



Confederation of Indian Industry



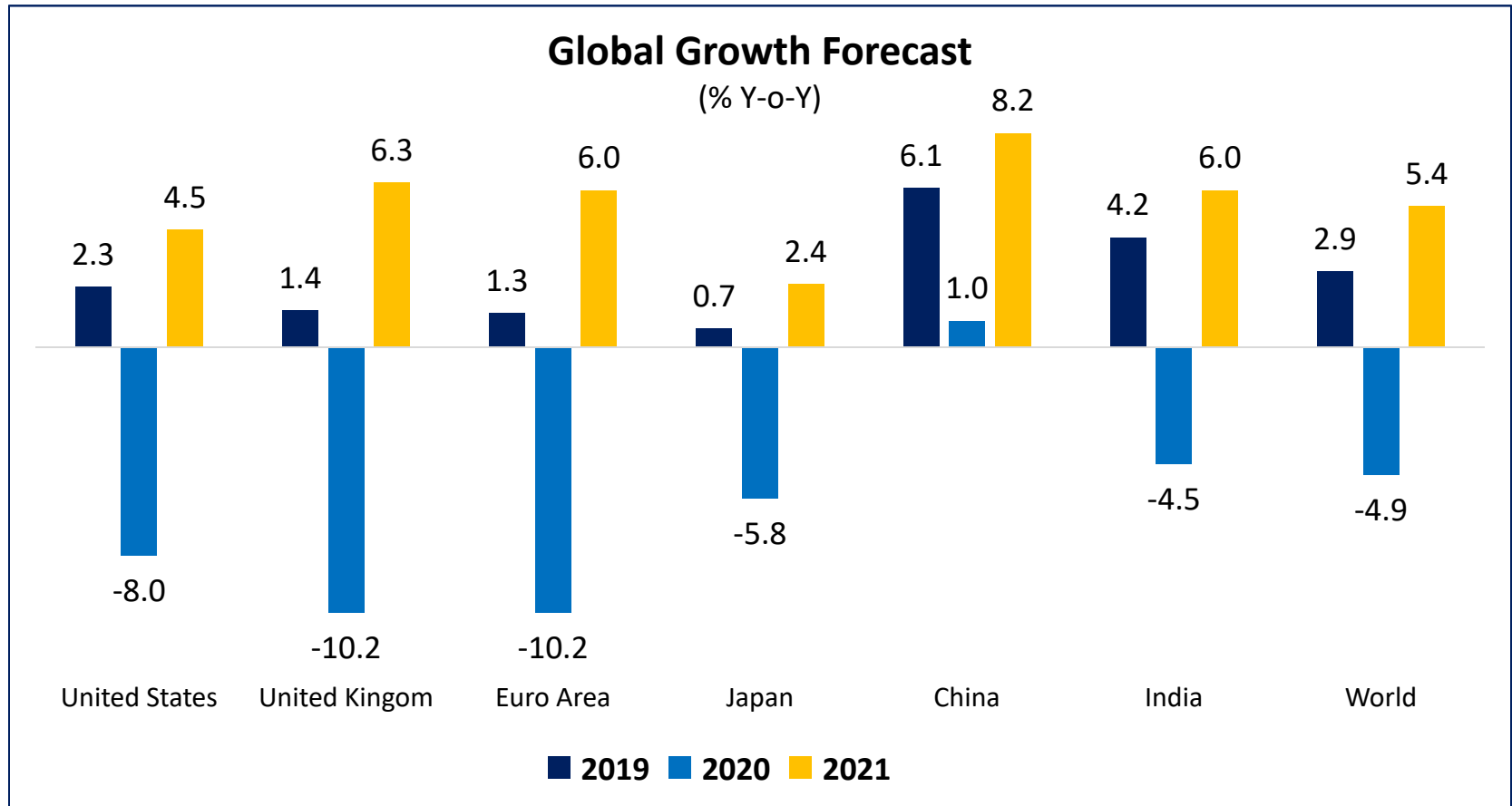
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RESEARCH

THE INDIAN ECONOMY

JUNE 2020

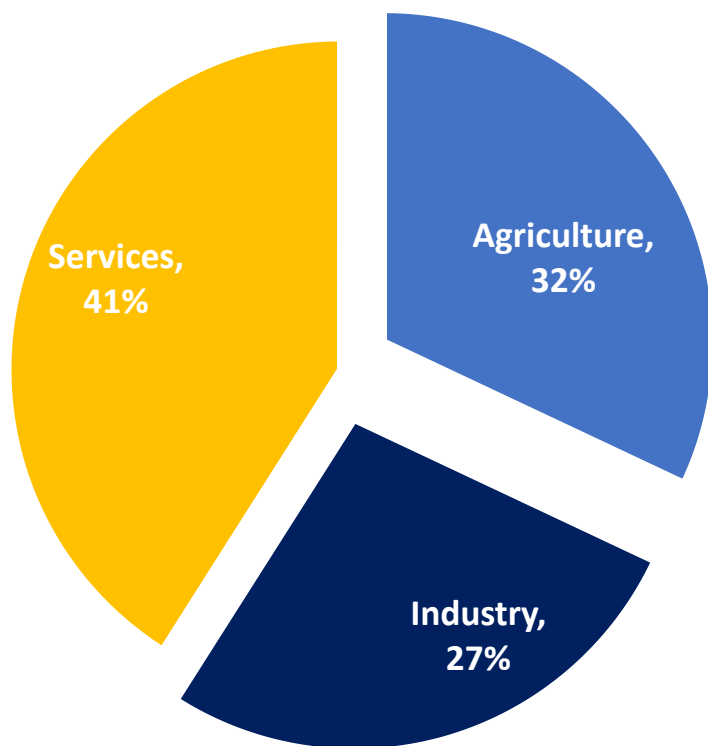
Global economy expected to contract by 4.9% in 2020, with strong rebound in 2021



