

**PHD**  
**CHAMBER**

**PROGRESS HARMONY DEVELOPMENT**

*Estd. - 1905*

**November  
2014**

# **Economic Affairs Committee Newsletter**

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



**PHD Research Bureau**  
**PHD CHAMBER OF COMMERCE & INDUSTRY**

## **EAC Newsletter November 2014**

The Indian economy has been witnessing affirmative sentiments during the past few months. The Hon'ble Prime Minister's visits to Myanmar for ASEAN Summit and Australia during the G-20 Summit have attracted huge crowd in support of optimistic view for the Indian economy. IMF in its recent World Economic Outlook has said that India is set to become a \$2 trillion economy this year, while its GDP size would cross another milestone of \$3 trillion after five years in 2019. It further asserts that the Indian economy is set to be worth \$2.05 trillion this year, increasing its size from \$1.88 trillion in 2013. According to the OECD, Indian economy is expected to expand by 6.4% in the next year as compared to 5.9% estimated less than two months back in its September's 2014 interim outlook.

On the corporate front, the recent initiatives by the government have opened up investments in the economy as India Inc has recorded improvement in their investment cycle. In the quarter that ended in September this year, companies received about Rs 67,000 crore worth of fresh orders, about 45% increase on a quarter-on-quarter basis and the highest in the past four quarters.

However, India's ranking in the Doing Business Report 2015 by World Bank has slipped at 142<sup>nd</sup> position down from 140<sup>th</sup> position (revised) in the previous year. Exports of automobiles from India have been continuously falling and the month of September has been a particularly bad month with most automobile makers posting double-digit drop in their shipments.

On the macroeconomic front, the core infrastructure registered a growth of 1.9% in September 2014 as compared to 5.8% (Y-O-Y) in August 2014. India's exports slipped into negative trajectory in October, falling 5.04% annually while imports increased 3.16% due to a 280% surge in gold imports.

Nonetheless, growth in industry output increased from 0.5% in Aug 2014 to 2.5% in September 2014. The CPI also declined from 6.5% in September 2014 to 5.5% in October 2014. Positive trend was also witnessed in WPI as it declined from 2.4% in September to 1.7% in October.

Going forward, with the stability in macroeconomic parameters such as increasing industrial growth and declining inflation, the economy is looking up and should assume high growth trajectory in the coming times. In light of such a situation, a rate cut is expected in the upcoming monetary policy that would improve sentiments and fuel industrial growth, going ahead.

## 1. Indian economy so far

### 1.1 Growth

**September 2014 IIP grows at 2.5%** -Growth in industry output, as measured in terms of IIP, for the month of Sep 2014 is estimated at 2.5% as against 0.5% in Aug 2014. The cumulative growth for the period Apr-Sep 2014-15 stands at 2.8% as compared to 0.5% in the corresponding period of the previous year. The growth in the three sectors mining, manufacturing and electricity in Sep 2014 stands at 0.7%, 2.5% and 3.9% respectively as compared to 2%, (-) 1.2% and 12.9% respectively in Aug 2014.

**September core infra grows at 1.9%**-The core infrastructure grows to 1.9% (Y-O-Y) in September 2014 as compared to 5.8% (Y-O-Y) in August 2014. The combined index of Eight Core Industries stands at 160.6 in September 2014 with a growth rate of 1.9% in September 2014 as compared to 9.0% in September 2013. Crude oil and Natural gas registered a growth rate of (-) 1.1% and (-) 6.2% respectively in the month of September 2014. In cumulative terms, core infrastructure industries registered a growth of 4.0% during April-September 2014-15 as against 5.0% during the corresponding period of the previous year.

### 1.2 Inflation

**October 2014 CPI inflation at 5.5%**- The all India general CPI (Combined) for October 2014 stands at 5.5% as compared to 6.5% in September 2014. The inflation rates for rural and urban areas for October 2014 are 5.52% and 5.55% as compared to 6.68% and 6.34% respectively, for September 2014. Rate of inflation during October 2014 is high in fruits at 17.49%, Milk and products at 10.79%, Condiments and spices at 8.85%, Pulses and products at 7.51% and Prepared meals at 7.15%.

**October 2014 WPI inflation declines to 1.7%**- Driven by the decrease in the prices of cereals, rice, pulses, vegetables, potato, fruits, milk, fuel and power, the WPI inflation declined to 1.77% (Y-O-Y) for the month of October 2014 as compared to 2.38% (Y-O-Y) for the month of September 2014. The Index for Wholesale Prices for the month of October 2014 declined by 0.6% to 183.9 from 185 for the previous month.

### 1.3 External sector

**CAD narrows sharply in Q1 2014-15** - India's current account deficit (CAD) narrowed sharply to US\$ 7.8 billion (1.7% of GDP) in Q1 of 2014-15 from US\$ 21.8 billion (4.8% of GDP) in Q1 of 2013-14. However, it was higher than US\$ 1.2 billion (0.2% of GDP) in Q4 of 2013-14. The lower CAD was primarily on account of a contraction in the trade deficit contributed by both a rise in exports and a decline in imports. On a BoP basis, merchandise exports at US\$ 81.7 billion increased by 10.6% in Q1 of 2014-15 as against a decline of 1.5% in Q1 of 2013-14. On the other hand, merchandise imports (on BoP basis) at US\$ 116.4 billion moderated by 6.5% in Q1 of 2014-15 as against an increase of 4.7% in Q1 of 2013-14. Decline in imports was primarily led by a steep decline of 57.2% in gold imports, which amounted to US\$ 7 billion, significantly lower than US\$ 16.5 billion in Q1 of 2013-14.

