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Source : www.livemint.com Date : 2023-10-05
MINT
Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

It is never an easy moment for central bankers. In last three years, they have swung from being overtly accommodative to the current restrictive phase. With economic activity and inflation still adjusting to pandemic-induced behavioural changes and policy responses, conventional economic markers have been subjected to a lower signal-to-noise ratio amid elevated geopolitical uncertainty worsening the overall backdrop.

In recent months, this has divided the central banks into three camps.

The first camp, which is in a minority at this moment, has begun its rate-easing cycle. This includes countries like Brazil, Chile, China, Peru and Poland—and while their count is less, they have a sizeable 21.2% share of the world GDP.

The second camp has 15 countries including India, which have maintained a status quo on monetary policy in the last four months. These countries account for 15.2% of the world GDP. These are the 'wait-and-watch' players.

The last camp, where the majority lies, has 16 countries (excluding Russia and Turkey) that have hiked their monetary policy rate at least once in last four months. These countries together account for 51.5% of the world GDP.

Clearly, the synchronized monetary policy cycle seen at the beginning of the pandemic now seems to be disintegrating, with central banks responding to idiosyncratic and domestic challenges in every country. However, there is a clear divide between developed market (DM) and emerging market (EM) central banks. While DM central banks dominate the third camp of hawkish players, the EM central banks have started to turn dovish (first camp) or have preferred to stay neutral (second camp).

With inflation drifting lower in 2023 from their record levels in 2022, most hawkish central banks are likely to turn neutral in the coming months. What is uncertain is whether the dovish camp of central banks would see higher participation in next 3-6 months.

The recent run-up in commodity prices (esp. crude oil) and US yields poses a systemic risk for growth, inflation and financial stability for the rest of the world. This would require careful assessment of spillover impacts and judicious use of policy room to address the emerging macro-financial challenges.

In the case of India, although there is an expectation of moderation in growth momentum in FY24 in line with rest of the world, the country is likely to outperform all its key peers. This allows policymakers to focus on getting inflation under control.

The broad picture on India's inflation is one of uneasy comfort. It's comforting because (i) headline inflation is projected to get back to the target band at 5.5% in FY24 (QuantEco estimates) from 6.7% in FY23, and (ii) core inflation has now moderated to its long-term trend of ~5% (with the likelihood of some undershooting in the near term). At the same time, there is unease stemming from various quarters—the shock from food inflation was significant in July-August FY24.

An underwhelming monsoon outturn with respect to highly uneven intertemporal and geographical distribution along with lingering El Nino risks are feeding concerns on agri prices remaining elevated, especially for the staples. While administrative measures can cushion the severity, recent evidence prompts us to remain vigilant on the food price trajectory.

Second, the recent sharp rise in India's crude basket does not bode well, adding one more dimension to inflation risks. The actual impact on retail inflation might remain muted this time as a large part of price increase could possibly be absorbed by the government (cut in duties) and OMCs (reduction in margins), especially as the country enters an election season. While we remain vigilant, we expect risks to be in balance. For now, CPI for September 2023 is most likely to provide further reprieve as it is projected to decelerate sharply towards 5.0-5.5% range from 6.8% in August 2023.

We continue to expect the MPC to maintain status quo (this could turn out to be the longest phase of no-rate action) at least until Q1 FY25 to anchor inflation expectations and guide actual inflation towards the 4% target. To ward off instability concerns, especially from global financial markets, it is prudent to maintain a somewhat hawkish overture at the moment without causing any significant collateral damage. This can be achieved by maintaining core liquidity in the non-inflationary territory (i.e., a surplus of less than 1.5% of NDTL) to keep short-term rates in the current Repo-MSF bracket of 6.50-6.75%.

Shubhada Rao is the founder of economic research firm QuantEco Research. The views expressed are personal.

