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STATE GOVERNMENT

Karnataka to set Up Five Tech Innovation Hubs

Karnataka's first 'K-Tech Innovation Hub' (K-TI Hub) was inaugurated in Belagavi by K J George, Karnataka Minister for IT/BT & ST, Large and Medium Scale Industries.

The K-Tech Innovation Hub brings the innovation ecosystem to Belagavi, backed by providing space and infrastructure, instrumentation, prototyping facilities, business set-up support, and a world-class innovation network and connections under one roof.

Unlike an IT Park, the K-Tech Innovation hub leverages the globally connected ecosystem, and brings infrastructure similar to the MIT Fab Lab to Belagavi. The K-Tech Innovation Hub is a 'Product Startup Incubator-cum-Common Instrumentation Facility' located in an 8,000 sq. ft. building.

Speaking on the occasion, George said the government intends to establish five such K-TI Hubs across the state. The other four K-TI Hubs will be established shortly at Jalahalli in Bengaluru, Mangaluru, Shivamogga and Mysuru.

"The government has decided to establish these facilities in tier-II cities in order to leverage the existing manufacturing clusters and the local human resources available in the academic and industrial bodies. The intent is to engage with all the key stakeholders in the local ecosystem for the sustainability of these facilities. The five K-TI Hubs will encourage innovation, stimulate entrepreneurship, create technology-based start-ups, catalyse success, provide employment and opportunities for re-skilling and fuel economic growth," George added.

Source Deccan Herald: July 17 2017

BCIC INFORMATION DIGEST



	Mechanical Data (Width x Height)	Advertisement Tariff (Monthly)	
Full Page	18 cm x 26 cm	Back cover (Colour)	Rs. 7,500/-
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Bengaluru to get 6 interconnected elevated corridors worth Rs. 15,825 cr.

The city of Bengaluru will for the first-time have six interconnected elevated corridors which will be built at a cost of Rs 15,825 crore.

Announcing the project, Karnataka Chief Minister HD Kumaraswamy said this will be taken up through the hybrid annuity and for the first time, Rs. 1,000 crore has been earmarked for the current year. "Bengaluru is India's fifth largest city. In spite of so many achievements, Bengaluru transport system has not grown on par with its development. In this background it is proposed to construct six interconnected elevated corridors in next four years," he explained.

Bengaluru Metro

The project is to be taken up under hybrid annuity basis and this scheme will be taken up through KRDCL. He also said the study for the developing the stage 3 of the Bengaluru Metro comprising 95 kms will also be taken up shortly.

Under stage 3 of 'Namma Metro' Rail scheme of Bengaluru namely, 42.75 km from JP Nagar to KR Puram, 12.5 km from Tollgate to Kadabagere, 3.07 km from Gottigere to Basavapura, 18.95 km from R K Hegdenagar to Aerospace park, 10.6 km from Kogilu cross to Rajanukunte and 6.67 km from Ibbalur to Karmalram, totaling to 95 km length routes is being undertaken.

Rs. 50 crore has been provided to all round rejuvenation of Bellandur lake and action will be taken to provide water of Bellandur lake in coming days for agricultural activities of Bengaluru rural areas through drip irrigation in partnership with Antharaganga Micro Irrigation Corporation Limited. In Nadaprabhu Kempegowda Layout, 5000 sites have been distributed and further distribution of 5000 sites is under progress. 2157 sites have been distributed to the land owners and 3000 sites will be distributed in second stage.

Government is intending to construct a peripheral ring road (PRR) in the outskirts of Bengaluru. The estimated cost to construct the 65 km long peripheral ring road, including land acquisition, will be Rs. 11,950 crore. Government has approved to take up this work through a Special Purpose Vehicle (SPV) and presently the SPV is in operation. The process of revenue resource mobilization for this PRR is in progress and work will be taken up.

Source: Businessline July 30, 2018

Karnataka Government to Introduce skill Development Course for BA students

BENGALURU: Considering the un-employability among graduates, the state Department of Higher Education has decided to introduce Skill Development as a course along with the existing Bachelor of Arts course. This will be implemented from the next academic year in all government and aided degree colleges. After a meeting with department officials, Higher Education Minister G T Devegowda said, "As per the data available with our department, lakhs of graduates are unemployed.

BA graduates are the most hit. Considering this seriously, we have decided to incorporate Skill Development course with the existing general degree course." He also said the government will give priority to improve the quality of education at higher education institutions and universities.

