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ASSOCHAM NEWS & VIEWS

W E E K L Y

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THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

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MINISTRY OF COMMERCE & INDUSTRY

Outcome of the WTO Ministerial Meeting of Developing Countries
Working collectively to strengthening the WTO to promote development and inclusivity

We, the Ministers and high-level officials from Arab Republic of Egypt, Barbados, Central African Republic, Federal Republic of Nigeria, Jamaica, Kingdom of Saudi Arabia, Malaysia, People's Republic of Bangladesh, People's Republic of China, Republic of Benin, Republic of Chad, Republic of India, Republic of Indonesia, Republic of Malawi, Republic of South Africa, Republic of Uganda and Sultanate of Oman met in New Delhi, on 13 and 14 May 2019, to discuss recent developments at the WTO and explore ways for working with all Members to strengthen the multilateral trading system.

We reaffirm the pre-eminence of the WTO as the global forum for trade rules setting and governance. We note with concern the multiple challenges confronting the rules-based multilateral trading system and agree to work together with all WTO Members to strengthen the WTO, make it more effective and continue to remain relevant to the diverse needs of its Members, in line with objectives of the WTO.

We re-affirm that the dispute settlement system of the WTO is a central element in providing security and predictability to the multilateral trading system. This has proved to be more effective and reliable as compared to its predecessor, GATT. We note with concern that Members have failed to arrive at a consensus in the selection process to fill vacancies in the Appellate Body. This ongoing impasse has weakened the dispute settlement system and threatens to completely paralyze it by December 2019. We, therefore, urge all WTO Members to engage constructively to address this challenge without any delay in filling the vacancies in the Appellate Body, while continuing discussions on other issues relating to the functioning of the dispute settlement mechanism.

An inclusive multilateral trading system based on equality and mutual respect should ensure that all WTO Members abide by WTO rules and abjure any form of protectionism. The core value and basic principles of the multilateral trading system must be preserved and strengthened, particularly with a view to building trust among Members. To this end, we urge WTO Members to adopt measures that are compatible with WTO rules to avoid putting the multilateral trading system at risk.

Multilateral avenues, based on consensus, remain the most effective means to achieve inclusive development-oriented outcomes. Members may need to explore different options to address the challenges of contemporary trade realities in a balanced manner. We note that in the post-MC 11 phase, many Members have evinced interest in pursuing outcomes in some areas through joint initiatives approach. The outcomes of these initiatives should be conducive to strengthening the multilateral trading system and be consistent with WTO rules.

We recall that international trade is not an end in itself but a means of contributing to certain objectives, including raising standards of living. Special and Differential Treatment is one of the main defining features of the multilateral trading system and is essential to integrating developing

Members into global trade. Special and Differential Treatment provisions are rights of developing Members that must be preserved and strengthened in both current and future WTO agreements, with priority attention to outstanding LDC issues.

We stress the importance of technical assistance and capacity building provided to developing Members, in particular LDCs, including through the Enhanced Integrated Framework, Aid for Trade and other tools. We urge Members to continue doing so.

The process of WTO reform must keep development at its core, promote inclusive growth, and fully take into account the interests and concerns of developing Members, including the specific challenges of graduating LDCs. The way forward must be decided through a process that is open, transparent and inclusive. We agree to work collectively with the aim to develop proposals to ensure that our common interests are reflected in the WTO reform process.

WTO rules seek to foster an open and non-discriminatory trade regime. In order to instill confidence among the Members, it is imperative that the Ministerial Conferences of the WTO are organized in a more open, transparent and inclusive manner. WTO notification obligations must consider the capacity constraints and implementation related challenges faced by many developing Members, particularly LDCs. In the WTO, a more cooperative and gradual approach is the best way in dealing with the issue of transparency, where many developing Members struggle to comply with their notification obligations.

