore with growth of 4.04% during April-December 2013-14.

Government's total public debt declines by 0.1% at end-March 2014- The total public debt of the Government marginally decreased to Rs.4, 625,037 crore at end-March 2014 from Rs.4, 629,689 crore at end December 2013 accounting for (QoQ) decline of 0.1% (provisional) compared with an increase of 3.1% in the previous quarter (Q3 of FY13). Gross fiscal deficit for FY15 is budgeted (in interim budget 2014-15) at Rs.5, 28,631 crore (4.1% of GDP) with corresponding gross and net market borrowings at Rs.5, 97,000 crore and Rs.4, 57,321 crore, respectively.

1.5 Monetary scenario

Apr 2014 Gross Bank Credit grows at 13.9%- On a year-on-year basis, gross bank credit stands at 13.9% in April 2014 as compared to 14% in March 2014. The growth of food credit stands at (-) 4.6% in April 2014 as against (-) 3.6% in March 2014 and the non-food bank credit increased by 14.2% in April 2014 as compared to 14.3% in March 2014. The gross bank credit stands at Rs. 56,724 billion as on April 2014 as compared to Rs. 49,815 billion as on April 2013, posting a growth of about 13.9%.

2. Major policy pronouncements

Government initiates steps to cool food prices- The government has initiated steps to cool down inflation. The central government has imposed minimum export price (MEP) of \$300 a tonne on onions and assured a similar step for potatoes to bring down exports of the commodity and augment domestic supplies. The Centre advised states to freely allow movement of fruit and vegetables by delisting those from Agricultural Produce Market Committee (APMC) Act. The Centre has also advised state governments to crack down on hoarders and free trading of fruits and vegetables in the open market to control the increasing prices of essential food items.

Government to set up expert panel to draft national rubber policy- The commerce ministry has initiated a process to formulate a national rubber policy to address the concerns of rubber-consuming

industries over a decline in both rubber productivity and availability of various forms of the material. The committee will examine issues related to production, development and export of rubber and related products and make recommendations for a broad-based policy measures relating to natural rubber, synthetic rubber and reclaimed rubber.

Rural Development Ministry wants states to allocate 60% of NREGA funds to agricultural infrastructure- As part of the amendments proposed in the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), the ministry of rural development has proposed to make it mandatory for states to spend at least 60% of the MGNREGA money on creating infrastructure linked to agriculture. This is expected to bring at least Rs 25,000 crore of investment into agriculture. The ministry will delegate these funds at the district level so that larger works like creation of minor irrigation structures could be undertaken besides providing for a dedicated fund equivalent to 3% of the MGNREGA money to recruit technical manpower who will guide in planning and execution of works under the scheme.

India, Russia to set up study group to push FTA- - India and Russia have agreed to set up a joint study group to look at the feasibility of a free trade agreement between India- the Customs Union of Russia, Belarus and Kazakhstan. Hydrocarbons, nuclear energy, pharmaceuticals, fertilisers, diamonds, cooking coal and infrastructure development were the sectors identified for enhancing trade. MSME Ministry identifies 195 projects for funding- Union Ministry for Micro Small and Medium Enterprises (MSME), with a budget of Rs. 4.62 crore, has identified 195 projects for funding for the small scale sector. The Ministry for MSME, has identified eight sectors for entrepreneurs to explore production with the mantra – ‘low investment high innovation’.

PFRDA Board approves four more draft regulations- The pension regulator PFRDA's Board has given its nod for another four key regulations. The four regulations—whose drafts were cleared at the recent Board meeting include custodians, central record keeping agency, Trustee Bank and enquiry, investigation and adjudication

Government hikes import tariff value on gold, silver- The government recently hiked import tariff value on gold and silver from \$408 to \$411(per 10 grams) and from \$617 to \$632(per kg) respectively, because of increase in global prices in the wake of escalating violence in Iraq. Due to several curbs, the country's total gold and silver imports dropped 40% to \$33.46 billion in 2013-14, against \$55.79 billion in the previous year.

Government revamps six Cabinet Committees- The Government recently reconstituted six Cabinet Committees on appointments, accommodation, economic affairs, parliamentary affairs, political affairs and security, out of which four will be headed by the Prime Minister. The Cabinet Committee on Economic Affairs, which reviews economic trends, problems and prospects, would now also handle issues which were previously handled by the Cabinet Committee on Unique Identification Authority of India and the Committee on WTO.

Amendment to Rule 6 of the Companies Act- Following receipt of queries and suggestions from stakeholders, it has been decided to amend Rule 6 of the Companies (Meetings and Powers of Board) Rules, 2014. This will provide additional time for companies in constituting Audit Committees, and Nomination and Remuneration Committees till 31st March, 2015.