Source: Indian Express July 28, 2018

Electronics Design Cluster for Startups to be Opened Shortly in Hubballi

Sandbox Startups Electronics Systems Design and Manufacturing (ESDM) Cluster, a facility set up at the Sandbox Startups in Hubballi to encourage electronics startups in the North Karnataka region, is to be inaugurated by K J George, Karnataka Minister for IT & BT, Science & Technology and Large & Medium Scale Industries, on July 17.

The 6,000 sq. ft. Sandbox ESDM Cluster will reduce iterations of the product development lifecycle by enabling startups to rapidly go from idea to prototyping, leveraging facilities for product testing and certification.

According to Dr 'Desh' Deshpande, Founding Trustee of the Deshpande Foundation, "the new facility will particularly benefit technology entrepreneurs in North Karnataka in the space of electronics system design and manufacturing (ESDM) and put them on a par with their counterparts in a big city like Bengaluru, where such a facility exists."

"About half a dozen startups being incubated in Sandbox Startups in Hubballi will be the immediate beneficiaries of ESDM cluster," he added.

The Karnataka government has been supporting the Sandbox Startups ecosystem in north Karnataka. "We thank the government for its support in setting up the ESDM cluster outside Bengaluru, which would help nurture young electronic entrepreneurs in North Karnataka," said Dr Deshpande.

Gaurav Gupta, Karnataka Principal Secretary, IT & BT department; Dr 'Desh' Deshpande; Vivek Pawar, Chief Executive Officer of Deshpande Foundation; and C M Patil, Chief Executive Officer, Sandbox Startup are to attend the inaugural. The cluster would support startups in various verticals including automotive, consumer durables, instrumentation, medical and telecommunications, among others.

Source: Businessline July 10, 2018

Airport Economic Regulatory Authority Decides to Reduce UDF, Will be Effected Only from September

Express News Service

BENGALURU: It is now official that your air fare could get lighter. The Airport Economic Regulatory Authority of India (AERA) has decided to stick by its proposal to slash the User Development Fee (UDF) to be collected from departing passengers at the Kempe Gowda International Airport.

The new charges will come into effect only from September 1 instead of August 1 as planned. Speaking to The New Indian Express from New Delhi, AERA Chairman S Machendranathan said, "We have decided on a substantial reduction in the present UDF that is being collected from passengers. The exact charges will be made public by us within a week. Due to some delays, we now plan to bring the new fee into effect only from September 1."

A final decision was awaited from AERA following a public consultation organised by it on June 15 in the City in connection with its proposed reduction. "We have gone through the responses received during the public consultation and are now finalising the aeronautical tariff to be collected," he said. While BIAL and the State government had opposed any kind of reduction, most other respondents had backed AERA's proposal.

Explaining the reasons for the massive tariff reduction it will be announcing, the Chairman said that the revised UDF had to be announced over two years ago so that it could be effected during the five-year control period (2) from April 2016 to March 2021. However, it had not been done earlier. "BIAL has already collected the existing tariff at the airport since 2016 though the Control Period One (from April 1, 2011 to March 31, 2016) ended. We are taking this aspect into consideration into account when fixing the new tariff and so have decided on a major cut in UDF.

"AERA had on May 29 proposed a fee slash (upto March 21, 2019) of Rs 316.76 for international passengers from the Rs 1226 being paid presently (see box) For departing domestic passengers, it had suggested Rs 79.19, down from Rs 306 paid now. This excludes tax. It had suggested a slight increase from this amount for next two financial years. The initial deadline to implement the new UDF was planned for July 1, it was postponed to August 1 and has now been finalised as September 1.

Explaining the rationale behind such a fee on passengers, Machendranath said that when an airport is not able to meet its operating expenses despite collecting aircraft landing charges, baggage handling charges and other fees, it is permitted to collect additional charges from passengers to mop up its revenue. The Chairman added that the UDF could go higher in the third control period (April 1, 2021 to March 31, 2026) as BIAL would have invested in upgrading its infrastructure by then.

Source: Indian Express July 30, 2018

Special Purpose Vehicle for Suburban Rail to initially Take Up a Few Projects

BENGALURU: The Special Purpose Vehicle (SPV) to be set up for the suburban rail network for the city within a month will take up a few projects costing ` 1,745 crore on a priority basis, said Commissioner of the Directorate of Urban Land Transport (DULT) Darpan Jain. DULT is the implementing agency of the suburban rail on behalf of the state government.

Speaking to The New Indian Express, Jain said that two doubling projects, automatic signalling and electrification works will be taken up. "When these are completed, 116 new suburban services can be introduced along these routes. At present, 122 suburban services, including 28 services launched within the last 1.5 years, are operational," he said.