Some WTO agreements, for example the Agreement on Agriculture, contain imbalances and inequities that prejudice the trade and development interests of developing Members. There is a need to provide adequate policy space to the developing Members to support their farmers through correcting the asymmetries and imbalances in this Agreement on priority. This should be undertaken on the basis of work done and progress already made in the past, and provide further flexibilities to the LDCs and Net Food Importing Developing Countries. It is really time that cotton receives concrete and appropriate responses it deserves.

We agree to consult on various issues of common interest to developing Members, including comprehensive and effective disciplines on fisheries subsidies with appropriate and effective Special & Differential Treatment provisions for developing Members.

We urge WTO Members to expedite the process of accession of new Members.

We reiterate our commitment to work towards strengthening WTO by promoting development and inclusivity for the benefit of all Members.

MINISTRY OF COMMERCE & INDUSTRY

Index Numbers of Wholesale Price in India (Base: 2011-12=100) Review for the month of April,2019

The official Wholesale Price Index for 'All Commodities' (Base: 2011-12=100) for the month of April,2019 rose by 0.8 percent to 120.9 (provisional) from 120 (provisional) for the previous month.

INFLATION

The annual rate of inflation, based on monthly WPI, stood at 3.07% (provisional) for the month of Apr,2019 (over Apr,2018) as compared to 3.18% (provisional) for the previous month and 3.62% during the corresponding month of the previous year. Build up inflation rate in the financial year so far was 0.75% compared to a build up rate of 0.86% in the corresponding period of the previous year.

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

PRIMARY ARTICLES (Weight 22.62%)

The index for this major group rose by 3.3 percent to 139.2 (provisional) from 134.7 (provisional) for the previous month. The groups and items which showed variations during the month are as follows:-

The index for 'Food Articles' group rose by 3.4 percent to 150.1 (provisional) from 145.1 (provisional) for the previous month due to higher price of tea (15%), fruits & vegetables (14%), peas/chawali (6%), maize (5%), poultry chicken (4%), arhar, bajra and pork (3% each), gram and condiments & spices (2% each) and masur, urad, mutton and rajma (1% each). However, the price of egg (6%), betel leaves (4%), barley and wheat (3% each) and beef and buffalo meat (1%) declined.

The index for ' Non-Food Articles' group rose by 2.6 percent to 126.7 (provisional) from 123.5 (provisional) for the previous month due to higher price of floriculture (11%), safflower (kardi seed) (9%), raw cotton (7%), niger seed and castor seed (6% each), gaur seed, soyabean and cotton seed (3% each), groundnut seed and skins (raw) (2% each) and raw silk, linseed, raw rubber and fodder (1% each). However, the price of copra (coconut), raw jute and mesta (3% each), gingelly seed (sesamum) and sunflower (2% each) and rape & mustard seed and coir fibre (1% each) declined.

The index for 'Minerals' group rose by 5.3 percent to 144 (provisional) from 136.7 (provisional) for the previous month due to higher price of sillimanite (27%), copper concentrate (16%) and chromite (3%). However, the price of iron ore and lead concentrate (5% each), garnet and manganese ore (3% each) and limestone (1%) declined.

The index for 'Crude Petroleum & Natural Gas' group rose by 2.4 percent to 89.7 (provisional) from 87.6 (provisional) for the previous month due to higher price of natural gas (6%) and crude petroleum (1%).

<u>FUEL & POWER</u> (Weight 13.15%)

The index for this major group declined by 0.5 percent to 102.8 (provisional) from 103.3 (provisional) for the previous month. The groups and items which showed variations during the month are as follows:-

The index for 'Mineral Oils' group rose by 0.4 percent to 95.4 (provisional) from 95 (provisional) for the previous month due to higher price of LPG (5%), naphtha (3%), petrol and kerosene (2% each) and ATF (1%). However, the price of petroleum coke (3%), furnace oil (2%) and HSD (1%) declined.

The index for 'Electricity' group declined by 3.1 percent to 107.3 (provisional) from 110.7 (provisional) for the previous month due to lower price of electricity (3%).