**October merchandise exports decline by 5%**-India's exports for the month of October 2014 stand at around USD 26.09 billion with a (Y-O-Y) growth of (-) 5.04% as compared to USD 28.9 billion in September 2014 with a (Y-O-Y) growth of 2.73%. During October 2014, the imports were USD 39.5 billion with a (Y-O-Y) growth of around 3.62% as compared to USD 43.2 billion in September 2014. The balance of trade stands at around USD (-) 13.4 billion during October 2014 as compared to USD (-) 14.3 billion during September 2014.

**September Services exports at US\$12.9bn**- India's services exports stands at around USD 12.9 billion and services imports stands at USD 6.2 billion for the month of September 2014. The trade balance in services stands at USD 6.7 billion during September 2014.

**September FDI declines by (-) 40.5%**- The FDI equity inflows in the month of September 2014 are estimated at around US\$2.5bn as against about US\$4.1bn in September 2013, posting a negative growth (Y-o-Y) of (-) 40.5%. The growth in FDI equity inflows stands at around (-) 9.2% in August 2014, 111% in July 2014, 33% in June 2014 and 121% in May 2014. The total FDI equity inflows, in the period April-September 2014-15 are estimated at around US\$14.5bn; representing an increase of around 15% over the FDI equity inflows of about US\$12.6bn for the corresponding period last year.

## **1.4 Fiscal scenario**

**Sept 2014 fiscal deficit at around 83% of actuals to BEs**-The gross fiscal deficit of the Central government stands at 82.6% of the actuals to budget estimates at the end of Sep 2014 as compared to 76% of the actuals to budget estimates in the corresponding period of the previous year. The primary deficit significantly increased to 243% of the actuals to budget estimates at the end of Sep 2014 as compared to 146.7% of the actuals to budget estimates during corresponding period of the previous year.

**Net direct tax collection rises by 7.1% in Apr-Sep FY2015**- Net Direct Tax collections have increased to Rs. 2,68,836 crore during April-September FY2015 as compared to Rs. 2,51,028 crore during the same period in the last fiscal with a growth of 7.09%. While Gross Direct Taxes collections during April-September FY2015 have increased to Rs.3,46,144 crore as against Rs. 3,01,063 crore collected during the same period last year with a growth of 15%. The gross collections of Corporate Tax has also scaled up to Rs.2,22,616 crore as against Rs. 1,93,054 crore collected during the same period last year with a growth of 15.31%. Gross collection of Personal Income Tax, including STT and Wealth Tax, is up by about 14% and stands at Rs. 1,23,528 crore as against Rs. 1,08,009 crore collected during the same period last year.

**Indirect Tax Revenue rises 5.6% during Apr-Oct 2014-15**-Indirect tax revenue collections have increased from Rs 2,69,909 crore in April-Oct 2013-14 to Rs. 2,85,126 crore during April-Oct 2014-15 registering an increase of 5.6%. It is an achievement of 45.7% of the Budget Estimates for 2014-15. Service Tax collections have also increased from Rs. 81,758 crore in April-Oct 2013-14 to Rs. 90,673 crore during April-Oct 2014-15 registering an increase of about 11%. Collections from Customs have increased from about Rs.98,707 crore during April-Oct 2013-14 to Rs.1,06,123 crore during April-Oct 2014-15 registering an increase of 7.5%. It is an achievement of 52.6% of the Budget Estimates for 2014-15.

**India's external debt stands at US\$ 450 billion at the end of June 2014-** With a modest level of current account deficit (CAD) and sharp rise in non-debt creating flows in Q1 of 2014-15, India's external debt stands at US\$ 450 billion at the end of June 2014, which has increased marginally by 1.8% over end-March 2014. Of the total absolute increase of US\$ 7.9 billion in total external debt, a marginal increase of about US\$ 0.4 billion during the quarter was on account of valuation change, reflecting a marginal depreciation of the US dollar against the Indian rupee and other major currencies. The increase in total external debt was primarily on account of rise in commercial borrowings by US\$ 6.3 billion over end-March 2014. Outstanding NRI deposits with a rise of US\$ 2.4 billion over end-March 2014 were the second largest source of increase in India's external debt.

**Government's total public debt increase by 3.7% at end-June 2014-** The gross fiscal deficit of the Central Government in budget estimates (BE) 2014-15 (FY15) was placed at Rs. 5,31,177 crore (4.1% of GDP) as against Rs. 5,24,539 crore (4.6% of GDP) in the revised estimates (RE) for 2013-14. The gross and net market borrowing of the Government in FY15 BE at Rs.6,00,000 crore and Rs.4,61,205 crore shows an increase of 6.4% and 1.6%, respectively over the levels of Rs. 5,63,911 crore (gross) and Rs. 4,53,902 crore (net) in FY14RE. Gross tax collections during the Q1 of FY15 were Rs.1, 83,028 crore which was 13.4% of BE showing a growth of 3.4% over Q1 of previous year.

## 1.5 Monetary scenario

**Fourth Bi-monthly Monetary Policy Statement, 2014-15:** RBI maintains status quo-RBI in its fourth Bi-monthly Monetary Policy Statement, 2014-15 has kept the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 8% and the cash reserve ratio (CRR) of scheduled banks unchanged at 4% of net demand and time liabilities (NDTL). The RBI, however, reduced the liquidity provided under the export refinance (ECR) facility from 32% of eligible export credit outstanding to 15% with effect from October 10, 2014.