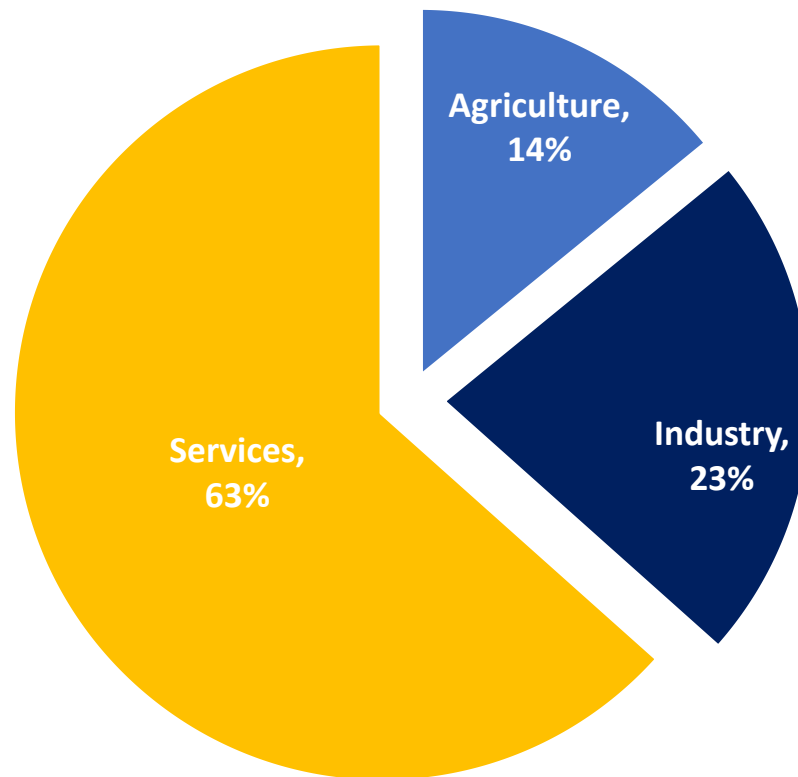
Source: IMF World Economic Outlook

Indian GDP is dominated by Services

GDP Composition 1990-91



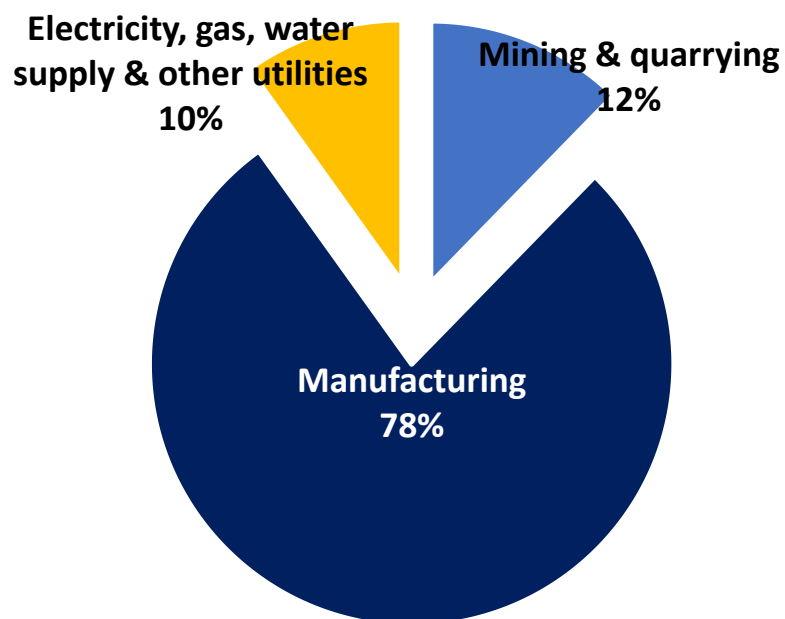
GVA Composition 2019-20



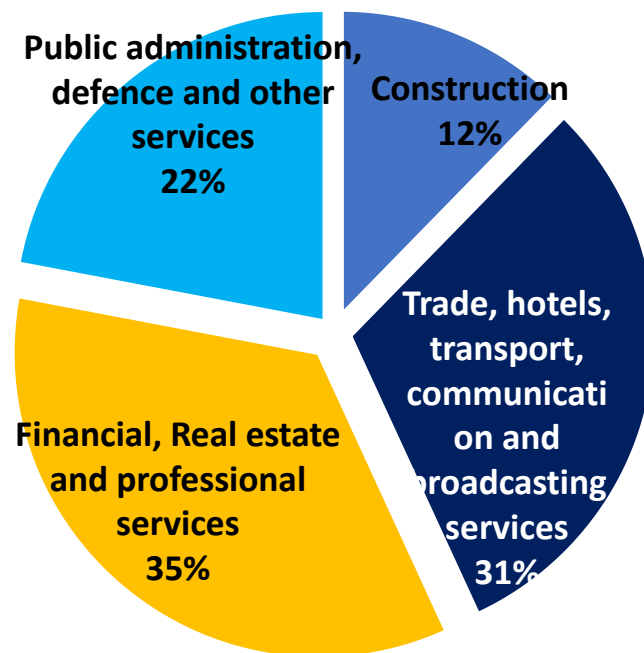
Source: National Accounts

Presence of a wide variety of sectors

Industry Composition 2019-20
(Sector share in Industry GVA,%)



