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ASSOCHAM NEWS & VIEWS

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

	OCTOBER 18-24, 2020

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MINISTRY OF COMMERCE & INDUSTRY

Index Numbers of Wholesale Price in India for the month of September, 2020

The Office of the Economic Adviser, Department for Promotion of Industry and Internal Trade is releasing index numbers of wholesale price in India for the month of September, 2020 (Provisional) and for the month of July, 2020 (Final) in this press release. Provisional figures of Wholesale Price Index (WPI) are released on 14th of every month (or next working day) with a time lag of two weeks of the reference month. After 10 weeks, the index is finalized and final figures are released and then frozen thereafter.

INFLATION

The annual rate of inflation, based on monthly WPI, stood at 1.32% (provisional) for the month of September, 2020 (over September, 2019) as compared to 0.33% during the corresponding month of the previous year.

WPI based Indices and Annual Rate of Inflation (%)*							
All Commodities/Major Groups	**Weight (%)**	**Jul-20 (F)**		**Aug-20 (P)**		**Sep-20 (P)**	
		Index	**Inflation**	**Index**	**Inflation**	**Index**	**Inflation**
ALL COMMODITIES	100.0	121.0	-0.25	121.7	0.16	122.9	1.32
I PRIMARY ARTICLES	22.6	145.1	1.61	146.3	1.60	150.3	5.10
II FUEL & POWER	13.2	90.7	-9.84	91.4	-9.68	91.0	-9.54
III MANUFACTURED PRODUCTS	64.2	118.7	0.59	119.3	1.27	119.8	1.61
FOOD INDEX	24.4	152.5	4.67	153.3	4.07	157.6	6.92

Note: **P: Provisional, F: Final, * Annual Rate of Inflation calculated over corresponding month of last year.**

The movement of the index for the various commodity groups is summarized below:-

PRIMARY ARTICLES (Weight 22.62%)

The index for this major group increased by 2.73% to 150.3 (provisional) in September, 2020 from 146.3 (provisional) for the month of August, 2020. Prices of Food Articles (3.70%), Crude Petroleum & Natural Gas (1.41%) and Minerals (0.12%) increased as compared to August, 2020. Prices of Non-food Articles (-0.94%) declined as compared to August, 2020.

FUEL & POWER (Weight 13.15%)

The index for this major group declined by (-0.44%) to 91.0 (provisional) in September, 2020 from 91.4 (provisional) for the month of August, 2020. Prices of Mineral Oils (-0.64%) declined as compared to August, 2020. Prices of coal and electricity remain unchanged.

MANUFACTURED PRODUCTS (Weight 64.23%)

The index for this major group increased by (0.42%) to 119.8 (provisional) in September, 2020 from119.3 (provisional) for the month of August, 2020. Out of the 22 NIC two-digit groups for Manufactured products, **15 groups** that have witnessed **increase** in prices are manufacture of food products; tobacco products; textiles; wearing apparel; paper and paper products; printing and reproduction of recorded media; chemicals and chemical products; rubber and plastics products; basic metals; fabricated metal products, except machinery and equipment; machinery and equipment; motor vehicles, trailers and semi- trailers; other transport equipment; furniture; other manufacturing in September, 2020 as compared to August, 2020. Whereas **6 groups** that have witnessed **decrease** in prices are manufacture of beverages; leather and related products; wood and of products of wood and cork; pharmaceuticals, medicinal chemical and botanical products; other non-metallic mineral products; and electrical equipment in September, 2020 as compared to August, 2020. While the Manufacture of computer, electronic and optical products remain unchanged in September, 2020 as compared to August, 2020.

WPI FOOD INDEX (Weight 24.38%)

The Food Index consisting of 'Food Articles' from Primary Articles group and 'Food Product' from Manufactured Products group have increased from 153.3 in August, 2020 to 157.6 in September, 2020. The annual rate of inflation based on WPI Food Index increased from 4.07% in August, 2020 to 6.92% in September, 2020.