END

Source : www.thehindu.com Date : 2023-10-07

REVENUE RIDDLES: THE HINDU EDITORIAL ON GST INFLOWS AND AREAS OF CONCERN

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

October 07, 2023 12:15 am | Updated 12:15 am IST

Halfway through the financial year, India's gross revenues from the Goods and Services Tax (GST) stand at over 9.92 lakh crore, marking an 11.1% increase over collections between April and September 2022. The average monthly revenues in 2023-24 are a healthy 1,65,418 crore, with four of the six occasions that the GST kitty has crossed 1.6 lakh crore occurring in this fiscal. At almost 1.63 lakh crore, September's GST collections were a tad below the average, but 2.3% over August's inflows that had marked a three-month low. With the festive season kicking in, collections over 1.6 lakh crore may persist through this quarter. The government appears comfortably placed regarding GST revenues in the fiscal context, with room to spare for some moderation in inflows during the January-March 2024 quarter when the central bank expects real GDP growth to slow to 5.7% from 7.8% in the first quarter. Beyond the macro resilience that these numbers indicate, a few areas of concern deserve closer scrutiny from policymakers and the GST Council which convenes today.

One, there is a discernible slowdown in the growth of GST inflows, which dropped to 10.2% in September, the slowest uptick since July 2021. The average growth between July and September dipped to 10.6% in the second quarter from 11.5% in the first. Growth from domestic transactions and services imports has slowed to 14% over the past two months, from 18% in June. It is important to note that revenues in September, based on transactions undertaken in August, also include pending dues from businesses since the start of the GST regime in 2017-18 as the deadline to remit them was September 30. Moreover, e-invoicing became mandatory for all firms with a turnover of over 5 crore since August 1, so there was another compliance push at work. Distilling these effects is necessary to gauge the extent of growth that stemmed from actual consumption and production upticks. That a record 9.34 crore e-way bills generated during August did not translate into the highest-ever revenues may suggest that transaction sizes have shrunk, for instance. Another puzzling trend is seen in revenues from goods imports that have shrunk four times this year. Of course, the lower goods import bills recorded this year will reflect in lower GST intakes. However, imports hit a nine-month high of $58.6 billion in August, 10.75% over July's import bill. Yet, revenues collected in September were 5.7% below the previousmonth'skitty. This does not add up. Authorities must dig deeper to check for revenue leakages from imports.

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taxes and duties

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Source : www.pib.gov.in Date : 2023-10-07

NORTHERN REGION FARM MACHINERY TRAINING AND TESTING INSTITUTE INKS MEMORANDUM OF UNDERSTANDING WITH MAHINDRA

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

The Northern Region Farm Machinery Training and Testing Institute (NRFMTTI), Ministry of Agriculture and Farmers Welfare, Govt. of India based in Hisar, Haryana, has signed Memorandum of Understanding (MoU) with one of India's foremost manufacturers of tractors and agricultural machinery Mahindra and Mahindra Ltd., Mumbai. This strategic partnership aims to foster skill development among the youth, equipping them with the necessary expertise for a career in the field of farm mechanization.

The MoU outlines a collaborative effort to offer comprehensive training programs that will prepare young individuals for the challenges and opportunities in the agricultural machinery industry. The primary objective of this partnership is to bridge the gap between industry requirements and the skill sets possessed by the youth, ultimately strengthening the workforce in the farm mechanization sector.

Key Highlights of the MoU:

Skill Development Programs: NRFMTTI and the leading agricultural machinery manufacturer will jointly design and implement skill development programs tailored to the specific needs of the farm machinery industry.

State-of-the-Art Facilities: Mahindra will develop world-class training facilities, laboratories, and experienced faculty to ensure high-quality training for the enrolled students.

Industry-Linked Curriculum: The training curriculum will be designed to align closely with industry demands, ensuring that graduates are job-ready upon completion of their training.

Internship and Placement Support: The partnership will facilitate internship opportunities for students within the manufacturing company, providing them with practical exposure to real-world industry operations. Additionally, the manufacturer will actively participate in NRFMTTI's placement efforts, aiding in job placements for graduates.

Speaking on this momentous occasion, the Director of NRFMTTI, Dr. Mukesh Jain expressed his enthusiasm for the collaboration, stating, "This partnership marks a significant step in our mission to prepare the youth for a prosperous future in the agricultural machinery industry. By combining NRFMTTI's expertise in training and the Mahindra and Mahindra’s industry knowledge, we are confident in our ability to nurture skilled professionals who will contribute to the growth of the sector."

