



May 19, 2022 – Thursday

Key Developments

Cabinet approves National Biofuel Policy after slew of amendments

The Union Cabinet on Wednesday approved the National Biofuel Policy-2018 with several amendments, major being advancing the target of blending 20 per cent of ethanol with petrol to 2030 from 2025-26. The policy was drafted to help in meeting the target of reducing import dependence on fossil fuels by 10 per cent from 2014-15 levels by the year 2022. This target is to be achieved by adopting a five-pronged strategy which includes, increasing domestic production, adopting biofuels & renewable, energy efficiency norms, improvement in refinery processes and demand substitution. National Biofuel Policy was first drafted in 2009 and then amended in 2018. The Cabinet has approved the 2018 draft with further amendments. It has allowed more feedstocks for production of biofuels. To promote the production of biofuels in the country, under the Make in India program, by units located in Special Economic Zones (SEZ)/ Export Oriented Units (EoUs). It has also paved the way for export of biofuels in specific cases. The amendments have also called for adding more members to the National Biofuel Coordination Committee (NBCC), which is chaired by the union minister of petroleum and natural gas and has members from 14 other ministries.

https://www.business-standard.com/article/economy-policy/cabinet-approves-national-biofuel-policy-after-slew-of-amendments-122051801171_1.html

Economy

EAC-PM recommends employment scheme for urban jobless, universal basic income

The Economic Advisory Council to the Prime Minister (EAC-PM) on Wednesday suggested that the government should come out with a guaranteed employment scheme for the urban unemployed as well as introduce a universal basic income and allocate higher funds towards the social sector to reduce inequality in India. The report titled 'The State of Inequality in India', commissioned by the EAC-PM, was prepared by the Institute for Competitiveness. It was released by EAC-PM Chairman Bibek Debroy. "Looking at the difference between the labour force participation rate in rural and urban areas, it is our understanding that the urban equivalent of schemes like MGNREGS that are demand-based and offer guaranteed employment should be introduced so that the surplus-labour is rehabilitated," it suggested. The report also noted that raising minimum income and introducing universal basic income are some of the recommendations that can reduce the income gap and equal distribution of earnings in the labour market.

<https://www.financialexpress.com/economy/eac-pm-recommends-employment-scheme-for-urban-jobless-universal-basic-income/2529739/>

UN cuts India growth estimate to 6.4% in 2022

The United Nations on Wednesday said India is expected to grow 6.4% in 2022, well below the 8.8% growth in 2021, as higher inflationary pressures and uneven recovery of the labour market are likely to curb private consumption and investment. It said the global economy is now projected to grow 3.1% in 2022, down from 4% projected in January, due to broad based deterioration of growth prospects including the US, EU, China and a majority of developing countries. In its World Economic Situation and Prospects report as of mid-2022, the UN's department of

economic and social affairs said global inflation is projected to increase to 6.7% in 2022, twice the average of 2.9% during 2010–2020, with sharp rises in food and energy prices.

<https://economictimes.indiatimes.com/news/economy/indicators/un-cuts-india-growth-estimate-to-6-4-in-2022/articleshow/91649517.cms>

Inflation set to avg to 9-year high at 6.9 pc in FY23: India Ratings and Research

The average headline inflation is set to accelerate to a nine-year high at 6.9 per cent in FY23, and the Reserve Bank may go for more rate hikes during the fiscal, a domestic ratings agency said on Wednesday. The RBI will hike rates by another 75 basis points and possibly up to 125 basis points (1.25 percentage point) as well if the turn of events and data are very adverse, India Ratings and Research said in a note. “The first rate increase by the RBI could be of the order of 0.50 per cent in the June 2022 policy and another 0.25 per cent in the October 2022 policy,” the agency said, adding that the cash reserve ratio could also be hiked by another 0.50 per cent to 5 per cent by the end of the fiscal. Retail inflation will increase till September 2022 and start declining gradually thereafter, it said, adding that it is expected to remain in excess of 6 per cent for four consecutive quarters starting fourth quarter of FY22 till third quarter of FY23.