<u>MANUFACTURED PRODUCTS</u> (Weight 64.23%)

The index for this major group remained unchanged at its previous month level of 118.3. The groups and items which showed variations during the month are as follows:-

The index for 'Manufacture Of Food Products' group rose by 0.2 percent to 128.7 (provisional) from 128.5 (provisional) for the previous month due to higher price of processed tea (9%), honey and chicken/duck, dressed - fresh/frozen (5% each), castor oil, gram powder (besan), processing and preserving of fish, crustaceans and molluscs and products thereof, buffalo meat, fresh/frozen and rapeseed oil (2% each) and manufacture of cocoa, chocolate and sugar confectionery, manufacture of starches and starch products, manufacture of health supplements, powder milk, processing and preserving of fruit and vegetables, sugar, spices (including mixed spices) and bagasse (1% each). However, the price of molasses (29%), groundnut oil (9%), copra oil and maida (3% each), mustard oil, coffee powder with chicory, sooji (rawa), manufacture of macaroni, noodles, couscous and similar farinaceous products and wheat flour (atta) (2% each) and instant coffee, palm oil, manufacture of prepared animal feeds, soyabean oil, rice bran oil and wheat bran (1% each) declined.

The index for 'Manufacture Of Beverages' group rose by 0.7 percent to 122.7 (provisional) from 121.9 (provisional) for the previous month due to higher price of wine (2%) and rectified spirit, spirits and aerated drinks/soft drinks (incl. soft drink concentrates) (1% each).

The index for 'Manufacture Of Tobacco Products' group rose by 0.6 percent to 154.6 (provisional) from 153.7 (provisional) for the previous month due to higher price of other tobacco products (3%). However, the price of cigarette and biri (1% each) declined.

The index for 'Manufacture Of Textiles' group rose by 0.6 percent to 119.4 (provisional) from 118.7 (provisional) for the previous month due to higher price of manufacture of cordage, rope, twine and netting (2%) and cotton yarn and weaving & finishing of textiles (1% each). However, the price of woollen yarn (1%) declined.

The index for 'Manufacture Of Wearing Apparel' group rose by 0.4 percent to 138.5 (provisional) from 138 (provisional) for the previous month due to higher price of manufacture of knitted and crocheted apparel (2%).

The index for 'Manufacture Of Leather And Related Products' group rose by 0.5 percent to 120.8 (provisional) from 120.2 (provisional) for the previous month due to higher price of chrome tanned leather (4%), gloves of leather (2%) and vegetable tanned leather (1%). However, the price of travel goods, handbags, office bags, etc. and harness, saddles & other related items (2% each) and athletic/sport shoes, belt & other articles of leather and leather shoe (1% each) declined.

The index for 'Manufacture Of Wood And Of Products Of Wood And Cork ' group declined by 1.5 percent to 133.6 (provisional) from 135.7 (provisional) for the previous month due to lower price of particle boards (4%), wooden box/crate (3%), lamination wooden sheets/veneer sheets (2%) and wood cutting, processed/sized and plywood block boards (1% each). However, the price of timber/wooden plank, sawn/resawn (3%), wooden board (non-electrical) (2%) and wooden block - compressed or not (1%) moved up.

The index for 'Manufacture Of Paper And Paper Products' group declined by 0.5 percent to 123.7 (provisional) from 124.3 (provisional) for the previous month due to lower price of paper bag including craft paper bag (6%), newsprint and corrugated sheet box (2% each) and paper for printing & writing and kraft paper (1% each). However, the price of laminated plastic sheet (2%) and corrugated paper board and paper carton/box (1% each) moved up.

The index for 'Printing And Reproduction Of Recorded Media ' group rose by 1.2 percent to 147.5 (provisional) from 145.8 (provisional) for the previous month due to higher price of journal/periodical and printed books (2% each). However, the price of printed labels/posters/calendars (3%) declined.