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SK/SS

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SK/SS

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Source : www.thehindu.com Date : 2023-10-09

TIGHTROPE WALK: THE HINDU EDITORIAL ON RBI HOLDING RATES

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Inflation & Monetary Policy

October 09, 2023 12:15 am | Updated 12:15 am IST

The decision of the RBI's Monetary Policy Committee (MPC) to leave interest rates unchanged even as the central bank warned of the major risk that 'high inflation' poses to macroeconomic stability is a clear sign that monetary authorities find themselves caught in a cleft stick. After a relatively benign first quarter, when headline retail inflation averaged 4.63% as against the RBI's projection of 4.6%, price gains measured by the Consumer Price Index (CPI) accelerated sharply in the last quarter with July and August seeing readings of 7.44% and 6.83%, respectively. In a tacit acknowledgment of its misjudgment of inflationary trends, the MPC last week raised its projection for average second-quarter inflation by 20 basis points, from the August forecast of 6.2% to 6.4%. And even this projection appears overly optimistic if one considers that the headline number will need to have slowed drastically to less than 5% in September for the RBI's prognosis to be validated. For now, the MPC is hoping that the recent reduction in domestic LPG prices combined with a lowering of vegetable prices would provide some near-term respite to price pressures. Governor Shaktikanta Das underlined the RBI's willingness to resort to Open Market Operation sales of securities to suck out excess funds from the system if it sees reason to believe that liquidity may be rising to a level where it could undermine the overall monetary policy stance.

The RBI's unwillingness to walk the talk and raise interest rates further, even while reiterating the threat to overall economic stability from unmoored inflation expectations, reflects an unstated concern that the growth momentum still remains rather tenuous. The recent debate on the integrity of the NSO's data on economic growth estimates, and concern that the methodology used to posit 7.8% real GDP growth in the first quarter may have given rise to an overestimation, have to be seen in tandem with economic forecasters' increased caution over India's GDP growth outlook for the current fiscal year. Mr. Das acknowledged the weakness in India's goods exports and the uneven monsoon, which has also led to a drop in kharif sowing of crucial oilseeds and pulses, as key risks to the RBI's projection for 6.5% GDP growth in FY24. With the rupee already having weakened by about 0.7% since the last policy meeting in August, the RBI also runs the risk of importing inflation and adding to the external sector vulnerabilities if it fails to raise interest rates.

Reserve Bank of India / interest rate / inflation and deflation

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Source : www.pib.gov.in Date : 2023-10-10

PERIODIC LABOUR FORCE SURVEY (PLFS) ANNUAL REPORT 2022-2023 RELEASED

Relevant for: Indian Economy | Topic: Issues Related to Poverty, Inclusion, Employment & Sustainable Development

Considering the importance of availability of labour force data at more frequent time intervals, National Sample Survey Office (NSSO) launched Periodic Labour Force Survey (PLFS) in April 2017.

The objective of PLFS is primarily twofold:

Five Annual Reports covering both rural and urban areas giving estimates of all important parameters of employment and unemployment in both usual status (ps+ss) and current weekly status (CWS) have been released. These five Annual Reports are brought out on the basis of data collected in PLFS during July 2017- June 2018, July 2018-June 2019, July 2019-June 2020, July 2020 - June 2021 and July 2021-June 2022.

Now the sixth Annual Report is being brought out by NSSO on the basis of Periodic Labour Force Survey conducted during July 2022-June 2023.

PLFS fieldwork during July 2022 – June 2023

The field work for collection of information in respect of the samples, allotted for the period July 2022 – June 2023, was completed timely for the first visit as well as revisit samples, except for 51 first visit and 68 revisit FSUs for the State of Manipur, allotted in the last quarter i.e., April-June 2023, which were treated as casualties, due to disturbed field situation and unavailability of internet services.

Canvassing of revisit schedules is undertaken mostly in telephonic mode since June 2020 when field work was resumed after the suspension due to Covid-19 pandemic.

The Annual Report on PLFS 2022-23 is available at the website of the Ministry(https://mospi.gov.in). The key results are given in the statements annexed.