Service Composition 2019-20
(Sector share in Service GVA, %)



Source: National Accounts

COVID-19: THE GREAT DISRUPTOR



Timeline of COVID-19 induced Lockdown in India

11th Mar'2020: WHO declares COVID-19 as a pandemic

22nd Mar'2020: India observes a 14 hour "voluntary curfew"

12th Mar'2020: First COVID-19 death reported in India

15 Apr – 03 May'2020: Lockdown extended for a period 19 days with gradual relaxations

Lockdown III Relaxations: Opening of barber shops, taxis, liquor shops, all standalone shops, private vehicles, limited train services etc.

18 May – 31 May'2020: Lockdown extended further for a period 14 days with further relaxations

01 Jun – 30 Jun'2020: Economic activities to be completely reopened in a phased manner.

LOCKDOWN - I

LOCKDOWN - II

LOCKDOWN - III

LOCKDOWN - IV

UNLOCK - i

25 Mar – 14 Apr'2020: India goes into lockdown, only essential services like police, fire, essential goods transportation and health workers were allowed to move outside

Lockdown II Relaxations:
20th April: Agri-business and public works program
25th April: Small retail shops
29th April: Guidelines for interstate movement of stranded persons

04 May – 17 May'2020: Lockdown extended further for a period 14 days with further relaxations

Lockdown IV Relaxations: All business activities except air travel and metro/city bus services allowed to operate in non-containment zones. Restaurants, malls, religious places and educational institutions remain closed

Movement of vehicles restricted from 9pm to 5am

10-Mar-20

17-Mar-20

24-Mar-20

31-Mar-20

7-Apr-20

14-Apr-20

21-Apr-20

28-Apr-20

5-May-20

12-May-20

19-May-20

26-May-20

2-Jun-20

9-Jun-20

16-Jun-20

Source: Multiple official and media sources, CII Research



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The COVID-19 induced lockdown led to severe restriction in economic activity

Impact on Sectors and Sub-Sectors Under Lockdown

Sector	Severe (0%-25%)	Significant (25%-50%)	Partial (50%-75%)	No Impact (100%)
1. Agriculture				
2. Industry				
2.1 Mining				
2.2 Manufacturing				
2.2.1 Food Products				
2.2.2 Textile & Apparel				
2.2.3 Metals				
2.2.4 Machinery				
2.2.5 Petroleum & Others				
2.3 Electricity, Gas, Water				
3. Construction				
4. Services				
4.1 Trade, Repairs, Hotels & Restaurants				
4.2 Transport				
4.3 Communication & Storage				
4.4 Financial Services				
4.5 Real Estate & Professional Services				
4.6 Other Services (including Health, Education etc)				
4.7 Public admin.& defence				
5. Total				

Source: CII Research Estimates



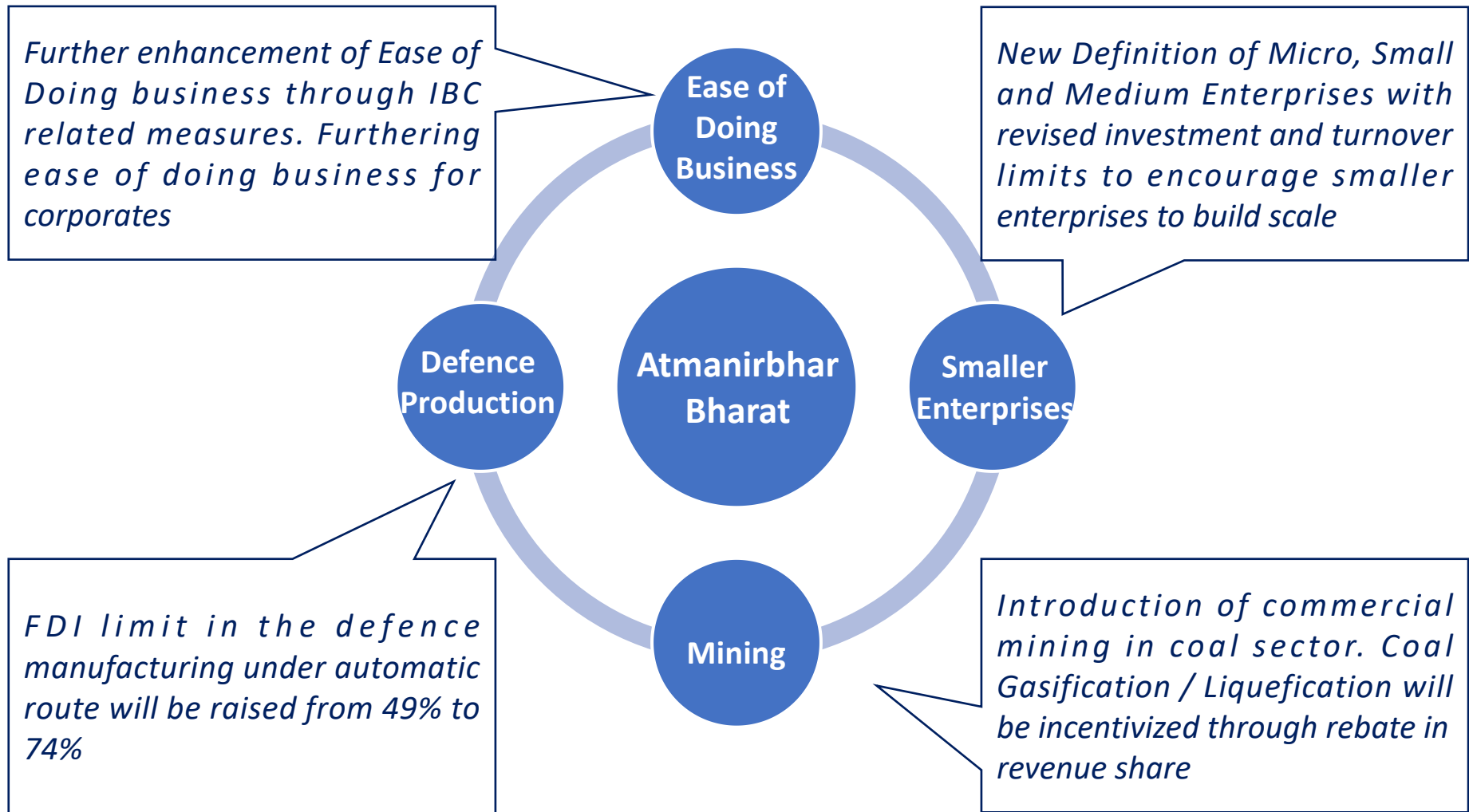
Stimulus Package: India launched a mega stimulus under the “Atmanirbhar Bharat” package, equaling 10% of GDP

