



February 07, 2024 – Wednesday

Economy

Animal spirit back in economy, private investment picking up: CEA

Chief Economic Adviser (CEA) V Anantha Nageswaran has said the animal spirit is back in the Indian economy and has reflected in the visible pick up in private sector investment. "It has come back. Otherwise, how Indian economy can grow at 7 per cent. You look at Purchasing Managers' Index, manufacturing and services indices, the line between expansion and contraction, stock market performance," he told PTI in an interview. It has come back, and that is reflected in the GDP numbers, he added. The expression 'animal spirits' was coined by celebrated economist John Maynard Keynes to refer to investors' confidence in taking action in terms of investment.

https://www.business-standard.com/economy/news/animal-spirit-back-in-economy-private-investment-picking-up-cea-124020601134_1.html

Centre's external debt ratio drops to pre-Covid level

The central government's external debt ratio continues to remain low and has returned to the pre-pandemic level of 2.7% of gross domestic product (GDP) in FY24, thanks to the reduction in the pace of such loan growth in recent years, Parliament was informed on Tuesday. In a written reply in the Rajya Sabha, minister of state for finance Pankaj Chaudhary said the Centre's internal debt ratio has been moderating since hitting 58.3% of GDP in the Covid year of FY21. It's estimated to touch 55.4% of GDP, or Rs 164.44 lakh crore, in FY24. In absolute terms, the external debt will touch Rs 7.93 lakh crore in FY24, according to the revised estimate.

<https://economictimes.indiatimes.com/news/economy/indicators/centres-external-debt-ratio-drops-to-pre-covid-level/articleshow/107465266.cms>

MGNREGS January work demand dips 1.7%

Demand for work under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) fell slightly in January amid stable economic activities. Nearly 23.91 million individuals sought work under the scheme in January, down 1.7% from a year earlier, showed preliminary data compiled by the rural development ministry. Meanwhile, updated data for November and December showed a marginal increase, in contrast with a dip in the preliminary numbers. Nevertheless, the data showed a downward trajectory for work demand since a 29% surge in October. The MGNREGS data typically gets revised when updated information is available.

<https://economictimes.indiatimes.com/news/economy/indicators/mgnregs-january-work-demand-dips-1-7/articleshow/107468427.cms>

Banking and Finance

Retail loan growth moderates in Sept qtr; unsecured loan NPAs go up: Report

Lenders tightened credit supply in the September quarter, leading to a slowdown in retail credit growth, a credit information company said on Tuesday. The unsecured loans of personal loans and credit cards, which have come under intense regulatory scrutiny, showed an uptick in delinquencies during the quarter even as other asset classes within retail showed an improvement, the report by Transunion Cibil said. Home loans, the bulwark for retail

exposures for banks given the high ticket sizes, showed no growth at all in the September quarter origination volumes as compared to the year-ago period, while other classes like loans against property, auto, two wheelers, personal loans, credit cards and consumer durable loans showed slower growth, the report said.

<https://economictimes.indiatimes.com/news/economy/indicators/retail-loan-growth-moderates-in-sept-qtr-unsecured-loan-npas-go-up-report/articleshow/107466332.cms>

RBI's liquidity drain signals tight cash conditions may stay: Economists

Indian central bank's aggressive withdrawal of cash from the banking system this week indicates it is not looking to loosen its grip on liquidity anytime soon, economists said on Tuesday. The Reserve Bank of India (RBI) conducted an overnight variable rate reverse repo (VRRR) auction for the first time in seven months earlier in the day, and despite a tepid response, it announced a follow-up auction, which was also under-subscribed.

https://www.business-standard.com/economy/news/rbi-s-liquidity-drain-signals-tight-cash-conditions-may-stay-economists-124020601048_1.html

Govt expects \$1.8 billion in dividends from state-run banks in FY25

Rising profits at India's state-run banks could produce nearly \$2 billion in dividends for the government in the next fiscal year starting in April, a solid jump from this year, a top finance ministry official said. Since taking charge in 2014, Prime Minister Narendra Modi has taken steps to strengthen state banks including merging weaker banks with stronger ones and a bankruptcy law to recover money from defaulters, while channeling more than Rs 3.3 trillion (\$39.7 billion) to recapitalise stressed banks.