In rural areas, LFPR increased from 50.7% in 2017-18 to 60.8% in 2022-23 while for urban areas it increased from 47.6% to 50.4%. LFPR for male in India increased from 75.8% in 2017-18 to 78.5% in 2022-23 and corresponding increase in LFPR for female was from 23.3% to 37.0%.

Table 1: Labour Force Participation Rate (LFPR) in usual status (ps+ss) for persons of

age 15 years and above

all-India

Survey period

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

80.2

41.5

60.8

74.5

25.4

50.4

78.5

37.0

57.9

2021-22

78.2

36.6

57.5

74.7

23.8

49.7

77.2

32.8

55.2

2020-21

78.1

36.5

57.4

74.6

23.2

49.1

77.0

32.5

54.9

2019-20

77.9

33.0

55.5

74.6

23.3

49.3

76.8

30.0

53.5

2018-19

76.4

26.4

51.5

73.7

20.4

47.5

75.5

24.5

50.2

2017-18

76.4

24.6

50.7

74.5

20.4

47.6

75.8

23.3

49.8

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

In rural areas, WPR increased from 48.1% in 2017-18 to 59.4% in 2022-23 while for urban areas it increased from 43.9% to 47.7%. WPR for male in India increased from 71.2% in 2017-18 to 76.0% in 2022-23 and corresponding increase in WPR for female was from 22.0% to 35.9%.

Table 2: Worker Population Ratio (WPR) in usual status (ps+ss) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

78.0

40.7

59.4

71.0

23.5

47.7

76.0

35.9

56.0

2021-22

75.3

35.8

55.6

70.4

21.9

46.6

73.8

31.7

52.9

2020-21

75.1

35.8

55.5

70.0

21.2

45.8

73.5

31.4

52.6

2019-20

74.4

32.2

53.3

69.9

21.3

45.8

73.0

28.7

50.9

2018-19

72.2

25.5

48.9

68.6

18.4

43.9

71.0

23.3

47.3

2017-18

72.0

23.7

48.1

69.3

18.2

43.9

71.2

22.0

46.8

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

In rural areas, UR decreased from 5.3% in 2017-18 to 2.4% in 2022-23 while for urban areas it decreased from 7.7% to 5.4%. UR for male in India decreased from 6.1% in 2017-18 to 3.3% in 2022-23 and corresponding decrease in UR for female was from 5.6% to 2.9%.

Table 3: Unemployment Rate (UR) in usual status (ps+ss) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

2.7

1.8

2.4

4.7

7.5

5.4

3.3

2.9

3.2

2021-22

3.8

2.1

3.2

5.8

7.9

6.3

4.4

3.3

4.1

2020-21

3.8

2.1

3.3

6.1

8.6

6.7

4.5

3.5

4.2

2019-20

4.5

2.6

3.9

6.4

8.9

6.9

5.0

4.2

4.8

2018-19

5.5

3.5

5.0

7.0

9.8

7.6

6.0

5.1

5.8

2017-18

5.7

3.8

5.3

6.9

10.8

7.7

6.1

5.6

6.0

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

Principal activity status (ps) - The activity status on which a person spent relatively long time (major time criterion) during 365 days preceding the date of survey, was considered the usual principal activity status of the person.

Subsidiary economic activity status (ss)- The activity status in which a person in addition to his/her usual principal status, performs some economic activity for 30 days or more for the reference period of 365 days preceding the date of survey, was considered the subsidiary economic activity status of the person.

In rural areas, LFPR increased from 48.9% in 2017-18 to 56.7% in 2022-23 while for urban areas it increased from 47.1% to 49.4%. LFPR for male in India increased from 75.1% in 2017-18 to 77.4% in 2022-23 and corresponding increase in LFPR for female was from 21.1% to 31.6%.

