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May 2016

Economic Affairs Committee Newsletter

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

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EAC Newsletter
May 2016

The government has completed two years in power. During the last two years, the Indian economy has progressed and is moving in the right direction. The country's macroeconomic parameters viz- inflation, fiscal deficit and current account balance are improving. The IMF has thus, retained India's growth forecast at 7.5% for FY2017 underpinned by strong domestic consumption, which has benefited from lower energy prices.

Though, export performance has been poor in relation to the needs of the economy and in comparison with some other developing countries, core infra has grown from 5.7% in February 2016 to 6.4% in March 2016. 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.

The Q4 corporate results show signs of recovery as the combined net sales of 350 companies, which have declared results so far, were up 5.6% year-on-year (y-o-y) for the quarter ended March 31, 2016. This marked the fastest growth in the past six quarters.

However, the industry output as measured in terms of IIP has declined from 2% in February 2016 to 0.1% in March 2016 on account of decline in growth of capital goods and consumer non-durables. The CPI inflation has also increased from 4.8% in March 2016 to 5.4% in April 2016 while the WPI inflation has also increased marginally and registered in positive trajectory marking a reversal of the 17-month long deflationary trend.

Nonetheless, consumer goods output rose at fastest pace in 4 years in 2015-16 which signals improving urban consumption demand in the economy. Within consumer goods, output of items such as gems & jewelery, apparel, wood furniture, mixers & grinders accelerated. Further, sales of passenger vehicles also witnessed rapid growth.

On the policy front, the Rajya Sabha has passed the Insolvency and Bankruptcy Code 2016 which will facilitate resolving insolvency of the businesses. This will facilitate ease of doing business in the economy in the coming times.

Further India and Mauritius have signed the protocol for amendment of the Convention for the Avoidance of Double Taxation and Prevention for Fiscal Evasion which is highly encouraging. The protocol will tackle the long pending issues of treaty abuse and round tripping of funds attributed to the India-Mauritius treaty, curb revenue loss, prevent double non-taxation, streamline the flow of investment and stimulate the flow of exchange of information between India and Mauritius.

The current policy environment is highly enthusiastic which will pave the way for economy to grow at higher trajectory in the coming times. Going ahead, we look forward to effective policy interventions and strong reform initiatives that would pave the way to achieve a high and sustainable economic growth.

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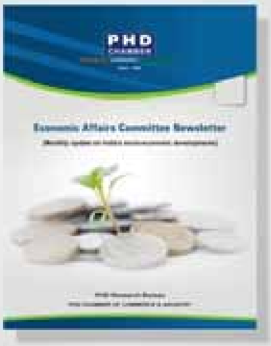
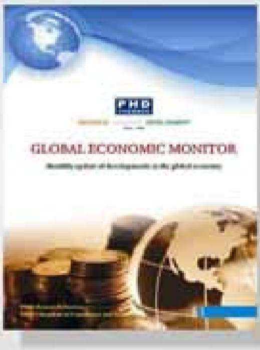


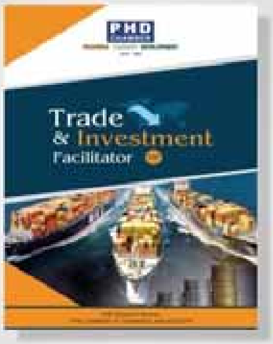
EAC - 1st week of every month

Economic Affairs Committee (EAC) issues a comprehensive newsletter on the economic and social developments in the economy in a particular month. The report provides a concise view of the movements in lead indicators in that month and in the coming times.



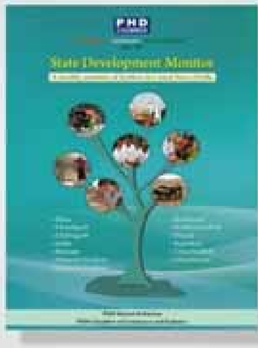
GEM -2nd week of every month

Global Economic Monitor (GEM) aims to disseminate information on latest updates on global macro-economic indicators including growth, inflation, trade, markets, commodities, unemployment, policy developments and publications of international organization



TIFS – 3rd week of every month

Trade and Investment Facilitator (TIF) aims to provide information on recent developments in India's foreign trade, foreign investments, policy developments, bilateral economic relations, trade agreements, WTO among others.



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State Development Monitor captures the developments on various fronts such as economic, health, infrastructure, rural economy and tourism in central and northern states of India.

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Contents

1. Indian economy so far

1.1 Growth

March 2016 IIP stands at 0.1%- Growth in industry output, as measured in terms of IIP, for the month of March 2016 is estimated at 0.1% as compared with 2% during February 2016. The cumulative growth for the period Apr-March 2016 stands at 2.4% as compared to 2.8% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in March 2016 stands at (-)0.1%, (-)1.2%, and 11.3% respectively as compared to 5.1%, 0.7% and 9.6% in February 2016.