<https://www.financialexpress.com/economy/inflation-set-to-avg-to-9-year-high-at-6-9-pc-in-fy23-india-ratings-and-research/2529042/>

Wheat export ban to marginally ease inflation as heat wave withers crop: Barclays

With the heat wave withering the wheat crop in northern and central India, government ban on export of wheat could marginally ease price pressures, keeping food inflation from jumping higher, Barclays said in a report. The export ban, Barclays believes, was triggered by a tightening in domestic wheat demand-supply dynamics, which could have pushed up domestic wheat prices and aggravated food inflation further. Retail food inflation hit as high as 8.38% in April, according to the CPI data. Last week, the government imposed a ban on wheat exports due to food security concerns, as the war in the Black Sea Region has exacerbated the cereal’s supply and increased its prices. As of early May, procurement of wheat fell by nearly half in comparison to last year after the ‘terminal heat stress’ led to loss of crop especially in states like Punjab, Haryana, and Uttar Pradesh, according to the RBI (Reserve Bank of India).

<https://www.financialexpress.com/economy/wheat-export-ban-to-marginally-ease-inflation-as-heat-wave-withers-crop-barclays/2529623/>

S&P cuts FY23 India growth forecast to 7.3% on rising inflation, Russia-Ukraine war

S&P Global Ratings on Wednesday cut India’s growth projection for the current fiscal to 7.3 per cent from 7.8 per cent earlier on rising inflation and the longer-than-expected Russia-Ukraine conflict. In its Global Macro Update to Growth Forecasts, S&P said inflation remaining higher for long is a worry, which requires central banks to raise rates more than what is currently priced in, risking a harder landing, including a larger hit to output and employment. S&P had in December last year pegged India’s GDP growth in the 2022-23 fiscal, which began on April 1, 2022, at 7.8 per cent. The growth projection has been cut to 7.3 per cent for the current fiscal. For the next fiscal the growth has been pegged at 6.5 per cent. “The risks to our forecasts have picked up since our last forecast round and remain firmly on the downside. The Russia-Ukraine conflict is more likely to drag on and escalate than end earlier and deescalate, in our view, pushing the risks to the downside,” S&P said.

<https://www.financialexpress.com/economy/sp-cuts-fy23-india-growth-forecast-to-7-3-on-rising-inflation-russia-ukraine-war/2529140/>

Banking and Finance

Geopolitical developments: RBI Governor Shaktikanta Das asks banks to take mitigating steps to minimise impact on balance sheets

Reserve Bank Governor Shaktikanta Das has asked banks to remain watchful of the ongoing geopolitical developments and proactively take mitigating measures, including raising capital, to minimise the potential impact on their balance sheets. The governor along with other RBI officials held meetings with MD and CEOs of select public and sector banks on Wednesday and the day before, the Reserve Bank of India (RBI) said in a statement. In his introductory remarks, Das noted the “key role” played by the banks in supporting the economy throughout the

pandemic. Further, he said the banking sector has remained resilient and has continued to improve despite facing various headwinds. "He advised the banks to remain watchful of the recent geopolitical developments and take mitigating measures proactively, including raising of capital for ensuring that the potential impact on their balance sheets are minimised," RBI said.

<https://www.financialexpress.com/economy/geopolitical-developments-rbi-governor-shaktikanta-das-asks-banks-to-take-mitigating-steps-to-minimise-impact-on-balance-sheets/2529044/>

Cabinet empowers PSU boards to recommend stake sale, close subsidiaries

The Union Cabinet has approved a proposal to empower the board of public sector undertakings (PSUs) to recommend strategic divestment, minority stake sale or closure of their subsidiaries and joint ventures. At present, PSU boards have the authority to make equity investments, undertake mergers and acquisitions subject to certain ceilings of net-worth. However, powers for disinvestment and closure of their subsidiaries is not available to PSUs, except for suggesting minority stake sales for some PSUs. The process for strategic divestment would be open and based on the principles of competitive bidding. The guidelines for the same would be laid down by the Department of Investment and Public Asset Management (DIPAM). For closure of PSUs, guidelines would be issued by the Department of Public Enterprises (DPE).

https://www.business-standard.com/article/economy-policy/cabinet-empowers-psu-boards-to-recommend-stake-sale-close-subsidiaries-122051800810_1.html

SEBI 'lens on retail participation in the F&O segment'

Worried about the rising retail participation in the Futures and Options (F&O) segment, the Securities and Exchange Board of India has undertaken a study to gauge the extent of retail presence in this segment. The outcome of the study could lead to regulatory invention if required. "The findings of the study will be revealed soon. SEBI is concerned about the risks associated with the F&O segment and the increasing number of retail investors coming into this segment," said a source close to the development. "Based on the findings of the study, the market regulator will think about taking suitable measures." The F&O segment is riskier than investing in stocks. Typically, high networth individuals, traders and speculators participate in this segment.