**September 2014 Gross Bank Credit grows at 8.7%-**On a year-on-year basis, gross bank credit stands at 8.7% in Sep 2014 as compared to 10.2% in Aug 2014. The growth of food credit stands at 11.1% in Sep 2014 as against 9.5% in Aug 2014 and the non-food bank credit increased by 8.6% in Sep 2014 as compared to 10.2% in Aug 2014. The credit to NBFCs decreased by 4.4% in Sep 2014 as compared with increase of 4.1% in Aug 2014. The credit to agriculture increased by 18.8% in Sep 2014 and Aug 2014.

**ECBs stand at US\$ 3.2 bn during Sep 2014-**Indian firms have raised US\$ 3.2 bn through external commercial borrowings (ECBs) in the month of September 2014 as against US\$ 5.1 bn during August 2014 by automatic and approval route. The borrowings stood at US\$ 3.2bn in Sep 2014 as compared to US\$ 3.4 bn in Sep 2013. India has received gross ECBs worth around US\$261.6 bn between FY2001 and FY2015 (till Sep 2014).

## 2. Major policy pronouncements

**Government clears 25 FDI proposals worth Rs. 1,546.12 crore-** The Government has cleared 25 Foreign Direct Investment proposals worth Rs.1,546.12 crore, including six projects relating to single

brand retail trade. The Finance Ministry, on recommendations of Foreign Investment Promotion Board (FIPB), also cleared two proposals in the multi-brand retail trade category of Flemingo International and US-based Miami Perfume Junction.

**Appointment of new Economic Advisor and Finance Secretary-** Government has announced two high-level appointments in the Finance Ministry, to give shape to his new budget. Mr. Arvind Subramanian has been brought in as the new Chief Economic Advisor in the finance ministry and Rajasthan Chief Secretary Mr. Rajiv Mehrishi has been appointed as the new Secretary in Department of Economic Affairs.

**India and Finland agree to double bilateral trade-**India and Finland have agreed to double bilateral trade to \$2 billion over the next three years. To achieve this target the two countries in the presence of President, Mr. Pranab Mukherjee and his Finnish counterpart, Mr. President Sauli Niinisto, signed 19 agreements for cooperation in various areas including education, biotechnology, nuclear and radiation safety and renewable energy.

**Environment ministry launches national air quality index-** Concerned about the rising air pollution level in cities, the environment ministry launched the national Air Quality Index (AQI), a tool for people to measure air quality in their vicinity. The index is classified into six categories — good, satisfactory, moderately polluted, poor, very poor, and severe, with colour coding ranging from green to dark red. This index transforms various air pollution levels into a single number, describing air quality to the citizens.

**Switzerland to assist India in validation of bank documents-** In the joint statement issued by Revenue Secretary Mr. Shaktikanta Das and State Secretary Mr. Jacques De Watteville after their meeting in Berne, Switzerland has stated that it will assist India in getting confirmation of the genuineness of bank documents operating in its country for the tax administration purposes. At the meeting, Switzerland also agreed to swiftly provide information related to non-banking matters.

**REITs, InvITs, AIFs can become LLP partners-**With the objective of boosting investment in small businesses, the Ministry of Corporate Affairs has allowed trusts including Real Estate Investment Trust (REIT), Alternate Investment Fund (AIF) and Infrastructure Investment Trust (InvIT) to become partners in limited liability partnership (LLP).

**Union Government deregulates diesel prices** –The Union Government has freed the economy from the clutches of fuel subsidy by deregulating diesel prices and formalising the price formula for natural gas. This move will reduce the government's huge subsidy burden and would help it in attaining its fiscal consolidation targets.

**Government accepts Rangarajan Panel's recommendation on Natural Gas Pricing** - Union government has accepted the recommendation of Dr. C. Rangarajan panel on the formula for Natural Gas pricing. But the government has approved upward revision of about 75% in the prices of natural gas, against the C. Rangarajan panel's recommendation which had recommended to double the price of natural gas.

**Department of industrial policy and promotion prepares composite limit draft for foreign investments-** To ensure greater clarity and the plugging of loopholes in foreign investments, the Department of Industrial Policy and Promotion (DIPP) has finalized composite limits for foreign investment. The government will prescribe one limit for foreign investments that will include all kinds

of overseas investment — foreign direct investment (FDI), foreign portfolio investment, NRI investment, depository receipts, foreign currency convertible bonds and mandatorily convertible preference shares or debentures.

**Cash transfer for LPG likely to save up to Rs. 14,000 crore in subsidies-** The Government has announced a modified scheme wherein the subsidy will be transferred into bank accounts irrespective of it being linked with Aadhaar. This Direct benefit scheme through cash transfer in bank accounts for domestic gas cylinder (LPG) is estimated to save Rs.12,000-14,000 crore in government's subsidy bill.

**Cabinet clears Ordinance to re-auction coal blocks-** The Centre has decided to promulgate an Ordinance to allow re-auction of coal blocks to the end users, thus putting an end to the uncertainty on coal mining in the country.

**Government sets up committee to study corporate bankruptcy framework-** Following Hon'ble Finance Minister, Mr. Arun Jaitley's announcement in his maiden budget speech in July that an entrepreneur friendly, legal bankruptcy framework would be developed for small and medium enterprises (SMEs), to enable them easy exit, the finance ministry has set up a committee to study the corporate bankruptcy legal framework in the country. The committee is set up under a former Lok Sabha secretary general, Mr. TK Vishwanathan, and is likely to submit report by February next year.

**Government extends validity of industrial licences to 7 years** – To encourage domestic manufacturing in India, the government has extended the validity of industrial licences from three years to seven years.