The index for 'Manufacture Of Pharmaceuticals, Medicinal Chemical And Botanical Products' group declined by 1 percent to 124.4 (provisional) from 125.7 (provisional) for the previous month due to lower price of vials/ampoule, glass, empty or filled (4%), anti-malarial drugs (3%), API & formulations of vitamins, cotton wool (medicinal), antidiabetic drug excluding insulin (i.e. tolbutam), digestive enzymes and antacids and antioxidants (2% each) and anti cancer drugs and antibiotics & preparations thereof (1% each). However, the price of anti-retroviral drugs for HIV treatment (2%) and antiseptics and disinfectants, medical accessories and vaccine for hepatitis b (1% each) moved up.

The index for 'Manufacture Of Rubber And Plastics Products' group rose by 0.4 percent to 110.3 (provisional) from 109.9 (provisional) for the previous month due to higher price of medium & heavy commercial vehicle tyre (4%), plastic button (3%), plastic box/container and elastic webbing (2% each) and plastic bag, rubber crumb, plastic film, tooth brush, motor car tyre (1% each). However, the price of plastic furniture (4%), rubberized dipped fabric (2%) and plastic tube (flexible/non-flexible), polythene film, acrylic/plastic sheet, plastic bottle, rubber moulded goods and thermocol (1% each) declined.

The index for 'Manufacture Of Other Non-Metallic Mineral Products' group rose by 0.2 percent to 116.8 (provisional) from 116.6 (provisional) for the previous month due to higher price of clinker (4%), ordinary portland cement (2%) and slag cement, fibre glass incl. sheet, lime and calcium carbonate, plain bricks, pozzolana cement, toughened glass, porcelain crockery, railway sleeper, asbestos corrugated sheet, ordinary sheet glass and porcelain sanitary ware (1% each). However, the price of graphite rod (10%), ceramic tiles (vitrified tiles) (3%), marble slab, cement superfine and non ceramic tiles (2% each) and poles & posts of concrete and white cement (1% each) declined.

The index for 'Manufacture Of Basic Metals' group declined by 0.4 percent to 110.6 (provisional) from 111 (provisional) for the previous month due to lower price of sponge iron/direct reduced iron (DRI) (3%), ferrosilicon, ferrochrome, MS pencil ingots and stainless steel coils, strips & sheets (2% each) and aluminium alloys, other ferro alloys, hot rolled (HR) coils & sheets, including narrow strip, cold rolled (CR) coils & sheets, including narrow strip, stainless steel tubes, alloy steel wire rods, aluminium powder, copper shapes - bars/rods/plates/strips, ms bright bars, aluminium ingot, stainless steel bars & rods, including flats, copper metal/copper rings, alloy steel castings and GP/GC sheet (1% each). However, the price of aluminium disk and circles (4%), steel cables (2%) and rails, aluminium shapes - bars/rods/flats, MS castings, steel forgings - rough, angles, channels, sections, steel (coated/not), pig iron, brass metal/sheet/coils (1% each) moved up.

The index for 'Manufacture Of Fabricated Metal Products, Except Machinery And Equipment' group rose by 0.9 percent to 117.2 (provisional) from 116.2 (provisional) for the previous month due to higher price of cylinders, electrical stamping- laminated or otherwise (3% each) and hand tools, sanitary fittings of iron & steel, hose pipes in set or otherwise, copper bolts, screws, nuts and steel structures (1% each). However, the price of metal cutting tools & accessories (3%) and forged steel rings, bolts, screws, nuts & nails of iron & steel, steel drums and barrels and pressure cooker (1% each) declined.

The index for 'Manufacture Of Computer, Electronic And Optical Products' group declined by 0.3 percent to 111 (provisional) from 111.3 (provisional) for the previous month due to lower price of electro-diagnostic apparatus, used in medical, surgical, dental or veterinary sciences (5%) and colour tv (1%). However, the price of microscope (3%) and capacitors (1%) moved up.