Measures to bail out sugar industry- The government has announced several measures to bail out the ailing sugar industry such as the rate of import duty was more than doubled from 15% to 40% and

mandatory ethanol-blending cap was increased from 5% to 10%. The notifications in this regard will be issued shortly after the industry assures of clearing farmers' Rs 11,000-crore dues at the earliest.

Government Accepts the Report of the Committee for Rationalizing the Definition of FDI and FII- Government in order to simplify the classification of foreign investment for two classes for investors, has accepted the Report of the Committee on FDI and FII by Mayaram Panel, where an investor having a stake of 10% or less in a company, will be treated as FII and stake of more than 10% will be treated as FDI.

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RBI allows foreign investors to invest on repatriation basis- The Reserve Bank of India has decided to allow foreign investors such as registered Foreign Institutional Investors (FIIs), Qualified Foreign Investors (QFIs) deemed as registered Foreign Portfolio investors, registered Foreign Portfolio Investors (FPIs), long term investors registered with SEBI – Sovereign Wealth Funds (SWFs), Multilateral Agencies, Pension/ Insurance/ Endowment Funds, foreign Central Banks to invest on repatriation basis, in non-convertible/redeemable preference shares or debentures issued by an Indian company and listed on recognized stock exchanges in India. The investment will be within the overall limit of USD 51 billion earmarked for corporate debt. Further, non-resident Indians (NRIs) may also invest, both on repatriation and non-repatriation basis, in non-convertible/redeemable preference shares or debentures.

PM scraps 4 Cabinet Committees, including one on UIDAI- The Hon'ble Prime Minister, Shri Narendra Modi recently abolished four cabinet committees, including the one dealing with the Unique Identification Authority of India (UIDAI) and decided to reconstitute five top cabinet panels that deal with Security, Economic affairs, Political and Parliamentary affairs and appointments.

3. Other key developments

World Bank forecasted India's GDP growth at 5.5% in 2014-15 -The World Bank in its report projected a weak growth due to subdued manufacturing activity and investment growth in India, the GDP projection has reduced to 5.5% for this financial year from 5.7% projection in April. India's growth is expected to accelerate to 6.3% in FY2016 and 6.6% in FY2017

India to return to high economic growth: OECD- According to Organisation for Economic Cooperation and Development (OECD), India is expected to return to a high growth path while its BRIC counterparts, Brazil, China and Russia are expected to record below-trend growth rates. The conclusions are based on Composite Leading Indicator (CLI), which are designed to anticipate turning points in economic activity. Amongst emerging economies most major nations like Brazil, Russia and China, will grow below the trend in contrast to India. India has grown below 5% in last two financial years primarily due to global slowdown along with lesser activity in domestic market.

Flash Statistics 2013-14 for Elementary Education in India- According to the 'Flash Statistics: Elementary Education in India: Progress towards Universal Elementary Education' for 2013-14, released by Smt Smriti Z Irani, Hon'ble Minister for Human Resource Development, Puducherry ranks first followed by Lakshadweep, Sikkim, Himachal Pradesh & Karnataka. Delhi stood sixth, followed by Tamil Nadu and Gujarat at seventh and eighth spot. The statistics, prepared annually by National University of Educational Planning and Administration, cover 1.45 million schools spread over 662 districts across all States and union territories.

India's exports not creating enough jobs: Crisil- According to a report by Crisil, domestic value added (DVA) content and the employment intensity of India's exports has been declining over time. To overcome this, a dramatic increase in the absolute size of exports is essential to match or exceed the spill-over effect of exports as seen in the past. Quoting OECD data, Crisil said that DVA as percentage of GDP has fallen to 78% in 2009 (latest year for which is available) from over 90% in 1995.

India accounted for 5% of global steel production in May- According to the World Steel Association, India produced about 7 million tonnes of steel, accounting for 5% of the global output of 141 million tonne in May. India's production growth rate of 1.6% in May over the same month last year was also lower as compared to the global average of 2.2%.

India slips in FDI rankings: UNCTAD- According to the World Investment Report 2014 by UNCTAD, India's ranking in terms of most-favoured FDI destination slipped by a notch compared to the one given in the report for 2013. The report suggested India should look at the option of non-equity flows in multi-brand retailing to avoid friction between local and foreign companies.