Under the “Atmanirbhar Bharat” (Self-Reliant India), stimulus worth Rs 20 Trillion (\$ 280 Billion) was announced in the wake of COVID-19 induced lockdown and subsequent loss to economic momentum

Decoding the comprehensive stimulus		
Atmanirbhar Bharat Stimulus (13th -17th May'2020)	Amount (Rs Billion)	% of GDP
1. Total Monetary Stimulus by RBI (Mar'20-May'20)	8,016	3.9%
2. Credit Stimulus to Smaller Enterprises	3,765	1.8%
3. Agriculture Credit and Food Subsidy	2,735	1.3%
4. Central Stimulus Including PMGKY (25th Mar'2020)	1,928	0.9%
5. Agri Infrastructure and Rural Employment	1,500	0.7%
6. Bailout Package for Stressed Power Sector	900	0.4%
7. Credit Stimulus to Shadow Banking Sector	750	0.4%
8. Housing Loan Interest Subvention for Middle Income Workers	700	0.3%
9. Regulatory relief to workers	593	0.3%
10. Social infrastructure viability gap funding	81	0.0%
Consolidated Stimulus	Amount (Rs Billion)	% of GDP
Total Central Stimulus	12,952	6.4%
Total Monetary Stimulus by RBI	8,016	3.9%
Grand Total	20,968	10.3%

Source: Ministry of Finance, \$1 = INR 75

Stimulus Package: Multiple Policy Reforms were also initiated to stimulate the economy over the medium term



Recent Reforms: Indirect taxes harmonized through Goods and Services Tax

- With the implementation of GST, w.e.f. 1st July 2017, the country has moved from a multiplicity of taxes to a four-tier tax rate structure - 5%, 12%, 18% and 28% - with availability of input credit across the value chain.
- Despite the short-run disruptions this historic reform has increased the tax base and improved compliance.

