

## Economy This Week (10th to 16th Sep 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 10th to 16th Sep 2022 is given below. Business news is essential for IAS exam preparation.

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#### 1. Government imposes ban on broken rice exports (IE 10/9/22)

- Union govt has imposed a ban on broken rice exports as the domestic prices are increasing along with very high abnormal rise in exports (compared to overall increase in exports - rising by 4% or 5%)
  - The exports
    - Were 12.21 LMT in 2018-19 and from 2021-22 increased by over 300% to 38.9 LMT
    - In 2019 (April to August) the exports were 0.51 LMT and for the same period in this year it is 21.31 LMT, which is 42 times
      - Highest exports of 15.58 LMT have gone to China
    - The prices have risen to ₹ 22 per kg in September from ₹ 15 to 16 per kg in the beginning of the year. This has resulted in shortage of this in usage of poultry feed and production of ethanol
- Govt a day earlier had imposed a 20% export duty on the exports on all non-basmati exports except parboiled rice

## 2. Russia offers oil at cheaper rates to India (BS 12/9/22)

- Russia has offered to sell oil at even lower prices to India and in return have asked India not to support the G7 proposal to impose oil price cap on Russian oil exports
- As compared to the import crude price of \$110 per barrel, Russia initially offered a discount of \$16 a barrel and later was reduced to \$14 a barrel
- In June Iraq undercut Russia by offering the crude at \$9 lower a barrel. This led to a favourable shift towards Iraq oil exports, pushing Russia to 3rd position (18.2% of India's imports). Iraq and Saudi Arabia account for 20.6% and 20.8% respectively

## 3. Whitelisting of loan apps (IE 10/9/22)

- Government showing concerns over the criminal intimidation, increasing instances money laundering etc has asked RBI to prepare a white list of digital lending apps which would be allowed to be listed in app stores
  - They have been found to be offering loans to vulnerable and low income groups and charge a high interest rate in addition to imposing hidden charges, predatory recovery practices involving blackmailing etc
- In addition to this RBI will be looking for the money laundering instances and cancel the NBFC licenses and remove registered payment aggregators

## 4. Exporters run into rough weather as US, Europe demand dries up (ET 10/9/22)

- Indian exports have taken a beating with many countries experiencing inflation and the central bankers tightening the money supply to control it
- Many exporters have complained that they are working at their 25 to 50% capacity and have reduced the number of shifts from 3 to 1 with demand coming down in Europe and USA
- Indian merchandise exports have contracted 1.2% to \$33 bn in august (first drop since November 2020)

## 5. Demat accounts cross 100 mn (LM 12/9/22)

- The number of demat accounts have crossed 100 mn for the first time
  - More than 71% of these are opened with the Central Depository Services Ltd (CDSL) and remaining with National Securities Depository Ltd (NSDL)
  - There has been a huge growth in these from 2020
    - From the end of 2019 to August 2022, 61.1 mn new demat accounts have been opened
  - Demat accounts are needed to buy/sell stocks
  - An investor can open demat account with more than one brokerage
- Reasons
  - There are multiple low cost brokerage firms

- It has become very easy to open these accounts
- In pandemic the interest rates were reduced and this has led to investors have started investing in the market in search of higher returns
- Stock market has picked up after a crash in march 2020
- Concerns
  - Although the number of accounts are over 100 mn, all these are not unique accounts
    - As per various estimates around three fifths of these accounts may be unique

#### **6. India stays out of 'trade pillar' at Indo-Pacific meet (TH 11/9/22)**

- India has stayed out of the joint declaration on the trade pillar of the US led Indo-Pacific Economic Framework (IPEF) ministerial meet
- India has raised concerns of possible discrimination against the developing countries
- Among 14 countries/members of the group India was the only one to not join the declaration
- The IPEF discussion is on 4 pillars
  - Supply chains
  - Clean economy (clean energy)
  - Fair economy (tax and anti-corruption)
  - Trade
- The IPEF partners account for 40% of global GDP and 28% of global goods and services trade

#### **7. EU NATIONS COMMIT TO GMCT (ET 10/9/22)**

- Many of the countries in EU have considered new ways to implement the GMCT of 15% in 2023
- With Hungary blocking (Vetoing) such measure, other countries want to implement with alternatives that would be excluding Hungary
- Germany's government has already taken up the preparation of the legislation

#### **8. Pre - Packaged resolution finds few takers (ET 13/9/22)**

- The Pre-packaged Insolvency Resolution Process (PIRP) was notified a year ago and has not found many takers
- The process is available for the MSMEs and so far only two cases have been initiated
  - Under this the borrower will continue to exercise the control over the management of the company
- The banks are concerned about the haircuts that they would be taking under this and later would be questioned over this. Hence these banks are going ahead with such cases through the Corporate Insolvency Resolution Process (CIRP)

### 9. Retail inflation resurgence to 7% (TH 13/9/22)

- The retail inflation riding on the higher food inflation has reached 7% in august
- This has happened as the industrial output has fallen to the lowest levels since April at 2.4%
- This combination will be making the task of the central banker harder to increase the rates in the face of falling output
- The rural inflation -7.15% - has risen sharply in comparison with urban inflation. This is on account of base effect and food prices which will are temporary

