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ASSOCHAM NEWS & VIEWS

WEEKLY

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⇒ CONSUMER PRICE INDEX NUMBERS FOR RURAL, URBAN AND COMBINED FOR THE MONTH OF JULY 2017

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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MINISTRY OF COMMERCE & INDUSTRY

Web Based System for Online Processing of Application for ICD/CFS/AFS
(An Initiative under 'Minimum Government Maximum Governance')

The Government has simplified the process for companies to set up an Inland Container Depot/ Container Freight Station (CFS)/Air Freight Station (AFS). The improved procedure is aimed at ensuring a speedier and more transparent approval process. Towards this objective, companies can now make their application online and view its progress/update on-line, without a visit to any government office. Also this is a pioneer attempt as a major ***Inter-Ministerial IT application rather than a mere Intra-Ministerial IT initiative.***

The approval process for setting up an ICD/CFS/AFS involves many departments. This is facilitated through an Inter-Ministerial Committee (IMC) which consists of officials from Ministries of Commerce, Finance (Dept. of Revenue), Railways and Shipping. If required, the view of the respective State Government is also sought. This IMC is housed in the Department of Commerce which is mandated to act as a single window for the approval process.

CURRENT PROCESS

In the current process the applicant submits as many as ten physical copies of the application form with the requisite documents to the Infrastructure Division at Department of Commerce (DoC), New Delhi, besides one copy with the Jurisdictional Commissioner of Customs.

The current process of examination of the application is very cumbersome and the application form is very bulky with the ancillary material running into almost 500-1000 pages. This is initially scrutinized by the Department of Commerce for adherence to the land acquisition guidelines. Copies of the application are then sent to Ministry of Railways, Shipping, Civil Aviation and Department of Revenue (CBEC) for scrutiny and comments. Department of Revenue (CBEC) then sends the copies of this application to the Jurisdictional Commissioners in the field and thereafter on receiving a report from them sends their clearances to Department of Commerce. Upon receiving the comments from the Ministry of Railways, Shipping, Civil Aviation and Department of Revenue (CBEC), Department of Commerce convenes the meeting of Inter-Ministerial Committee where the application is reviewed on the basis of the comments received, and a decision taken on issue of the Letter of Intent (LoI) to the applicant.

Upon receiving the approval, the applicant is required to set up the infrastructure within one year from the date of approval. The IMC may grant an extension of six months after reviewing the justification for delays given by the party.

After the applicant has put up the required infrastructure, conformed with the security standards of the Jurisdictional Commissioner of Customs and provided a bond backed by bank guarantee to the Customs, a final clearance and Customs notification is issued by the Customs department which then declares the facility operational.

IMPROVED PROCESS

There have been frequent complaints from the Stakeholders (applicants) that the manual process is very cumbersome and not only does it result in loss of documents in the transit but also there is lack of transparency regarding the status of various clearances by the various agencies/departments. There have been persistent demands from the various stakeholders to streamline the processes and therefore, Department of Commerce embarked upon a project to have the complete process made online for the convenience of the applicants.

Now with the culmination of the project, the backend process will also be online and the applicant can see the various stages of processing of his application in the various Ministries/Departments as it is visible online.

Apart from saving reams of paper, the process also brings about greater transparency by disclosing the status of the application. This includes sending out SMS and Email alerts to keep all the stakeholders abreast with the progress.

This approach was conceived under the broader umbrella motto of the government – "Minimum Government, Maximum Governance" espoused by honourable Prime Minister Shri Narendra Modi

MINISTRY OF COMMERCE & INDUSTRY

Bilateral Meeting - India and Uzbekistan

The Commerce and Industries Minister, Mrs. Nirmala Sitharaman and Mr. Abdulaziz Kamilov, Minister of Foreign Affairs and Mr. Elyor Ganiev, Minister of Foreign Trade held detailed discussions on deepening trade and economic ties between India and Uzbekistan in a bilateral meeting held on 23rd August 2017 in , New Delhi.

Commerce Minister expressed happiness on formation of an **Uzbek India Trading House** at Delhi as a Joint Venture Company.

Commerce Minister suggested setting up and activation of a private industry led **Joint Business Council** to develop and enhance business relations at all levels including investments, trade in goods and services such as education and health in Uzbekistan and India. She expressed the hope that if the draft agreement under negotiation between India-CIS Chamber of Commerce and Industry and Uzbek Chamber of Commerce is quickly finalized and the Joint Business Council commences work, then it would be a very positive development for enhancing bilateral economic and trade relations.