**India re-elected to United Nations Human Rights Council-** India has been re-elected to the United Nations Human Rights Council (UHRC) for the term 2015-2017. India's first term was due to end on Dec 31, 2014 and was seeking re-election to this UN body.

**The Reserve Bank of India eased some rules for identifying defaulters-**The Reserve Bank of India has eased some rules for identifying defaulters and taking corrective actions. The central bank has stated that the identification of the defaulter and correction action plans could now be done in 45 days instead of 30 days earlier. The RBI has also allowed the Independent Evaluation Committee, a time limit of 45 days instead of 30 days for evaluation of restructuring of accounts with an asset exposure of Rs 5,000 million and above.

**Union Government launched website for Pradhan Mantri Jan-Dhan Yojana-** The Union Finance Ministry launched a dedicated website, [www.pmjdy.gov.in](http://www.pmjdy.gov.in), for Pradhan Mantri Jan-Dhan Yojana (PMJDY). This newly launched website contains information on administrative structure with contact details of Central/State/District level mission directors and nodal officers. It also provides information on latest events and circulars issued under the scheme.

**Union Cabinet gave approval to School of Planning and Architecture Bill, 2014-**The Union Cabinet gave its approval to introduce the School of Planning and Architecture Bill, 2014 in the Parliament to bring all three Schools of Planning and Architecture (SPAs) within the ambit of the School of Planning and Architecture Bill, 2014. The Bill would adhere to Government policies on reservations from time to time. The proposed Act will empower these Schools to award degrees through an Act of Parliament. This would enable the School of Planning and Architecture to become centres of excellence such as IITs, NITs and help fulfill the need of the country for quality manpower in the field of architecture and planning.

**Dr. Arvind Mayaram will be now Minority Affairs Secretary-** The Appointment Committee of the Cabinet (ACC) has decided to cancel its previous order for shifting Dr. Arvind Mayaram from the Finance Ministry to Tourism Ministry. Dr. Arvind Mayaram, who was holding the charge of Finance & Economic Affairs Secretary, has now joined Ministry of Minority Affairs. He has replaced Dr. Lalit K. Panwar.

**Government cuts non-Plan expenditure by 10%, bans creation of new posts-** Because of lower revenue realization, Government has issued some new austerity measures for the year 2014-15, including 10% cut in non-Plan expenditure, ban on creation of new posts, first class air travel and hosting conferences in five star hotels.

**Mr. Hasmukh Adhia appointed new Financial Services Secretary-** Ministry of Finance has appointment of Mr. Hasmukh Adhia as the new Secretary in Department of Financial Services, thus replacing Mr. Gurdial Singh Sandhu.

**Centre identifies 50 districts to modernize all land records in one year-**The Central government so as to revive the National Land Records Modernization Programme, has identified 50 districts across the country where state governments will modernize all land records in one year. The new government has now decided to implement the scheme in phases through a targeted approach.

**Government framing new draft civil aviation policy-** A new draft civil aviation policy has been framed by the government to meet the challenges of rising air traffic, connecting remote areas, creating aviation hubs, ensuring safety and security. The new draft Civil Aviation Policy would also focus on encouraging regional airlines and suggest steps to move towards lower fares to make aviation affordable to the public.

**Government sets up Rs. 2,000-cr corpus for NABARD-** In order to facilitate loans for food processing units at a lower interest rate, the Union Government has set up a Rs. 2,000-crore corpus for NABARD. Under this corpus, loans would be provided to units located both inside and outside mega-food parks.

**RBI issues revised Regulatory Framework for NBFCs-**The Reserve Bank of India (RBI) has issued the revised Regulatory Framework for Non-banking Finance Companies (NBFCs), with an objective to streamline the regulations for the sector. Accordingly, it has revoked, with immediate effect, its temporary suspension on issuance of Certificate of Registration (CoR) to companies proposing to conduct business of non-banking financial institution (NBFI).

**India, Australia sign pact to enhance skill development-** A memorandum of understanding (MoU) was signed between the National Skill Development Corporation (NSDC), India and TAFE Directors, Australia, on Technical and Vocational Education and Training cooperation at the 3rd India Australia Skills Conference: Skills for Better Business" held in Mumbai. The MoU was signed to contribute positively to the development of technical and vocational education and training related linkages between India and Australia.

### **3. Other key developments**

**India ranks 142 in “Ease of Doing Business” report-**According to the latest World Bank’s “Ease of Doing Business” report, India has been ranked at 142 among 189 countries. The report also shows that drop in India’s ranking from last year’s 140th place is mainly because other nations have performed much better than India. The latest ranking, however, does not take into account the latest reforms taken by the new Modi Government to make India a business and investment friendly destination.

**India needs to improve energy efficiency by 2030: UN-** The United Nations Report “The Emissions Gap Report 2014” showed that nearly 100000 premature deaths could be avoided annually in Brazil, China the EU, India, Mexico and the US by 2030 through energy efficiency measures in the transport, buildings and industrial sectors.

**Reforms poised to put India on a strong, sustainable and inclusive growth path: OECD-** According to the OECD Economic Survey : India 2014, the Indian economy is coming out of some tough times in recent years, with a steep decline in growth, stubbornly high inflation and a wide current account deficit, but the situation is now improving. The report also highlighted that the Indian economy is showing signs of a turnaround and is expected to grow at 5.4% in current fiscal year, by 6.6% in 2015-16 and by 6.8% in 2016-17.