March core infra grows at 6.4%- The combined Index of Eight Core Industries stands at 188 in March, 2016, which is 6.4% higher compared to the index of March, 2015. Its cumulative growth during April to March, 2015-16 is registered at 2.7%. Crude Oil production decreased by 5.1% in March, 2016 over March, 2015. While, Natural Gas production decreased by 10.5 % in March, 2016 over March, 2015.

1.2 Inflation

April 2016 CPI inflation stands at 5.39%- The all India general CPI (Combined) for April 2016 stands at 5.39% as compared to 4.87% in April 2015. The inflation rates for rural and urban areas for April 2016 are 6.09% and 4.68% as compared to 5.29% and 4.36% respectively, for April 2015.

April 2016 WPI inflation stands at 0.34%- Driven by the increase in the prices of potato, sugar, pulses and vegetables, inflation increased to 0.34% (Y-O-Y) for the month of April 2016 as compared to (-)0.85% (Y-O-Y) for the month of March 2016. The Index for Wholesale Prices for the month of April 2016 rose by 1.4% to 177.0 (provisional) from 174.6 (provisional) for the previous month.

1.3 External sector

CAD narrowed to 1.3% of GDP in Q3 2015-16- India's current account deficit (CAD) stands at US$ 7.1 billion (1.3 per cent of GDP) in Q3 of 2015-16, which is lower than US$ 7.7 billion (1.5 per cent of GDP) in Q3 of 2014-15 and US$ 8.7 billion (1.7 per cent of GDP) in the preceding quarter. The contraction in CAD was primarily on account of a lower trade deficit (US$ 34.0 billion) than in Q3 of last year (US$ 38.6 billion) and US$ 37.4 billion in the preceding quarter.

Merchandise exports decline by (-) 6.74% in April 2016- India's exports for the month of April 2016 stands at around USD 20.5 billion as compared to USD 22 billion in April 2015 registering a growth of around (-) 6.74%. During April 2016, the imports are registered at around USD 25.4 billion as compared to USD 33 billion in April 2015, registering a growth of (-) 23 %. The balance of trade stands at around USD (-)4.8 billion during April 2016 as compared to USD(-)11 billion for April 2015.

March, 2016 Services Exports stands at USD 12.8 billion- India's services exports for the month of March 2016 stand at around USD 12.8 billion and services imports stand at USD 7.9 billion in March 2016. The trade balance in services stands at USD 4.9 billion for the month of March 2016.

Net FII investments stands at about USD 2938 million in March 2016- The net FII investments in the month of March 2016 stands at USD 2938 million as against (-) USD 2001 million in February 2016. The net FII investments registered a y-o-y growth of around (-) 12% in March 2016 over investments of about USD 3337 million in March 2015. The net FII investments registered a growth of about (-) 150% in February 2016 (Y-O-Y).

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

February 2016 fiscal deficit registered at 107.1% of actuals to BEs- The gross fiscal deficit of the Central government stands at 107.1% of the actuals to budget estimates at the end of February 2016 as compared to 117.5% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit was registered at 209.1% of the actuals to budget estimates at the end of February 2016 as compared to 253.1% of the actuals to budget estimates during corresponding period of the previous year.

Government's total public debt increases by 3% in Q3 of FY2016- The total public debt (excluding liabilities under the 'Public Account') of the Government provisionally increased to Rs. 5,526,310 crore at end-December 2015 from Rs. 5,366,258 crore at end-September 2015. This represented a quarter-on-quarter (QoQ) increase of 3% (provisional) compared with an increase of 1.2% in the previous quarter (Q 2 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 9% in March 2016- Gross bank credit grows at 9% in the month of March 2016 as against 9.7% in the month of February 2016. The gross bank credit growth stands at 8.6% during March 2015. On a year-on-year (y-o-y) basis, non-food bank credit increased by 9.1% in March 2016 as against 10% in February 2016. Credit to agriculture and allied activities increased by 15.3% in March 2016 as compared to 13.5% in February 2016.

ECBs stand at US$ 1.5 bn during March 2016- Indian firms have raised about US$ 1.5 billion through external commercial borrowings (ECBs) in the month of March 2016 as against US$ 1.3 bn during February 2016 by automatic and approval route. The borrowings stood at US$ 1.5 billion in March 2016 as compared to US$ 2.6 billion in March 2015.

