

Economy This Week | 11th June – 17th June 2022

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1. No plans to curb rice exports (LM 14/6/22)

- Govt has clarified that the rice stocks are sufficient and that there are no plans to curb rice exports
- With govt imposing restrictions over sugar and wheat exports, rice could be the next one
 - India has banned wheat exports from 13th may
 - Sugar exports have been capped at 10 mmt from 11th June
- The inter-ministerial committee that monitors price movements of the essential commodities has not met in the last two weeks and there are no plans to impose export curbs on any other commodities
- India is not the only country to impose restrictions, with onset of Russia Ukraine war, there are around 20 countries which have done the same

2. Export curbs may widen trade deficit (BS 11/6/22)

- The export curbs imposed by the govt along with the rising crude prices, natural gas, coal etc may widen the trade deficit in the current fiscal
- Trade deficit hit a record high of \$190.7 bn last fiscal (FY22) from \$102.6 bn in the previous fiscal (i.e. increased by 85.5% YoY)
 - The previous high was \$190.3 bn in FY13
- The prices of India's key imports have remained high and India's key exports are expected to decline because of export restrictions and lower prices
 - Last month govt has banned wheat exports and put restrictions over sugar exports

- Following this govt imposed an export duty of 15% on steel to discourage exports restricted commodities such as wheat, sugar, iron etc were key drivers of merchandise exports in FY22

3. Use & file - new life insurance products sans nod (IE 11/6/22)

- IRDAI has extended the 'use and file' procedure for most life insurance products
- This will allow insurers to launch new products without taking any prior approval of the regulator
 - This will not be applicable for individual savings, pension and annuity schemes
 - It is expected to help the insurance companies to design customised products much faster for various customer segments meeting the dynamic needs of the market
 - Earlier it was mandatory for the companies to take prior approval
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- The companies are expected to have a board approved product management and pricing policy
- IRADAI had extended this earlier to cover health insurance products and general insurance covers

4. Why FDI inflows into India are declining (FE 11/6/22)

- As per UNCTAD's latest World Investment Report, FDI inflows have dropped by 30% to \$45 bn in 2021 (however India is in the top 10 FDI recipient countries)
- Reasons
 - Big ticket mergers and acquisitions (M&As) which took place earlier have not been happening now
- In 2020, cross border M&As surged 83% to reach \$27 bn and in the following year it has declined by 70% to \$8 bn
- The greenfield investment initially rose but after the economy entered into a phase of slowdown, there has been a consistent decline in such investments
 - \$54 bn in 2018
 - \$30 bn in 2019
 - \$24 bn in 2020
 - \$15.7 bn in 2021
- The decline as shown above is on account of difficulties in doing business in various states, regulatory uncertainties, land acquisition problems etc

5. India's first display fab unit to be set up in Telangana (IE 13/6/22)

- Elest a subsidiary of Rajesh Exports will be setting up India's first display fab facility in Telangana
- Telangana govt has signed an MoU with Karnataka based company
- The company would be manufacturing next generation displays for smartphones, tablet computers and laptops
- This would be set up under India Semiconductor Mission Programme of MeiTY

6. First Bharat Gaurav Express train service flagged off (TH 15/6/22)

- The first Bharat Gaurav train service will be flagged off and will be operating from Coimbatore to Shirdi
- These trains are operated by private players, who have the right to use the rail infrastructure provided by Indian railways
- The objective of these trains is to showcase the rich cultural heritage and magnificent historical places to the people of country and the world
- The loco pilots and guards will be from Indian Railways; fixing of tariffs and maintenance will be undertaken by the private players offering service

7. India among 12 economies on currency 'monitoring list' (BL 11/6/22)

- US has placed 11 other economies and India in the currency monitoring list
- India has met two out of three criteria used by US in the report published for April and December 2021
 - Having a significant surplus's trade with US
 - Engaged in intervention in the market

8. Fitch upgrades India's outlook to stable (TH 11/6/22)

- Fitch Ratings has raised India's rating outlook from negative to stable citing lowering risks to medium term growth, because of rapid economic recovery and easing of weakness in financial sector
- The rating firm has reduced the growth estimate from 8.5% to 7.8% due to the impact of inflation on the growth