https://www.business-standard.com/finance/news/govt-expects-1-8-billion-in-dividends-from-state-run-banks-in-fy25-124020601136_1.html

IBC review proposed to speed up resolutions

The parliamentary standing committee on finance has called for a review of the Insolvency and Bankruptcy Code (IBC), factoring in the lacunae and roadblocks surfaced in implementing the almost eight-year-old law, so that the "very purpose behind its enactment is not defeated". In a report on the action taken by the government on its 2021 recommendations on the IBC, the committee led by BJP leader Jayant Sinha said "actual recoveries on the ground" from the stressed assets are just 25-30% (against creditors' admitted claims). It highlighted that inordinate delays in the resolution process are resulting in value erosion of stressed assets.

<https://economictimes.indiatimes.com/news/economy/policy/ibc-review-proposed-to-speed-up-resolutions/articleshow/107468812.cms>

NARCL makes binding offers for over half a dozen accounts: Sources

The state-promoted National Asset Reconstruction Co (NARCL) has bid for more than half a dozen distressed loans, sources familiar with the matter told ET. NARCL has offered binding offers to lenders for the acquisition of loans, including two special purpose vehicles (SPVs) of Sadbhav Engineering - Rohtak Hissar Tollway and Rohtak Panipat. Also, NARCL has upped the bid for Haridwar Highways Project. However, the fate of these offers hinges on lenders' approval, which, if granted, will trigger a Swiss challenge auction.

<https://economictimes.indiatimes.com/industry/banking/finance/narcl-makes-binding-offers-for-over-half-a-dozen-accounts-sources/articleshow/107468597.cms>

India to remain on alert for 'hot money' after bond index inclusion

India will monitor flows of foreign funds after its inclusion into JPMorgan's emerging market debt index and will take steps to avoid 'hot money' that can trigger volatility in its currency and bond markets, a senior government official said. "We will keep monitoring it. And when necessary, steps will be taken," T.V. Somanathan, a senior finance ministry official told Reuters in an interview. The aim will be to "prevent volatility or volatile inflows" but "never" to restrict outflows, he said, adding that "all possibilities are open to keep volatility in check. However, any talk about measures right now is "hypothetical", said Somanathan.

<https://economictimes.indiatimes.com/news/economy/finance/india-to-remain-on-alert-for-hot-money-after-bond-index-inclusion/articleshow/107456223.cms>

IRDAI proposes flexible lock-in period for investors in insurance companies

Investors in insurance companies will have the option of a reduced lock-in for investments if their financial position deteriorates and they need to save themselves by selling their investments in the company. These proposed changes by the IRDAI say the lock-in period for shareholders facing financial distress, or being merged with another entity, will be relaxed. Also, shareholders planning to list their shares will see relaxation of the lock-in clause.

<https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-proposes-flexible-lock-in-period-for-investors-in-insurance-companies/articleshow/107468230.cms>

GST authorities issue notices over input tax credit discrepancies

Goods and services tax (GST) authorities have issued notices to several companies for discrepancy in claim of input tax credit, or ITC, people aware of the matter said. This follows close scrutiny of input tax availed by the companies and mismatch with their annual return. The notices have been sent under Section 150 of the CGST Act, 2017. The department has asked the taxpayers to file an information return, giving details of the reason for the "short reporting" of input tax credit. ET has seen some of the notices that were issued by the GST authorities.

<https://economictimes.indiatimes.com/news/economy/policy/gst-authorities-issue-notices-over-input-tax-credit-discrepancies/articleshow/107468575.cms>

Industry

Allow 90 days for payment of goods supplied by MSMEs to textile sector: TASMA

The textile sector has expressed concern over the impact of a new clause in the Income Tax Act, 1961, through the Finance Act 2023 on payment for goods provided by Micro and Small Enterprises (MSME). In the Finance Act 2023, the Finance Ministry has introduced Section 43B(H), which would ensure payment towards the goods supplied by MSMEs within 45 days. This is as per provisions provided under Section 15 of the MSMED Act, 2006, to ensure prompt payments so that MSMEs will not be affected by delays in any fund flow issues. Flagging the industry's concern, the Tamilnadu Spinning Mills Association (TASMA) has written to the Finance and MSME ministries saying the clause has triggered a panic among suppliers and buyers in the textile value chain. "Even though, the decision to introduce Section 43B(H), to the Income Tax Act 1961, ... many buyers, who have been receiving the goods / supplies hitherto with a flexibility of payment period as agreed upon between both the parties, are now hesitant to accept the goods, when the payment terms are limited to 45 days only," the association said.