**ASEAN Summit: PM Narendra Modi’s Look East policy at play-** Hon’ble Prime minister, Shri Narendra Modi landed in Myanmar to attend 12th ASEAN-India summit and the 9th East Asian summit in Myanmar. The focus will be on beefing up engagement in the areas of culture and commerce and for improving regional connectivity to promote trade. This Association of Southeast Asian Nations (ASEAN) summit holds special significance in the context of Prime minister’s “Link West, Look East” policy.

**G20 commits to boost world growth, fight climate change-** During G20 Summit in Brisbane, leaders from the G20 group of nations agreed to boost global growth, tackle climate change and crack down on tax avoidance, but ties between the West and Russia tumbled to a new low over the Ukraine crisis.

**Indian iron ore imports surge to a record high at 5 million tonnes in April-October** - According to data by industry consultancy SteelMint, due to shortage of domestic production of iron ore, India’s iron ore imports jumped to a record 5 million tonnes in the period April-October, 2014.

**Railways earnings up by over 12% during April-Oct-** According to the latest data, Railways have earned Rs. 86,595.04 crore during the period April-October 2014 as compared to Rs. 77,273.88 crore during the same period last year, registering an increase of 12.06%.

**Q2 GDP to be subdued; revival likely from last quarter: D&B-** According to the Dun and Bradstreet report, India’s economic growth rate for the second quarter of the current financial year is likely to be “subdued” at 5.2% and a revival can be expected only from the last quarter of 2014-15. Deceleration in credit growth, expected weak rural demand and substantial shortfall in the production of various kharif crops due to weak monsoon are the major factors that have contributed towards moderation in GDP growth during Q2 FY15.

**India slips to 114<sup>th</sup> spot in WEF Gender Gap Index** – According to World Economic Forum's Global Gender Gap index, that ranks countries on the basis of providing equal opportunity to women in business, education, health and political empowerment, India has registered a marked deterioration in its performance. The index for this year places India 114<sup>th</sup> out of 142 countries, down from the 101 position last year.

**India set to become \$2 trillion economy this year-** According to IMF's latest world economic outlook, India is set to become a \$2 trillion economy this year, while its GDP size would cross another milestone of \$3 trillion after five years in 2019. The data also shows that Indian economy is set to be worth \$2.05 trillion this year, increasing its size from \$1.88 trillion in 2013.

**Free Trade Agreements haven't widened trade deficit: Commerce Ministry-**According to a study conducted by Commerce Ministry on the impact of FTAs, India's Free Trade Agreements (FTA) with major partners such as Japan, Malaysia, South Korea and the ASEAN bloc have not contributed to an increase in the country's trade deficit. The study also shows that FTAs have also not resulted in any increase in consumer goods imports and only an "insignificant" rise in automobiles imports.

**GST must to boost manufacturing, growth in India, says World Bank-** According to the World Bank, Implementation of the goods and service tax (GST) is the most critical reform needed for Indian manufacturing sector. Senior country economist of the World Bank-India, Mr. Denis Medvedev, has said that implementation of GST will give a boost to manufacturing sector by transforming India into a common market and by eliminating cascading effect of indirect taxes.

**India 'only major economy' to see improved momentum, says OECD-** According to OECD, India is the "only major economy" that is projected to see a revival in growth momentum whereas mixed trends are predicted for the developed countries. It further says that most of the major developed and developing economies, including the United States, Brazil, China and Russia, are expected to witness stable growth momentum.

**India's recent policy changes could accelerate growth-** Global rating agency, Moody's Investors Service in a report titled "India: Recent Policy changes to support Growth Acceleration" has stated that India's recent economic, financial and fiscal measures, if successfully implemented will sustain higher economic growth. These measures could also address some of the constraints on India's sovereign credit profile.

**Number of billionaires has doubled since the 2008 financial crisis: Oxfam report-** The report, 'Even it Up: Time to End Extreme Inequality', released by non-profit organisation Oxfam, has stated that a tax of just 1.5% on the rising number of billionaires since the 2008 financial crisis could have saved the lives of 23 million poor people.

**NCAER lowers GDP growth forecast for this year to 5%-** On account of weak economical fundamentals and uncertainties in growth prospects, the National Council of Applied Economic Research (NCAER) has lowered India's GDP growth forecast to 5% in the current financial year. Its earlier projection had suggested that the Indian economy was likely to grow at 5.7% in 2014-15.

**India's services sector hits 6-month low in October-** According to latest data, HSBC's Purchasing Managers' Index for services dropped from 51.6 in the month of September to 50 in the month of October.

**Morgan Stanley estimates India's economic growth at 6.3% next year-**According to Morgan Stanley forecast of global economies, India would be the fastest growing economies among Asian countries and its gross domestic product is expected to grow by 6.3% in fiscal year 2015.

**Jan Dhan accounts close to target, but over 75% have no balance-** According to the latest government data, Pradhan Mantri Jan Dhan Yojana is close to reaching its target of opening 75 million accounts. The data shows that around 72.5 million accounts have been opened till November. But still over 75% of these accounts have no balance.

**India's economy likely to grow 6.4% next year: OECD-** According to the OECD (Organisation for Economic Co-operation and Development), Indian economy is expected to expand by 6.4% in the next year as compared to 5.9% estimated less than two months back in its September's 2014 interim outlook. This improvement in the projections is due to improved political situation that stems from the Narendra Modi led BJP government. It also stated that India could be within striking distance of China by the year 2016 in terms of the pace of growth.

**India Inc's Sept quarter top line growth below 5%-** According to the latest data, the recovery in corporate India is far away as the growth rate of India Inc's September quarter was below 5%. The basic reason behind this is reduced expenditure by companies, the lower prices of commodities and companies scaling back production in the absence of demand.