The index for 'Manufacture Of Electrical Equipment' group declined by 0.1 percent to 112 (provisional) from 112.1 (provisional) for the previous month due to lower price of fibre optic cables (6%), jelly filled cables, electric switch gear control/starter, electric welding machine and ACSR conductors (2% each) and connector/plug/socket/holder-electric, incandescent lamps, insulator, domestic gas stove, flourescent tube, PVC insulated cable and rubber insulated cables (1% each). However, the price of air coolers (3%), generator parts (2%) and electrical resistors (except heating resistors), aluminium wire, generators & alternators, batteries, electric wires & cables, transformer and washing machines/laundry machines (1% each) moved up.

The index for 'Manufacture Of Machinery And Equipment' group declined by 0.2 percent to 112.1 (provisional) from 112.3 (provisional) for the previous month due to lower price of injection pump (7%), rice mill machinery and pressure vessel and tank for fermentation & other food processing (6% each), drilling machine (3%), water purifier, pump sets without motor, separator, open end spinning machinery and air filters (2% each) and harvesters, hydraulic pump, windmill turbines (2500kw) and hydraulic equipment (1% each). However, the price of packing machine (5%), air gas compressor including compressor for refrigerator and pneumatic tools (3% each), moulding machine, conveyors - non-roller type, manufacture of bearings, gears, gearing and driving elements, roller and ball bearings, motor starter, oil pump, sewing machines and cranes (2% each) and pharmaceutical machinery, excavator, roller mill (raymond), clutches and shaft couplings, threshers, soil preparation & cultivation machinery (other than tractors) and grinding or polishing machine (1% each) moved up.

The index for 'Manufacture Of Motor Vehicles, Trailers And Semi-Trailers' group declined by 0.4 percent to 113 (provisional) from 113.5 (provisional) for the previous month due to lower price of seat for motor vehicles (11%), crankshaft (4%), passenger vehicles (2%) and brake pad/brake liner/brake block/brake rubber, others, chassis of different vehicle types and head lamp (1% each). However, the price of steering gear control system (4%), minibus/bus and chain (2% each) and cylinder liners, release valve, axles of motor vehicles and wheels/wheels & parts (1% each) moved up.

The index for 'Manufacture Of Other Transport Equipment' group rose by 0.2 percent to 113.4 (provisional) from 113.2 (provisional) for the previous month due to higher price of Scooters. However, the price of railway brake gear (2%) declined.

The index for 'Manufacture Of Furniture' group declined by 0.1 percent to 129.3 (provisional) from 129.4 (provisional) for the previous month due to lower price of hospital furniture (2%) and plastic fixtures and foam and rubber mattress (1% each). However, the price of steel shutter gate (1%) moved up.

The index for 'Other Manufacturing' group declined by 2.1 percent to 106.4 (provisional) from 108.7 (provisional) for the previous month due to lower price of stringed musical instruments (incl. santoor, guitars, etc.) and silver (4% each), gold & gold ornaments (2%) and football (1%). However, the price of plastic moulded-others toys, table tennis table and non mechanical toys (3% each), carrom board and cricket ball (2% each) and playing cards (1%) moved up.

WPI FOOD INDEX (Weight 24.38%)

The rate of inflation based on WPI Food Index consisting of ‘Food Articles’ from Primary Articles group and ‘Food Product’ from Manufactured Products group increased from 3.89% in March, 2019 to 4.95% in April, 2019.

FINAL INDEX FOR THE MONTH OF FEBRUARY, 2019 (BASE YEAR:2011-12=100)

For the month of February, 2019, the final Wholesale Price Index for 'All Commodities'(Base: 2011-12=100) and annual rate of inflation remained unchanged at its provisional level of 119.5 and 2.93 percent respectively as reported on 14.03.2019.