Doubling and electrification will be carried out between these two routes: Baiyappanahalli to Hosur for a length of 48 kms and Yesvanthpur-Lottegahalli-Hebba-Banaswadi-Baiyappanahalli-Channasandra for a distance of 21.7 kms, Jain said. "In addition, automatic signalling between Baiyappanahalli to SA section and Bengaluru City-Yesvantpur- Tumukuru, Bengaluru City- Mandya and Yesvantpur-Yelahanka will also be taken up," he added. These would be taken up as Phase-I of the suburban railway project.

Source: Indian Express July 27, 2018

Issue of Certificate of Origin

As you are all aware, Bangalore Chamber of Industry and Commerce (BCIC) has been authorized by the Directorate General of Foreign Trade (DGFT) to issue the Certificate of Origin to exporters for the products manufactured in India. This Certificate is an integral part of the export document.

We hereby request you to kindly utilize this unique service offered by the Chamber. The Secretariat has been strengthened effectively to provide you the Certificate within the shortest time keeping in mind your utmost requirement and convenience.

We therefore earnestly request you to avail this facility and also give us an opportunity to serve you and interact on a regular basis.

For Members we charge Rs.60/- per certificate

For Non Members we charge Rs.120/- per certificate



AGRICULTURE

**Press Information Bureau
Government of India
Ministry of Agriculture & Farmers Welfare**

20-July-2018

Development of Agriculture Sector intimation for Composition Levy

The Government is aiming to reorient the agriculture sector by focusing on an income-centeredness in addition to pure production centeredness approach. The Department has, therefore, been implementing various schemes to meet this objective viz. Soil Health Card (SHC) scheme, Neem Coated Urea, Paramparagat Krishi Vikas Yojana (PKVY), Pradhan Mantri Krishi Sinchai Yojana (PMKSY), National Agriculture Market Scheme (e-NAM), Pradhan Mantri Fasal Bima Yojana (PMFBY), Interest Subvention Scheme etc.

There has been a big jump in the much needed budgetary allocations for the agriculture sector. For the period 2009-2014, the budget for agriculture was Rs.1,21,082 crore. During 2014-2019, the allocation has been enhanced by 74.5 per cent to Rs.2,11,694 crore. Non-budgetary resources have been mobilized to supplement budgetary resources.

Giving a major boost for the farmers' income, the Cabinet Committee on Economic Affairs has approved the increase in the Minimum Support Prices (MSPs) for all kharif crops for 2018-19 Season. The decision of the CCEA is a historic one as it redeems the promise of the pre-determined principle of fixing the MSPs at a level of at least 150 percent of the cost of production announced by the Union Budget for 2018-19. The Commission for Agricultural Costs and Prices (CACP) has recommended MSPs for all kharif crops broadly in line with the announced principle.

Mission for Integrated Development of Horticulture (MIDH), a Centrally Sponsored Scheme is implemented to holistic growth of the horticulture sector covering fruits, vegetables, root and tuber crops, mushrooms, spices, flowers, aromatic plants, coconut, cashew and cocoa. Mission subsumes National Horticulture Mission (NHM), Horticulture Mission for North East & Himalayan States (HMNEH), National Horticulture Board (NHB), Coconut Development Board (CDB) and Central Institute for Horticulture (CIH), Nagaland. All States/UTs are covered under MIDH.

Various interventions being taken under MIDH for the development of horticulture sector and to increase their income are given below:

1. Increasing productivity through introduction of improved varieties, quality seeds and planting materials, protected cultivation, high density plantation, rejuvenation, precision farming and horticultural mechanization.
2. Diversification to High Value Horticulture for orchards and Plantation crops, Vineyards, vegetable & flower gardens, Bee keeping, Mushroom cultivation, off season vegetables.
3. Promoting Post Harvest Management through Cold Storage (CS), cold chain supply including pack houses, ripening chamber, reefer vehicle, etc.
4. Promoting Primary and minimal processing.
5. Market Linkages: Market infrastructure such as mobile vending cart, retail outlet, primary and wholesale markets. Creating direct market/farmers market.
6. Aggregating farmers into Farmer Producers Organisation (FPO)/Farmer Interest Group (FIG) and promoting their tie up with Market Aggregators (MAs) and Financial Institutions (FIs).
7. Skill Development: Human Resources Development such as awareness programme, farmers training, exposure visit, etc. Providing training on latest technologies on production and post-harvest management to women and youth. Converting Human Resource Development (HRD) interventions to Skill Development in Horticulture as per Agriculture Skill Council of India (ASCI) curriculum.
8. Food & Nutritional Security: Increasing Area and Production of horticulture crops with high nutritional value.
9. Promotion of Integrated Nutrient Management (INM)/Integrated Pest Management (IPM), organic farming, Good Agricultural Practices (GAP).