Both the Ministers underlined the high importance of transport & logistics infrastructure for strengthening bilateral trade ties. Commerce Minister requested Uzbek Minister to become member of multilateral INSTC Agreement which would facilitate increased international transit cargo traffic through Iran.

Commerce Minister requested Uzbek Minister for reduction of import duty on leather goods and footwear in Uzbekistan from current 30% to 10%, which is current MFN rate in India. She mentioned that India could source finished leather from Uzbekistan. Commerce Minister also requested Uzbek Minister to consider reducing higher import duty on Indian engineering exports to Uzbekistan.

Commerce Minister requested Uzbek Minister to consider reduction of Import tariff imposed by Uzbekistan which are comparatively higher especially on fabrics and made-ups (upto 30%), reduction in Higher MFN duty on RMG products which is 31.1% and simplifying the procedure for registration and certification.

Commerce Minister informed Uzbek Minister that existence of Non-Tariff Barriers such as import quotas and licensing, price and foreign exchange control, complex customs and administrative procedures, harsh sanitary norms and outright border closures have also been limiting inter-regional trade. Minister of Foreign Trade of Uzbekistan informed that Uzbek Government was seriously working to liberalise and simplify various procedures, systems and norms and expressed the hope that most of difficulties faced by exporters would get resolved shortly.

Commerce Minister requested Uzbek Minister to simplify procedure for granting visa to Indian business men and tourists and expressed the hope that if visa issues are resolved, tourism will also receive impetus in both countries.

MINISTRY OF FINANCE

Economic Survey 2016-17 Volume-2 : State of the Economy - An Analytical Overview and Outlook for Policy

Economic Survey 2016-17 Volume 2 was laid in the Parliament. The Survey notices a rekindled optimism on structural reforms in Indian economy. Various factors such as launch of the GST; Positive impacts of demonetization; decision in principle to privatize Air India; further rationalization of energy subsidies and Actions to address the Twin Balance Sheet (TBS) challenge contribute to this optimism. The document also adds that a growing confidence that macro-economic stability has become entrenched is evident because of a series of government and RBI actions and because of structural changes in the oil market have reduced the risk of sustained price increases.

However the Survey cautions that anxiety reigns because a series of deflationary impulses are weighing on an economy, yet to gather its full momentum and still away from its potential. These include: stressed farm revenues, as non-cereal food prices have declined; farm loan waivers and the fiscal tightening they will entail; and declining profitability in the power and telecommunication sectors, further exacerbating the TBS problem.

Examining if India is undergoing a structural shift in the inflationary process toward low inflation, the Survey notes that the oil market is very different today than a few years ago in a way that imparts a downward bias to oil prices, or at least has capped the upside risks to oil prices. Also Farm loan waivers could reduce aggregate demand by as much as 0.7 percent of GDP, imparting a significant deflationary shock to an economy. Spurt in New Tax Payers and Reported Income After Demonetization; 5.4 lakh New Tax Payers Post-Demonetization. Demonetization’s impact on the informal economy increased demand for social insurance, particularly in less developed states. MGNREGS and its implementation by the Government have met the programme's stated role of being a social safety net during times of need. It also adds that sustaining current growth trajectory will require action on more normal drivers of growth such as investment and exports and cleaning up of balance sheets to facilitate credit growth. The ratio of stressed companies in the power sector (defined as the share of debt owed by companies with an interest coverage (IC) ratio of less than 1) has been steadily rising this year, reaching 70 percent, with an associated vulnerable debt of over Rs. 3.6 lakh crore. The telecommunications sector has experienced its own version of the “renewables shock” in the form of a new entrant that has dramatically reduced prices for, and increased access to, data, thereby benefitting—at least in the short run—consumers; after launching of services by the new entrant in September 2016, the average revenue per user (ARPU) for the industry on aggregate has come down by 22 percent vis-à-vis the long term (December 2009-June 2016) ARPU, and by about 32 percent since September 2016.

As regards Outlook for Growth 2017-18, Survey (Volume I) had forecast a range for real GDP growth of 6.75 percent to 7.5 percent for FY 2018. For Outlook for Prices & Inflation 2017-18, the Survey notes the outlook for inflation in the near-term will be determined by a number of proximate factors, including:

- The outlook for capital flows and exchange rate which in turn will be

  influenced by the outlook and policy in advanced economies, especially the US;

- the recent nominal exchange rate appreciation;
- the monsoon;
- the introduction of the GST;
- the 7th Pay Commission awards;
- likely farm loan waivers; and
- the output gap

The document says that the fact that current inflation is running well below the 4 percent target, suggests that inflation by March 2018 is likely to be below the RBI’s medium term target of 4 percent.