MINISTRY OF FINANCE

GDP Estimation – A clarification

The Technical Report of Services Sector Enterprises in India, which was finalized under the 74th Round of National Sample Survey, was released recently by the National Sample Survey Office (NSSO). The survey utilized a sample of 35456 enterprises taken from the database of Ministry of Corporate Affairs (MCA) for the comprised out-of-survey units. The Report has stated that 38.7 percent of the sample of 35456 enterprises comprised out-of-survey units. Some sections of the media have misinterpreted these out-of-survey enterprises (as classified for the purposes of surveying the services sector) to be enterprises that do not exist in the economy. On the basis of this interpretation, the suggestion has emerged that by not removing out-of-survey enterprises from the MCA database, Central Statistics Office (CSO) over-estimates the Gross Domestic Product of the country. This Press Release is intended to clarify the aforesaid misconceptions.

Of the 38.7 percent out-of-survey enterprises in the NSSO report, out-of-coverage enterprises comprise 21.4 percent. The out-of-coverage enterprises are simply those enterprises that are not engaged in activities intended for inclusion in the service sector survey. However, these enterprises are engaged in some economic activity, possibly in the manufacturing sector for instance. As a result, they cannot be classified as out-of-coverage enterprises for the purposes of estimating the GDP of the country. In other words, the GDP estimates based on the aforesaid out-of-coverage enterprises are very much a part of overall GDP of the country.

Of the remaining 17.3 percent out-of-survey enterprises, establishments that are not considered in the MCA database for GDP estimation comprise 0.9 percent. The balance 16.4 percent are either closed or non-traceable enterprises. However, with continuous evolution of the MCA database, the proportion of closed and non-traceable enterprises has been falling. Thus the extent of overestimation of GDP in all likelihood is marginal.

Crucially, we must note that the share of total paid up capital of the private corporate sector that is accounted by non-responsive enterprises affects GDP estimates using the MCA database; not the number of non-responsive enterprises in the private corporate sector. The following table shows from 2012-13 to 2016-17 the number of active firms and the firms whose information was directly used for GVA estimation.

Table 1: Blow up factor based on Paid-up capital of included and excluded firms

Year	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**
Number of firms that filed for the year (lakhs)	5.6	6.1	6.0	6.3	7.1
Active Companies(lakhs)	8.8	9.5	10.1	10.8	11.6
Multiplier (Based on Paid Up Capital)	1.15	1.14	1.17	1.13	1.17
Share of Paid Up Capital of Reporting Companies	87%	88%	85%	88%	85%
Share of Paid Up Capital of Non-reporting Companies	13%	12%	15%	12%	15%

From 2012-13 to 2016-17, the number of enterprises whose annual returns were not available for GDP estimation accounted for only 12-15 percent of paid-up capital of all the enterprises in the MCA database. As such the GVA estimated for the responsive enterprises was increased by a blow-up factor of only 1.13-1.17 to estimate the GVA of the entire private corporate sector. Most of the non-responsive enterprises did not provide data because they exercised their discretion of filing returns in subsequent years while continuing to engage in activities reflected in their previously filed return. Accordingly, their inclusion in the overall GVA estimation was legitimate.

Finally, even when there is a small over- or under-estimation, the blowing up affects the level of GDP and not the year-to-year annual growth rates materially. As seen in Table 1 above, the proportion of firms in the MCA data base that have ceased their operations varies minimally from year to year from 2012-13 to 2016-17. This feature ensures that although GVA levels could be slightly more or less than what they actually are, the growth rate of GVA from year to year will not be affected.

The MCA data base on the private corporate sector is a valuable addition to the data sources available for estimation of GDP and its use provides a more correct measure of economic activity in the country.