ECONOMIC AND CORPORATE AFFAIRS

**Press Information Bureau
Government of India
Ministry of Corporate Affairs**

04-July-2018**IBBI amends the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016**

The Insolvency and Bankruptcy Board of India (IBBI) has notified the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2018 today.

2. The following are salient amendments to the regulations:

- a. The regulations provide that wherever the corporate debtor has classes of creditors having at least ten creditors in the class, the interim resolution professional shall offer a choice of three insolvency professionals in the public announcement to act as the authorised representative of creditors in each class. A creditor in a class may indicate its choice of an insolvency professional, from amongst the three choices provided by the interim resolution professional, to act as its authorised representative. The insolvency professional, who is the choice of the highest number of creditors in the class, shall be appointed as the authorised representative of the creditors of the respective class.
- b. An application for withdrawal of an application admitted under section 7, 9 or 10 of the Code (for closure of corporate insolvency resolution process) may be submitted to the interim resolution professional or the resolution professional, as the case may be, before issue of invitation for expression of interest, along with a bank guarantee towards estimated cost incurred for certain purposes under the process. The committee of creditors (CoC) shall consider the application within seven days of its constitution or seven days of receipt of the application, whichever is later. If the application is approved by the CoC with 90% voting share, the resolution professional shall submit the application to the Adjudicating Authority on behalf of the applicant, within three days of such approval.
- c. Where rate of interest has not been agreed to between the parties in case of creditors in a class, the voting share of such a creditor shall be in proportion to the financial debt that includes an interest at the rate of eight per cent per annum.
- d. Where the appointment of resolution professional is delayed, the interim resolution professional shall perform the functions of the resolution professional from the fortieth day of the insolvency commencement date till a resolution professional is appointed.
- e. A meeting of the CoC shall be called by giving not less than five days' notice in writing to every participant. The CoC may, however, reduce the notice period from five days to such other period of not less than forty-eight hours where there is any authorised representative and to twenty-four hours in all other cases. The authorised representative shall circulate the agenda to creditors in a class and announce the voting window at least twenty-four hours before the window opens for voting instructions and keep the voting window open for at least twelve hours.

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Issue of Visa Recommendation Letter

Bangalore Chamber of Industry and Commerce (BCIC) has been successfully offering the following services to its Members / Non – Members at a very nominal fee for more than three decades. Since BCIC has excellent working relationships with all the High Commission/Trade Offices, it is needless to mention that our recommendation has its own credibility that would

MEMBERS	Rs.240 per Letter	Please send in your request to the mail ID visaletters@bcic.org.in
NON - MEMBERS	Rs.360 per Letter (Introduction Letter of any BCIC member is mandatory)	

Contact : **Mr. Prithvi**
Secretary



Bangalore Chamber of Industry and Commerce
No. 3/4, 3rd Floor, C Block, Unity Buildings, JC Road, Bangalore – 560 002
| Phone (91) (080) 2223321, 24-25 | Fax: (91) (080) 2223233 | Website : www.bcic.in

**Press Information Bureau
Government of India
Ministry of Corporate Affairs**

04-July-2018

Competition Commission of India (CCI) launches an Online Guidance System for determining notifiability of Merger & Acquisitions in terms of the Competition Act, 2002.

Supplementing the Government of India's vision for e-Governance and Digital India Programme, the Competition Commission of India (CCI) today launched an Online Guidance System for determining notifiability of merger & acquisitions (combinations) In terms of the Competition Act, 2002. The Guidance System has been named as "Do It Yourself (DIY): A notifiability check for mergers & acquisitions under the Competition Act, 2002"

The online guidance system has been launched as part of CCI's outreach initiatives and measures to simplify compliance requirements regarding combinations. The interactive online application has been developed based on relevant provisions of the Competition Act, 2002, relevant regulations issued thereunder and exemption notifications issued by the Ministry of Corporate Affairs. This application envisages a staged process to guide the stakeholders in determining whether a merger/acquisition is notifiable to CCI.

DIY toolkit is accessible at <https://efilingcci.gov.in/DIY>

Issue of Certificate of Origin

Bangalore Chamber of Industry and Commerce (BCIC) has been authorized by the **Directorate General of Foreign Trade (DGFT)** to issue the **Certificate of Origin (Non Preferential)** to exporters for products manufactured in India. This Certificate is an integral part of the export document process.