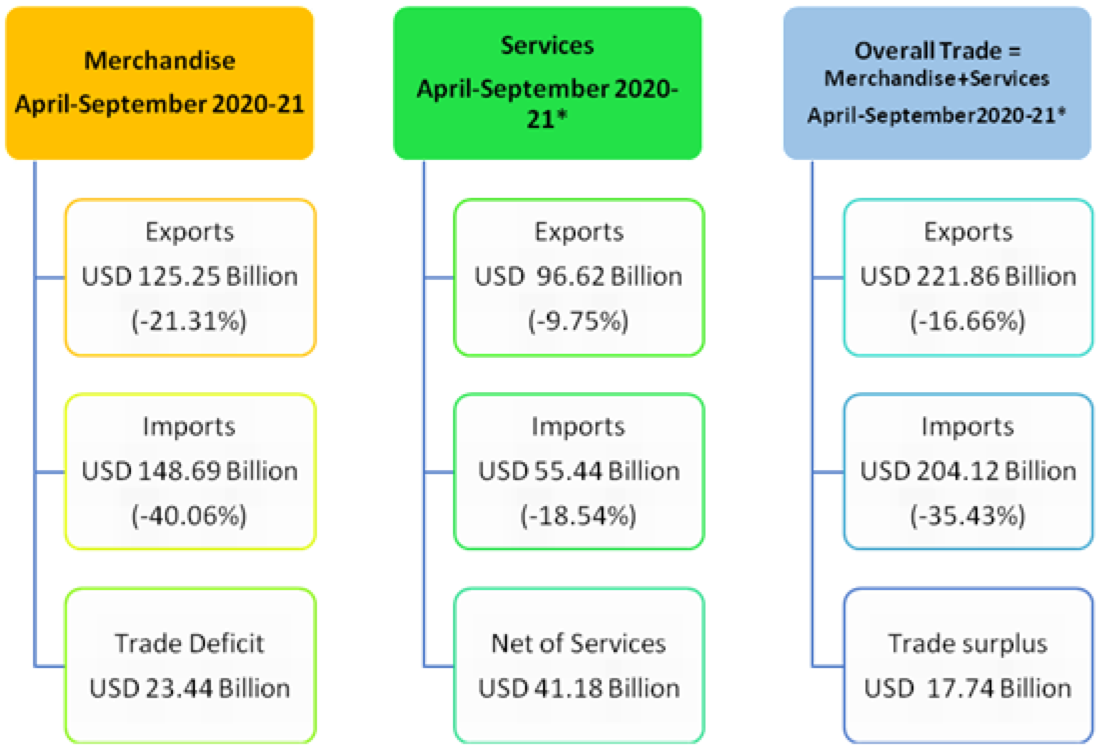
FINAL INDEX FOR THE MONTH OF JULY, 2020 (BASE YEAR:2011-12=100)

For the month of July, 2020 the final Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) stood at 121.0 and WPI based rate of inflation stood at -0.25%.

MINISTRY OF COMMERCE & INDUSTRY

INDIA'S FOREIGN TRADE: September 2020

India's overall exports (Merchandise and Services combined) in April-September2020-21* are estimated to be USD 221.86Billion, exhibiting a negative growth of (-) 16.66per cent over the same period last year. Overall imports in April-September 2020-21* are estimated to be USD 204.12Billion, exhibiting a negative growth of (-)35.43 per cent over the same period last year.



**Note: i) The latest data for services sector released by RBI is for August 2020. The data for September 2020 is an estimation, which will be revised based on RBI's subsequent release ii) the figures in bracket are growth rates vis-à-vis corresponding period of last year.*

EXPORTS (including re-exports)

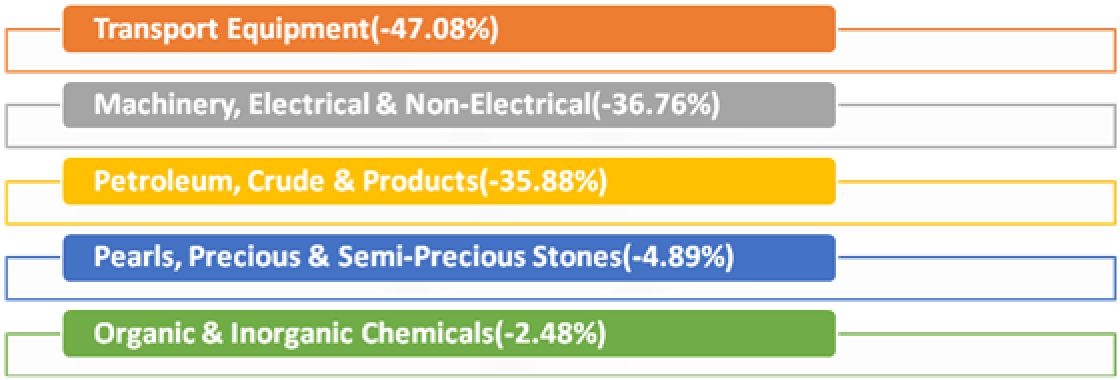
- Exports inSeptember2020 were USD27.58Billion, as compared to USD26.02Billion in September 2019, exhibiting a positive growth of 5.99per cent. In Rupee terms, exports were Rs. 2,02,694.07Crore in September2020, as compared to Rs. 1,85,642.32Crore in September2019, registering a positive growth of 9.19per cent.
- Major commodities/commodity groups which have recorded positive growth during September 2020 vis-à-vis September 2019 are Other cereals (337.22%), Iron Ore