MINISTRY OF FINANCE

Change in Tariff Value of Crude Palm Oil, RBD Palm Oil, Others – Palm Oil, Crude Palmolein, RBD Palmolein, Others – Palmolein, Crude Soyabean Oil, Brass Scrap (All Grades), Poppy Seeds, Areca Nuts, Gold and Silver Notified

In exercise of the powers conferred by sub-section (2) of Section 14 of the Customs Act, 1962 (52 of 1962), the Central Board of Indirect Taxes & Customs (CBIC), being satisfied that it is necessary and expedient so to do, hereby makes the following amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 36/2001-Customs (N.T.), dated the 3rd August, 2001, published in the Gazette of India, Extraordinary, Part-II, Section-3, Sub-section (ii), vide number S. O. 748 (E), dated the 3rd August, 2001, namely:

In the said notification, for TABLE-1, TABLE-2 and TABLE-3, the following Tables shall be substituted, namely: -

TABLE-1

Sl. No.	**Chapter/ heading/ sub-heading/tariff item**	**Description of goods**	**Tariff value (US $Per Metric Tonne)**
(1)	**(2)**	**(3)**	**(4)**
1	1511 10 00	Crude Palm Oil	522
2	1511 90 10	RBD Palm Oil	551
3	1511 90 90	Others – Palm Oil	537
4	1511 10 00	Crude Palmolein	553
5	1511 90 20	RBD Palmolein	556
6	1511 90 90	Others – Palmolein	555
7	1507 10 00	Crude Soya bean Oil	689
8	7404 00 22	Brass Scrap (all grades)	3687
9	1207 91 00	Poppy seeds	3350

TABLE-2

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $)
(1)	(2)	(3)	(4)
1	71 or 98	Gold, in any form, in respect of which the benefit of entries at serial number 356 and 358 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	418 per 10 grams
2	71 or 98	Silver, in any form, in respect of which the benefit of entries at serial number 357 and 359 of the Notification No. 50/2017-Customs dated 30.06.2017 is availed	476 per kilogram

TABLE-3

Sl. No.	Chapter/ heading/ sub-heading/tariff item	Description of goods	Tariff value (US $ Per Metric Tonne)
(1)	(2)	(3)	(4)
1	080280	Areca nuts	3932

RESERVE BAN K OF INDIA

Priority Sector Lending – Targets and Classification

Please refer to Para 10 of the Statement on Developmental and Regulatory Policies of the First Bi-Monthly Monetary Policy Statement 2019-20 dated April 4, 2019and Para 9 of Master Direction – Regional Rural Banks (RRBs) - Priority Sector Lending – Targets and Classification dated July 7, 2016/Para 5 of the Compendium for Small Finance Banks (SFBs) – Priority Sector Lending – Targets & Classification dated July 6, 2017, prescribing eligibility criteria of housing loans for classification under priority sector.

In terms of the above Master Direction for RRBs, loans to individuals up to ₹ 20 lakh for purchase/construction of a dwelling unit per family provided the overall cost of the dwelling unit does not exceed ₹ 25 lakh are eligible to be classified under priority sector. In terms of the Compendium for SFBs, loans to individuals up to ₹ 28 lakh in metropolitan centres (with population of ten lakh and above) and ₹ 20 lakh in other centres, are eligible to be classified under priority sector, provided that the cost of dwelling unit does not exceed ₹ 35 lakh and ₹ 25 lakh, respectively.

In order to bring the RRBs and SFBs at a level playing field with other Scheduled Commercial Banks, it has now been decided to enhance the housing loan limits for eligibility under priority sector lending. Accordingly, in respect of RRBs and SFBs, housing loans to individuals up to ₹ 35 lakh in metropolitan centres (with population of ten lakh and above) and ₹ 25 lakh in other centres, provided the overall cost of the dwelling unit in the metropolitan centres and at other centres does not exceed ₹ 45 lakh and ₹ 30 lakh, respectively will be eligible for classification under Priority Sector Lending.

Furthermore, the existing family income limit of ₹ 2 lakh per annum, prescribed under Para 9.4 of the above Master Direction for RRBs/Para 5.4 of the Compendium for SFBs, eligible for loans to housing projects exclusively for the purpose of construction of houses for Economically Weaker Sections (EWS) and Low Income Groups (LIG), is revised to ₹ 3 lakh per annum for EWS and ₹ 6 lakh per annum for LIG, in alignment with the income criteria specified under the Pradhan Mantri Awas Yojana.

