



December 11, 2020 - Friday

Key Developments

Atmanirbhar MSMEs: Modi govt clears dues at fast pace; helps MSMEs produce more goods amid festivals

The micro, small, and medium enterprises of India have received Rs 21,000 crore in the last seven months as the government had pledged to clear their dues to provide relief amid the pandemic. The highest level of procurement was achieved in October, which was over Rs 5,100 crore and payment of over Rs 4,100 crore was done in the same month, said the Ministry of MSME. Further, it is expected to surpass in the first 10 days of November as the procurement of about Rs 4,700 crore and payment of about Rs 4,000 crore have already been reported.

Finance Minister Nirmala Sitharaman today hailed the Ministry of MSME for the quick clearance of dues of MSMEs. As part of Prime Minister Narendra Modi's Atmanirbhar Bharat package, it was stated that the MSME dues should be paid in 45 days.

<https://www.financialexpress.com/industry/sme/msme-fin-atmanirbhar-msmes-modi-govt-clears-dues-at-fast-pace-helps-msmes-produce-more-goods-amid-festivals/2147428/>

Finance Ministry notifies updated viability gap funding scheme

The finance ministry on Thursday, notified the updated Viability Gap Funding (VGF) scheme which gives a push to the social infrastructure sector in India along with extending the existing scheme to continue support to core sector infrastructure. The new scheme, applicable with immediate effect, allows for funding up to Rs 200 crore to be sanctioned by an Empowered Committee (EC) headed by the economic affairs secretary, while projects requiring over Rs 200 crore would be approved by the EC with the approval of the finance minister.

<https://economictimes.indiatimes.com/news/economy/policy/finance-ministry-notifies-updated-viability-gap-funding-scheme/articleshow/79667000.cms>

Government not to give further extension for Air India sale

The government will not extend deadline for submission of expression of interest by interested parties for sale of Air India, but has allowed them to submit physical bids within 15 days from the deadline instead of one week. Interested bidders have till December 14 to submit EoIs. Qualified bidders for Air India will be informed by January 5, 2021 instead of December 29, 2020, as the government has allowed interested parties to send physical bids within 15 days from EoI deadline of December 14, the department of investment and public asset management (DIPAM) said Thursday.

<https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/government-not-to-give-further-extension-for-air-india-sale/articleshow/79663641.cms>

Economy

ADB cuts India's FY21 contraction forecast to 8% on back of faster recovery

The Asian Development Bank (ADB) on Thursday upgraded its forecast for the Indian economy, projecting 8 per cent contraction in 2020-21 as compared to 9 per cent degrowth estimated earlier, on the back of faster than expected recovery. Observing that the economy has begun to normalise, the Asian Development Outlook (ADO) Supplement

said the second quarter contraction at 7.5 per cent was better than expected. The economy contracted by 23.9 per cent in June quarter of the current fiscal on account of the impact of the coronavirus pandemic.

"The GDP forecast for FY2020 is upgraded from 9.0 per cent contraction to 8.0 per cent, with GDP in H2 probably restored to its size a year earlier. The growth projection for FY2021 is kept at 8.0 per cent," it said.

https://www.business-standard.com/article/pti-stories/india-s-recovery-faster-than-expected-adb-cuts-contraction-projection-to-8-for-fy21-120121000587_1.html

India retail inflation to stay above 7% in Nov, economists say: Report

India's retail inflation probably fell in November from October but remained above the Reserve Bank of India's target, amid high food and petrol prices, a Reuters poll of economists showed. Retail inflation has stayed above the central bank's comfort zone of 2% to 6% for seven consecutive months, a streak not seen since August 2014. The Dec. 4-9 poll of 48 economists forecast a drop in inflation in November to 7.10% from 7.61% in October, which was the highest since May 2014. If realised, November's rate would be above 7.0% for the third consecutive month.