2. Major policy pronouncements

India and Mauritius sign the Protocol for amendment of the Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion- The Protocol for amendment of the Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains between India and Mauritius was signed by both countries at Port Louis, Mauritius. The Protocol will tackle the long pending issues of treaty abuse and round tripping of funds attributed to the India-Mauritius treaty, curb revenue loss, prevent double non-taxation, streamline the flow of investment and stimulate the flow of exchange of information between India and Mauritius. It will improve transparency in tax matters and will help curb tax evasion and tax avoidance. At the same time, existing investments, i.e. investments made before 1.4.2017 have been grand-fathered and will not be subject to capital gains taxation in India.

Rajya Sabha passes Insolvency and Bankruptcy Code, 2016- Rajya Sabha has passed the major economic reform Bill moved by the Government i.e. 'Insolvency and Bankruptcy Code, 2016'. The Lok Sabha had earlier passed the Bill on 5th May, 2016. In India, the legal and institutional machinery for dealing with debt default has not been in line with global standards. The recovery action by creditors, either through the Contract Act or through special laws such as the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, has not had desired outcomes.

RBI issues directions on amalgamation of Private Sector Banks- In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and pursuant to the Section 44A of the Banking Regulation Act, 1949, the Reserve Bank of India issued Amalgamation of Private Sector Banks, Directions, 2016. The provisions of these Directions shall apply to all private sector banks licensed to operate in India by the RBI and to the Non-Banking Financial Companies (NBFC) registered with the RBI. The principles underlying these Directions would be applicable, as appropriate, to public sector banks.

RBI allows IDF-NBFCs to raise funds through shorter tenor bonds and commercial papers (CPs)- In reference to the Infrastructure Debt Fund (IDF)-Non-Banking Financial Companies (Reserve Bank) Directions, 2011 issued vide Notification No.DNBS.233/CGM(US)-2011 dated November 21, 2011 (the Directions) prescribing detailed guidelines on the regulatory framework for NBFCs to sponsor IDFs which are to be set up as NBFCs. In terms of the extant instructions, IDF-NBFCs are allowed to raise resources through issue of bonds of minimum five year maturity. On a review by RBI, with a view to facilitate better ALM, it has been decided in consultation with the Government of India, to allow IDF-NBFCs to raise funds through shorter tenor bonds and commercial papers (CPs) from the domestic market to the extent of upto 10% of their total outstanding borrowings.

EPFO Launches a Special Drive : Mission Consolidation"One Employee-One Account"- Shri. Bandaru Dattatreya, Hon'ble Union Minister for Labour & Employment (Independent Charge) launched a special Mission consolidation drive "One Employee-One EPF Account" for members of the Employees' Provident Fund Organisation (EPFO) on 1st May 2016. On the occasion, he stated that in the recent past, EPFO has taken several IT based initiatives to provide convenient and efficient services to its stakeholders. The initiative of launching the Mission consolidation "One Member One EPF Account" is a step towards encouraging EPF members to access enhanced IT enabled services through UAN accounts that are linked with Aadhaar. The Universal Account Number that is Aadhar seeded will consolidate multiple past service accounts, across various spells of employment during working life of an EPF member.

Real Estate Act effective from 1st May, 2016- The Real Estate (Regulation and Development) Act, 2016 effective from May 1, 2016 has been the most awaited and widely proclaimed act. The Act has set in motion the process of making necessary operational rules and creation of institutional infrastructure for protecting the interests of consumers and promoting the growth of real estate sector in an environment of trust, confidence, credible transactions and efficient and time bound execution of projects. The Ministry of Housing & Urban Poverty Alleviation has notified 69 of the total 92 sections of the Act bringing the Act into force from May 1,2016 culminating the eight year long efforts in this regard. A proposal for a law for Real Estate was first mooted at the National Conference of Housing Ministers of States and Union Territories in January, 2009.

The Government decides to remove the requirement of Landing Certificates under Merchandise Export from India Scheme (MEIS) with effect from 4th May, 2015- The Government of India with the approval of the Minister of State (I/C), Ministry of Commerce and Industry Smt Nirmala Sitharaman has decided to extend the market coverage to all countries in respect of Merchandise Export from India Scheme (MEIS) 2787 lines. Henceforth, Landing Certificates shall not be required under MEIS w.e.f. 04.05.2016. Accordingly, revenue foregone under the scheme has been revised from Rs.21,000 crore per annum to Rs.22,000 crore per annum. This step has been taken as part of ease of doing business and reduction of Transaction Cost of the exporters.

RBI releases framework for enhancing credit supply for large borrowers through Market Mechanism- RBI has proposed a framework for managing the risk arising from the aggregate credit exposure of the banking system to a single large corporate. In order to assess the current level of bank borrowings in relation to the overall indebtedness of corporate borrowers, an analysis was carried out in respect of the 77,036 borrower companies with aggregate sanctioned credit limits of Rs.1 crore and above, from banks, as on December 31, 2015 based on RBI's Central Repository for Information on Large Credits (CRILC) database. In addition, financial data of borrower companies sourced from other databases was also used to supplement the analysis.

