Economy This Week (19th Oct to 25th Oct 2020)

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1. Single window clearance to start from April (BS 19/10/20)

- The government is trying to set up a single-window clearance.
    - To attract investments
    - To handhold the investors who are keen to invest in India
    - It will obtain all the requisite regulatory and state clearances required for foreign investors to set up manufacturing units
- The scheme will become operational in 2021-22. So far eight states have agreed and given their consent on the land banks and six more will be added by November 15. By the end of the fiscal, 20 states are expected to be on board.
- The government is already seeing interest from over half a dozen companies regarding the single window clearance mechanism. These investors will be identifying the lands or sites across 20 states to set up manufacturing units.
- Many of the investors have highlighted the need for single-window as an important factor in the ease of doing business in India.
- The Centre has decided to make a repository of the country's land bank. It would consist of information such as vacant plots, heat maps, multiple layers of connectivity, etc.
    - Considering the fragmented nature of land banks and red tape in land acquisition, the centre will have to take care of the concerns of the states.
    - The government should issue title certificates of land to provide a clearer picture to the potential investors

2. CPI-IW revised (TH 23/10/20)

- Centre has changed the base year of CPI-IW. The new base year would be 2016 (earlier base year - 2001).
- The CPI-IW is prepared and published by the Labour Bureau (Labour Ministry).
- CPI-IW is used in the calculation of dearness allowance (DA; is the percentage of basic pay; paid to serving government employees), dearness relief (DR - paid to retired employees as a percentage of pension) and basic wages in scheduled employments.
- The government is also in the process of rebasing the CPI-AL and a new series would be announced by August 2021 (current base year is 1986-87).
- The ministry is working towards revising the base year once every 5 years.
- New changes:
    - The sample size for conducting the Working Class Family Income and Expenditure Surveys has been increased from 41040 to 48384.
    - Number of markets to collect the retail inflation data has been increased from 289 to 317.

   - The number of items directly retained in the basket has increased from 392 to 463.
   - The weightage of food has been reduced (from 46.2% to 39%), that of housing has been increased (15.2% to 17%) and weight for miscellaneous (health, education and recreation, transportation and communication, personal care and effects, household goods and services, etc.) has been increased.

Read more on the [Consumer Price Index (CPI)](https://byjus.com).

3. More incentives likely for HAM, EPC projects (FE 24/10/20)

- 85% of the road construction has taken place in the first half of FY21 compared to the previous year.
- The government has unveiled more incentives to speed up the construction pace further.
- Under the HAM model, the Ministry of Road Transport and Highways (MoRTH) has decided to release the financial support in 10 equal installments (against the current practice of 5), this is expected to improve the liquidity of the concessionaires.
- However, the total upfront assistance will continue to be 40% of the cost of the project (the remaining 60% is paid over a period of 15 years).
- In addition to this, the ministry is also working on incentives under the Engineering Procurement and Construction (EPC).
- The eligibility clauses for EPC may be relaxed.

4. Onion prices (FE 24/10/20)

- The government has imposed stock limits on onions with the spike in market prices (applicable till 31st December 2020).
   - In the case of wholesalers, the limit has been fixed at 25 tonnes.
   - It is 2 tonnes for retailers.
   - By imposing this, the government is assessing how much stock is left with whom.
- This decision has come after five months since it brought in an ordinance to deregulate key foodstuffs such as cereals, edible oils, oilseeds, pulses, onion and potato from its purview.
- However, there was a provision as per which if there was an extraordinary increase in the prices, the government could impose stock limits and impose other additional restrictions.
   - If there is a 100% increase in the retail price of horticultural produce and 50% in non-perishable agricultural foodstuffs
   - The defined price rises will be computed “over the price prevailing immediately preceding 12 months, or the average retail price of the last 5 years, whichever is lower.
- Many experts had raised a concern regarding this provision and had argued that this could hinder investment in agri infrastructure.
- The onion prices have seen a steady rise since the second week of September. Since then, the government has -
   - Released the buffer stocks
   - Export ban has been imposed
   - Import norms have been relaxed
   - Now the stock holding limits have been imposed
- The onion prices on 21st October averaged ₹ 55.6 per kg, more than double the average price level in the last five years.
- The price should not have increased as there has been an increase of 14.5% in the production (compared to the previous year) in 2019-20. The price rise is a cyclical factor, has happened a few years ago due to the delayed arrival of the Kharif crop and the exhaust of the Rabi crop.