<https://www.thehindubusinessline.com/economy/agri-business/allow-90-days-for-payment-of-goods-supplied-by-msmes-to-textile-sector-tasma/article67818555.ece>

Slowing consumer sales growth marks end of revenge shopping

Discretionary retail sales in India screeched to a halt in 2023, with growth in segments like apparel, footwear, beauty, and quick service restaurants (QSR) halving to just 9% after two years of pandemic-fuelled surge. This reflects weak consumer sentiment though spending on high-ticket items such as automobiles and electronics continued backed by easy loans. According to the Retailers Association of India (RAI), in the apparel and footwear segments, the budget-conscious value category was hit the hardest. With three-fourths of annual sales growth largely driven by network expansion, the organised retail sector's same-store sales growth (SSG) of 2-3% last year suggests an ebbing of demand for clothes, shoes, cosmetics and fast food.

<https://economictimes.indiatimes.com/industry/services/retail/slowng-consumer-sales-growth-marks-end-of-revenge-shopping/articleshow/107472069.cms>

India's FMCG market grew in Q3 FY24 on higher consumption: Report

India's fast-moving consumer goods (FMCG) industry grew by 6.4 per cent in volume in the October-December quarter (Q3 FY24) on the back of increased consumption, said a research firm's report on Tuesday. The industry grew 6 per cent by value in Q3 FY24 as consumption growth moderated sequentially, said NielsenIQ (NIQ). In rural India, volume growth slowed down sequentially as consumption declined. In urban areas, the decline in volume growth was more pronounced. Traditional FMCG trade, conducted by kirana stores, declined sequentially at 5.3 per cent in Q3 FY24 compared to 7.5 per cent in the July-September quarter.

https://www.business-standard.com/industry/news/india-s-fmcg-market-grew-in-q3-fy24-on-higher-consumption-report-124020600490_1.html

Agriculture

Agri storage units to be set up at 65,000 villages

To reduce post-harvest losses and protect farmers from distress, the government is aiming to create storage infrastructure for agricultural commodities at around 65,000 primary agricultural credit societies (PACS) in the next couple of years. The move aims at integrating godowns built at the PACS level with the national food grain supply chain, providing essential market linkages, help farmers store their commodities for longer periods, reduce post harvest losses, avoid multiple handling and transportation costs. Currently, most of the storage facilities by state warehousing corporations and central agencies are not located in rural areas.

<https://www.financialexpress.com/policy/economy-agri-storage-units-to-be-set-up-at-65000-villages-3385203/>

PM-Kisan beneficiaries number slides 14% in FY24

The Indian Government on Tuesday informed the Parliament that the number of beneficiaries under the flagship Direct Benefit transfer (DBT) scheme, PM-Kisan has fallen 14 per cent to 9.21 crore in 2023-24 from 10.73 crore last year. If the final number of beneficiaries is contained within 9.5 crore, the annual outgo could be around ₹57,000 crore at the current rate of disbursement of ₹6,000/year. The government has made an allocation of ₹60,000 crore under PM-Kisan for FY25.

<https://www.thehindubusinessline.com/economy/agri-business/pm-kisan-beneficiaries-number-slides-14-in-fy24/article67818329.ece>

Not many takers for govt drive to procure tur dal at market rates

The central government's drive to procure tur dal at open market rates to refill its stocks has so far received a lukewarm response from farmers even as it has helped push prices up, industry insiders said. Small farmers continue to sell to private traders while many bigger farmers have opted to hold the crop, expecting the prices to increase further as tur/arhar prices continue to remain firm and the new crop is expected to be in deficit, they said.