The data analysis, referred to above, points towards build-up of high concentration of credit risk at the systemic level in the banking sector. While single and group exposure norms put a ceiling on the amount an entity can borrow from a single bank, there is no ceiling on total bank borrowing by a corporate entity. This has resulted in banks collectively having very large exposures to some of the large corporates in India, particularly in the power/ infrastructure, housing finance and steel sectors/ industries. As observed from the analysis, many large corporates are excessively leveraged and banking sector's aggregate exposure towards such companies is also excessively high. This poses a collective concentration risk to the banking sector, even when the single and group borrower exposures for each bank remain well within the prescribed exposure limits. The need therefore arises for a framework that mitigates the risk posed to the banking system on account of large aggregate lending by the banking system to a single corporate as the single borrower exposure limit linked to a bank's Tier 1 capital may not by itself be sufficient to contain the risk the banking system is exposed to. There are several ways to address this risk. One could be to impose a hard monetary ceiling and the other to put in place prudential measures to recognise and provide for the associated risks. In the current context, it is the Reserve Bank's considered opinion that putting in place prudential risk recognition measures are preferable to imposing hard limits on banks' aggregate lending to large borrowers.

India, 170 Other Countries Sign Paris Climate Pact- India recently signed the historic Paris climate agreement at United Nations along with more than 170 nations, marking a significant step that has brought together developing and developed nations for beginning work on cutting down greenhouse gas emissions to combat global warming.

Three panels formed to improve quality control of solar modules and products- The Ministry of New and Renewable Energy (MNRE) has set up three committees to improve quality control of solar modules and products. One panel will prepare a policy for testing laboratories, another will set technology and product standards and the third will look into regulations governing solar products. India has set a target of 100,000 MW of installed solar energy capacity by 2022, of which 6,753 MW had been achieved by March. Solar projects worth more than 21 GW were bid out in 2015-16.

Ministry of Finance approves 8.7% interest on EPF for 2015-16- The Finance Ministry has approved 8.7% interest on PF deposits for over 5 crore subscribers of retirement body EPFO, lower than 8.8% decided by the Central Board of Trustees (CBT). This is probably the first time that the Finance Ministry has not given concurrence to the rate of interest on EPF as decided by CBT, which is headed by the labour minister.

PM launched LPG scheme for poor- The Hon'ble Prime Minister, Shri Narendra Modi ji recently launched a Rs 8,000-crore scheme to provide 50 million free liquefied petroleum gas (LPG) connections to poor families.

Shipyard industry gets infrastructure status- The union government has granted infrastructure status to the shipyard industry in a bid to ease its financial stress. With the infrastructure status, the shipyards will be able to avail flexible long-term funding at lower costs.

Government eases garment export incentives- The Ministry of Commerce & Industry has removed restrictions under the Incremental Exports Incentivisation Scheme to address the issue of stagnating garment exports. The Directorate General of Foreign Trade, in a notification, allowed regional authorities to process cases in this regard without imposing any cap. The earlier stipulation restricted the entitlement to 25% growth or incremental growth of Rs 10 crore in value, whichever was less.

Government allows 100% 'automatic' FDI in ARCs- The Centre has allowed 100% foreign direct investment (FDI) in asset reconstruction companies (ARCs) under the automatic route. So far, foreign investment was automatic only up to 49 per cent; beyond that government approval was needed.

3. Other key developments

IMF retains India's growth forecast at 7.5% for FY17- According to IMF's Regional Outlook: Asia and Pacific, India is expected to grow at 7.5% in FY17, underpinned by strong domestic consumption, which has benefited from lower energy prices. The IMF lowered its growth forecast for the Asia-Pacific region to 5.3% in 2016-17, marginally lower than the previous estimate of 5.4%.

India is expected to achieve a 7.5% GDP growth in 2017: United Nations- According to the World Economic Situation and Prospect report of United Nations, India's economy is slowly gaining momentum, with an expected GDP growth of 7.3 and 7.5% in 2016 and 2017, respectively. Despite some delays in domestic policy reforms and enduring fragilities in the banking system, investment demand is supported by the monetary easing cycle, rising FDI, and government efforts towards infrastructure investments and public-private partnerships.

Foodgrains production estimated at about 252 million tonnes for FY2016 (3rd Advance Estimates)- As per the 3rd Advance Estimates for 2015-16 total foodgrains production during 2015-16 is estimated at 252.23 million tonnes, which is higher by 0.21 million tonnes over the production of 252.02 million tonnes during 2014-15. Total production of rice during 2015-16 is estimated at 103.36 million tonnes, which is lower by 2.12 million tonnes than its production of 105.48 million tonnes during 2014-15. Production of wheat estimated at 94.04 million tonnes is higher by 7.51 million tonnes than the production of 86.53 million tonnes of wheat during 2014-15. Total production of coarse cereals is estimated at 37.78 million tonnes, total pulses production of 17.06 million tonnes, and total oilseeds production in the country during 2015-16 is estimated at 25.9 million tonnes.