Table 4: Labour Force Participation Rate (LFPR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Survey period

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

78.8

34.6

56.7

73.9

24.0

49.4

77.4

31.6

54.6

2021-22

76.7

29.2

53.0

74.2

22.1

48.6

75.9

27.2

51.7

2020-21

76.7

30.0

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73.8

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48.0

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2019-20

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52.5

73.8

22.1

48.2

75.8

26.3

51.2

2018-19

75.5

22.5

49.1

73.7

19.7

47.1

74.9

21.6

48.5

2017-18

75.6

21.7

48.9

74.1

19.6

47.1

75.1

21.1

48.4

Note: CWS: activity status determined on the basis of a reference period of last 7 days preceding the date of survey

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

In rural areas, WPR increased from 44.8% in 2017-18 to 54.2% in 2022-23 while for urban areas it increased from 42.6% to 46.0%. WPR for male in India increased from 68.6% in 2017-18 to 73.5% in 2022-23 and corresponding increase in WPR for female was from 19.2% to 30.0%.

Table 5: Worker Population Ratio (WPR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

75.2

33.2

54.2

69.3

21.8

46.0

73.5

30.0

51.8

2021-22

71.7

27.9

49.9

68.4

19.9

44.6

70.7

25.6

48.3

2020-21

71.2

28.6

50.0

66.8

19.0

43.1

69.9

25.7

47.9

2019-20

70.1

26.7

48.4

66.0

19.4

43.0

68.8

24.4

46.7

2018-19

69.0

20.9

45.0

67.2

17.4

42.7

68.4

19.8

44.3

2017-18

69.1

20.1

44.8

67.7

17.1

42.6

68.6

19.2

44.1

Note: CWS: activity status determined on the basis of a reference period of last 7 days preceding the date of survey

In rural areas, UR decreased from 8.4% in 2017-18 to 4.4% in 2022-23 while for urban areas it decreased 9.5% to 7.0%. UR for male in India decreased from 8.7% in 2017-18 to 5.1% in 2022-23 and corresponding decrease in UR for female was from 9.0% to 5.1%.

Table 6: Unemployment Rate (UR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

4.6

4.0

4.4

6.3

9.1

7.0

5.1

5.1

5.1

2021-22

6.5

4.5

6.0

7.8

9.9

8.3

6.9

5.8

6.6

2020-21

7.1

4.8

6.5

9.4

12.2

10.1

7.8

6.6

7.5

2019-20

8.7

5.5

7.8

10.5

12.4

11.0

9.3

7.3

8.8

2018-19

8.6

7.3

8.3

8.8

12.1

9.5

8.7

8.7

8.7

2017-18

8.7

7.5

8.4

8.7

12.7

9.5

8.7

9.0

8.7

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Note: Detailed Results are available at the website of theMinistry (www.mospi.gov.in.)

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BY/AKN

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all-India

Survey period

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

80.2

41.5

60.8

74.5

25.4

50.4

78.5

37.0

57.9

2021-22

78.2

36.6

57.5

74.7

23.8

49.7

77.2

32.8

55.2

2020-21

78.1

36.5

57.4

74.6

23.2

49.1

77.0

32.5

54.9

2019-20

77.9

33.0

55.5

74.6

23.3

49.3

76.8

30.0

53.5

2018-19

76.4

26.4

51.5

73.7

20.4

47.5

75.5

24.5

50.2

2017-18

76.4

24.6

50.7

74.5

20.4

47.6

75.8

23.3

49.8

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

In rural areas, WPR increased from 48.1% in 2017-18 to 59.4% in 2022-23 while for urban areas it increased from 43.9% to 47.7%. WPR for male in India increased from 71.2% in 2017-18 to 76.0% in 2022-23 and corresponding increase in WPR for female was from 22.0% to 35.9%.

Table 2: Worker Population Ratio (WPR) in usual status (ps+ss) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

78.0

40.7

59.4

71.0

23.5

47.7

76.0

35.9

56.0

2021-22

75.3

35.8

55.6

70.4

21.9

46.6

73.8

31.7

52.9

2020-21

75.1

35.8

55.5

70.0

21.2

45.8

73.5

31.4

52.6

2019-20

74.4

32.2

53.3

69.9

21.3

45.8

73.0

28.7

50.9

2018-19

72.2

25.5

48.9

68.6

18.4

43.9

71.0

23.3

47.3

2017-18

72.0

23.7

48.1

69.3

18.2

43.9

71.2

22.0

46.8

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

In rural areas, UR decreased from 5.3% in 2017-18 to 2.4% in 2022-23 while for urban areas it decreased from 7.7% to 5.4%. UR for male in India decreased from 6.1% in 2017-18 to 3.3% in 2022-23 and corresponding decrease in UR for female was from 5.6% to 2.9%.