5. Punjab rejects farm laws (TH 21/10/20)

- Punjab has become the first state in India to reject the three agricultural bills passed by the centre with the passage of three bills to negate the centre's legislation.
- The state assembly:
  - Passed resolution rejecting the central legislation and the proposed electricity amendment bill
  - Demanded annulment of the above two
  - Sought an ordinance to protect the Minimum Support Price (MSP) and ensure continued procurement by the centre
- The three state bills provide for imprisonment of not less than three years and fines for sale and purchase of wheat or paddy under a new farming agreement below the MSP.
- The sale or purchase of wheat or paddy in the state is not allowed below MSP.

6. Punjab rejects farm laws (BS 21/10/20)

- The move would be nullifying some of the provisions of the recently passed farm bills of the centre in addition to safeguarding the interest of the states.
- Anyone who compels the farmer to sell paddy and wheat below the MSP will be penalised.
- It has entrusted itself with powers to levy taxes on all out of mandi transactions. It means the FCI will continue to pay mandi fees of almost 8.5% on all wheat and paddy purchases made in the state. The state earns around ₹ 5000 Cr annually on such purchases.
- The state has passed amendments in each of the farm bills passed by the centre to bring them in line with its APMC provisions of 1961.
- In addition to this, the house also adopted a resolution rejecting the farm laws of the centre.
- ECA
  - The state will have powers to impose stock limits under exceptional circumstances along with the central government as stated in the central legislation.
- Grievance redressal
  - Central law allows setting up of a panel formed by sub-divisional magistrate (SDM). In addition to this, the farmers now can approach the civil courts for remedies (added by Punjab). As per the central act, such appeal was not allowed.

7. FT cannot close schemes without consent of unit holders (TH 25/10/20)

- Franklin Templeton (FT) cannot implement its decision to prematurely close/wind up six open-ended debt mutual fund schemes without getting consent from the unitholders via a simple majority.
- The consent is mandatory as per Section 18(5)(a) of the Securities Exchange Board of India (Mutual Funds) Regulations, 1996 when a majority of the trustees decide to wind up or prematurely redeem units.
- The HC has stayed the operation of its verdict for a period of six weeks to enable the trustees and the FT to approach the Supreme Court.
- In addition to this, it has also stated that there would be no redemption of the units during this period of stay.

8. Centre may partly differ subsidy bill (LM 23/10/20)

- A major chunk of subsidy burden may be shifted to the next year by the centre.
- The government had budgeted a subsidy outlay of ₹ 2.3 tn, but on account of the pandemic, it had announced free food grains/ration (Atmanirbhar Bharat and PM Garib Kalyan Yojana) and gas cylinders (petroleum subsidy) to the poor. This has led to a surge in the subsidy burden.
  - Under PMGKY, around 800 million were given 5 kg of rice or wheat every month free of charge. In addition to this, 83 million women from BPL families were given free LPG cylinders.
  - Under Atmanirbhar Bharat, the government allocated ₹ 3500 Cr for providing free food to migrant labourers.
  - In addition to this, the fertiliser subsidy on account of bumper crops in both Rabi and Kharif seasons is expected to be on a higher side.
- The Centre exhausted its full subsidy allocation in the first five months of the current fiscal.
- The Centre, in order to keep the fiscal deficit unchanged, generally rolls over the subsidy bills for the next fiscal.
  - In FY19, it had rolled over the food subsidy bill of ₹ 69000 Cr to meet the FD target of 3.4% of GDP.