India to maintain 7.6% GDP growth in 2016: UNESCAP- According to a UN report on Asia-Pacific, the Indian economy is likely to maintain its growth at 7.6% in 2016 and accelerate to 7.8% in 2017 led by high urban spending, steady employment and low inflation.

India lagging behind in garment exports: World Bank- According to a report by World Bank, India is losing out to countries such as Cambodia, Indonesia and Vietnam in the race for a greater share in the global apparel market being relinquished by China. It needs to reduce duties on import of manmade fibre and increase productivity by helping firms grow in size with less complex labour policies. The report says that the Indian garments industry could gain if the country became part of the TPP, but it is for India to decide, keeping other things in mind.

World Bank approves $625 m loan to support rooftop solar programme in India- The board of World Bank has approved a $625 million loan to support the central government's programme to generate electricity from rooftop solar power plants. The board also approved a co-financing loan of $120 million on concessional terms and a $5 million grant from the Climate Investment Fund's Clean Technology Fund.

Elderly in India –Profile and Programmes, 2016- The Central Statistics Office (CSO) presented all the relevant data for elderly at one place for the first time in 2000. The efforts of CSO continued and have resulted into bringing out the fourth edition of the publication titled, Elderly in India –Profile and Programmes, 2016. The phenomenon of population ageing is becoming a major concern for the policy makers all over the world, both for developed and developing countries. India too is not immune to this demographic change. The changing demographic profile has thrown many new challenges in the social, economic and political domains. There is an emerging need to pay greater attention to ageing related issues and to promote holistic policies and programmes for dealing with ageing society.

According to Population Census 2011 there are nearly 104 million elderly persons (aged 60 years or above) in India; 53 million females and 51 million males. The life expectancy at birth during 2009-13 was 69.3 for females as against 65.8 years for males. At the age of 60 years average remaining length of life was found to be about 18 years (16.9 for males and 19.0 for females) and that at age 70 was less than 12 years (10.9 for males and 12.3 for females). The old-age dependency ratio climbed from 10.9% in 1961 to 14.2% in 2011 for India as a whole. For females and males, the value of the ratio was 14.9% and 13.6% in 2011.

Foreign Tourist Arrivals on E-Tourist Visa grow at 266% (y-o-y) in April 2016- Ministry of Tourism reports that a total of 70,045 tourists arrived in April 2016 on e-Tourist Visa as compared to 19,139 during the month of April 2015 registering a growth of 266%. During January- April 2016, a total of 3,91,094 tourist arrived on e-Tourist Visa as compared to 94,998 during January - April 2015, registering a growth of 311.7% .

Railways show record high capital expenditure of Rs 94,000 crore in ’15-'16- The Railways have finished the financial year 2015-16 with a record high capex of Rs 94,000 crore, an increase of Rs 37,000 crore over the previous year. The target for current fiscal is Rs. 1.5 lakh crore. The Hon’ble Prime Minister, Shri Narendra Modi ji is believed to have assured an enhanced Gross Budgetary Support (GBS) of up to Rs 60,000 crore if it continues the trend.

RBI clears Rs 17,523 cr for wheat procurement- The Reserve Bank of India (RBI) recently issued authorisation of cash credit limit (CCL) of Rs 17,523 crore towards the first instalment for the procurement of nine million tonnes of wheat this rabi season by the Punjab government.

Normal monsoons can boost GDP by 50 bps: BNP Paribas- According to BNP Paribas, normal monsoons could help push the economic growth to 8% in the current fiscal. Monsoons could add up to 50 basis points (0.5%) to the gross domestic product while the economy could also reduce by the same quantum if the country faces another year of drought.

Centre scales down power demand forecast- The power ministry has scaled down its projection of demand from the earlier estimated 289 giga watts (Gw) to 239 Gw by 2022. The new projection has been arrived at after taking into account slow industrial growth and its corresponding impact on power demand; lag in transmission planning; and the weak financial state of state-owned power distribution companies (discoms).

Private sector to play pivotal role in smart cities: Report- According to a report by World Economic Forum and PwC, the private sector will play a pivotal role in the development of smart cities, with support needed to deliver much needed infrastructure and help address capacity issues across state governments and urban local bodies (ULBs).

Rising input costs, falling production and tougher competition trigger consolidation in Dairy sector- There is a fresh round of consolidation taking place in the dairy industry with several smaller firms selling out to bigger ones due to tougher competition, rising input costs, falling production, and, in some cases, a lack of interest among the new generation of some entrepreneurs.

