

Economy This Week (12th to 18th Nov 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 12th to 18th Nov 2022 is given below. Business news is essential for IAS exam preparation.

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1. HK funds may come to India via Mauritius (FE 17/11/22)

- Hong Kong (HK) has signed a Double Taxation Avoidance Agreement (DTAA) with Hong Kong (HK) on September 14th
- Once it is ratified by both parties will come into force
- With this the FPIs based in HK may be routing their investments through Mauritius through a master feeder structure
 - There are 142 FPIs from HK registered in India
 - It is ranked 14th in terms of FDI
- Currently
 - A fund in HK when invests in India doesn't enjoy any tax benefit

- Under India-Mauritius tax treaty, interest income is taxed at 7.5% and the dividend is taxed at 5%. The capital gains on debt and derivative instruments are exempt from tax
- Earlier the HK investors were looking to move their investments to Tokyo because of their anti-China sentiment and China's imposition of national security law
- If the companies have to take an advantage of the DTAA, they will have some presence in HK and Mauritius otherwise the benefit may be denied under GAAR provisions

2. Online fin-fluencers on SEBI radar (BL 18/11/22)

- SEBI will be soon coming out with guidelines for financial influencers (fin-fluencers) who give stock tips on social media
- Earlier it has cracked down on the such tips which were given in WhatsApp and Telegram app which led to stock manipulation
- Though these guidelines SEBI will make it mandatory for the social media influencers to register and make them follow most of the other norms which are applicable to registered financial advisors

3. Udan levy on airlines to double to ₹ 10000 per departure from Jan (BL 17/11/22)

- The central government will be increasing the levy on the airlines on major routes to raise the funds for the UDAN scheme
 - The new levy would be ₹ 10000 per every departure in January to March 2023 and ₹ 15000 from April 2023 to April 2027
- Currently for every flight the levy imposed is ₹ 5000
 - This was introduced in June 2017. This was used to provide the Viability Gap Funding (VGF) for participating carriers. The VGF was shared between centre and states
 - The airlines included ₹ 50 in every ticket as part of Regional Connectivity Scheme (RCS) levy
 - With increase in the levy per flight, the levy on the tickets would be doubles and consequently trebled in the next fiscal
- Currently under UDAN
 - 425 routes are operational and 575 are on track for implementation in the next 5 years
 - Out of targeted 100 airports, 68 have been operationalised

4. SEBI unveils norms to facilitate online bond platform providers (FE 12/11/22)

- SEBI has announced a framework to facilitate providers of online bond platforms that are selling listed debt securities
 - Online bond platform - as per SEBI it is any electronic system, other than recognised stock exchange or an electronic book provider platform on which debt securities are listed or proposed to be listed, are offered and transacted
- New rules
 - No one should provide the services of online bond platform without getting a registration certificate as a stock broker from SEBI
 - This will increase the confidence of the investors on such service providers
 - If anyone is not registered as of now, they are allowed to continue till next three months

5. India out of currency monitoring list of US (FE 12/11/22)

- USA - The department of Treasury - has removed India from the currency monitoring list
 - It was removed in 2019 and included again in 2020 and 2021 (India along with 10 other countries were included)
 - If the US Treasury suspects that these countries are involved in manipulating the currency then these are included
 - Conditions
 - If the currency intervention - currency purchases - are more than 2% of GDP
 - If it has a trade surplus with USA of \$15 bn
 - If it has Current Account Surplus of over 3% of GDP
- The countries removed have met one of the three criteria in the last two consecutive reports hence have been removed.
- Apart from India, Italy, Mexico, Thailand, Vietnam also have been removed from the list

6. Capex support for states may continue (BS 14/11/22)

- Central govt may continue with the Scheme for Financial Assistance to States for Capital Investment' in the next fiscal as well. The expected allocation is ₹ 1 tn
- During the informal meetings the states have asked for continuation of the scheme
- As part of centre's capex push the govt in budget announced allocation of ₹ 7.5 lakh Cr and of this ₹ 1 lakh Cr was allocate for the above scheme

- Of this amount ₹ 80000 Cr is without any conditions. This has been distributed based on the same formula that was recommended by the 15th FC for distribution of divisible pool of taxes
- ₹ 20000 Cr is tied to PM-Gati Shakti related capex investments, PMGSY, urban sector reforms etc

7. PLI for container manufacturing in works (BS 14/11/22)

- Centre is working towards introducing a PLI scheme to promote the production of containers in India
- Allocation of the scheme will be provided from the savings of ₹ 11484 Cr made from other schemes
- Currently a large portion of containers are imported in India from China. During the pandemic this created an issue, the supply from China took a hit and this created disruptions in the global market
 - The market volatility was very high and this led to rise in container prices

8. Ministry ends probe into solar imports (LM 14/11/22)

- The ministry of commerce has ended a probe into the solar imports from China, Thailand, Vietnam following a request from Indian Solar Manufacturers Association (ISMA)
 - The Director General of Trade Remedies (DGTR) was investigating the issue into dumping of solar cells
 - It was started on 15th May 2021
- The Anti-dumping rules allow for termination of an investigation if the applicant withdraws the application and which is the case here
- After the probe was initiated the govt imposed customs of 25% and 40% on solar cells and modules respectively starting 1st April this year

9. Retail inflation hits 3 month low at 6.7% (BL 15/11/22)

- The retail and wholesale inflation for the month of October has declined providing some relief to the central banker
 - Retail inflation - CPI - came down to 6.77% from 7.4% in September
 - Wholesale inflation - WPI - dropped to 19 month low of 8.39% down from 10.7% in September

- The decline in inflation is on account of lower food prices
 - Consumer food price inflation has come down to 7% from 8.6% in September
- Going forward the base effect could lead to moderation in inflation

10. India's exports contract for first time in 2 years (BS 16/11/22)

- The merchandise exports from India have contracted for the first time ever in last two years as there are recessionary fears in western markets
- Exports have decline by 16.65% for October to \$29.78 bn and imports have moderated to eight month low of \$56.69 bn resulting into a trade deficit of \$26.91 bn
- The trade deficit has remained above \$25 bn for fifth straight month now
- Monetary tightening being done in many countries has reduced demand