As regards Review of Economic Developments 2016-17, the Survey notes that

§ Real economy grew by 7.1 per cent in 2016-17 compared with 8 percent the previous year. This performance was higher than the range predicted in the Economic Survey (Volume I) in February.

- This growth suggested that the economy was relatively resilient to the large liquidity shock of demonetization which reduced cash in circulation by 22.6 percent in the second half of 2016-17. The apparent resilience was even more marked in nominal growth magnitudes because both nominal GVA and GDP growth accelerated by over 1 percentage point in 2016-17 compared with 2015-16.

- Annual inflation averaged 5.9 per cent in 2014-15 and has since declined to 4.5 per cent in FY 2017. More dramatic have been developments during 2016-17- inflation declined sharply from 6.1 percent in July 2016 to 1.5 percent in June 2017.

- The sharp dip in WPI inflation in late FY 2015 and throughout FY 2016 owed to the deceleration in global commodities prices, especially crude oil prices. With global commodity prices recovering and the 'base effect' (low inflation in the previous year) giving an upward push, wholesale inflation perked up during FY 2017

- With the green shoots slowly becoming visible in merchandise trade, and robust capital flows, the external position appears robust, reflected inter alia in rising reserves and a strengthening exchange rate.

- The current account deficit narrowed in 2016-17 to 0.7 percent of GDP, down from 1.1 percent of GDP the previous year, led by the sharp contraction in trade deficit which more than outweighed the decline in net invisibles

- Export growth turned positive after a gap of two years and imports contracted marginally, so that India's trade deficit narrowed to 5.0 per cent of GDP (US$

  billion) in FY 2017 as compared to 6.2 per cent (US$ 130.1 billion) in the previous year.

MINISTRY OF FINANCE

Finance Minister Sh Arun Jaitley chairs the 17th meeting of FSDC

The seventeenth Meeting of the Financial Stability and Development Council (FSDC) was held in New Delhi today under the Chairmanship of the Union Minister of Finance, Shri Arun Jaitley. The meeting was attended by Dr. Urjit R. Patel, Governor, RBI; Shri Ashok Lavasa, Finance Secretary, Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ms. Anjuly Chib Duggal, Secretary, Department of Financial Services, Shri Tapan Ray, Secretary, Ministry of Corporate Affairs, Shri Ajay Prakash Sawhney, Secretary, Ministry of Electronics and Information Technology, Dr. Arvind Subramanian, Chief Economic Adviser, Shri Ajay Tyagi, Chairman, SEBI; Shri T.S. Vijayan, Chairman, IRDAI; Shri Hemant G Contractor, Chairman, PFRDA; and other senior officers of the Government of India and financial sector regulators.

Chief Economic Adviser (CEA) made a presentation on the state of economy. The Council noted that India has macro-economic stability today on the back of improvements in its macro-economic fundamentals, structural reforms with the launch of the Goods and Services Tax (GST), action being taken to address the Twin Balance Sheet (TBS) challenge, extraordinary financial market confidence, reflected in high and rising bond and especially stock valuations and long-term positive consequences of demonetization. The Council also discussed the issues and challenges facing the Indian economy and Members agreed on the need to keep constant vigil and be in a state of preparedness of managing any external and internal vulnerabilities.

The Council also took note of the progress of Financial Sector Assessment Program for India, jointly conducted by the International Monetary Fund and the World Bank. Council directed that the assessment report should be finalized by the end of this calendar year.

FSDC took note of the developments and progress made in setting up of Computer Emergency Response Team in the Financial Sector (CERT-Fin) and Financial Data Management Centre and discussed measures for time bound implementation of the institution building initiative.

A brief report on the activities undertaken by the FSDC Sub-Committee Chaired by Governor, RBI was placed before the FSDC. The Council also undertook a comprehensive review of the action taken by members on the decisions taken in earlier meetings of the Council.

The Council discussed on the Central KYC Registry (CKYCR) system, took note of the initiatives taken in this regard by the members and discussed the issues / suggestions in respect of operationalization of CKYCR.

The Council also deliberated on strengthening the regulation of the Credit Rating Agencies (CRAs).

MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION

Quick Estimates of Index of Industrial Production and Use-Based Index for the month of June, 2017 (Base 2011-12=100)

The General Index for the month of June 2017 stands at 119.6, which is 0.1 percent lower as compared to the level in the month of June 2016. The cumulative growth for the period April-June 2017 over the corresponding period of the previous year stands at 2.0 percent.