<https://economictimes.indiatimes.com/news/economy/agriculture/not-many-takers-for-govt-drive-to-procure-tur-dal-at-market-rates/articleshow/107468503.cms>

Infrastructure

Nitin Gadkari approves Rs 2,249 cr for construction of Lada-Sarli section on Frontier Highway in Arunachal

Union Minister Nitin Gadkari has approved Rs 2,248.94 crore for the construction of the Lada-Sarli section of NH-913 (Frontier Highway) in Arunachal Pradesh on EPC mode, an official statement said on Tuesday. Gadkari said that this vital project, dedicated to providing a swift communication network for security forces, is poised to stimulate economic activities, fostering reverse migration towards vibrant border areas. Additionally, the road transport and highways minister said it has established essential road infrastructure, connecting crucial river basins and facilitating the development of numerous hydropower projects in the state. Gadkari further said this greenfield road project holds promise for tourism, catering to sparsely populated areas of Upper Arunachal, and anticipating increased traffic in the future.

<https://economictimes.indiatimes.com/news/economy/infrastructure/nitin-gadkari-approves-rs-2249-cr-for-construction-of-lada-sarli-section-on-frontier-highway-in-arunachal/articleshow/107466718.cms>

Energy

India to sign billion dollar deal to extend LNG imports from Qatar

India is likely to sign on Tuesday a multi-billion dollar deal to extend LNG imports from Qatar till 2048 at rates that are lower than current prices, sources said. Petronet LNG Ltd will sign the deal with QatarEnergy to extend import of 7.5 million tonne a year on sidelines of India Energy Week here. India is likely to sign on Tuesday a multi-billion dollar deal to extend LNG imports from Qatar till 2048 at rates that are lower than current prices, sources said. Petronet LNG Ltd will sign the deal with QatarEnergy to extend import of 7.5 million tonne a year on sidelines of India Energy Week here.

https://www.business-standard.com/economy/news/india-to-sign-billion-dollar-deal-to-extend-lng-imports-from-qatar-124020600355_1.html

India to see investment of \$67 billion in next 5-6 years in energy sector, says PM Modi

Prime Minister Narendra Modi on Tuesday said that India will see an investment of \$67 billion in the energy sector in next 5 to 6 years as he invited global investors to participate in India's growth story. Inaugurating the second edition of the India Energy Week here, Modi said the Indian economy is growing at the rate of more than 7.5 per cent and the country will soon become the world's third-largest economy. He invited global players to participate in India's energy sector growth, saying that the country is expected to increase its refining capacity from 254 MMTPA (million metric tonne per annum) to 450 MMTPA by 2030.

<https://www.financialexpress.com/business/industry-india-to-see-investment-of-67-billion-in-next-5-6-years-in-energy-sector-says-pmnbspmodi-3385807/>

Telecom

Indian telecom sector may see FDI revival from FY25

India's telecom sector is expected to see a revival in foreign direct investment over the next two years. This optimism stems from two recent developments: the opening of satellite communications to the private sector, and introduction of the Telecommunications Act, which are expected to make the sector attractive and stimulate investment, analysts and industry experts said. Experts said one of the factors for the low level of FDI in recent years is the availability of greater sources of domestic funding. Secondly, investments in telecom have never been linear, happening in spurts when companies launch a new technology.

<https://economictimes.indiatimes.com/industry/telecom/indian-telecom-sector-may-see-fdi-revival-from-fy25/articleshow/107468910.cms>

External

Inter-ministerial panel on Red Sea crisis to meet tomorrow

The high-level inter-ministerial group on the Red Sea crisis, chaired by commerce secretary Sunil Barthwal, will meet Thursday amid shipment delays and increase in cargo transport costs. This is the second meeting of the group that has officials from ministries of external affairs, defence, shipping and finance. "As of now, there is no volume impact of the Red Sea crisis on India's exports though transportation costs have risen. There will be discussions on the steps being taken to help exporters," said an official.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/inter-ministerial-panel-on-red-sea-crisis-to-meet-tomorrow/articleshow/107468873.cms?from=mdr>

No pressure to conclude India-UK FTA talks due to forthcoming elections, says source

India will not conclude the India-UK Free Trade Agreement (FTA) talks in haste under the pressure of forthcoming general elections, as negotiations for a favourable outcome can continue even after the new government comes in, a senior official has said. "India will not do anything under pressure. We are not affected by elections. We will do it (sign the FTA) only when we get good terms," the official told businessline.

<https://www.thehindubusinessline.com/economy/no-pressure-to-conclude-india-uk-fta-talks-due-to-forthcoming-elections-says-source/article67817871.ece>