Advantages of GST

Furthering cooperative federalism

Reducing corruption & leakage

Simplifying complex tax structure, unifying tax rates

Creating a common market

Furthering 'Make in India' by eliminating import bias

Eliminating tax bias against manufacturing/reducing consumer tax burden

Boosting revenues, investment and growth

Source: Economic Survey Vol II (2016-17), CII

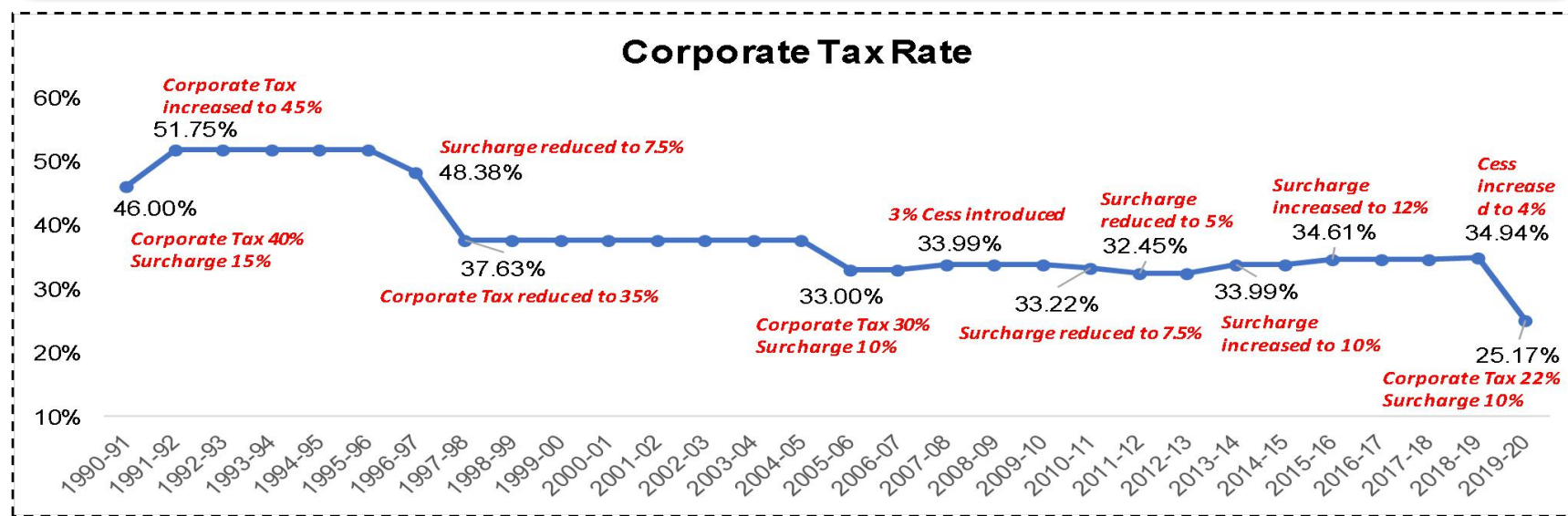


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Recent Reforms: Corporate Taxes have been reduced substantially

- The government cut the corporate tax rates substantially from 30% to 22% in Sep'19 with a view to make manufacturing in India more competitive. With this reduction the 'Effective Corporate Tax Rate' in India including cess and surcharges have come down from 34.94% to 25.17%.
- The Corporate Tax Rate for new manufacturing companies have been reduced from an existing 25% to 15% as well.
- The history of effective corporate tax rate in India is presented below



Source: Ministry of Finance, CII Research



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Regulatory environment for doing business has been simplified

- Regulatory hurdles in areas such as starting a business, getting clearances and enforcing contracts have constrained the growth of Indian businesses.
- Hence, the government has taken about 7000 big, small, medium and nano measures to improve ease of doing business, some of which are mentioned below:

Providing all regulatory permissions at one source.

Setting up a timeline for clearing applications

Online application process for Industrial Licenses.

Reduction in documentation for export and import

The new bankruptcy and insolvency code was implemented in May 2016

Ease of Entry

Ease of Exit

The government has been making efforts to further improve the ease of doing business and aims to bring the country in the top 50.

Source: CII Research Compilation



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GDP growth in 2020-21 is likely to get significantly impacted by COVID-19

However, some of the recent high frequency indicators suggests nascent signs of recovery in economic activity

Agriculture

Kharif crop sown area has increased by 39% over the same period in 2019-20. Fertilizer sales up by 98%.

PMI

Manufacturing PMI improved from 27.4 in Apr'2020 to 30. in May'2020 Services PMI improved from 5.4 to 12.6 over the same period.

Transport

Railway freight traffic improved by 26% in May'2020 over previous month. Average daily toll collection improved from Rs 82.5 Million to Rs 368.4 Million

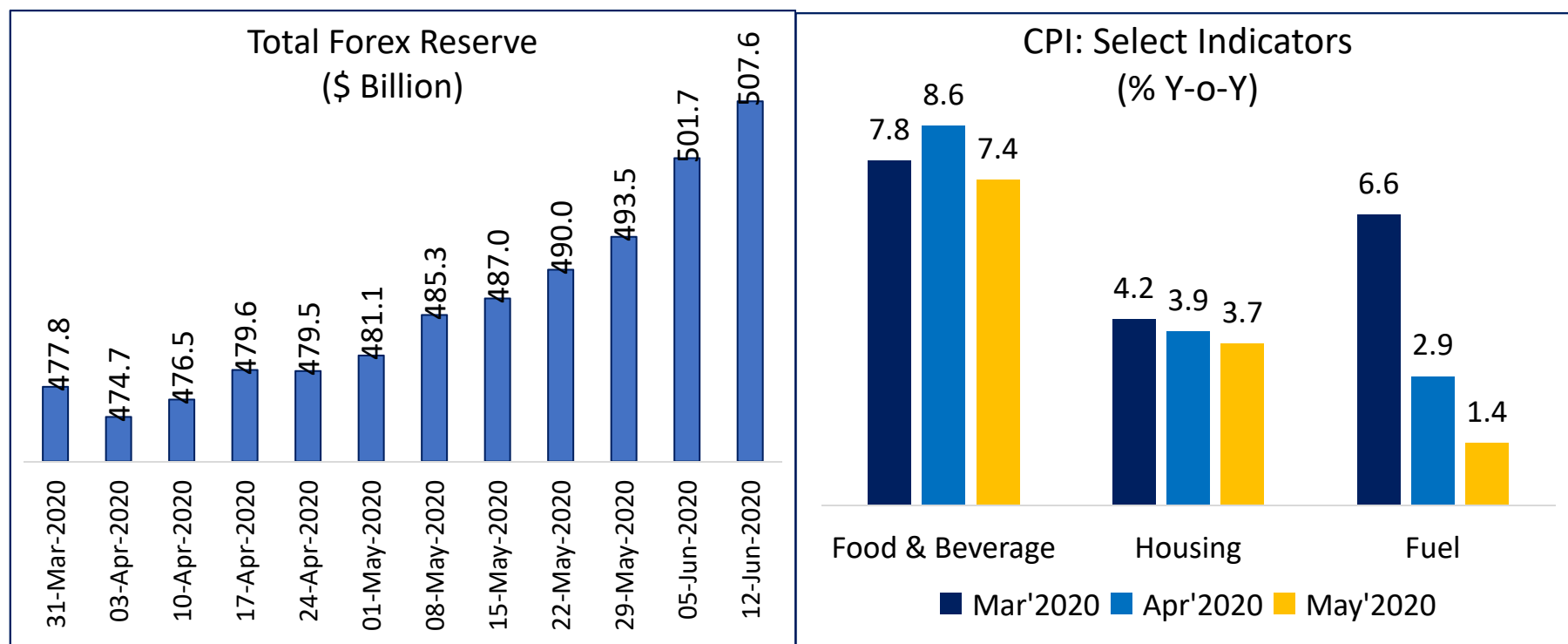
Monetary

Private placement of corporate bonds improved by 94.1% in May'2020 over previous year.