"Inflation for November is likely to be lower than October as there was some moderation in prices of vegetables in particular as well as pulses," said Madan Sabnavis, chief economist at CARE Ratings. "On the upside, petrol prices had increased which worked in the other direction."

https://www.business-standard.com/article/economy-policy/india-retail-inflation-to-stay-above-7-in-nov-economists-say-report-120121000251_1.html

India's CPI to decelerate marginally to 7.3%: Morgan Stanley

India could see some easing pressure on inflation in November as compared to October as the country's consumer price index or CPI could decelerate marginally, a Morgan Stanley research has said. We expect headline CPI to decelerate marginally to 7.3% year on year in November from 7.6% year on year in October. "High-frequency food prices suggest food inflation likely softened sequentially in the month, while we expect core inflation to remain largely steady," the research said. In addition, favourable base effects should also support the moderation, the report added.

<https://economictimes.indiatimes.com/news/economy/indicators/indias-cpi-to-decelerate-marginally-to-7-3-morgan-stanley/articleshow/79660554.cms>

How the New Wage Rules will impact salaried persons – Here's all you need to know

The government has come out with a new and universal definition of 'wages' to bring in parity amongst the four new Labour Codes as against the varied definitions under the extant laws. The new Labour Codes are likely to be effective from April 1, 2021.

According to tax experts, one of the most pertinent amendment introduced in the four new Labour Codes is the standardization of the definition of 'wages'. Currently, multiple definitions have been specified in the different statutes for the purpose of calculation of Provident Fund (PF) contribution, gratuity liability, statutory bonus payment, maternity benefit, etc. which has led to practical challenges in the administration of salary structures as well as payments, contributions, and deductions to be made.

<https://www.financialexpress.com/money/how-the-new-wage-rules-will-impact-salaried-persons-heres-all-you-need-to-know/2147391/>

HC seeks Centre, DGGI reply on plea challenging constitutionality of sections of CGST Act

The Delhi High Court has sought the Centre and DGGI's reply on a plea challenging the constitutional validity of various provisions of the Central Goods and Service Tax (CGST) Act, relating to the power of arresting a person. A bench of Justices Manmohan and Sanjeev Narula issued notice to the central government and the Directorate General of GST Intelligence (DGGI) on the plea seeking to declare sections 69 and 132 of the CGST Act as unconstitutional, illegal, unenforceable and ultra vires to the Constitution. Section 69 of the Act relates to power to arrest a person and section 132 deals with punishment of certain offences where a person commits or abets commission of an offence.

<https://economictimes.indiatimes.com/news/economy/policy/hc-seeks-centre-dggi-reply-on-plea-challenging-constitutionality-of-sections-of-cgst-act/articleshow/79659865.cms>

Employment, unemployment fall together in November; 50 lakh workers vanish from job market

The wheels of the economy have started to turn faster but the employment is yet to match the pace of economic recovery. The employment fell in India for the second consecutive month in November 2020. In October, the count of the employed had fallen by 0.1 per cent (60 lakhs), while in November, the fall was larger at 0.9 per cent (35 lakhs), according to the Centre for Monitoring Indian Economy. The recovery in employment, from the steep fall during the April lockdown was smart initially but, it slowed down well before the recovery was completed. In fact, the recovery progressively slowed down in July, August and September before reversing in October and November. CMIE added that it appears that the recovery phase is over and a decline is setting in again. It is interesting to note that the number of persons who report themselves as unemployed and are also actively looking for work has also been declining.