MEMBERS	Rs.60 per Certificate of Origin
NON - MEMBERS	Rs.120 per Certificate of Origin

**Contact : Mr. Prithvi
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No. 3/4, 3rd Floor, C Block, Unity Buildings, JC Road, Bangalore - 560 002
| Phone (91) (080) 22223321, 24-25 | Fax: (91) (080) 22232233 | Website : www.bcic.in

FINANCE

**Press Information Bureau
Government of India
Ministry of Finance**

11-July-2018

Major Steps taken for Reducing Tax Litigations

In order to reduce the long pending grievances of taxpayers and to minimise litigations pertaining to tax matters and to facilitate the Ease of Doing Business, Government of India has decided to increase the threshold monetary limits for filing Departmental Appeals at various levels, be it Appellate Tribunals, High Courts and the Supreme Court in the following manner :-

Sl. No.	Appeal Fora	Present limit for filing appeal (In Rs.)	Enhanced limit (In Rs.)
1.	ITAT / CESTAT	10 lakhs	20 lakhs
2.	High Courts	20 lakhs	50 lakhs
3.	Supreme Court	25 lakhs	1 Crore

This is a major step in the direction of litigation management of both direct and indirect taxes as it will effectively reduce minor litigations and help the Department to focus on high value litigations.

In case of CBDT, out of total cases filed by the Department in ITAT, 34% of cases will be withdrawn. In case of High Courts, 48% of cases will be withdrawn and in case of Supreme Court 54% of cases will be withdrawn. The total percentage of reduction of litigation from Department's side will get reduced by 41%. However, this will not apply in such cases where substantial point of law is involved.

Similarly, in case of CBIC, out of total cases filed by the Department in CESTAT, 16% of cases will be withdrawn. In case of High Courts, 22% of cases will be withdrawn and in case of Supreme Court 21% of cases will be withdrawn. The total percentage of reduction of litigation from Department's side will get reduced by 18%. However, this will not apply in such cases where substantial point of law is involved.

This step will also reduce future litigation flow from the Department side.

4. Global trade lost some traction due to intensification of trade wars and uncertainty stemming from Brexit negotiations. Crude oil prices, which remained volatile and elevated in May-June on a delicate demand-supply balance, eased modestly in the second half of July on higher supply from Organisation of Petroleum Exporting Countries (OPEC) and non-OPEC producers. Base metal prices have fallen on the general risk-off sentiment triggered by fears of an intensification of trade wars. Gold prices have softened on a stronger dollar. Inflation remained firm in the US, reflecting higher oil prices and stronger aggregate demand. Inflation has edged up also in some other major advanced and emerging economies, driven, in part, by rising energy prices and pass-through effects from currency depreciations.

5. Financial markets have continued to be driven mainly by monetary policy stances in major AEs and geopolitical tensions. Equity markets in AEs have declined on trade tensions and uncertainty relating to Brexit negotiations. Investors' appetite for EME assets has waned on increases in interest rates by the US Fed. The 10-year sovereign yield in the US has moderated somewhat from its peak on May 17 on safe-haven demand, spurred by escalating trade conflicts. Yields have softened in other key AEs as well. In most EMEs, however, movements in yields have varied reflecting domestic macroeconomic fundamentals and tightening global liquidity. Capital flows to EMEs declined in anticipation of monetary policy tightening in AEs. In currency markets, the US dollar appreciated, supported by strong economic data. The euro strengthened in June on receding political uncertainty and taper talk by the central bank. However, the currency has traded soft thereafter on mixed economic data and the rising US dollar. EME currencies, in general, have depreciated against the US dollar over the last month.

6. On the domestic front, south-west monsoon has been recovering after a brief spell of deficiency in the second half of June. The cumulative rainfall up to July 31, 2018 was 6 per cent below the long-period average. In terms of spatial distribution, 28 of the 36 sub-divisions received normal or excess rainfall, whereas 8 sub-divisions received deficient rainfall as against three sub-divisions last year. The total sown area of kharif crops as on July 27 was 7.5 per cent lower than that a year ago. The live storage in major reservoirs as on July 26 was at 41 per cent of the full reservoir level compared with 36 per cent a year ago, which portends well for the rabi sowing season.