Accordingly, the RRBs/SFBs are allowed to reckon their outstanding portfolio of housing loans meeting the revised criteria for classification under priority sector lending from the date of this circular.

All other terms and conditions specified under the Master Direction/Compendium shall remain unchanged.

Yours faithfully,

(Gautam Prasad Borah)
Chief General Manager-in-Charge

RESERVE BANK OF INDIA

RBI Working Paper No. 02/2019: Cross-border Trade Credit: A Post-Crisis Empirical Analysis for India

The Reserve Bank of India placed on its website a Working Paper titled "Cross-border Trade Credit: A Post-Crisis Empirical Analysis for India" under the Reserve Bank of India Working Paper Series*. The Paper is authored by Rajeev Jain, Dhirendra Gajbhiye and Soumasree Tewari.

The paper profiles trade credit extended by domestic and foreign banks to Indian importers by focusing on its size, composition and cost pattern. Using a panel data of 55 banks for 2007-08:Q1 to 2016-17:Q4, the paper finds that both demand and supply-side factors influence the flow of trade credit. The paper suggests that higher imports – whether due to high prices or volumes – lead to an increase in trade credit. From the supply-side perspective, financial health of banks, cost of trade credit and size of their overseas network seem to influence their trade credit operations. The empirical findings of the paper suggest that the banks need to expand their global banking relationship and shift towards the use of globally accepted trade finance instruments instead of indigenous instruments (*i.e*., LoUs /LoCs) which, however, may push up the cost.

** The Reserve Bank of India introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the Reserve Bank and are disseminated to elicit comments and further debate. The views expressed in these papers are those of authors and not of the Reserve Bank of India. Comments and observations may kindly be forwarded to authors. Citation and use of such papers should take into account its provisional character.*

Shailaja Singh
Deputy General Manager

MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION

Quick Estimates of Index of Industrial Production and Use-Based Index for the Month of March, 2019 (BASE 2011-12=100)

The Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 for the month of March 2019stands at 140.2, which is 0.1 percent lower as compared to the level in the month of March 2018. The cumulative growth for the period April-March 2018-19 over the corresponding period of the previous year stands at 3.6 percent.

The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of March 2019 stand at 132.6, 139.6 and 160.1 respectively, with the corresponding growth rates of 0.8 percent, (-) 0.4 percent and 2.2 percent as compared to March 2018. The cumulative growth in these three sectors during April-March 2018-19 over the corresponding period of 2017-18 has been 2.9 percent, 3.5 percent and 5.2 percent respectively.

In terms of industries, twelve out of the twenty three industry groups (as per 2-digit NIC-2008) in the manufacturing sector have shown negative growth during the month of March 2019 as compared to the corresponding month of the previous year. The industry group 'Manufacture of furniture' 'has shown the highest negative growth of (-) 24.6 percent followed by (-) 18.5 percent in 'Manufacture of other transport equipment' and (-) 15.3 in 'Manufacture of fabricated metal products, except machinery and equipment'. On the other hand, the industry group 'Manufacture of tobacco products' has shown the highest positive growth of 13.5 percent followed by 10.6 percent in 'Manufacture of computer, electronic and optical products' and 9.3 percent in 'Manufacture of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials'.

As per Use-based classification, the growth rates in March 2019 over March 2018 are 2.5 percent in Primary goods, (-) 8.7 percent in Capital goods, (-) 2.5 percent in Intermediate goods and 6.4 percent in Infrastructure/ Construction Goods. The Consumer durables and Consumer non-durables have recorded growth of (-) 5.1 percent and 0.3 percent respectively.

Along with the Quick Estimates of IIP for the month of March 2019, the indices for February 2019 have undergone the first revision and those for December 2018 have undergone the final revision in the light of the updated data received from the source agencies.