India narrowing gap with China on FDI inflows: Nomura- According to a report by Nomura, India may this year surpass China in attracting foreign direct investment, in terms of percentage of its GDP, as the gap in inflows between the two has been narrowing on the back of ongoing reforms in the country. FDI inflows to India are picking up. They rose from 1.7% of GDP in 2014 to 2.1% in 2015, narrowing the gap with China which is 2.3% of GDP in 2015.

Food sector will get foreign investment only if FDI is allowed unconditionally: Report- According to a report by ICRIER and D&B Tangram, food supply chain sector will not get the desired foreign investments unless foreign direct investment (FDI) is allowed in multi-brand retail and rigid conditions removed.

GST rollout, infra funding are a difficult task: Moody's- According to Moody's Investors Service, implementation of the Goods and Services Tax (GST) and bridging large infrastructure deficit are a difficult task before the Indian government. Moody's noted that easing of constraints on investment coupled with RBI's inflation targeting and ongoing efforts to clean up bank balance sheets could propel growth.

Mr. Ashok Lavasa named Expenditure Secretary- Environment secretary and senior IAS officer of 1980 batch, Mr. Ashok Lavasa, has been appointed the new secretary, department of expenditure in the Ministry of Finance. The special secretary at the expenditure department, Mr. Ajay Narayan Jha, has been moved to the environment ministry as its secretary.

Clean energy projects get Rs 42,000 cr investment in FY16- The renewable energy projects witnessed investments to the tune of Rs 42,000 crore in 2015-16 with Madhya Pradesh remaining at the top with maximum inflow at Rs 8,867.34 crore followed by Tamil Nadu (Rs 6,346.2 crore) and Rajasthan (Rs 6,058.68 crore). Most of the investment in renewable energy came from private sector.

India has a potential GDP growth rate of 6-7%: Goldman Sachs- According to Goldman Sachs, India will remain one of the strongest growth stories in the Asia Pacific region as the country has a potential GDP growth rate of around 6-7% or perhaps even more. Lots of practical reforms have taken place and they are broadly facilitating the macro growth and should ultimately also translate into a better corporate earnings environment.

Manufacturing slows to four-month low in April- The Nikkei India Manufacturing Purchasing Managers' Index (PMI) fell to 50.5 in April from 52.4 in March which is a 4-month low owing to stagnating orders. Looking into the sub-sector data, consumer goods producers fared better than their intermediate and investment goods counterparts where both output and new orders declined.

Union Budget second stage gets completed- The second stage of the general budget for 2016-17 was completed recently after the lower house guillotined outstanding demands for grants for close to hundred ministries and government departments. The relevant appropriation Bill authorising payment and appropriation of ₹ 66,06,623 crore from and out of the consolidated fund of India was also passed by the Lok Sabha.

Services PMI eases to 53.7 in April- The seasonally adjusted Nikkei Services Business Activity Index fell to 53.7 in April from 54.3 in March as respondents pointed to a solid, although softer, expansion in activity.

India's April gold imports down 67.3%- According to MMTC, gold imports fell sharply by 67.33% to 19.6 tonnes in April 2016 as jewellers' strike opposing 1% excise duty on non-silver jewellery significantly hit demand for the metal. Of the total imports, bullion shipments were at 13.14 tonnes in April this year, down from 54 tonnes in the year-ago period.

Financial inequality highest in India, China: IMF- According to the IMF, financial inequality is highest in India and China among Asia Pacific countries despite the two being among the fastest growing economies. China and India have grown rapidly and reduced poverty sharply, however, this impressive economic performance has been accompanied by increasing levels of inequality.

238 delayed infra projects to cost ₹1.6-lakh cr more- According to MOSPI, the cost of as many as 238 infrastructure projects, has overshot by ₹1.6-lakh crore from their original estimates due to delays in land acquisition, forest clearances and other reasons. Total original cost of implementation of 1,071 projects was ₹12,66,248.36 crore and their anticipated completion cost is likely to be ₹14,26,985.93 crore, which reflects overall cost overruns of ₹1,60,737.57 crore (12.69% of original cost). The Statistics Ministry is monitoring 1,071 infrastructure projects worth ₹150 crore or more each in sectors such as power, rail and road.

Steel consumption falls to 1-year low in April- Steel consumption in India fell to 5.75 million tonnes (MT) in April, the lowest since the same month in 2015, dealing a fresh blow to domestic manufacturers already battling cheap imports. The economy consumed 6.84 MT steel in February and 6.98 MT in January this year.

Bankruptcy Code positive financial sector reform: Nomura- According to Nomura, the insolvency and bankruptcy code is a very positive financial sector reform, especially for the banking sector, as it will give creditors a legal path for recovering their dues in a time-bound manner. The code should make lenders more confident in lending and borrowers more accountable.

