

## Economy This Week (15th June to 29th June 2020)

### 1. WPI deflation (BL 16/6/20)

- WPI for the month of May is reported at a negative of 3.21% as against inflation of 0.42% for the month of March (there was very limited information available in the month of April, hence the comparison is for the month of March).
- This is the first formal proof of the COVID impact on factories.
- WPI is issued by the Economic Advisor in the [DPIIT](#).
- However, in terms of policymaking, this is not an important tool as the central banker has shifted to using [CPI](#) as a nominal anchor.
- The [WPI](#) inflation for all the three subgroups - primary articles; fuel and power; and manufactured items were in negative zones. However, food inflation was in a positive zone.
- The manufactured items showed deflation of 0.42% in the month of May.
- CSO has not been able to release the CPI and [IIP](#) data for the last two months because of a lack or insufficient data.

### 2. With fuel prices increasing the centre faces a dilemma (BL 17/6/20)

- The fuel prices have increased for the 10th straight day. This has increased the pressure on the government to look into a reduction in the excise and ask the states to curtail the VAT.
- The taxes are accounting for over 60% of the retail prices.
- On the other hand, the OMCs have been asking the government to consider deferring the collection of excise duty from them so that their liquidity position improves.
- The government, during the lockdown, has artificially controlled the prices of fuels. And has faced the criticism that the consumers are not getting the benefit of reduction in crude prices.
- In the last 10 days, the prices of petrol and diesel have increased by ₹ 5.47 and ₹ 5.80 respectively. Without the taxes or dealer margins, the petrol and diesel would be sold at ₹ 22.44 and ₹ 23.23 per litre respectively (in Delhi).
- The crude prices declined to below \$30 a barrel and the government increased the excise duty on petrol and diesel by ₹ 10 and ₹ 13 a litre respectively. The government cleared that the revenues collected through this will be used for infrastructure and development projects.

### 3. India rejects market economy tag for china (LM 18/6/20)

- India has rejected the market economy status for china which allows India to impose steep anti-dumping duties on Chinese imports.
- The [WTO](#) members are allowed to impose anti-dumping duties on imports if:
  - The prices of these goods are suppressed i.e. lower than what they are in the domestic market.
  - If these are having an impact on the domestic market.
- China joined the WTO in 2001 and for 15 years was treated as a non-market economy (means the state has a monopoly on trade and all prices are fixed by the state). The period of recognition ended in 2016. The EU and the US have desisted giving a market economy status for China (as there are wide-ranging price controls on export commodities).
- Chinese companies have demanded that surrogate country methodology (to calculate costs and prices of these countries, the costs and prices in other countries are considered) must not be adopted as it has expired in 2016. Now to impose anti-dumping duties the costs and prices of Chinese manufacturers must be considered.
- Since the Chinese producers have failed to file relevant information to prove that it's a market economy, it will be continued to be treated as a non-market economy.
- India has initiated 18 anti-dumping proceedings in 2019 and most of them are against China.

#### 4. RBI asks Yes Bank not to pay interest on tier II bonds (IE 23/6/20)

- The RBI has asked Yes Bank not to pay interest or coupon on Upper Tier II bonds which will be due on 29th June, as the bank has failed to meet adequate capital levels.
- The interest will remain due and shall be paid later subject to bank complying with the stipulated regulatory requirement.
- The Common Equity Tier - 1 (CET-1) ratio and Tier - 1 capital ratio stood at 6.3% and 6.5% respectively compared to 7.375% and 8.875% respectively.