(109.65%), Rice (93.86%), Oil Meals (47.52%), Carpet (42.89%), Ceramic products & glassware (36.17%), Oil seeds (35.69%), Cereal preparations & miscellaneous processed items (33.57%), Drugs & pharmaceuticals (24.38%), Handicrafts excl. handmade carpet (21.82%), Meat, dairy & poultry products (19.97%), Jute mfg. including floor covering (18.64%), Cotton yarn/fabs./made-ups, handloom products etc. (15.39%), Spices (11.44%), Tobacco (11.09%) and RMG of all textiles (10.22%).

- Major commodities/commodity groups which have recorded negative growth during September 2020 vis-à-vis September 2019 are Cashew (-44.25%), Gems & jewellery (-24.67%), Man-made yarn/fabs./made-ups etc. (-9.12%), Mica, Coal & other ores, minerals including processed minerals (-6.71%), Marine products (-5.41%), Leather & leather products (-3.36%), Tea (-2.27%) and Fruits & Vegetables (-1.44%).
- Cumulative value of exports for the period April-September 2020-21 was USD125.25Billion (Rs.9,38,529.94Crore) as against USD159.16Billion (Rs.11,13,886.17Crore) during the period April-September 2019-20, registering a negative growth of (-)21.31per cent in Dollar terms (negative growth of (-)15.74per cent in Rupee terms).
- Non-petroleum and Non-Gems and Jewellery exports in September 2020 were USD21.27Billion, as compared to USD19.00Billion in September2019, registering a positive growth of 11.94per cent. Non-petroleum and Non-Gems and Jewellery exports in April-September 2020-21 were USD104.51Billion, as compared to USD118.65Billion for the corresponding period in 2019-20, which is a decrease of (-)11.92 per cent.

IMPORTS

- Imports in September2020 were USD30.31Billion (Rs.2,22,708.15Crore), which is a decline of(-) 19.60per cent lower in Dollar terms and (-) 17.18per cent in Rupee terms over imports of USD37.69Billion (Rs2,68,891.09Crore) in September2019. Cumulative value of imports for the period April-September 2020-21 was USD148.69Billion (Rs.11,14,686.58Crore), as against USD248.08Billion (Rs.17,35,550.99Crore) during the period April-September 2019-20, registering a negative growth of (-)40.06per cent in Dollar terms and a negative growth of (-)35.77per cent in Rupee terms.
- Major commodity groups of import showing negative growth in September2020 over the corresponding month of last year are:



CRUDE OIL AND NON-OIL IMPORTS:

- Oil imports inSeptember2020 were USD5.83Billion (Rs. 42,812.35Crore), which was 35.88percentlower in Dollar terms (33.95percentlower in Rupee terms), compared to USD9.09Billion (Rs. 64,815.60Crore) in September2019. Oil imports inApril-September 2020-21 were USD31.86Billion (Rs. 2,38,995.70Crore) which was 51.14per cent lower in Dollar terms (47.60percent lower in Rupee terms) compared to USD65.20Billion (Rs. 4,56,108.64Crore), over the same period last year.
- In this connection it is mentioned that the global Brent price ($/bbl) has decreased by 34.08% in September2020 vis-à-vis September2019 as per data available from World Bank.
- Non-oil imports inSeptember2020 were estimated at USD24.48Billion (Rs. 1,79,895.80Crore) which was 14.43per cent lower in Dollar terms (11.85percentlower in Rupee terms), compared to USD28.61Billion (Rs. 2,04,075.49Crore) in September2019. Non-oil imports inApril-September 2020-21 were USD116.83Billion (Rs. 8,75,690.88Crore) which was 36.12per cent lower in Dollar terms (31.56percent lower in Rupee terms), compared to USD182.88Billion (Rs. 12,79,442.35Crore) in April-September2019-20.
- Non-Oil and Non-Gold imports wereUSD23.88Billion in September2020, recording a negative growth of (-)12.63per cent, as compared to Non-Oil and Non-Gold importsof USD 27.33Billion in September2019. Non-Oil and Non-Gold imports wereUSD110.05Billion in April-September 2020-21, recording a negative growth of (-)34.13per cent, as compared to Non-Oil and Non-Gold importsUSD 167.08Billion in April-September 2019-20.