<https://www.financialexpress.com/economy/employment-unemployment-fall-together-in-november-50-lakh-workers-vanish-from-job-market/2146702/>

Banking and Finance

NSE to launch derivatives contracts on Nifty Financial Services index

The National Stock Exchange (NSE) on Thursday said it will launch derivatives contracts on the Nifty Financial Services index. This will be only the third equity index to have futures and options (F&O) contracts. Currently, NSE offers derivatives contracts for the benchmark Nifty 50 and the Bank Nifty index. The Nifty Financial Services comprises 20 stocks, mainly banks, NBFC and insurance stocks. Top weights are HDFC Bank, HDFC, ICICI Bank and Kotak Mahindra Bank. Given the high weightage of banking stocks, the index largely moves lock in step with the Bank Nifty index. "Nifty Financial Services has a correlation of 98 per cent with the Nifty Bank index. The Nifty Financial Services index has delivered annualised returns of 15 per cent in the last five years," said NSE in a release.

https://www.business-standard.com/article/markets/nse-to-launch-derivatives-contracts-on-nifty-financial-services-index-120121000897_1.html

Collection efficiency in retail loan pools of NBFCs, HFCs remains steady in October: ICRA

Domestic rating agency ICRA Ratings on Thursday said the collection efficiency in its rated retail pools originated by NBFCs and HFCs remained steady in October, compared to September, for almost all retail asset classes. While the total collections, including advances, overdues and pre-payments, are indicating a significant recovery, the current collections inclusive of overdue (against current month billings) continue to remain below the pre-lockdown levels, the agency said in a report. They are in the range of 81-95 per cent across asset classes in October 2020, it added.

<https://economictimes.indiatimes.com/industry/banking/finance/collection-efficiency-in-retail-loan-pools-of-nbfc-hfc-remains-steady-in-october-icra/articleshow/79665044.cms>

Coronavirus pandemic to keep repayment risks elevated for securitised loans

The repayment risks on securitised loans in India will remain elevated for the next 12 months despite the improvement in collection efficiency after the end of moratorium, according to rating agency Moody's. Weak economic conditions will continue to hurt borrowers' ability to repay loans, keeping performance risks for asset-backed securities (ABS) elevated.

The moratorium on payments came to an end in August 2020. The collections in rated Indian ABS improved markedly in September and October, although they remain below pre-coronavirus levels, said Dipanshu Rustagi, assistant vice president and analyst at Moody's.

https://www.business-standard.com/article/finance/coronavirus-pandemic-to-keep-repayment-risks-elevated-for-securitised-loans-120121000589_1.html

Banks have been lending more to NBFCs: CARE Ratings

Banks have been lending more to non-banking financial companies (NBFCs), increasing their overall exposure to them, according to CARE Ratings. This comes in the backdrop of decline in both the total monthly funds raised by NBFCs from the primary market and the external commercial borrowings (ECBs) registrations in financial services. The credit rating agency assessed that banks' outstanding exposure to NBFCs registered a growth of 42.5 per cent in absolute terms from September 2018 (₹5.5 lakh crore) to October 2020 (₹7.8 lakh crore).

<https://www.thehindubusinessline.com/money-and-banking/banks-have-been-lending-more-to-nbfc-care-ratings/article33296142.ece>

COVID impact: Nearly half of Indian millennials report increased borrowing in Aug-Sep

Nearly half of Indian millennials surveyed by a foreign bank have reported an increase in borrowing in August-September amid COVID-19 pandemic. The survey by British lender Standard Chartered also said that the millennials – defined as those born after 1981 – are finding it "highly challenging" to manage their day-to-day expenses such as household bills as compared to other segments.

<https://economictimes.indiatimes.com/news/economy/indicators/covid-impact-nearly-half-of-indian-millennials-report-increased-borrowing-in-aug-sep/articleshow/79662633.cms>

Life insurers play tax-free interest arbitrage game to rev up business

November's life insurance premium flow data came as a shocker after four consecutive months of promising growth. But here's the interesting thing. While the overall private life insurers' premium inflows contracted by 7 per cent year-on-year, those of HDFC Life rose by 20.4 per cent and ICICI Prudential Life (I-Pru Life) and SBI Life witnessed 30.8 per cent and 5.7 per cent year-on-year decline in November. To understand the outperformance, one needs to deconstruct the composition of growth.

https://www.business-standard.com/article/companies/life-insurers-play-tax-free-interest-arbitrage-game-to-rev-up-business-120121001047_1.html