<https://www.thehindubusinessline.com/news/sebi-lens-on-retail-participation-in-the-f-o-segment/article65426666.ece>

Indian banks to benefit from strong domestic economic growth: Moody's

Global rating agency Moody's said on Wednesday that India's economy is back on track after the pandemic and the military conflict will not derail the country's recovery, creating favorable operating conditions for the country's banks. The loan performance and profitability of banks are improving, albeit from a low base. Capital and liquidity levels are stable, Moody's said. The global economic fallout from the Russia-Ukraine military conflict will push up inflation and interest rates in India, and create supply constraints. Indian banks, however, are in better shape now than before the pandemic. Loan quality had deteriorated over the prior decade as a large proportion of the banks' corporate lending books turned sour.

https://www.business-standard.com/article/finance/indian-banks-to-benefit-from-strong-domestic-economic-growth-moody-s-122051801037_1.html

Decline in startup funding leads to 27% drop in PE/VC investments in April: Report

A decline in bets on startups led to a 27 per cent drop in investments by private equity and venture capital funds in April 2022 at USD 5.5 billion, as per a report released on Wednesday. However, the overall investment was 11 per cent higher than the USD 5 billion witnessed in the preceding month of March 2022, the report by industry grouping IVCA and EY, a consultancy, said. Investments into startups by venture capital funds halved to USD 1.6 billion across 82 deals during April, which resulted in pulling down of the overall number.

<https://economictimes.indiatimes.com/industry/banking/finance/decline-in-startup-funding-leads-to-27-drop-in-pe/vc-investments-in-april-report/articleshow/91643635.cms>

Industry

Infra, cement cos feel pinch of falling rupee, realty counts on more sales

At its recent fourth quarter results conference, the Larsen & Toubro (L&T) management admitted that volatility in the price of crude oil and other commodities arising from geopolitical uncertainties was pushing up input prices. But there is another elephant in the room. The rupee has been falling fast against the dollar, putting further pressure on commodity prices and forcing the central bank to intervene. Last week, the Reserve Bank of India increased the repo rate, pushing up the borrowing cost for companies and consumers.

https://www.business-standard.com/article/companies/infra-cement-cos-feel-pinch-of-falling-rupee-realty-counts-on-more-sales-122051900083_1.html

Ukraine impact: About 250,000 workers in Surat's diamond units sent on leave, job losses loom

About 250,000 workers employed at Surat's diamond polishing and cutting units have been asked to go on leave for 15 days from May 16, as the supplies of rough stones from the biggest diamond miner, Alrosa, which is partially owned by the Russian government have been frozen amid the Russia-Ukraine conflict. The US Treasury had slapped sanctions on Alrosa on April 8, potentially cutting off about 30% of the world's supply of rough diamonds. The sanctions barred India's diamond exporters from importing rough diamonds from Alrosa. Exporters cannot take any risk as the US is the major buyer of Indian cut and polished diamonds. "The units have been reducing working hours from 12 to eight and had given two days off to workers every week. They thought that the supply side will improve if the government intervenes. But with the US expanding sanctions, they have now asked the workers to go on leave for 15 days, beginning May 16," Ramesh Zilariya, president, Diamond Workers Union, Gujarat, told ET. "During this period, the workers will not get any wages. We fear that subsequently this will result in job losses."

<https://economictimes.indiatimes.com/industry/cons-products/fashion/-/cosmetics/-/jewellery/ukraine-impact-about-250000-workers-in-surats-diamond-units-sent-on-leave-job-losses-loom/articleshow/91651815.cms>

Agriculture

Price rise, early rains may spur above normal kharif acreage for many crops

With prices of most rabi crops trading much above their respective minimum support price (MSP), and with overall bullishness in farm commodities, there is a likelihood that the acreage under kharif crops in the forthcoming season will be higher than normal, provided monsoon remains on track.