Table 3: Unemployment Rate (UR) in usual status (ps+ss) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

2.7

1.8

2.4

4.7

7.5

5.4

3.3

2.9

3.2

2021-22

3.8

2.1

3.2

5.8

7.9

6.3

4.4

3.3

4.1

2020-21

3.8

2.1

3.3

6.1

8.6

6.7

4.5

3.5

4.2

2019-20

4.5

2.6

3.9

6.4

8.9

6.9

5.0

4.2

4.8

2018-19

5.5

3.5

5.0

7.0

9.8

7.6

6.0

5.1

5.8

2017-18

5.7

3.8

5.3

6.9

10.8

7.7

6.1

5.6

6.0

Note: (ps+ss) determined considering both principal activity status and subsidiary economic activity status

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

Principal activity status (ps) - The activity status on which a person spent relatively long time (major time criterion) during 365 days preceding the date of survey, was considered the usual principal activity status of the person.

Subsidiary economic activity status (ss)- The activity status in which a person in addition to his/her usual principal status, performs some economic activity for 30 days or more for the reference period of 365 days preceding the date of survey, was considered the subsidiary economic activity status of the person.

In rural areas, LFPR increased from 48.9% in 2017-18 to 56.7% in 2022-23 while for urban areas it increased from 47.1% to 49.4%. LFPR for male in India increased from 75.1% in 2017-18 to 77.4% in 2022-23 and corresponding increase in LFPR for female was from 21.1% to 31.6%.

Table 4: Labour Force Participation Rate (LFPR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Survey period

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

78.8

34.6

56.7

73.9

24.0

49.4

77.4

31.6

54.6

2021-22

76.7

29.2

53.0

74.2

22.1

48.6

75.9

27.2

51.7

2020-21

76.7

30.0

53.4

73.8

21.7

48.0

75.8

27.5

51.8

2019-20

76.7

28.3

52.5

73.8

22.1

48.2

75.8

26.3

51.2

2018-19

75.5

22.5

49.1

73.7

19.7

47.1

74.9

21.6

48.5

2017-18

75.6

21.7

48.9

74.1

19.6

47.1

75.1

21.1

48.4

Note: CWS: activity status determined on the basis of a reference period of last 7 days preceding the date of survey

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

In rural areas, WPR increased from 44.8% in 2017-18 to 54.2% in 2022-23 while for urban areas it increased from 42.6% to 46.0%. WPR for male in India increased from 68.6% in 2017-18 to 73.5% in 2022-23 and corresponding increase in WPR for female was from 19.2% to 30.0%.

Table 5: Worker Population Ratio (WPR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

75.2

33.2

54.2

69.3

21.8

46.0

73.5

30.0

51.8

2021-22

71.7

27.9

49.9

68.4

19.9

44.6

70.7

25.6

48.3

2020-21

71.2

28.6

50.0

66.8

19.0

43.1

69.9

25.7

47.9

2019-20

70.1

26.7

48.4

66.0

19.4

43.0

68.8

24.4

46.7

2018-19

69.0

20.9

45.0

67.2

17.4

42.7

68.4

19.8

44.3

2017-18

69.1

20.1

44.8

67.7

17.1

42.6

68.6

19.2

44.1

Note: CWS: activity status determined on the basis of a reference period of last 7 days preceding the date of survey

In rural areas, UR decreased from 8.4% in 2017-18 to 4.4% in 2022-23 while for urban areas it decreased 9.5% to 7.0%. UR for male in India decreased from 8.7% in 2017-18 to 5.1% in 2022-23 and corresponding decrease in UR for female was from 9.0% to 5.1%.