Industry

It's a field day for tractor industry as domestic sales surge in April-Nov period

Even as the other segments of the auto sector have been on a bumpy road, the tractor industry has grown 16 per cent in the first eight months of this fiscal. The sector saw domestic sales cross at 6,00,092 units in April-November 2020, against 5,18,973 units in the previous-year period. It is further set to end the fiscal with a historic high volume. During the Diwali month of November, domestic tractor sales grew 51 per cent to 82,330 units, against 54,432 units in November 2019, according to data provided by the Tractor & Mechanization Association (TMA).

<https://www.thehindubusinessline.com/economy/its-a-field-day-for-tractor-industry-as-domestic-sales-surge-in-april-nov-period/article33301728.ece>

E-commerce, essential services drove warehouse demand during Covid

Covid-19 has disrupted supply chains across sectors in the country. Consumption also declined as purchase was restricted to essential goods and services. This resulted in a sharp decline in demand for warehousing. Sectors such as retail, manufacturing, third-party logistics of auto were among those that were impacted the most. On the other hand, FMCG, e-commerce for essentials, pharmaceuticals/agriculture/cold-storage, saw an increase in demand. "Increased online shopping was a result of the phenomenon of lockdowns and the pandemic situation. It effectively forced product and supply companies to scale up their supply chains in order to cater to the demand shifting in the segments which were hitherto being catered by offline retail," said Sandeep Narayan Singh Deo, Head, Industrial Investments Services, JLL India.

<https://www.thehindubusinessline.com/economy/logistics/e-commerce-essential-services-drove-warehouse-demand-during-covid/article33287794.ece>

Agriculture

Covid-19 pulls down India's tea production; 152 mkg already lost

India is heading for a massive shortfall in calendar 2020 – this will be the first year in many years that the country's output in a year falls below the previous year because, India has been producing record output year after year for many years. "Tea Board has now released the official data for October and our compilation shows that the output in the ten months has nosedived to 1,032.68 million kg (mkg) from 1184.28 mkg in Jan-Oct 2019", Rajesh Gupta, Compiler of 'Global Tea Digest', told BusinessLine. This marked a whopping shortfall of 151.60 mkg or 12.80 per cent – difficult to make over in the two winter months of November and December when the harvest in the field will normally be lower.

<https://www.thehindubusinessline.com/economy/agri-business/covid-19-pulls-down-indias-tea-production-152-mkg-already-lost/article33302107.ece>

Infrastructure

India, Nepal decide to resume flight services under air bubble arrangement

India and Nepal have decided to resume flight services under a bilateral air bubble arrangement, authoritative sources said on Thursday, in reflection of efforts to restore normalcy in ties that came under severe strain following a bitter border row. Initially, the service will start with one flight daily from each side between Delhi and Kathmandu, they said. The decision to resume the flight service comes two weeks after Foreign Secretary Harsh Vardhan Shringla visited Kathmandu during which he held extensive talks with the political brass. Nepalese Foreign Minister Pradeep Gyawali is likely to visit India in the next three weeks. "India and Nepal have decided to open flights under a bilateral bubble arrangement, as we have done with several countries," said a source.

<https://economictimes.indiatimes.com/industry/transportation/airlines/-aviation/india-nepal-decide-to-resume-flight-services-under-air-bubble-arrangement/articleshow/79659216.cms>

Telecom

Operators, vendors, Facebook call upon government to ensure adequate 5G spectrum

Telecom service providers, equipment vendors and social media major Facebook have called on the government to ensure availability of abundant and continuous blocks of 5G spectrum for effective 5G rollout. Experts have also highlighted the urgent need to allot 5G spectrum to operators on priority for 5G trials for at least one year.