7. Industrial growth, measured by the index of industrial production (IIP), strengthened in April-May 2018 on a y-o-y basis. This was driven mainly by a significant turnaround in the production of capital goods and consumer durables. Growth in the infrastructure/construction sector accelerated sharply, reflecting the government's thrust on national highways and rural housing, while the growth of consumer non-durables decelerated significantly. The output of eight core industries accelerated in June due to higher production in petroleum refinery products, steel, coal and cement. Capacity utilisation in the manufacturing sector remains robust. The assessment based on the Reserve Bank's business expectations index (BEI) for Q1:2018-19 remained optimistic notwithstanding some softening in production, order books and exports. The July manufacturing PMI remained in expansion zone, although it eased from its level a month ago with slower growth in output, new orders and employment.

8. Several high-frequency indicators of services activity increased at a faster pace in May-June. Tractor and two-wheeler sales growth accelerated significantly, suggesting strong rural demand. Passenger vehicle sales growth, an indicator of urban demand, also strengthened. Commercial vehicle

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indicator of urban demand – maintained double-digit growth. Construction activity indicators also improved with cement production sustaining double digit growth for the eighth consecutive month in June. Steel consumption also accelerated in May. The services PMI expanded to a twelve-month high in June, after a marginal contraction in May, supported by expansion in new business and employment.

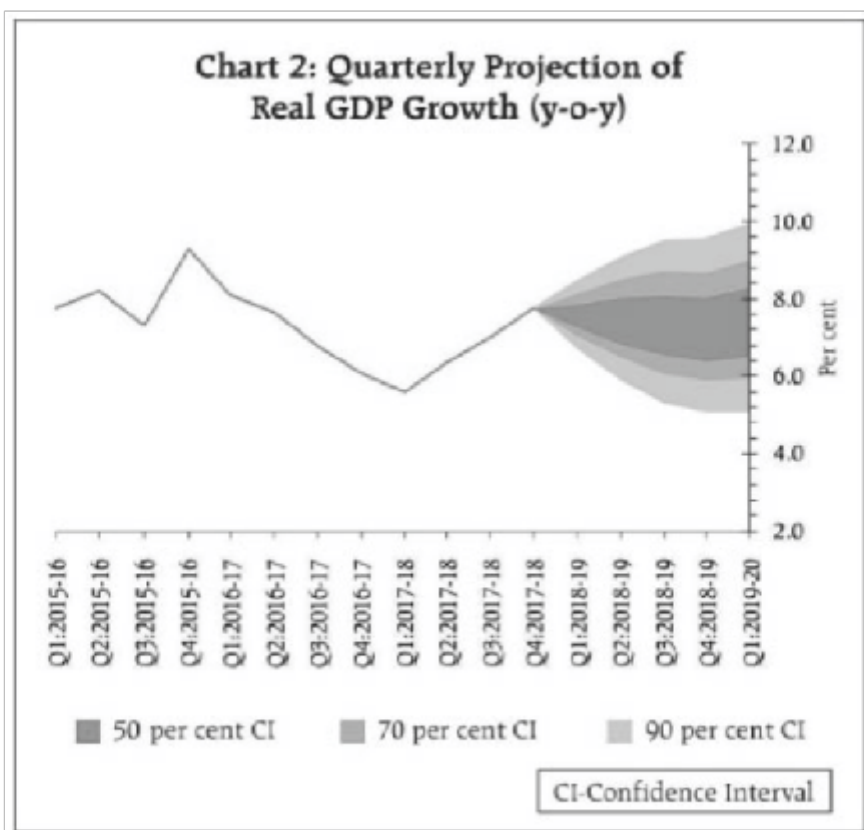
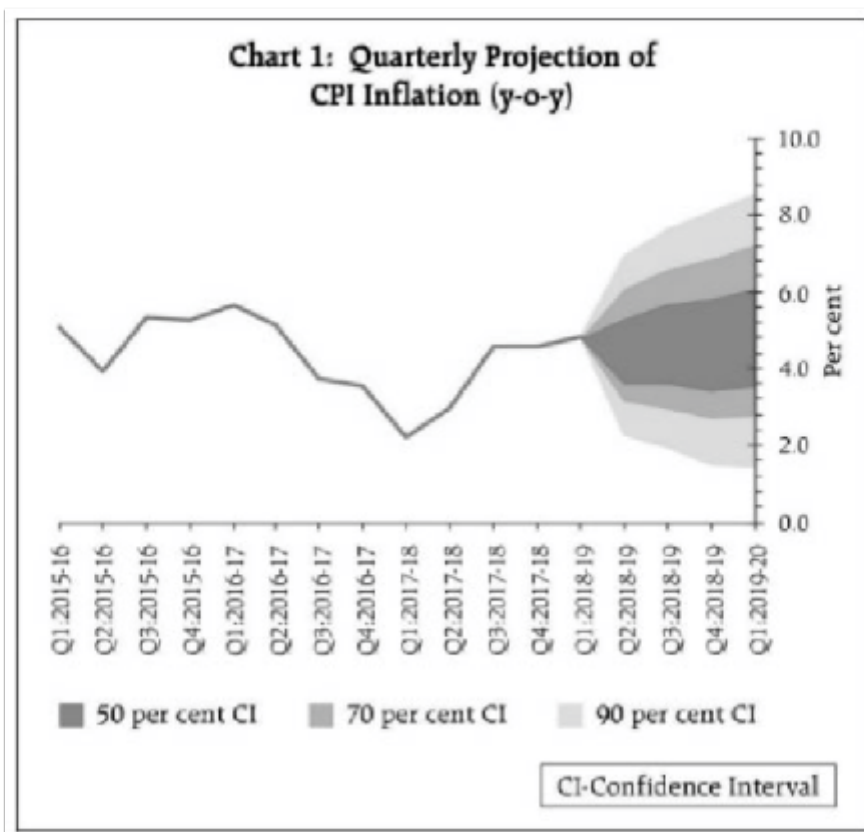
9. Retail inflation, measured by the year-on-year change in the CPI, rose from 4.9 per cent in May to 5 per cent in June, driven by an uptick in inflation in fuel and in items other than food and fuel even as food inflation remained muted due to lower than usual seasonal uptick in prices of fruits and vegetables in summer months. Adjusting for the estimated impact of the 7th central pay commission's house rent allowances (HRA), headline inflation increased from 4.5 per cent in May to 4.6 per cent in June. Low inflation continued in cereals, meat, milk, oil, spices and non-alcoholic beverages, and pulses and sugar prices remained in deflation.