IMD second stage forecasts below normal monsoon for 2014 due to El Nino phenomenon- Earth System Science Organization (ESSO)-India Meteorological Department (IMD) forecast South-west monsoon rainfall (June to September 2014) for the country as a whole is likely to be 93% of the long period average (LPA) with a model error of $\pm 4\%$. The LPA rainfall over the country as a whole for the period 1951-2000 is 89 cm. Region wise, the season rainfall is likely to be 85% of LPA over North-West India, 94% of LPA over Central India, 93% of LPA over South Peninsula and 99% of LPA over North-East India all with a model error of $\pm 8\%$.

Ministry of MSME plans new policy to reduce paper work, cut down number of inspections- With an aim to reduce paper work and cut down the number of inspection, the Ministry of MSME is planning a separate policy for SSIs, SMEs and MSMEs. The Ministry is planning to simplify the forms or paper work required. Also, it is planning to make all applications and issuances of licences Web-enabled and reduce the number of inspections.

Disinvestments key agenda for revenue stream in Union Budget- Stake sales in public sector units will continue to be a key focus area for the NDA government, which is expected to generate revenue of about Rs 37,000 crore for FY15. In addition, the Centre is also expected to raise at least Rs 20,000 crore from residual stake sales

Government to create ministry for entrepreneurship, skill development- In a recent address, Hon'ble Prime Minister Shri Narendra Modi said that the Union Government will create a separate ministry for promoting entrepreneurship and skill development.

PM's visit to Bhutan- The Prime Minister, Shri Narendra Modi, on his visit to Bhutan in June, described the relationship between India and Bhutan as "made for each other", and said India stands committed to Bhutan's happiness and progress.

PSU banks rating outlook likely stable for now: Fitch-According to a report by Fitch, a strong government at the Centre and stability in macro economic factors are likely to keep rating outlook of the country's public sector banks stable for some time. However, Fitch said the long term rating of PSU banks continue to be at 'BBB-'.

PMO asks economic ministries to come up with strategies to revive investment flows into India-The Prime Minister's Office has asked economic ministries to come up with strategies to revive investment flows into the country on by changing the negative global narrative about India's credibility as an investment destination. A first step in this direction could be liberalizing foreign direct investments in defence.

Shri Shaktikanta Das appointed as Revenue Secretary- The Government has appointed Shri Shaktikanta Das as the new Revenue Secretary which is being considered a major bureaucratic reshuffle. He will replace Shri Rajiv Takru, who has been moved to the Department of North Eastern Region (DONER).

Abolish Revenue Secretary post, merge CBDT and CBEC: Shome Panel- The Tax Administration Reforms Commission (TARC) headed by Shri Parthasarathi Shome has suggested abolition of the post of Revenue Secretary, merger of CBDT and CBEC and broaden the use of Permanent Account Number (PAN). The Committee also said that the retrospective amendments to tax laws should be avoided as a principle and Income Tax Return should also include wealth tax details.

India logs largest decline in gas production, consumption- According to BP Statistical Review of World Energy 2014, India recorded the largest volumetric decline in natural gas production and consumption last year, as Natural gas production in the country fell 16.3% to 33.7 billion cubic meters in 2013 from 40.3 billion cubic meters in 2012. Consumption on the other hand, fell by 12.2% to 51.4 billion cubic meters in 2013 from 58.8 billion cubic meters in 2012.

SEBI unveils measures to revitalise primary market- In an effort to boost the primary market, the Securities and Exchange Board of India (SEBI) announced a number of measures, which include reservation and discounts for retail investors under the offer for sale (OFS) mechanism and a hike in the minimum shareholding for public sector undertakings (PSUs). The regulator has also decided to bring the minimum public shareholding in PSUs at par with private sector companies, at 25% as against 10% currently.

Minister for Human Resource Development discusses collaboration opportunities with the Ambassador of Germany for education and vocational training - Mr. Michael Steiner, Ambassador of Germany discussed the advantages of demographic dividend with Ms. Smriti Zubin Irani, Hon'ble Minister for Human Resource Development. The Ambassador reiterated his country's commitment to strengthen partnerships with India in higher education, research, vocational education and training and reinforced the need to further expand the current Indo-German Strategic Partnership in Higher Education.

Amendment to Rule 6 of the Companies Act- Following receipt of queries and suggestions from stakeholders, it has been decided to amend Rule 6 of the Companies (Meetings and Powers of Board)

Rules, 2014. This will provide additional time for companies in constituting Audit Committees, and Nomination and Remuneration Committees till 31st March, 2015.

Nationwide Public Movement for Rejuvenation of Ganga to be launched in October 2014- Giving a big boost to the Ganga rejuvenation plan of NDA government, Union Minister of Water Resources, River Development and Ganga Rejuvenation, Ms. Uma Bharti announced launching of a big nationwide public movement for rejuvenation of Ganga and other important rivers from October this year. She said Ganga can remain clean only with the cooperation of every citizen. She also clarified that though this programme will be called Ganga Manthan, it will also include Yamuna and other important rivers of the country.