This could provide some relief to consumers, the government and policy makers reeling under the impact of sky-high inflation, but whether or not it will last long remains to be seen.

https://www.business-standard.com/article/economy-policy/price-rise-early-rains-may-spur-above-normal-kharif-acreage-for-many-crops-122051801482_1.html

Infrastructure

NHAI optimistic about meeting asset monetisation target of Rs 20,000 crore in FY'23: Chairperson

The National Highways Authority of India (NHAI) is optimistic about meeting the asset monetisation target of Rs 20,000 crore in the current fiscal amid ongoing economic uncertainties and geo-political instability, a top official said. The national road infrastructure building entity will raise the monetisation amount through NHAI Infrastructure Investment Trust or InVIT and Toll-Operate-Transfer or TOT routes. In the previous fiscal, NHAI had raised Rs 8,000 crore monetisation for five projects accounting for 400 km through the first tranche of InVIT. InVITs are collective investment vehicles similar to a mutual fund, which enables direct monetary investment from individual and institutional investors in infrastructure projects which earn them a small portion of the income as return.

https://economictimes.indiatimes.com/news/economy/finance/nhai-optimistic-about-meeting-asset-monetisation-target-of-rs-20000-crore-in-fy23-chairperson/articleshow/91636868.cms?utm_source=ETTopNews&utm_medium=HPTN&utm_campaign=AL1&utm_content=23

Telecom

DoT may soon seek cabinet nod for 5G sale modalities: K Rajaraman

The Department of Telecommunications (DoT) is expected to approach the Cabinet for final clearance of the 5G spectrum auction modalities, including pricing and tenure of airwaves, in the next two to three days, telecom secretary K Rajaraman told ET. In the first official comments on the auctions after the meeting of the Digital Communications Commission (DCC), Rajaraman said, "Trai (Telecom Regulatory Authority of India) has placed a fairly strong set of recommendations that will enable the market to participate very actively in the upcoming auction." DCC, the highest-decision making body of the telecom department, on Tuesday stuck to the telecom regulator's recommended base prices for 5G airwaves, while backing a telecom department panel view of auctioning airwaves for 20 years aimed at limited a telco's financial outflow.

<https://economictimes.indiatimes.com/industry/telecom/telecom-news/dot-may-soon-seek-cabinet-nod-for-5g-sale-modalities-k-rajaraman/articleshow/91649143.cms>

Demand for over 150k in roles in 5G, cloud computing, AI & big data: Report

The Telecom Sector Skill Council (TSSC), the Council responsible for skilling in telecom, on Wednesday launched a report 'Overview: Indian Telecom Market 2022-23', charting out the areas of traction where the telecom industry would witness growth in the coming financial year. The report highlights that in the past year, there was a combined demand for over 150,000 in roles in 5G, Cloud Computing, AI & Big Data Analytics, IoT, Mobile App-Development and Robotic Process Automation - the demand supply gap is almost 28%. The talent demand supply gap will continue to widen with the advent of 5G and allied technologies rollout. Also, in view of India's 5G rollout in the near future, TSSC has firmed up its plans to boost skill infra and workforce along with its partners and stakeholders. It plans to train 100,000 people in the next 3 years and open 10 new Centres of Excellence across the country.

https://www.business-standard.com/article/economy-policy/demand-for-over-150k-in-roles-in-5g-cloud-computing-ai-big-data-report-122051800959_1.html

Energy

India threatens to curb domestic coal supply if utilities delay imports

India's power ministry on Wednesday said it would cut domestic fuel supply to state government-run utilities by 5% if they do not import coal for blending by June 15, as officials struggle to address rising power demand. A heatwave pushed power use to a record high in April, leading to the worst electricity crisis in more than six years and forcing India to reverse a policy to slash coal imports. "If blending with domestic coal is not started by 15.06.2022 then the domestic allocation of the concerned defaulter thermal power plants will be further reduced by 5%," the power ministry said in a statement. It said state government-run utilities, most of which are debt-laden, will have to import more coal to fire their power plants due to reduced local supply if they delay placing orders and supplies do not arrive by June 15.