<https://economictimes.indiatimes.com/industry/telecom/telecom-news/operators-vendors-facebook-call-upon-government-to-ensure-adequate-5g-spectrum/articleshow/79660939.cms>

Energy

India seeks cheaper renewable power contracts to spur solar, wind projects

India is considering plans to assist renewable energy developers as cash-strapped utilities shun the long-term contracts needed to underwrite new wind and solar projects, according to people familiar with the proposals. State-run Solar Energy Corp. is discussing an option to pool electricity supply from renewable energy projects by developers including Adani Green Energy Ltd. and offer it to utilities at a more affordable price, according to the people, who requested anonymity to discuss private details. That should help the firms seal pacts with utilities and enable construction to start on as much as 15.2 gigawatts of renewable energy capacity, a sixth of current installations, and help the government meet its climate goals. India's renewable energy ministry didn't respond to an emailed request for comment.

https://www.business-standard.com/article/economy-policy/india-seeks-cheaper-renewable-power-contracts-to-spur-solar-wind-projects-120121000391_1.html

Capacity utilisation at Indian Oil refineries reach 100% in November

Capacity utilization at Indian Oil refineries reached 100% in November from about 55% in early May on recovery in the domestic fuel demand, the company said in a statement. The average utilisation was 88% of the nameplate capacity in October and 99% in November of last year. Indian oil is the nation's largest refiner with about 81 million tonnes a year of capacity, about a third of country's total. During November 2020, the sale of petrol was 4% higher compared to the same period last year, as per the statement. But diesel, which makes up 40% of country's total refined fuel demand, witnessed 9% sales decline in November from a year earlier. Aviation turbine fuel also sold 45% less compared to last November. But the demand for liquefied petroleum gas (LPG) rose 1.4%.

<https://economictimes.indiatimes.com/industry/energy/oil-gas/capacity-utilisation-at-indian-oil-refineries-reach-100-in-november/articleshow/79663634.cms>

Coal India registers 77% growth in e-auction sales in Apr-Nov

Coal India Ltd (CIL) has logged 77% growth in e-auction sales in April-November of the current fiscal, booking 68.3 Million Tonnes (MTs). The upsurge in the booked or allocated quantity of coal was close to 30 MTs in absolute terms, compared to 38.6 MTs booked during the same period a year ago, a company official said. Exclusive auction for non-power consumers booked 17.4 MTs which is 25.5% of the total allocated quantity during the period. Compared to

4.8 MTs booked by non-power consumers during April-November last year, the growth is 262%. E-auction sales for November 2020 witnessed improved volume bookings at 9.4 MTs, clocking 23.7% growth over last November, helping CIL net 30% premium over the notified prices.

<https://economictimes.indiatimes.com/industry/indl-goods/svs/metals-mining/coal-india-registers-77-growth-in-e-auction-sales-in-apr-nov/articleshow/79659983.cms>

Healthcare

India's cumulative coronavirus tests cross 150 million: Health Ministry

India's tally of cumulative COVID-19 testing has crossed 15 crores, out of which past one crore tests were added in just 10 days, said the Ministry of Health and Family Welfare on Thursday. According to an official statement by the Union Health Ministry, 9,22,959 samples were tested in the last 24 hours, which has increased India's total cumulative tests to 15,07,59,726.

"The past one crore tests were added in just 10 days. Comprehensive and widespread testing on a sustained basis has resulted in bringing down the positivity rate," the Health Ministry said. The ministry said India has reported less than 40,000 new daily cases for 11 continuous days. In the last 24 hours, only 31,521 persons were found to be COVID positive in the country.

https://www.business-standard.com/article/current-affairs/india-s-cumulative-coronavirus-tests-cross-150-million-health-ministry-120121000499_1.html

USFDA to scrutinise Pfizer's coronavirus vaccine data for red flags

Pfizer's COVID-19 vaccine faces one final hurdle as it races to become the first shot greenlighted in the US: a panel of experts who will scrutinize the company's data for any red flags. Thursday's meeting of the Food and Drug Administration's vaccine advisory panel is likely the last step before a U.S. decision to begin shipping millions of doses of the shot, which has shown strong protection against the coronavirus.