**India Inc gets about Rs 67,000 cr worth of fresh orders in the Sept quarter-** India Inc have recorded improvement in their investment cycle. In the quarter that ended in September this year, companies received about Rs 67,000 crore worth of fresh orders, about 45% increase on a quarter-on-quarter basis and the highest in the past four quarters.

**Intergovernmental Panel on Climate Change's report on climate change brings an opportunity and challenge for India-**The fifth assessment report (AR5) report of IPCC's stresses that, to ensure that global temperatures do not rise by dangerous levels of 3oC-4oC, it would require substantial reductions in emission over the next few decades and almost zero carbon dioxide emissions by the end of this century.

**Minimum Support Price for Rabi Crops of 2014-15 season to be marketed in 2015-16-**The Cabinet Committee on Economic Affairs, chaired by the Hon'ble Prime Minister, Shri Narendra Modi, has approved Minimum Support Prices (MSPs) for some Rabi Crops of 2014-15 season to be marketed in 2015-16. The approved MSPs are Rs. 1450 for wheat, Rs. 1150 for Barley, Rs. 3175 for Gram and Rs. 3075 for Masur per quintal.

**Government pegs sugar output at 25 mn tonnes for 2014-15-** Government has pegged the country's total sugar production at 25.04 million tonnes in the current marketing year, slightly higher than last year. This, however, is marginally lower than the projection of 25.5 million tonnes made by the state governments.

**Steel usage growth slows to 0.5% in April-Oct-** According to the latest data from the Joint Plant Committee under the Ministry of Steel, Growth in India's steel consumption slowed down to 0.5% for the April – October 2014 period to 43.112 million tonnes, indicating a difficult economic environment. This slowdown in growth of steel usage was due to lower demand in the month of October.

**RBI hikes gold loan limit for UCBs to Rs 2 lakh-** The Reserve Bank has raised the limit for urban co-operative banks (UCBs) to sanction loan against gold collateral from Rs 1 lakh at present to Rs 2 lakh.

**Automobile exports from India on a constant decline-** Exports of automobiles from India have been continuously falling and the month of September has been a particularly bad month with most

automobile makers posting double-digit drop in their shipments. Some companies has stated that increased focus on domestic market is the cause behind falling exports. Besides this, industry experts have said that the advantage that India enjoyed because of its low cost of manufacturing is slowly eroding, making vehicles manufactured here less competitive in the international market.

**India's ranking to improve if states' best practices included: World Bank-**The World Bank, has said that India's ranking of 142 in its ease of doing business list will improve by at least 50 notches if the best practices followed at the state level are included as the latest ranking does not take into account the latest slew of measures taken by the new government to make India a business friendly destination.

**Moody's sees sustained, robust growth in India in next 2 years-** Moody's Investors Service in its quarterly Global Macro Outlook report has said that it expects India to witness a "sustained robust growth" over the next two years and has given "Baa3" rating with a stable outlook on India, which is although lowest in the investment grade.

**Engineering exports up 20% in September-** According to the Commerce Ministry data, India's engineering exports grew by over 20% year-on-year from \$5.38 billion to \$6.48 billion in the month of September on account of high demand particularly in South Asia and Middle East nations.

**India has 10 m fewer stunted children under five: WHO-**According to Global Nutrition Report', India is overcoming the problem of malnutrition, with the number of stunted children under the age of five declining by over 10 million.

**US launches review of India's IP regime-** Following its Special 301 report released in April this year, US launched a review of India's intellectual property rights (IPR) regime. US, in its Special 301 report, has stated that it would conduct an OCR of India, focusing on assessing progress made in establishing and building effective, meaningful, and constructive engagement with the Indian government on the concerns on IPR policy.

**Labor ministry to share half of stipend cost in training scheme-** Under a new scheme called the Apprentices Protsahan Yojana, which will be launched shortly, the Centre will contribute 50% of the total cost incurred on stipend in training one lakh apprentices by 2017 in the first two years. This move of the government will reduce the financial burden on smaller units as well as encourage more youths to take up vocational training in manufacturing sector.

**Steel imports down 28% in September-** According to latest data by MJunction services, Indian steel imports registered 28% decline at 3.86 lakh tonne in the month of September, basically due to weak demand. Steel imports in September last year stood at 5.37 lakh tonne.

**Panel set up to look into power sector woes-** The finance ministry has set up a committee to look into the woes of the power sector. The committee will examine the concerns raised by power companies on mounting debt due to stalled projects.

**New cropping method to boost pulses output-** In a bid to promote optimum water usage and increase farmers' income, prior to harvest of wheat crop, a new cropping method is being tested across northern India through sowing of moong bean in the same field. Moong, a short duration crop is being sown through surface seeding in between the standing wheat crop just weeks prior to its harvest. The sowing of this moong pulse crop is expected to help farmers to save water.

**Government chalks out plans for massive solar power push-** Hon'ble Prime Minister, Mr. Narendra Modi has asked the ministry of new and renewable energy (MNRE) to prepare an action plan to increase solar power capacity to 100,000 Mw. To reach this target, government is expediting the work by directing the states to identify suitable locations across their respective terrains.

**Government forms panel to review reports on Ganga Hydropower projects-** Hon'ble water resources minister, Sushri Uma Bharti informed the National Ganga River Basin Authority that a committee comprising of officials from the environment and water resources ministry had been asked to review the reports of three committees dealing with hydropower projects on the two key tributaries of the Ganga- Alakananda and Bhagirathi rivers in Uttarakhand.