HSBC India Manufacturing PMI expands marginally in May-India's manufacturing sector continued to expand in May, with increased domestic and export orders driving its gradual recovery, for the seventh successive month. HSBC Purchasing Managers Index (PMI) for the manufacturing sector rose to 51.4 points in May from 51.3 points in the previous month, signaling a slow revival of the sector that was largely responsible for dragging down growth to 4.7% in 2013-14.

Power deficit doubles in May to 7,000 MW-Power cuts could spread to many parts of the country as the electricity deficit has more than doubled in May, while spot power prices have doubled in the last few days as scorching heat has increased demand. The situation may deteriorate further as the monsoon, forecast to be deficient, is behaving erratically even before hitting Kerala. The power deficit has jumped to nearly 7,000 megawatts from 3,000 Mw in early May.

Planning Commission should be replaced with a new body: Independent Evaluation Office- The Independent Evaluation Office (IEO) has said that the Planning Commission should be replaced with a think tank, endorsing the widely held view in some sections of the government and the BJP that the body should be shut down or its role significantly curtailed.

Highway projects worth Rs 40,000 cr get nod- The Ministry of Road Transport and highways has approved highway projects worth over Rs 40,000 crore to boost the infrastructure sector. These projects, to be implemented in the next couple of years, are in Jammu & Kashmir, Himachal Pradesh, Uttarakhand and the Northeastern region.

India to invite bidding for largest solar power project- With an aim to achieve a capacity addition of 10,000 MW by 2017, India is about to launch the largest bidding of solar power projects worth 1,500 MW under its flagship Jawaharlal Nehru National Solar Mission (JNNSM). In what the government officials claim is the first success story of converging the three energy ministries vis-a-vis coal, power and renewable energy, solar power would be bundled with conventional power at such a huge scale in one go.

National Food Security Mission (NFSM) council Approves Rs. 2100 Crore for the agricultural Scheme- in 2014-15- The General Council of the National Food Security Mission (NFSM), under the Chairmanship of Agriculture Minister, Shri Radha Mohan Singh, approved action plans of different States of Rs. 2100 crore for the year 2014-15 with focus on increasing Production of Oilseeds and Pulses.

Government extends UPA's excise sops for key sectors – In order to give a fillip to some of the important sectors of the economy, government has announced a reduction of 2 percentage points in

excise duty on capital goods and consumer durables for another six months till December 31, which had were to expire by the end of this month.

Foreign inflows in debt zoom to record high- Foreign institutional investors (FIIs) bought debt instruments worth a little over \$10.5 billion in 2014, beating the previous high of \$10.13 billion in 2010. There was a sell-off last year, as FIIs pulled out nearly \$8 billion from the corporate and government bond markets in 2013. India has received around \$36 billion worth of capital inflow in the year so far out of which portfolio investment in debt and equity was \$20.4 billion and foreign direct investment around \$8.5 billion.

School uniforms, mobiles to be in revised Consumer Price Index, food weightage cut- School uniforms, pyjamas, kurtas, skirts, mobile phones are set to be among the 50 new items in India's revised Consumer Price Index (CPI) as the government seeks to put together a measure of retail inflation that better reflects changing consumption patterns of population. One of the effects of this could be a lowering of the inflation number because of the lesser importance being given to food items in the new revised CPI price index.

States given three more months to implement Food Security Act- The food ministry said that as most of the larger states like Uttar Pradesh, West Bengal, Odisha , Jharkhand, Andhra Pradesh and Telangana, with a substantial poor population, are yet to identify the beneficiaries , therefore it has been decided that state governments will be given three months more time to implement it.

RBI to tighten prudential norms for 'important' banks- The RBI in its bi-annual Financial Stability Report (FSR), indicated that big banks will be asked to bring more capital and will be brought under stringent supervision from August 2015. It highlighted the need to assess the collective size and profile of activities of the large number of non-bank financial entities and also emphasized on supply side measures to improve the growth outlook.

New financial inclusion plan to kick off from August 15- The government will launch an ambitious new financial inclusion plan that would seek to bring banking services to 10 crore uncovered households by August 15, 2014. The comprehensive financial inclusion plan--to be called Sampoon Vittiyea Samaveshan (SVS)--will be launched by the Hon'ble Prime Minister, Shri Narendra Modi.