Strong macro indicators point towards strong and resilient fundamentals

India's foreign exchange reserves continues to improve, primarily led by increase in foreign currency assets and remains unaffected from the present crisis.

CPI for select commodities being released shows moderating inflation trend

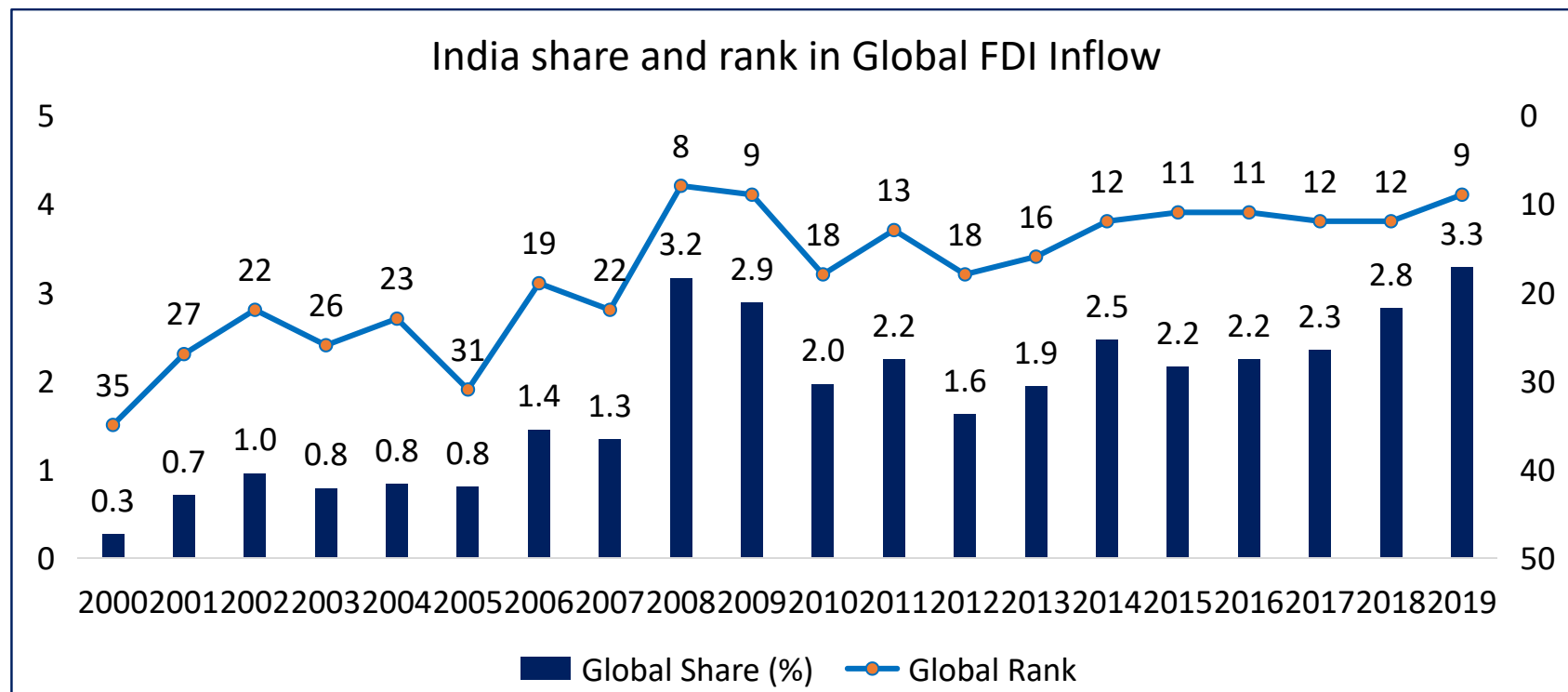


Source: RBI, MOSPI

India strengthens it's position as preferred destination for Global FDI Inflows

India attracted Global FDI inflows worth \$51 Billion in 2019, to stand as the 9th most preferred destination.

India's share in global FDI improved to 3.3% in 2019 compared to 2.8% in previous year, moving up three places in global FDI ranking



Source: UNCTAD Global Investment Report 2020

Global FDI Inflows likely to contract on the back of COVID-19 induced crisis, India relatively better placed

Global FDI Inflows set to contract in short-term

Global FDI Inflows is projected to contract by 40% from \$1.5 Trillion in 2019 to \$0.9 Trillion by 2021