Union Finance Minister announces Stimulus to boost Demand in the Economy: Highlights

1) Measures to Stimulate Consumer Spending

Proposals to stimulate consumer spending has two components

- LTC Cash Voucher Scheme
- Special Festival Advance Scheme

1A) LTC Cash Voucher Scheme

Under LTC Cash Voucher Scheme, the Government has decided to give cash payment to employees in lieu of one LTC during 2018-21, in which full payment on Leave encashment and tax-free payment of LTC fare in 3 flat-rate slabs depending on class of entitlement will be given. An employee, opting for this scheme, will be required to buy goods / services worth 3 times the fare and 1 time the leave encashment before 31st March 2021.The items bought should be those attracting GST of 12% or more. Only digital transactions are allowed, GST Invoice to be produced.

The biggest incentive for employees to avail the LTC Cash Voucher Scheme is that in a four-year block ending in 2021, the LTC not availed will lapse, instead, this will encourage employees to avail of this facility to buy goods which can help their families.

Estimated cost of LTC Cash Voucher Scheme: For Central govt. : ₹ 5,675 crore; for PSBs & PSUs: ₹ 1,900 crore.

Tax concessions for LTC tickets available for state govt. & private sector too, if they choose to give such facility, these employees too can benefit

Indications are that savings of govt. and organized sector employees have increased, we want to incentivize such people to boost demand for the benefit of the less fortunate. On a conservative basis, we expect the LTC Cash Voucher Scheme to generate additional consumer demand in the range of ₹ 28,000 crore.

– Union Finance Minister Smt. Nirmala Sitharaman

1B) Special Festival Advance Scheme

Special Festival Advance Scheme which was meant for non-gazetted government employees is being revived as a one-time measure, for gazetted employees too. All central govt. employees can now get interest-free advance of Rs. 10,000, in the form of a prepaid RuPay Card, to be spent by March 31, 2021.

The one-time disbursement of Special Festival Advance Scheme is expected to amount to Rs. 4,000 crore; if given by all state governments, another Rs. 8,000 crore is expected to be disbursed. Employees can spend this on any festival.

2) Measures to Stimulate Capital Expenditure

2A) Capital Expenditure Boost for States

A special interest-free 50-year loan to states is being issued, for ₹ 12,000 crore capital expenditure

- ₹ 200 crore each for 8 North East states
- ₹ 450 crore each Uttarakhand, Himachal
- ₹ 7,500 crore for remaining states, as per share of Finance Commission's devolution

All the above interest-free loans given to states are to be spent by March 31, 2021; 50% will be given initially, remaining upon utilization of first 50%.

Under Part 3 of ₹ 12,000 crore interest-free loans to states, ₹ 2,000 crore will be given to those states which fulfill at least 3 out of 4 reforms spelled out in Aatma Nirbhar Bharat package. This is over and above other borrowing ceilings.

Capital expenditure - money spent on infrastructure and asset creation - has a multiplier effect on the economy, it not only improves current GDP but also future GDP, we want to give a new thrust to capital expenditure of both states and Centre

– Union Finance Minister Smt. Nirmala Sitharaman

2B) Capital Expenditure Boost for the Centre

Additional budget of ₹ 25,000 crore (in addition to ₹ 4.13 lakh crore given in Budget 2020-'21) is being provided for capital expenditure on roads, defence, water supply, urban development and domestically produced capital equipment.

