Economy This Week (16th Oct to 22nd Oct 2021)

TABLE OF CONTENTS

1. Liberalising capital account (BS 18/10/21)

- RBI governor has noted that the capital account convertibility would be approached as a process and not as an event.
- Various measures have been taken so far towards liberalising the capital account and further steps would be taken in the coming days.
    - FAR (Fully Accessible Route) has been introduced for non-resident investors and this will help the g-sec inclusion in global bond indices.
- Further opening of capital account should be done after considering all the relevant factors.
    - S Tarapore committee recommendations have not been implemented.
    - The combined fiscal deficit has remained high.
    - Higher debt will increase the financial stability risks.
    - The financial sector has not been reformed to the desired extent.
        - The banking sector is still dominated by PSBs.
- Capital account convertibility also runs against the trade policy of the govt which is increasingly becoming protectionist.
- In addition to this, currency management will become difficult (significant real appreciation in rupee value would be affecting the export competitiveness).

2. EU food recall linked with GM rice from India (TH 20/10/21)

- Candy company Mars Wrigley has recalled several batches of its M&Ms across Europe this August. This was because one of its ingredients - rice flour was found to be GM contaminated and it was allegedly originated in India.
- However, the Commerce Ministry has pointed out that GM rice is not approved for commercial production in India.
- The experts have pointed out that GM rice, however, is allowed in field trials and any cross-contamination would be dampening the agri exports.
- India's annual rice exports are about 18 mt, worth ₹ 65000 Cr and reach more than 75 countries.

3. India is on the cusp of a virtuous cycle (LM 21/10/21)

- Morgan Stanley has said that with capex rising, the employment prospects in the economy will rise and boost income and consumption. This is expected to create a virtuous cycle.
- India's capex to GDP ratio is expected to increase by 6 percentage points between FY21 to FY26.
- The firm expects the growth rate to be averaging 7% from FY23 to FY26.

4. FCI cooks up a new method to buy rice (BL 20/10/21)

- From the upcoming Kharif season, FCI will be procuring the rice stocks which will be passing the Mixed Indicator Method to determine its age.
- This has been done as there are instances where the millers have mixed cheaper PDS rice and sell it to FCI causing heavy losses. In addition to this, it will also harm the interests of the PDS beneficiaries.
- The millers send the rice stocks on behalf of the state govt after custom milling the paddy lots procured from the farmers.
- FCI pays about ₹ 32 per kg for rice but the millers have been found to be mixing the PDS rice and selling it to FCI (they are able to purchase the PDS rice at lower prices of ₹ 15 per kg).
- About 5 to 10% of the rice procured is found to be rice channelled from PDS stocks.

5. Faceless assessment scheme draws legal ire (BL 20/10/21)

- Faceless assessment scheme has been launched as E-Assessment Scheme in September 2019 and was later renamed in August 2020.

- The faceless assessment scheme has come under legal scrutiny with many courts issuing orders criticising the assessing officers.
- Experts have stated that cases are piling up as there is no human interface and technical glitches are resulting in a number of orders, many of these have been branded as irrational by the courts.

6. RBI likely to raise investment limit under VRR (ET 22/10/21)

- The central banker has put forward a proposal to increase the investment limit under the Voluntary Retention Route (VRR).
- Under VRR the objective is to obtain long term debt funds.
- Global investors are in search of better yields on debt securities which is unavailable in developed economies.
    - The US benchmark treasury is yielding 1.64% against 6.34% in the case of Indian benchmark bonds.
- There is a certainty attached to debt flows received under the VRR.
- The VRR limits review is generally done at the end of the year, depending upon its usage. However this time the investors have used up the facility well in advance.

7. 24*7 rural power supply eludes most states (BL 22/10/21)

- Electricity is a concurrent subject where the states or state-owned power utilities supply and/or distribute it.
- All the states have signed an MoU with the central government to ensure 24*7 power supply to all the households, industrial and commercial consumers, adequate supply to agricultural consumers from 1st April 2019.
- The average availability of power in rural areas has increased marginally from 20.41 hrs (2018-19) to 21.09 (2020-21).
    - As per the data, Himachal Pradesh (rural part) ranks at the bottom for power availability at 15.5 hrs.
    - It is preceded by Uttar Pradesh, Karnataka, Tripura and Haryana.
    - These states however have an average power supply of 23 hrs in urban areas.
- During the same period from 2018-19 to 2020-21, the power supply has increased substantially in urban India from 21.43 hrs to 23.35 hrs.
- **PM Saubhagya**
    - Under this scheme, all the states have reported 100% electrification of the willing unelectrified households (2.817 Cr) which have been identified before 2019.

8. Food Security Index 2021 (BS 20/10/21)

- Global Food Security (GFS) Index
  - Is constructed by London based Economist Impact and is sponsored by Corteva Agriscience.
  - It measures the underlying drivers of food security in 113 countries.
  - The factors considered are factors such as affordability, availability, quality and safety, natural resources and resilience.
  - It considers 58 unique food security indicators.
    - Income and economic inequality
- India has been ranked at 71st position.
  - In the last 10 years, India has made incremental gains in the overall food security score.
  - India's score has improved from 54.5 in 2012 to 57.2 in 2021 (by 2.7 points).

9. India near bottom of pension index (FE 20/10/21)

- Mercer CFA Institute prepared Global Pension Index for 2021.
- The report has cited that:
  - There is very little social security coverage and the workforce has to manage pension savings on its own.
  - The coverage under private pension arrangement is just 6% but more than 90% of the workforce is in the unorganised sector. Hence measures should be taken to get a larger workforce under pension savings.
- Way forward
  - Introduce a minimum level of support for the poorest aged individuals.
  - Increase coverage of pension arrangements for the unorganised working class.
  - Refine the regulatory requirements for the private pension system.
  - Introducing a minimum access age so that it is clear that benefits are preserved for retirement purposes.