India has trade deficit with 27 nations- India has a trade deficit with as many as 27 major countries, including China, Australia, Iraq and Iran, during the last three years. The economy generally runs a deficit with those countries from which high-demand commodities are sourced. These include items like crude oil, gold, diamond and fertiliser. In 2015-16, India's trade deficit fell 14% to $118.35 billion.

April passenger car sales jump 1.87%- According to data released by SIAM, snapping a three-month declining streak, passenger car sales rose 1.87% in April. The domestic passenger car sales stood at 1,62,566 units in April against 1,59,588 units in the same month last year. Passenger vehicle sales grew 11%, highest in five months. The growth was aided by the strong volumes for utility vehicles which grew at a rate of 43% year-on-year, which is fastest pace for the segment since November 2012, when it grew 70%. At the same time, high urban demand for scooters as well as a spike in demand for motorcycles due to marriage season resulted in a 21.2% growth for two-wheelers, which was the fastest growth in eighteen months.

Q4 corporate results show signs of recovery- After a poor report card during the first nine months of financial year 2015-16, corporate results for the fourth quarter offer hope of a recovery. The combined net sales of 350 companies, which have declared results so far, were up 5.6% year-on-year (y-o-y) for the quarter ended March 31, 2016. This marked the fastest growth in the past six quarters. The combined net profit (adjusted for exceptional gains and losses) was up 16.9% y-o-y, growing at the fastest pace in the past six quarters. The reported net profit was, however, down 8.8% y-o-y, resulting in a decline in companies' underlying earnings per share.

Agriculture exports fell 10% in 2015-16-_According to data from APEDA, the value of agri-product exports fell to R1.05 lakh crore in FY16 against R1.31 lakh crore reported in FY15 which is a decline of almost 20%. This is mainly because of decline in shipments of major exportable items such as rice, buffalo meat and guargum in 2015-16. However, for a second year in a row, exports of buffalo meat exceeded that of Basmati rice.

Government saves over Rs. 27,000 crore through DBT and Aadhaar- The Government is estimated to have saved over ₹27,000 crore by cash transfers for payments to beneficiaries under various welfare schemes in the last two years. Over 1.6 crore bogus ration cards have been deleted, resulting in savings of about ₹10,000 crore. Similarly, 3.5 crore duplicate beneficiaries were weeded out in the PAHAL scheme, resulting in savings of over ₹14,000 crore in 2014-15 alone.

India has the largest offline population: World Bank report- Despite being the second largest exporter of information and communication technology goods, India has the largest offline population in the world, according to the World Bank's World Development report of 2016 titled Digital Dividends. It highlights the challenges that the government faces in providing Internet access to all Indians at a reasonable cost.

RBI governor to have casting vote in MPC- The Ministry of Finance is in the process of nominating three independent directors to the Monetary Policy Committee (MPC) that would set inflation targets and the interest rate of the Reserve Bank of India (RBI). The MPC, tasked with setting the interest rates, will constitute six members and will give a casting vote to the RBI governor in case of a tie. The process will be initiated after passage of Finance Bill and its notification as an Act.

'Brexit' can open up opportunities for India: Report- According to the report by the SBI's Economic Research Department, Brexit may actually strengthen India's position as a truncated EU may have to rework its negotiation strategy in order to gain market access. According to SBI, there is one visible fallout of this referendum — it does put a question mark on the future of Indo-EU Free Trade Agreement.

Coal imports decline by 15% to 15.9 MT in April-_The Coal Imports fell by 15% to 15.9 million tonnes (MT) in April this year from 18.7 MT in April 2015. The reduction in imports during last fiscal led to a saving of an estimated Rs 24,000 crore in foreign exchange.

In a nutshell

India's policy and macroeconomic environment has improved on account of the central and state governments', generous reforms and new incentives for investment. The central government has been pressing ahead with modernization of the economic system by improving the business environment and facilitating competition while maintaining fiscal discipline. We believe that the current policy environment is highly enthusiastic and has started providing good results and we are hopeful that forthcoming times would be promising as well.