Table 6: Unemployment Rate (UR) in current weekly status (CWS) for persons of age 15 years and above

all-India

Indicator

Rural

Urban

Rural+Urban

male

female

person

male

female

person

male

female

person

(1)

(2)

(3)

(4)

(5)

(6)

(7)

(8)

(9)

(10)

2022-23

4.6

4.0

4.4

6.3

9.1

7.0

5.1

5.1

5.1

2021-22

6.5

4.5

6.0

7.8

9.9

8.3

6.9

5.8

6.6

2020-21

7.1

4.8

6.5

9.4

12.2

10.1

7.8

6.6

7.5

2019-20

8.7

5.5

7.8

10.5

12.4

11.0

9.3

7.3

8.8

2018-19

8.6

7.3

8.3

8.8

12.1

9.5

8.7

8.7

8.7

2017-18

8.7

7.5

8.4

8.7

12.7

9.5

8.7

9.0

8.7

Note: CWS: activity status determined on the basis of a reference period of last 7 days preceding the date of survey

2022-23 refers to the period July 2022 – June 2023 and likewise for 2021-22, 2020-21, 2019-20, 2018-19 and 2017-18

Note: Detailed Results are available at the website of theMinistry (www.mospi.gov.in.)

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Source : www.thehindu.com Date : 2023-10-12

SPRING CLEANING: THE HINDU EDITORIAL ON GST REGIME REFORM

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

October 12, 2023 12:10 am | Updated 09:05 am IST

The Goods and Services Tax (GST) Council last Saturday lifted the haze on about a dozen tax treatment ambiguities, some of which have lingered since the indirect tax regime's launch in July 2017, such as the tax on corporate and personal guarantees for bank loans. It slashed the GST on molasses from 28% to 5%, with a view to lower cattle feed costs and ease up cash flows for sugar mills so they may pay farmers' dues faster. Rate tweaks and spring-cleaning clarifications apart, one of the significant outcomes was the decision not to exercise the Council's power to tax extra neutral alcohol (ENA) used for alcoholic liquor. With alcohol for human consumption still outside the GST net, the indirect tax levy on ENA or high strength potable alcohol — a key ingredient — could not be set off against State levies on the final product. Industry had been seeking for clarity on this vexed issue for years, with courts taking varying positions.

It is heartening that the Council, that met just twice in 2022, has met four times this year, and thrice in just four months, even if a few agenda items pertained to fixing anomalies in recent decisions. With the age norms for the president and members of the long-awaited GST Appellate Tribunals now harmonised with other tribunals — a clearly avoidable oversight — one hopes they will become operational soon. For consumers and producers, however, the biggest matter of concern should be the Council's resolve to meet at a future date exclusively to discuss what Finance Minister Nirmala Sitharaman termed 'perspective planning' on the GST Compensation Cess and what kind of surcharge it could be replaced with. Originally packaged as a time-bound levy on top of a 'Good and Simple Tax' to compensate States for revenue losses for the first five years of GST, the COVID-19 pandemic's hit on tax collections had triggered an extension of the Cess levied on so-called demerit goods such as aerated drinks, tobacco products and automobiles, till March 2026. Discouraging some sin goods may be desirable. However, ringing in a new cess must not be done in isolation, but as a part of the broader rationalisation of GST's complex multiple-rate structure. That rationalisation exercise, initiated two years ago, unfortunately remains off the table despite robust revenue inflows in recent times. Frequent tweaks of irritants aside, the GST regime needs a holistic reform plan, including a road map to bring in excluded items such as electricity, petroleum and alcohol.

taxes and duties / agriculture

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Source : www.thehindu.com Date : 2023-10-27

RENEWED RISKS: THE HINDU EDITORIAL ON THE RBI AND HOW GLOBAL UNCERTAINTIES HAVE COMPOUNDED

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

October 27, 2023 12:20 am | Updated 01:58 am IST

On October 6, the Reserve Bank of India (RBI) stuck to its 6.5% GDP growth projection for the year, with risks from geopolitical tensions, economic fragmentation, volatile financial markets and an uneven monsoon, evenly balanced out by strengthening domestic demand. There was a belief that a period of heightened uncertainties was ebbing but as the central bank Governor signalled last Friday, new uncertainties have emerged over the fortnight since. The Israel-Hamas conflict that erupted a day after the monetary policy review has widened, and Finance Minister Nirmala Sitharaman has flagged worries about implications on global food, fuel and fertilizer supplies. Given India's dependence on fuel and fertilizer imports, disruptions or price spikes could hurt the macro-economic framework, even if the government refrains from passing on higher prices to consumers and farmers in the election season. The RBI chief also pointed to rising U.S. bond yields, which hit a 16-year high of 5% this week, mixed data points and signals from central banks around the world, as the new unknowns — even as known unknowns such as financial market turmoil — have got more pronounced. A glimpse of this anxiety was visible this week, with the sharpest sell-off on Indian bourses since July.