<https://economictimes.indiatimes.com/industry/energy/power/india-threatens-to-curb-domestic-coal-supply-if-utilities-delay-imports/articleshow/91641849.cms>

No immediate plans to revise petrol, diesel prices

The government has 'no immediate plans' to re-start the daily price revision mechanism for auto fuels, as the main concern is to protect the common man. At present, the under-recoveries on petrol have averaged at ₹8-10 a litre, while those on diesel is in the range of ₹25-30 per litre. Fuel prices have not been revised since April 6. "There are no immediate plans. The government's main concern is the common man, who should not be burdened unnecessarily. The volatility in global crude oil prices is a mismatch between demand and supply. If prices remain high like they are, then there are fears that the world might enter a recession in two years," a top source said.

<https://www.thehindubusinessline.com/news/national/no-immediate-plans-to-revise-petrol-diesel-prices/article65426986.ece>

External

Parliament Committee advises MEA to expedite Bilateral Investment Treaties

The parliamentary committee of the external affairs ministry has called for fast-tracking signing of bilateral investment treaties and investments to facilitate economic growth, observing in a recent report that the number of pacts signed by India after 2015 and those under negotiations are inadequate. It said the ministry should facilitate

such pacts since it is in charge of negotiations and suggested that the process of an investment protection agreement with the US and a standalone investment agreement with the EU be started and concluded early so as to contribute to investments in priority sectors and high technology manufacturing.

The committee said it did not see any fresh result-oriented initiative taken by the ministry or any change in approach leading to a reasonable number of bilateral investment treaties, in keeping with the growing requirement of the country, and suggested that the ministry strengthen its coordination with the other ministries and departments concerned.

<https://economictimes.indiatimes.com/news/economy/policy/parliament-committee-advises-mea-to-expedite-bilateral-investment-treaties/articleshow/91652743.cms>

India remains attractive for FDI investors

Foreign direct investment (FDI) has been rising annually in contrast with the heavy selling by foreign portfolio investors (FPIs) in recent times. Gross FDI inflows were at \$83.6 billion in FY22, surpassing \$82 billion a year earlier. It stood at \$74.4 billion in FY20. Services and manufacturing sectors accounted for a major share of FDI in FY22, RBI said in its monthly bulletin. However, net FDI moderated to \$39.3 billion in FY22 from \$44 billion a year ago, due to higher outward investment by Indian entrepreneurs and repatriation by foreign investors, RBI said.

India's cumulative FDI stands at around \$570 billion.

<https://economictimes.indiatimes.com/news/economy/finance/india-remains-attractive-for-fdi-investors/articleshow/91648995.cms>

Oilmeals exports up 10% to 3.34 lakh tonnes in April

Oilmeals export increased by 10 per cent in April to nearly 3.34 lakh tonnes on higher shipments of rapeseed meal, according to industry data. In a statement, Solvent Extractors' Association of India (SEA) said the export of oilmeals in April 2022 is provisionally reported at 3,33,972 tonnes compared to 3,03,705 tonnes in the same month last year. Rapeseed meal exports increased to 2,29,207 tonnes during April from 93,984 tonnes in March 2022. SEA pointed out that the exports of oilmeals fell to 23.8 lakh tonnes last fiscal year from 36.8 lakh tonnes in previous year. In term of value, exports declined to Rs 5,600 crore from Rs 8,900 crore in 2020-21. In the current year (2022-23), the exports of oilmeals are likely to be lower.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/oilmeals-exports-up-10-to-3-34-lakh-tonnes-in-april/articleshow/91639791.cms>

Traders must fulfill domestic cotton, yarn demand before exports: Goyal

Indian traders and spinning mills should first meet demand from the local textile industry and only then export surplus raw cotton and yarn, Textile Minister Piyush Goyal told industry officials in a meeting. The minister's comments came after textile mills in Tamil Nadu, a leading exporter of garments, went on a two-day strike earlier this week demanding a ban on exports. "The spinning and trading community (should) ensure hassle free supply of cotton and yarn first to the domestic industry and only surplus cotton and yarn should be diverted for exports," Goyal said. Exports should not be at the cost of domestic textile industry, the largest employment generator in the country, he said. India is the world's largest producer of cotton, with Bangladesh, Vietnam and China its biggest buyers.

https://www.business-standard.com/article/economy-policy/traders-must-fulfill-domestic-cotton-yarn-demand-before-exports-goyal-122051800612_1.html