The lead economic and financial indicators so far…

S. No	Components	February	March	April
1.	IIP Growth	2%	0.1%	-
2	Export Growth	(-)5.7%	(-)5.5%	(-)6.8%
3	WPI Inflation Y-O-Y growth	(-)0.9%	(-)0.85%	0.34%
4	CPI inflation (combined)	5.18%	4.83%	5.39%
5	Gold (10 GRMS)	29181^	29080^^	29918^^^
6	Crude Oil (1 BBL)	2255#	2545##	3057###
7	BSE Sensex	23002!	25342!!	25607!!!
8	Exchange rate average (INR/ 1 USD)	68.4*	66.4**	66.3***
9	Repo rate	6.75%	6.75%	6.50%
10	CRR	4%	4%	4%
11	10 year Bond yield	7.6932%	7.5971%@	7.6279%@@
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 February 2016, ^^Data pertains to 31st March 2016, ^^^ Data pertains to 29th April 2016, # Data pertains to 29th February 2016, ##Data pertains to 31st March 2016, ### Data pertains to 29th April 2016 !Data pertains to 29th February 2016, !!Data pertains to 31st March 2016, !!! Data pertains to 29th April 2016, * Data pertains to 29th February 2016, **Data pertains to 31st March 2016, ***Data pertains to 29th April 2016, @Data pertains to 13th April 2016, @@Data pertains to 18th May 2016

India: Statistical snapshot

Indicators	FY11	FY12	FY13	FY14	FY15	FY16	FY17
GDP at FC - Constant prices Rs Bn	49185	52475	54821	91698	9827089	2579701*''	-
GDP at FC-Constant prices growth YOY (%)	8.9	6.7	4.5	6.6	7.2	7.3*''	-
GDP at MP-current prices Rs. Bn	77841	90097	101133	113550	11550240	2640568**''	-
Agriculture growth	8.6	5.0	1.4	3.7	0.2*	(-)1.1*''	-
Industry growth	8.3	6.7	0.8	1.2	6.6*	11.1*''	-
Services growth	7.5	4.9	7.0	4.6	10.2*	9.3*''	-
Consumption (% YOY)	8.2	8.9	5.2	4.7	-	-	-
Private consumption (% YOY)	8.7	9.3	5.5	6.2	6.3	-	-
Gross domestic savings as % of GDP	34.0	31.4	30.1	30.5	30.6"'	-	-
Gross Fixed Capital Formation as % of GDP	30.9	31.8	30.4	28.3	30.0**	30.4*''	-
Gross fiscal deficit of the Centre as a % GDP	4.8	5.7	4.9	4.5	4.1''	3.9	-
Gross fiscal deficit of the states as a % GDP	2.1	1.9	1.9	2.5	2.3''	-	-
Gross fiscal deficit of Centre & states as a % GDP	6.9	8.1	7.2	6.7	6.6''	-	-
Merchandise exports (US$Bn)	250.8	305.7	300.2	312.35	310.5	261.14	20.5^^^^
Growth in exports	40.6	21.9	-1.8	3.98	(-)1.2	(-)15.9	(-)6.7^^^^
Imports (US$Bn)	369.4	489.1	490.3	450.94	447.5	379.59	25.4^^^^
Growth in imports (YOY)	28.5	32.4	0.2	-8.1	-0.59	(-)15.3	(-)23.1^^^^
Trade deficit (US$Bn)	118.6	183.4	190.1	138.6	137	118.46	4.8^^^^
Net invisibles US$Bn	79.3	111.6	107.5	115.0	-	-	-
Current account deficit US$Bn	48.1	78.2	88.2	32.4	10.1	6.2	-
Current account deficit as % of GDP	2.6	4.2	4.8	1.7	1.3~	1.6^^	-
Net capital account US$Bn	60	67.8	94.2	33.3^^	11.8	-	-
Overall balance of payments US$Bn	-13.1	12.8	3.8	15.5^^	6.9	-	-
Foreign exchange reserves US$Bn	304.8	294.9	292.04	304.22	316.2	355.56~~	361.9~~~
External debt - Short term US$Bn	65	78.2	96.7	89.2``	86.4```	83.6&&&	-
External debt - Long term US$Bn	240.9	267.5	293.4	351.4``	376.4```	398.6&&&	-
External debt - US$Bn	305.9	345.8	392.1	441``	462```	480.18&&&	-
Money supply growth	16.1	13.5	13.6	13.2	11.1&&	12&	
Bank credit growth	21.2	16.8	13.5	14	8.6	9~~~~	-
WPI inflation	9.6	8.9	7.4	5.7#	2.1	(-)0.85^^^	0.34^^^^
CPI inflation	10.4	6.0	10.2	9.8	6.4	4.83^^^	5.39^^^^
Exchange rate Rs/US$ annual average	45.6	47.9	54.4	60.68	61.14	66.43@@	66.72@@@

Source: PHD Research Bureau compiled from various sources, *Data pertains to Provisional Estimates of National Income 2014-15 from MOSPI, '' Handbook of Statistics of Indian Economy 2014-15 from RBI, "' Data pertains to Annual Report of RBI 2013-14, *'' Data pertains to GVA at Basic Prices at constant prices for Q3 2015-16, **'' 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 Q2 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 6th May 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 April 2016, @@@ Data as on 17th May 2016 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.

PHD signifies
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- Housing
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- Agriculture and Agribusiness
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