**Standing Committee on Railways invites suggestions on Railways (Amendment) Bill, 2014-** Parliamentary Standing Committee on Railways has invited suggestions/comments/views from the public, NGOs, experts and stakeholders on 'The Railways (Amendment) Bill, 2014. The Railways (Amendment) Bill, 2014 has been proposed to amend the Railways Act, 1989 and seeks to prevent the filing of larger number of duplicate cases of compensation claims in different benches of Railways Claims Tribunals and to exclude the liability of Railways in accidental falling from the ambit of untoward incident and categorise it separately.

**New GDP data with 2011-12 as base year in January-** To present a more realistic picture of the economy, the government will release a new series of national accounts with 2011-12 as base year for computing the economic growth rate. At present, the GDP is computed on 2004-05 base year. The new series will better reflect the economy as it would include more sectors.

**India calls for global action to strengthen nuclear security-**On account of growing threat of nuclear terrorism, India has called for effective international cooperation and responsible action by the concerned governments to strengthen their nuclear security and prevent non-state actors from acquiring vulnerable atomic material.

**Existing foreign trade policy (FTP) may continue till 2014 end-**The Directorate General of Foreign Trade (DGFT) has floated an internal proposal to extend the existing FTP provisions till December 31. The Government is examining the option of extending the existing Foreign Trade Policy (FTP) till end of this year to address uncertainties faced by exporters due to delay in the new foreign policy.

**Coal block auctioning to start without regulator-** Government is planning to expedite the coal block reallocation to the private sector through auctioning, without setting up regulator for the sector. Government has said that 74 coal blocks that would be put up for e-auction by this December will not require a regulator.

**Singapore shows interest in developing a new smart satellite city in India-**Singapore has shown keen interest in partnering with India in the urban development sector, including development of a new smart satellite city and a new capital for the state of Andhra Pradesh. Both the countries has also decided that Committees will be set up to strengthen up specific areas of cooperation in the urban sector.

**Ministry to revive 34 highway projects worth Rs 26,000 crore-**The ministry of highways, in its latest presentation on infrastructural targets to hon'ble Prime Minister, Shri Narendra Modi, has showcased the revival of 34 projects worth of more than Rs 26,000 crore, saying that the projects spanning over

4,084 km are being restructured or converted from public-private partnership to engineering, procurement and construction (EPC) mode to keep them operational.

**India Signs Loan Agreements with World Bank for Technology Centre System Programme (TCSP)-** Government of India and the World Bank has signed a Loan Agreement for World Bank (IBRD) financing of US\$ 200 million for Technology Centre System Programme (TCSP). TCSP is for setting-up 15 new Technology Centres (TCs) and to modernize/upgrade existing 18 TCs at an estimated cost of Rs. 2200 crore.

**NBFC shares in focus as RBI tightens regulatory norms-** Shares of non banking finance companies (NBFCs) are trading in the range of 1-3% on BSE after the Reserve Bank of India (RBI) has come up with new tighter regulatory framework for NBFCs. According to the new guidelines, NBFCs will be required to maintain higher minimum capital, have less time to declare bad loans, and will have to follow proper criteria for director appointments.

**Government may reserve 20% imported gold for small players-** In order to create a level playing field in the gold industry, government is considering a proposal to reserve 20% of gold that importing bodies sell in the market for small jewelers. The government is considering this proposal as it is felt that gold import rules framed by the UPA government favour large trading organizations.

**Commerce Ministry floats draft note on relaxing FDI in medical devices-** The Ministry of Commerce and Industry has circulated a draft Cabinet note for inter-ministerial comments on liberalising foreign direct investment (FDI) policy in medical devices. The government is looking to relax this policy so as to attract more investments in the cash-starved medical devices sector and to boost domestic manufacturing.

**New insider trading norms for derivatives trading** -Directors and senior managers of a listed companies may not be allowed to trade in derivatives of their company's stock and some law firms and auditors are likely to have a new code of conduct. Both these proposals are aimed at curbing insider trading.

**India, US resolve food row, signaling end to WTO impasse-** India and US have reached a compromise on issues relating to food security and trade facilitation at the World Trade Organisation (WTO), which could soon lead to a resolution of the current impasse on trade facilitation agreement. This bilateral agreement was the result of discussions between Hon'ble President of US, Mr. Barack Obama and Hon'ble Prime Minister of India, Shri Narendra Modi. It has been agreed between the two countries that the 'peace clause', crucial for uninterrupted implementation of India's food security programme, will continue indefinitely till a permanent solution is found by the WTO.

**Airports may be privatized on basis of tariff to safeguard passengers against high user charges-** The ministry of aviation is considering to privatize airports through tariff bids so as to protect airlines and passengers against high user charges. Airports Authority of India (AAI) will lease out the airports for 30 years for a fixed fee or rent so as to ensure user charges stay low. Further, an airport identified for privatization could be awarded to that private operator which quotes the least tariff.

## In a nutshell

The macro-economic outlook is stabilizing and lead economic indicators are gathering pace. Though the exports slipped into negative trajectory in October, the industrial growth and inflation have registered a positive trend as the industry is growing in positive zone and WPI inflation has decelerated to 1.7% in the month of October 2014. The government has been taking various initiatives such as the launch of Make in India program and Shramev Jayate that would facilitate ease of doing business in India and facilitate improvement in the Doing Business Rank in the coming times. Going ahead, a rate cut is expected in the upcoming monetary policy that would improve sentiments and fuel industrial growth.