The proposals to stimulate demand are designed to stimulate demand in a fiscally prudent way - some of them involve advancing of expenditure, with offsetting changes later - others are directly linked to increasing GDP

– Union Finance Minister Smt. Nirmala Sitharaman

Estimated Impact of Stimulus Measures

We estimate that the measures announced today, for boosting consumer spending and capital expenditure, will boost demand by ₹ 73,000 crore, to be spent by March 31, 2021. Given that private sector spending through LTC tax benefit would be at least ₹ 28,000 crore, we estimate total demand boost due to today's measures to be more than ₹ 1 lakh crore.

If demand goes up based on the stimulus measures announced today, it will have an impact on those people who have been affected by COVID-19 and are

MINISTRY OF FINANCE

Finance Minister Smt. Nirmala Sitharaman attends the G20 Finance Ministers and Central Bank Governors Meeting through video conferencing

Union Minister for Finance & Corporate Affairs Smt. Nirmala Sitharaman participated in the G20 Finance Ministers and Central Bank Governors (FMCBG) meeting under the Saudi Arabian Presidency through video conferencing. Ministers and Governors of G20 countries had gathered to discuss the current global economic outlook and G20's response to the COVID-19 pandemic, along with other G20 Finance Track priorities for the year 2020.

Explaining the core guiding principles for the updation of the G20 Action Plan commitments, Smt. Sitharaman highlighted the need to balance the health and economic objectives in the recovery plans. Adding to this, the Finance Minister also spoke about the need to consider heterogeneity of policy responses among member countries, international spillovers from domestic policy actions and reforms required in the global regulatory regimes particularly with respect to the procyclicality of credit rating downgrades.

One of the key outcomes of the G20 Action Plan has been the Debt Service Suspension Initiative (DSSI) which provides time bound suspension of debt service payments for the low income debtor countries that request forbearance. The initiative was initially in force till end of 2020. During this meeting, in light of the continued liquidity pressures, the G20 Finance Ministers and Central Bank Governors agreed to extend the DSSI by 6 months, and to examine by the time of the 2021 IMF/WBG Spring Meetings if the economic and financial situation requires a further extension of the DSSI.

Talking about addressing the debt vulnerabilities of low income countries, Smt. Sitharaman observed that in a longer term, a more structural treatment of debt is required. She emphasised that this process should primarily be guided by the objective of helping such countries overcome the fiscal stress caused by the pandemic. The Finance Minister underlined that it would be important to take into consideration the circumstances and concerns of both creditors and debtors and that in the process of debt restructuring, care must be taken to not saddle the debtor countries with overly burdensome conditionalities.

RESERVE BANK OF INDIA

Monthly Data on India’s International Trade in Services- August 2020

The Reserve Bank of India releases monthly data on India’s international trade in services with a lag of around 45 days.

The value of exports and imports of services during the month of August 2020 are given in the following Table:

Table: International Trade in Services		
		(US$ Million)
Month	**Receipts (Exports)**	**Payments (Imports)**
July - 2020	17,031	10,047
August - 2020	16,441	9,597
Note: Data are provisional.		

Monthly data on services are provisional and would undergo revision when the Balance of Payments (BoP) data are released on a quarterly basis.

Ajit Prasad
Director

RESERVE BANK OF INDIA

RBI Working Paper No. 12/2020: "Bank Capital and Monetary Policy Transmission in India"

The Reserve Bank of India placed on its website a Working Paper titled "Bank Capital and Monetary Policy Transmission in India" under the Reserve Bank of India Working Paper Series*. The paper is authored by Silu Muduli and Harendra Behera.

The paper examines the role of bank capital in monetary policy transmission in India during the post-global financial crisis period. Bank capital channel explains how monetary policy can affect bank lending by impacting the overall capital position of a bank. Thus, capital can have an important role in both lending and borrowing behaviour of banks.

Major findings of the paper are:

- Banks with higher capital to risk-weighted assets ratio (CRAR) raise funds at a lower cost.
- Banks with higher CRAR transmit monetary policy impulses smoothly, while stressed assets in the banking sector hinder transmission.
- Recapitalization to raise CRAR can improve transmission; however, CRAR above a certain threshold level may not help as the sensitivity of loan growth to monetary policy rate reduces for banks with CRAR above the threshold.
- Monetary policy, thus, can influence credit flows in the economy depending on the capital position of banks.

(Yogesh Dayal)
Chief General Manager