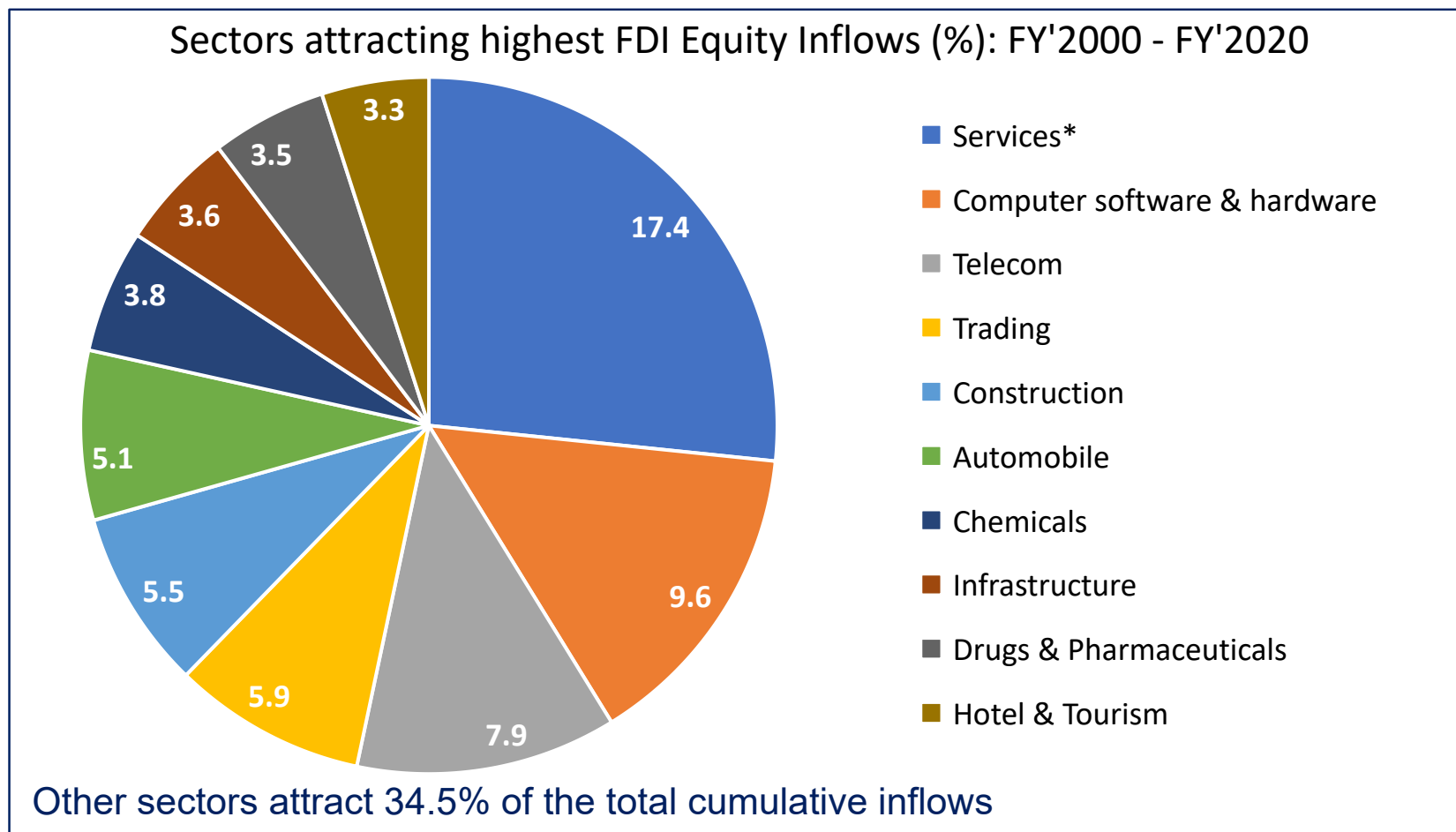
India to be more resilient

In South Asia, Indian economy could be the most resilient. “FDI to India has been on a long-term growth trend. Positive, albeit lower, economic growth in the post-pandemic period and India’s large market will continue to attract market-seeking investments to the country” – UNCTAD World Investment Report

Source: UNCTAD Global Investment Report 2020



FDI inflows in India are diversified across a range of sectors



Source: DPIIT, Ministry of Commerce and Industry

*Services include Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis

India – Netherlands: Trade and Investment

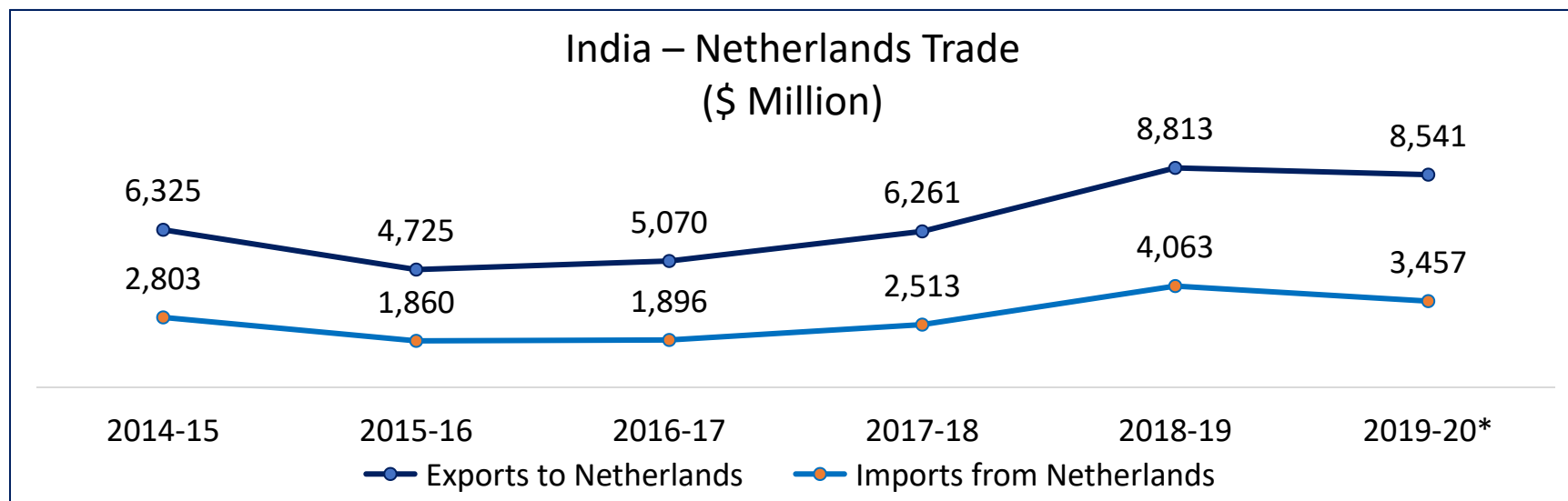
India –Netherlands trade: Strong partnership between the two economies