India, China sign pact to set up Chinese industrial parks in India-- India and China today signed a key agreement to set up Chinese Industrial Parks in India to facilitate more Chinese investment in India, so as to compensate the growing trade deficit, which now averages around \$ 35 bn a year.

In a nutshell

With the change in the political environment, there have been positive developments in the economy as well. However, agricultural production is likely to be affected due to weak upcoming southwest monsoon due to El-nino phenomenon which would have an adverse impact on the food inflation, going ahead.

Focus on farm sector reforms will stabilise inflation in the coming times. The business fraternity also looks forward to growth and fiscal consolidation in the upcoming Union Budget and looks forward to significant tax reforms that would facilitate the manufacturing sector, going forward.

The lead economic and financial indicators so far...

S. No	Components	March	April	May
1.	IIP Growth	(-)1.9% (February)	-0.5% (March)	3.4%(April)
2	Export Growth	3.15%	5.26%	12.4%
3	WPI Inflation Y-O-Y growth	5.7%	5.2%	6%
4	CPI inflation (combined)	8.3%	8.6%	8.28%
5	Gold (10 GRMS)	29904 [^]	26788 ^{^^}	28316 ^{^^^}
6	Crude Oil (1 BBL)	6225 [#]	6060 ^{##}	6391 ^{###}
7	BSE Sensex	22688 [!]	24859 ^{!!}	25369 ^{!!!}
8	Exchange rate average (INR/ 1 USD)	60.63 [*]	59.39 ^{**}	60.19 ^{***}
9	Repo rate	8%	8%	8%
10	CRR	4%	4%	4%
11	10 year Bond yield	8.0907%	8.0907%	8.0907%
12	Base rate	10.00-10.25%	10.00-10.25%	10.00-10.25%

Source: PHD Research Bureau compiled from various sources, [^]Data pertains to 20th June 2014, ^{^^} Data pertains to 25th April 2014, ^{^^^}Data pertains to as on 24th June 2014 [#] Data pertains to 25th April 2014, ^{###}Data pertains to as on 24th June 2014, [!] Data pertains to as on 19th March 2014, ^{!!} Data pertains to 25th April 2014, ^{!!!} Data pertains to as on 24th June 2014, ^{**}Data pertains to 25th April 2014, ^{***} Data pertains to 23rd June 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*	-
GDP at FC - Constant prices growth YoY	6.7	8.6	8.9	6.7	4.5	4.7*	-
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50*	-
Agriculture growth	0.1	0.8	8.6	5.0	1.4	4.7*	-
Industry growth	4.1	10.2	8.3	6.7	0.8	(-)0.1*	-
Services growth	9.6	8.0	7.5	4.9	7.0	6.7*	-
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	5.9	6.5	4.8	5.7	5.2	4.5	-
Gross fiscal deficit of the states as a % GDP	2.4	2.9	2.1	2.3	2.1	-	-
Gross fiscal deficit of Centre & states as a % GDP	8.3	9.3	6.9	8.1	7.2	-	-
Merchandise exports (US\$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	28.00^
Growth in exports	12.3	-2.6	40.6	21.9	(-)1.8	3.98^	8.87^
Imports (US\$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	39.23^
Growth in imports (YoY)	19.8	-3.9	28.5	32.4	0.2	(-)8.1^	(-)13.16
Trade deficit (US\$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	21.32^
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	286.589~
External debt - Short term US\$Bn	43.4	52.3	65	78.2	96.7	92.7`	-
External debt - Long term US\$Bn	181.2	208.7	240.9	267.5	293.4	333.3`	-
External debt - US\$Bn	224.5	260.9	305.9	345.8	392.1	426`	-
Money supply growth	19.3	16.9	16.1	13.2	13.8	13.4~~	-
Bank credit growth	17.5	17.1	21.2	16.8	13.5	14	13.9@
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7#	6@
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	8.28@
Exchange rate Rs/US\$ annual average	46	47.4	45.6	47.9	54.4	60.68	60.19@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimate of 2013-14 from MOSPI, ^Planning Commission Data Book Dec 2013, ^Data pertains to April-May2015 from Ministry of Commerce and Industry, ** Projection For 2013-14 from PMEAC Economic Outlook 2013-14, ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ``India's external debt end Dec 2013 from RBI, ~- Data compiled from RBI Bulletin May 2014, # Data pertains to Mar 2013, - Data as on 13th June 2014 from RBI, @ Data pertains to May 2014, @@ Data as on 23rd June 2014 from RBI.

About the PHD Chamber

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

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



Economic Affairs Committee

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Ms. Megha Kaul, Senior Research Officer
Ms. Surbhi Sharma, Research Officer
Ms. Bhawana Sharma, Research Associate

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