The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of June 2017 stand at 98.8, 120.6 and 147.4 respectively, with the corresponding growth rates of 0.4 percent, (-)0.4 percent and 2.1 percent as compared to June 2016. The cumulative growth in these three sectors during April-June 2017 over the corresponding period of 2016 has been 1.2 percent, 1.8 percent and 5.3 percent respectively.

In terms of industries, fifteen out of the twenty three industry groups (as per 2-digit NIC-2008) in the manufacturing sector h ave shown negative growth during the month of June 2017 as compared to the corresponding month of the previous year. The industry group 'Manufacture of electrical equipment' has shown the highest negative growth of (-) 20.1 percent followed by (-) 11.1 percent in 'Manufacture of fabricated metal products, except machinery and equipment' and (-) 10.5 percent in 'Printing and reproduction of recorded media'. On the other hand, the industry group 'Other manufacturing' has shown the highest positive growth of 28.1 percent followed by 19.2 percent in 'Manufacture of pharmaceuticals, medicinal chemical and botanical products' and 11.7 percent in 'Manufacture of furniture'.

As per Use-based classification, the growth rates in June 2017 over June 2016 are (-) 0.2 percent in Primary goods, (-) 6.8 percent in Capital goods, (-) 0.6 percent in Intermediate goods and 0.6 percent in Infrastructure/ Construction Goods. The Consumer durables and Consumer non-durables have recorded growth of (-) 2.1 percent and 4.9 percent respectively.

Some important items that have registered high negative growth include 'Water purification apparatus' [(-) 68.4%], 'Shelled cashew kernel, whether or not processed/ roasted/ salted' [(-) 63.6%], 'Electrical apparatus for switching or protecting electrical circuits (e.g switchgear, circuit breakers/switches, control/ meter panel)' [(-) 48.6%], 'Plastic jars, bottles and containers' [(-) 48.1%], 'Kerosene' [(-) 39.0%], 'Printing machinery' [(-) 35.6%], 'Tooth Paste' [(-) 33.0%], 'Air filters' [(-) 28.9%], 'Vaccine for veterinary medicine' [(-) 28.8%] and 'Cement Clinkers' [(-) 22.2%].

Some important items showing high positive growth during the current month over the same month in previous year include 'Digestive enzymes and antacids (incl. PPI drugs)' (67.8%), 'Construction machine/ equipment (incl. bull-dozers and road rollers)' (36.8%), 'Jewellery of gold (studded with stones or not)' (34.7%), 'Cut & Polished Diamonds' (31.1%), 'Axle' (29.5%),' Meters (electric and non-electric)' (28.9%), 'Pipes, tubes & casing of steel/iron' (24.9%) and 'Aluminium Billets/ingots' (22.6%).

MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION

Consumer Price Index numbers on base 2012=100 for Rural, Urban and Combined for the Month of July 2017

The Central Statistics Office (CSO), Ministry of Statistics and Programme Implementation has revised the Base Year of the Consumer Price Index (CPI) from 2010=100 to 2012=100 with effect from the release of indices for the month of January 2015.

In this press note, the CPI (Rural, Urban, Combined) on **Base 2012=100** is being released for the month of July 2017. In addition to this, Consumer Food Price Index (CFPI) for all India Rural, Urban and Combined are also being released for July 2017. All India Inflation rates (*on point to point basis i.e. current month over same month of last year, i.e., July 2017 over July 2016)*, based on General Indices and CFPIs are given as follows:

All India Inflation rates (%) based on CPI (General) and CFPI

Indices	July 2017 (Prov.)			June 2017 (Final)			July 2016 (Final)		
	Rural	Urban	Combd.	Rural	Urban	Combd.	Rural	Urban	Combd.
CPI (General)	2.41	2.17	2.36	1.52	1.41	1.46	6.66	5.39	6.07
CFPI	0.07	-0.99	-0.29	-1.62	-3.16	-2.12	8.18	8.80	8.35

Notes: Prov. – Provisional, Combd. - Combined

3. Monthly changes in the General Indices and CFPIs are given below:

Monthly changes (%) in All India CPI (General) and CFPI: Jul. 2017 over Jun. 2017

Indices	Rural			Urban			Combined		
	Index Value		% Change	Index Value		% Change	Index Value		% Change
	Jul.17	Jun.17		Jul.17	Jun.17		Jul.17	Jun.17	
CPI (General)	136.2	133.9	1.72	131.8	129.9	1.46	134.2	132.0	1.67
CFPI	137.7	133.7	2.99	139.6	134.7	3.64	138.4	134.1	3.21

Note: Figures of July 2017 are provisional.