*Netherlands is one of the **top 20 trading partners for India**[^]*

*Netherlands is amongst the **top ten exporting destination for India***

Aviation Fuel and High Speed Diesel together account for nearly half of India's exports

Imports from Netherlands are more diversified, where stainless steel scrap, medical and surgical equipment, orthopaedic appliances and artificial parts, unwrought silver, and aluminium scrap are the top five importing items accounting for 17% of total imports.

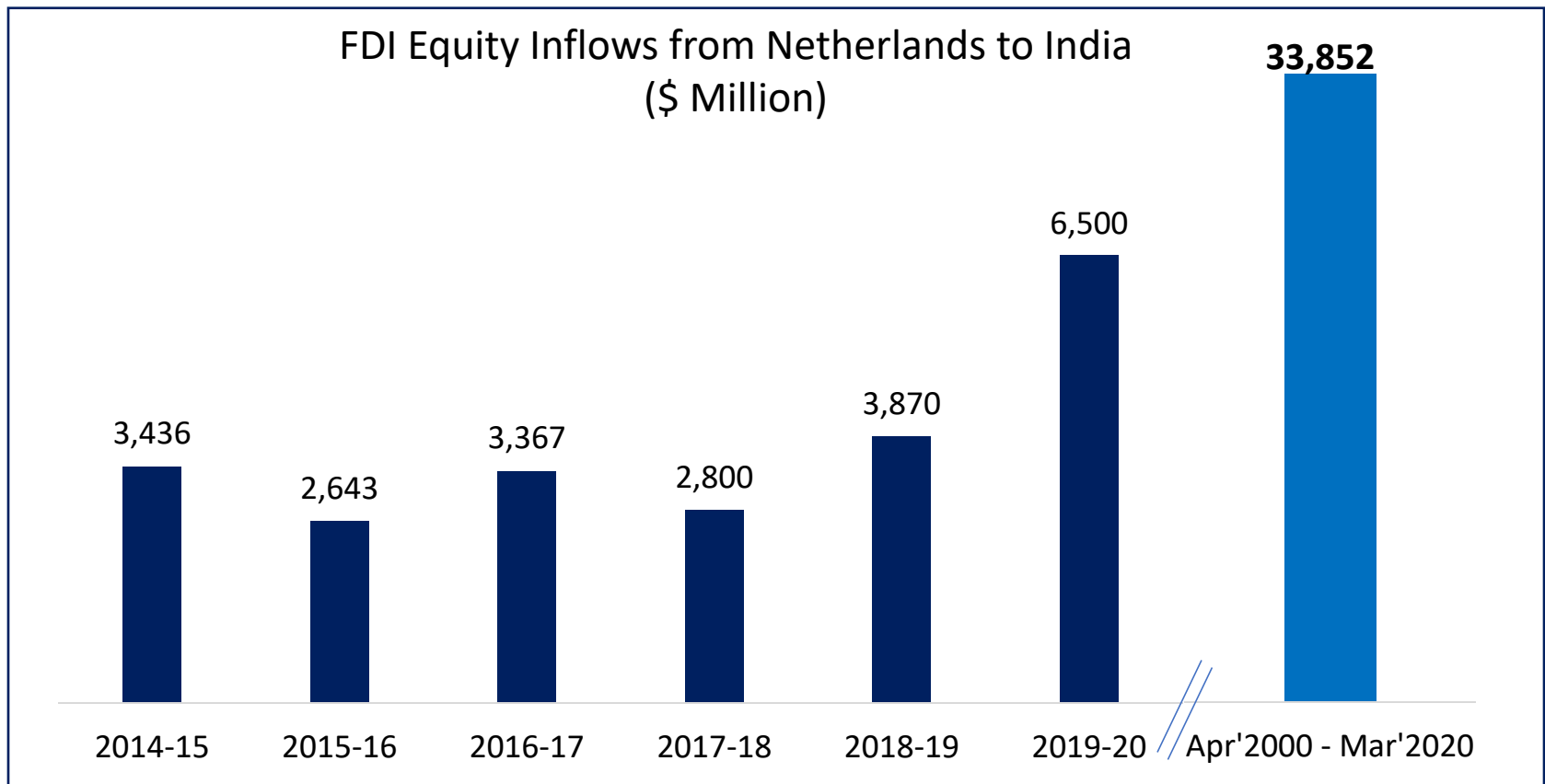


Source: Ministry of Commerce and Industry

*Annualized data based on Apr'19-Feb'20 provisional data. ^Apr-19 - Feb'20 Data

FDI from Netherlands: trends and major sectors

Netherlands is third largest source of FDI in India, contributing 7.2% of total inflows



Source: DPIIT, Ministry of Commerce and Industry

Presence of leading Dutch companies in India

*Some of the leading Dutch companies are present across a range of sectors in India**



*This is only an illustrative list

THANK YOU



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