10. Fuel and light group inflation rose sharply, pulled up by liquefied petroleum gas and kerosene. Inflation in firewood and chips ticked up, while electricity inflation remained low. The pass-through of global crude oil prices impacted inflation in domestic petroleum products as well as transport services. Inflation also picked up modestly in respect of education and health.

11. The June round of the Reserve Bank's survey of households reported a further uptick of 20 basis points in inflation expectations for both three-month and one-year ahead horizons as compared with the last round. Manufacturing firms polled in the Reserve Bank's industrial outlook survey (IOS) reported higher input costs and selling prices in Q1:2018-19. The manufacturing PMI showed that input prices eased slightly in July, although they remained high. Input costs for companies polled in Services PMI in June also stayed elevated. Farm and non-farm input costs rose significantly. Notwithstanding some pick-up in February and March 2018, rural wage growth remained moderate, while wage growth in the organised sector remained firm.

12. Systemic liquidity remained generally in surplus mode during June-July 2018. In June, the Reserve Bank absorbed surplus liquidity of around ₹ 140 billion on a daily net average basis under the LAF even as the system migrated from net surplus to a net deficit mode in the second half of the month due to advance tax outflows. Interest rates in the overnight call money market firmed up in June reflecting the increase in the repo rate on June 6, 2018. The weighted average call rate (WACR) traded, on an average, 12 basis points below the repo rate – the same as in May. Systemic liquidity moved back into surplus mode in early July with increased government spending but turned into deficit from July 10 onwards; on a daily net average basis, the Reserve Bank injected liquidity under the LAF of ₹ 107 billion in July. The WACR in July, on an average, traded 9 basis points below the policy rate. Based on an assessment of prevailing liquidity conditions and of durable liquidity needs going forward, the Reserve Bank conducted two open market operation (OMO) purchase auctions of ₹ 100 billion each on June 21 and July 19, 2018.

13. Export growth picked up in May and June 2018 on a y-o-y basis, aided by engineering goods, petroleum products, drugs and pharmaceuticals, and chemicals. Import growth also accelerated largely due to an increase in crude oil prices. Among non-oil imports, gold imports declined due to lower volume, while imports of machinery, coal, electronic goods, chemicals, and iron and steel increased sharply. Double-digit import growth in May and June pushed up the trade deficit. On the financing side, net foreign direct investment (FDI) flows improved significantly in the first two months of 2018-19. With the tightening of liquidity conditions in AEs, growing geopolitical concerns and with the escalation of protectionist sentiment, net foreign portfolio investment (FPI)



outflows from the domestic capital market have continued, albeit at an increasingly slower rate. India's foreign exchange reserves were at US\$ 404.2 billion on July 27, 2018.

