

ECONOMY THIS WEEK(23rd July to 29th July 2022)

Economy is an important part of the [UPSC prelims](#) and mains exams; this series titled 'Economy This Week' has been initiated to address the need to read and analyse economic articles in various business-related newspapers. The round-up of the Economy/Business section news for 23rd July to 29th July 2022 is given below. Business news is essential for IAS exam preparation.

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1. Govt initiates work on consumer spending survey (TH 28/7/22)

- Central govt has kicked off the process for conducting the quinquennial Household Consumption Expenditure Survey (HCES)
 - The data collection for example in 2011-12 was done in one round and for current survey three rounds have been proposed
- The questionnaire has been tweaked to capture data on items received from govt welfare programmes
- The HCES is conducted once every 5 years and the data is used for estimates of poverty levels, review of key indicators like GDP, updating the consumption basket for measuring inflation etc
- The last survey was conducted in 2017-18 and its findings were not published as there were concerns over data quality

2. NRIs lukewarm to RBI plans to attract forex (LM 26/7/22)

- RBI earlier decided to allow the banks to decide the interest rates on the NRI deposits. This was done in order to attract forex inflows
 - Following the announcement many banks including SBI, HDFC, ICICI etc have raised the interest rates on such deposits
- Since its implementation (last two weeks) it has not resulted in a significant increase in forex inflows
 - The issue has been that there is little incentive for the banks to promote and little

incentive for the NRIs to invest. The banks pay an interest of around 6% for rupee deposits and it comes out to be around 7% for FCNR (B) - including the costs of hedging

- NRIs who have invested in the bonds are taking a hit and interest rate has been increased by 25 bps on the deposits which is not sufficient to pull in the investors
- The yields have increased globally and there is a concern over the exchange rate risk
- The flows have been normal and the rise that was seen during 2013 has been missing, during which the inflows were to the tune of \$34 bn

3. BSNL revival package (IE 28/7/22)

- The union cabinet has approved a ₹ 1.64 lakh revival package for the BSNL for
 - Fresh capital spending for upgrading the network
 - Allocate spectrum for it to offer 4G services
 - Destressing its balance sheet
 - Augmenting fiber network
- Government earlier in 2019 had announced a booster dose of ₹ 70000 Cr to cover for voluntary retirement of BSNL employees
- The package is divided into two parts and spread across 4 years
 - ₹ 43964 Cr cash component
 - ₹ 1.2 lakh Cr non-cash component

4. Fed attacks US Inflation by raising rates (TH 28/7/22)

- US Federal Reserve has increased the federal funds rate by 75 bps in order to control the inflation rates, which have reached four decade high
- This is the 4th time rate has been hiked and second time where the hike has been 75 bps
- The federal reserve has stated that some indicators are showing a slowdown in inflation rate and that they will keep hiking rates even if there is a risk of downturn

5. Fertiliser imports from Russia up (IE 25/7/22)

- Russia has emerged as a largest supplier of fertilisers to India in the first quarter (Q1, FY23)
- India has imported 7.74 lakh metric tonnes of fertilisers from Russia out of the total 36.4 lakh metric tonnes
- The imports are 70% of the total imported in the last year from Russia
- In the recent years, China has been biggest source of imports for India
- Imports from Russia are 10% cheaper compared to global prices

6. Russia & Ukraine sign deal (TH 23/7/22)

- Ukraine and Moscow have signed individual deal/agreement with UN and Turkey which will be unblocking Ukraine's Black Sea exports
- The ports were captured by Russia and blockades were imposed
- The deal establishes safe corridors along which Ukrainian ships can come in and out of designated black sea ports (three ports have been designated under this)
- The war which began in February has affected the food grain exports from this region
 - As much as 25 mt of food grains have been blocked in Ukrainian ports by Russian warships

7. Wind power rates may bottom out (TH 25/7/22)

- India has committed to having 60 GW of wind energy capacity by 2022 but around two thirds of this target has been achieved so far
- The Ministry of New and Renewable Energy (MNRE) said that it would be doing away with the practice of the reverse auctions
- The e-reverse auctions are leading to tariffs being lowered to leading to unhealthy competition
- The govt has changed its stance which means that the lower tariffs - ₹ 2.40 per unit - do not reflect the true costs of renewable energy
- The companies incur huge costs when installing the wind turbines and this is majorly on account of land cost, nib addition to this the prime land that is available for setting up of such projects is low

8. Gig workers have jobs but little savings (BL 24/7/22)

- As per a study conducted by Krea University - GigPulse
 - an average gig worker makes around ₹ 18000 per month and has a deficit/shortage of ₹ 5000 a month
 - 74% of gig workers do not have any savings
 - In around 40% of the gig workers surveyed, they are the primary breadwinner of the household
- As per NITI Aayog report, lack of job security, irregular wages and uncertainty of employment status are significant challenges. The uncertainty may lead to increased stress and pressure for the workers