

# Economy This Week (2nd Nov to 8th Nov 2020)

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### 1. GST receipts show economic revival (LM 2/11/20)

- The GST collections for the month of October crossed ₹ 1 tn for the first time in this fiscal (this is in addition to other indicators such as demand for loans to car sales which showed that growth is recovering).
- The surge is on account of higher sales of mobile phones, automobiles, consumer durables, etc. during the festive season.
- The GST receipts for the month of September 2020 are 3.8% higher than the same period in the last fiscal.
- The e-way bills for the month of October were higher by 11% than the previous year which will mean that the GST revenue collection for the month of November also will be better.
- The rising trend of GST collection shows increasing economic activity and rising revenues for the government.

### 2. RBI and accountability (TH 3/11/20)

- The [Consumer Price Index \(CPI\)](#) has increased from 5.8% to 6.7% and 6.6% for the period of October-December; January to March and April to June respectively. It is expected to be around 6.9% for the July - September quarter.
- It is higher than the target given under the inflation target.
- The inflation target was notified in 2016 by amending the RBI Act. Through this, the objective was to enhance transparency and accountability of RBI.
- The RBI has to send a report to the Centre in case the inflation rate breaches the target rate for three consecutive quarters. RBI is expected to point at the data handicap as during the lockdown the data collection was difficult and CPI was suspended for the month of April and May and the data was calculated by using various proxies. After the lockdown was slowly relaxed the data collection was picked up. However, it is expected that RBI will be exempted from writing to the Finance Ministry on the reasoning of data collection. This is not required.
- The government, when it provided the range in case of inflation, accounted for such issues.
- Rather than exempting, the central bank must explain:
  - What it intends to do to control inflation
  - What support it expects from the central government
- This will not only increase accountability but also reinforce the [MPC](#) framework. Such transparency can enable informed decision making.

### 3. Firms prefer Commercial Papers (CP) route (BS 3/11/20)

- The companies are preferring the CP route as against approaching the banks for their working capital requirements.
- This is expected to increase with liquidity supportive measures announced by the RBI.
- The latest data released by RBI shows that the loan growth to the industry segment was nil for the month of September but year on year the bank lending has boosted especially to the services sector.
- The bond market is dominated by the Non-Banking Financial Companies (NBFCs) and in case of CP market, it is the manufacturing and services sector companies.
- Reasons:
  - Low yields
    - In some cases, the yields on the CPs are lower than the overnight repo rate of RBI. This has led to AAA companies raising money from the market in large quantity.

#### **4. NAA - Starbucks guilty of overcharging (BS 5/11/20)**

- The National Anti-Profiteering Authority (NAA) has found Starbucks guilty of not transferring the benefit of reduced GST (Goods and Services Tax) to the tune of ₹ 1.04 Cr.
- The authority has directed the company to transfer the above amount with an interest of 18% interest within three months into the Consumer Welfare Fund (CWF).
- The company had hiked prices of coffee products when the GST council had slashed the rates from 18% to 5% from November 2017. This ensured that the price of the product remained the same.
- As per the anti-profiteering rules, the benefits of input tax credit should be passed on to the recipient by way of commensurate reduction in prices. Since in this case, the consumers cannot be identified, the amount has to be transferred into the CWF.

#### **5. SC reserves order on GST on lotteries (TH 8/11/20)**

- The Supreme Court has reserved its judgement on the constitutional validity of imposing GST on the sale of lotteries across the country.
- The petition filed by various lottery companies has claimed that the GST Act of 2017 has considered lotteries as goods rather than as actionable claims.
- The GST rate applicable on lotteries sold within the state is 12% and on lotteries from other states is 28%.

#### **6. Govt eases LTC cash voucher scheme (BL 7/11/20)**

- The Finance Ministry has relaxed some of the conditions related to the LTC Cash Voucher scheme. It has also advised all the central ministries and departments to ensure that the festival advance is given before Diwali.
- The invoice of the goods purchased could be in the name of the spouse or children who are eligible for the LTC fare (earlier it was mandated to be in the name of the employee only).
- The payment of cash allowance which has been capped at ₹ 36000 per person has been provided with tax exemption.

#### **7. Exports fall again (LM 4/11/20)**

- The exports have come down with many European markets imposing a lockdown.
  - The imports have contracted by 11.6% to \$33.6 bn and exports to \$24.8 bn, resulting in a trade deficit of \$8.8 bn.
  - India's merchandise exports had been weaker even before the pandemic. In 14 of the last 16 months (starting June 2019), exports have been in the negative and since March this year, both exports and imports have been experiencing a double-digit decline. This led to a temporary trade surplus in June for the first time in 18 years.
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