## The lead economic and financial indicators so far...

S. No	Components	August	September	October
1.	IIP Growth	0.5%(July)	0.4%(August)	2.5% (September)
2	Export Growth	2.3%	2.7	-5.04%
3	WPI Inflation Y-O-Y growth	3.74%	2.4	1.7%
4	CPI inflation (combined)	7.8%	6.5	5.5%
5	Gold (10 GRMS)	26975 <sup>^</sup>	27057 <sup>^^</sup>	25706 <sup>^^^</sup>
6	Crude Oil (1 BBL)	5614 <sup>#</sup>	5251 <sup>##</sup>	4568 <sup>###</sup>
7	BSE Sensex	26817 <sup>!</sup>	26349 <sup>!!</sup>	28047 <sup>!!!</sup>
8	Exchange rate average (INR/ 1 USD)	60.99 <sup>**</sup>	61.11 <sup>***</sup>	61.65 <sup>***</sup>
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, <sup>^</sup> Data pertains to 15<sup>th</sup> September, <sup>^^</sup> Data pertains to 14<sup>th</sup> October, <sup>^^^</sup> Data pertains to 14<sup>th</sup> November, <sup>#</sup> Data pertains to 15<sup>th</sup> September, <sup>##</sup> Data pertains to 14<sup>th</sup> October, 2014, <sup>###</sup> Data pertains to 14<sup>th</sup> November, <sup>!</sup> Data pertains to 15<sup>th</sup> September, <sup>!!</sup> Data pertains to 14<sup>th</sup> October, 2014, <sup>!!!</sup> Data pertains to 14<sup>th</sup> November, <sup>\*</sup> Data pertains to 14<sup>th</sup> September, <sup>\*\*</sup> Data pertains to 15<sup>th</sup> October, 2014, <sup>\*\*\*</sup> Data pertains to 14<sup>th</sup> November 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	14385
GDP at FC - Constant prices growth YoY	6.7	8.6	8.9	6.7	4.5	4.7	5.7
GDP at MP-current prices Rs. Bn	56,300	64,778	77,841	90,097	1,011,33	1,135,50	26973
Agriculture growth	0.1	0.8	8.6	5.0	1.4	4.7	3.8
Industry growth	4.1	10.2	8.3	6.7	0.8	(-)0.1	4.2
Services growth	9.6	8.0	7.5	4.9	7.0	6.7	6.8
Consumption	7.6	8.2	8.1	8.1	3.9	4.9	-
Private consumption	7.1	7.1	8.6	8.0	4.0	4.5	-
Gross domestic savings as % of GDP	32.0	33.7	34.0	30.8	30.2	30.5	-
Gross Fixed Capital Formation as % of GDP	32.3	31.7	30.9	31.8	30.4	28.3*	-
Gross fiscal deficit of the Centre as a % GDP	6.0	6.5	4.8	5.7	4.8	4.6	4.1
Gross fiscal deficit of the states as a % GDP	2.4	2.9	2.1	1.9	1.9	2.4	2.3
Gross fiscal deficit of Centre & states as a % GDP	8.3	9.3	6.9	7.6	6.8	7.0	6.4
Merchandise exports (US\$Bn)	183.1	178.3	250.8	305.7	300.2	312.35^	189.7^^^
Growth in exports	12.3	-2.6	40.6	21.9	(-)1.8	3.98^	4.72^^^
Imports (US\$Bn)	299.3	287.6	369.4	489.1	490.3	450.94^	273.5^^^
Growth in imports (YoY)	19.8	-3.9	28.5	32.4	0.2	(-)8.1^	(-)1.9^^^
Trade deficit (US\$Bn)	116.2	109.3	118.6	183.4	190.1	138.6^	83.8^^^
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	289.6~
External debt - Short term US\$Bn	43.4	52.3	65	78.2	96.7	89.2`	-
External debt - Long term US\$Bn	181.2	208.7	240.9	267.5	293.4	351.4``	-
External debt - US\$Bn	224.5	260.9	305.9	345.8	392.1	441``	-
Money supply growth	19.3	16.9	16.1	13.5	13.6	13.2	12.8!
Bank credit growth	17.5	17.1	21.2	16.8	13.5	14	8.7##
WPI inflation	8.1	3.8	9.6	8.9	7.4	5.7#	1.7@
CPI inflation	7	12.4	10.4	6.0	10.2	9.8	5.5@
Exchange rate Rs/US\$ annual average	46	47.4	45.6	47.9	54.4	60.68	61.65@@

Source: PHD Research Bureau compiled from various sources, \*Data pertains to Provisional Estimate of 2013-14 from MOSPI, ^Planning Commission Data Book Dec 2013, \*\* Projection For 2013-14 from PMEAC Economic Outlook 2013-14, ^^Data pertains to India's Balance of payment Apr-Mar 2013-14 from RBI, ^^^data pertains to April- October, 2014, ``India's external debt end Dec 2013 from RBI, ! Data compiled form RBI Bulletin November 2014, # Data pertains to Mar 2013, ~ Data as on 7<sup>th</sup> November, 2014 from RBI, @ Data pertains to October 2014, @@ Data as on 14 November, 2014 from RBI, ##Data pertains to September 2014

## About the PHD Chamber

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

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



## Economic Affairs Committee

**Dr. SP Sharma**, Chief Economist  
**Ms. Megha Kaul**, Senior Research Officer  
**Ms. Surbhi Sharma**, Research Officer  
**Ms. Bhawana Sharma**, Research Associate

**Mr. Gopal S Jiwrajka**, Chairman  
**Mr. Shyam Poddar**, Co-Chairman  
**Mr. Akhil Bhansal**, Co-Chairman  
**Mr. Jagannadham Thunuguntla**, Co-Chairman