The FDA panel functions like a science court that will pick apart the data and debate in public and live-streamed whether the shot is safe and effective enough to be cleared for emergency use. The non-government experts specialize in vaccine development, infectious diseases and medical statistics. The FDA is expected to follow the committee's advice, although it is not required to do so. The FDA's decision comes as the coronavirus continues surging across much of the world, claiming more than 1.5 million lives, including more than 289,000 in the U.S.

https://www.business-standard.com/article/current-affairs/usfda-to-scrutinise-pfizer-s-coronavirus-vaccine-data-for-red-flags-120121000466_1.html

Covid-19 vaccines must have no patents: Muhammad Yunus

Nobel laureate and Bangladeshi social entrepreneur Muhammad Yunus has said that no one should own patents for Covid-19 vaccines. "The coronavirus vaccine itself has divided the world into vaccine haves and vaccine have-nots," he said. Addressing the The Indus Entrepreneurs (TiE) Global Summit 2020 on Thursday, he said the vaccine must have no patents so that it can be manufactured anywhere in the world.

<https://www.thehindubusinessline.com/news/covid-19-vaccines-must-have-no-patents-muhammad-yunus/article33300957.ece?homepage=true>

External

Nitin Gadkari calls for more innovation to identify import substitute products

Union Minister Nitin Gadkari on Thursday called for more innovation and research to identify products that can be indigenously manufactured as cost-effective import substitutes. He said the government has decided to go in for a tendering process to give government technology centers comprising tool rooms to successful private players who have an excellent track record.

The minister for Micro, Small and Medium Enterprises (MSME) and Road Transport and Highways said "we are now launching Flex engines where 100 per cent ethanol or petrol can be used," highlighting its significance in lowering crude oil imports. Addressing a webinar organised by All India Management Association, the minister said "this is the time for the industry, for the government to identify the things important for the future which we are presently importing, how we can manufacture here".

<https://www.financialexpress.com/economy/nitin-gadkari-calls-for-more-innovation-to-identify-import-substitute-products/2147286/>

India's container trade recovering sequentially, still lower than last year: Maersk

India's containerised trade is recovering sequentially although it continues to contract compared to last year, said a note from AP Moller-Maersk. "During Q3 of 2020 (July to September), the Indian containerised trade contracted by about 8% as compared to the same period last year. However, compared to Q2 of 2020, there has been a 31% increase in volumes, indicating that trade is on a path of recovery. Exports out of India are up by 14% over Q3 of last year while they are 47% higher than Q2 of 2020. Imports are however 28% lower than Q3 of 2019, but have recovered by more than 30% from Q2 2020," said Maersk in the note.

<https://economictimes.indiatimes.com/industry/transportation/shipping/-/transport/indias-container-trade-recovering-sequentially-still-lower-than-last-year-maersk/articleshow/79662872.cms>

Coronavirus-hit European economy likely to get stimulus shot

The European Central Bank is expected to unleash a half-trillion euros (USD 600 billion) or more in stimulus on Thursday to support businesses, workers and governments through the winter wave of the coronavirus. Bank President Christine Lagarde has given unusually clear signals that action is coming, saying there was "little doubt" the bank's 25-member governing council would use the meeting to "recalibrate" its support for the economy of the 19 European Union countries that use the euro. Analysts think the central bank will boost its current 1.35 trillion-euro (USD 1.64 trillion) pandemic emergency bond purchase program by 500 billion euros or more, and extend it from its current earliest end date of mid-2021 to the end of 2021 or mid-2022.

The monetary authority for the eurozone could also add more ultra-cheap, long-term loans to banks, the chief source of ready money for companies in the eurozone, to ensure businesses don't go bankrupt or cut back because credit is too expensive or unavailable.

<https://www.financialexpress.com/economy/coronavirus-hit-european-economy-likely-to-get-stimulus-shot/2147152/>