Outlook

14. In the second bi-monthly resolution of 2018-19, CPI inflation for 2018-19 was projected at 4.8-4.9 per cent in H1 and 4.7 per cent in H2, including the HRA impact for central government employees, with risks tilted to the upside. Excluding the impact of HRA revisions, CPI inflation was projected at 4.6 per cent in H1 and 4.7 per cent in H2. Actual inflation outcomes have been slightly below the projected trajectory as the seasonal summer surge in vegetable prices has remained somewhat muted in comparison with its past behaviour and fruits prices have declined.

15. The inflation outlook is likely to be shaped by several factors. First, the central government has decided to fix the minimum support prices (MSPs) of at least 150 per cent of the cost of production for all kharif crops for the sowing season of 2018-19. This increase in MSPs for kharif crops, which is much larger than the average increase seen in the past few years, will have a direct impact on food inflation and second round effects on headline inflation. A part of the increase in MSPs based on historical trends was already included in the June baseline projections. As such, only the incremental increase in MSPs over the average increase in the past will impact inflation projections. However, there is a considerable uncertainty and the exact impact would depend on the nature and scale of the government's procurement operations. Second, the overall performance of the monsoon so far augurs well for food inflation in the medium-term. Third, crude oil prices have moderated slightly, but remain at elevated levels. Fourth, the central government has reduced Goods and Services Tax (GST) rates on several goods and services. This will have some direct moderating impact on inflation, provided there is a pass-through of reduced GST rates to retail consumers. Fifth, inflation in items excluding food and fuel has been broad-based and has risen significantly in recent months, reflecting greater pass-through of rising input costs and improving demand conditions. Finally, financial markets continue to be volatile. Based on an assessment of the above-mentioned factors, inflation is projected at 4.6 per cent in Q2, 4.8 per cent in H2 of 2018-19 and 5.0 per cent in Q1:2019-20, with risks evenly balanced (Chart 1). Excluding the HRA impact, CPI inflation is projected at 4.4 per cent in Q2, 4.7-4.8 per cent in H2 and 5.0 per cent in Q1:2019-20.

16. Turning to the growth outlook, various indicators suggest that economic activity has

Jose J. Kattoor
Chief General Manage

LABOUR / COMMERCE AND INDUSTRY / AVIATION

**Press Information Bureau
Ministry of Commerce
Government of India
New Delhi**

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Comprehensive export strategy to be finalised soon

Commerce Minister Commerce Minister delivering keynote address at an interaction with exporters Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, interacted with the trading houses and exporters in New Delhi today. He sought their suggestions on formulating a strategy for increasing exports by USD 100 billion in the next few years.

Commerce and Industry Minister informed that the export performance has been encouraging, last year, merchandise exports crossed USD 300 billion and registered a growth of 10%, while in 2016-17 it was 5%. Total exports, including services, were at USD 498.47 billion and were up by 13.5% in 2017-18. This year also there has been a growth in merchandise exports of more than 20% each in May and June. Government has taken initiatives to boost exports. Mid-term review of the Foreign Trade Policy was undertaken which led to increasing export incentives by 33% for MSME and labour intensive sectors.

Earlier, Exports Relief Package was announced by GST Council restoring schemes of duty free procurement of inputs for exports under Advanced Authorisation/Export Promotion Capital Goods. Government has been proactive in GST refunds through the refund fortnight organised in March and June 2018. More than Rs 40,000 crore have been refunded so far. Refund processes are being streamlined further and made fully automated.

The Minister stated that he has already held two rounds of discussions with Secretaries of key Ministries for preparing sectoral export strategies. He said that States are also being consulted for preparing State specific export strategies. The FIEO was asked to prepare a strategy for increase in exports by USD 100 billion in the short term. EXIM Bank has also submitted its report about market research for exports. He urged the exporters to come up with suggestions to further increase exports by another USD 100 billion in short term.

Exporters raised concerns about uncertainties in international trade like tariff increases, volatilities in currencies and review of GSP regime by US. Political developments in Iran, Russia and the Middle-East have added to the uncertainties. Domestically also, cost of credit is showing upward trends, banks are adopting rigid approach in disbursement of credit and liquidity challenges will continue to exist until GST refund process is made fully automatic with minimum human interaction.

Exporters suggested for providing branding assistance in existing and new export markets, using Lines of Credit as marketing tool, support for Research & Development, and promoting e-commerce. Commerce and Industry Minister assured the exporters that Government is fully seized of their concerns and is addressing them in the best interests of the country. He said their suggestions will be incorporated in the comprehensive export strategy to be finalised soon. In the interaction, a four-pronged strategy prepared by FIEO for increasing exports by USD 100 billion was discussed. FIEO has identified 685 products based on past Indian export performance and global import performance of various products.