There is no certainty that the RBI would still uphold its 'evenly balanced' outlook towards the risks to growth. However, the Finance Ministry, while acknowledging that global uncertainties have compounded, seems largely sanguine for now in its outlook for the economy. Its monthly economic review released on Monday asserts that growth "remains on track", inflation is easing after a "temporary" seasonal surge in July-August, consumption demand is strengthening and investment demand is "also firming up". On the "imminent fears" of rising crude oil prices, it noted that July-September quarter prices were still "way lower" than the $109.5 and $97.9 averages in the first and second quarter of 2022-23. The weak foreign trade picture is expected to recover and industrial job creation prospects are high for the next two quarters, while higher demand for housing and vehicle loans reflects bolstered confidence levels in households, it added. India's macro fundamentals may well hold up through the latest global storm, but the government would do well to drill a little deeper into consumption and hiring trends. The last quarter has seen a sharp slump in small car sales, consumer non-durables producers reporting weak rural demand and IT firms scaling down growth and hiring hopes. There is still much to be done to correct an uneven recovery, which would eventually hamper a broader investment revival.

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Source : www.thehindu.com Date : 2023-10-30

AN UNFOLDING ECONOMIC TRAGEDY

Relevant for: Indian Economy | Topic: Issues relating to Mobilization of resources incl. Savings, Borrowings & External Resources

October 30, 2023 02:32 am | Updated 02:32 am IST

“GDP is a flawed metric of national economic welfare. It hides inequalities and deflects attention from acute job scarcity, poor education and health, unlivable cities, a broken judicial system, and environmental damage” File | Photo Credit: Reuters

A reflexive cheer of India as the fastest-growing major economy rang out when the National Statistics Office (NSO) announced in late August that GDP had increased in the April-June quarter at an annual rate of 7.8%. The most euphoric cheerleaders predicted growth to accelerate to 8%. Even conservative forecasters routinely project GDP growth between 6% and 7%.

This GDP-centric framing of alleged Indian economic success is wrong-headed. GDP is a flawed metric of national economic welfare. It hides inequalities and deflects attention from acute job scarcity, poor education and health, unlivable cities, a broken judicial system, and environmental damage. Feverish celebrations of India’s large but unequally distributed GDP hide the struggles of large numbers of people; large GDP is not purchasing power.

For India, ‘fastest-growing’ growing GDP should be a trivial achievement. Just as a 10-year-old child gains height more rapidly than a 20-year-old adult, India as the poorest of the major economies should grow fastest. Embarrassingly, it has failed to consistently do so. In fact, contrary to the hype, GDP growth has slowed sharply over the past two decades. The problem has been weak mass demand.

Indian GDP grew at an annual 9% rate in the mid-2000s as historically high world trade growth lifted all economies. A financial sector-real estate-construction bubble added froth to that growth. This was unsustainable. Growth slowed to 6% after the global financial crisis of 2007-08 as world trade decelerated quickly. By 2012-13, GDP growth had fallen to about 4.5%, but growth for that year and the next three jumped courtesy of a mysterious data revision in January 2015. Cleverly juggled statistics, however, could help only so much. The slowdown resumed after the demonetisation and botched GST rollout. And once the finance-real estate bubble collapsed following the IL&FS bankruptcy in August 2018, GDP growth came down to 3.9% in the year before the pandemic.

In fact, the pre-COVID growth was more dire than the publicised estimate implies. Indian statistical authorities present income from production as their measure of GDP. In principle, expenditure on Indian products (by national residents and foreigners) should equal income because producers earn incomes only when someone buys their wares. But expenditure grew at a mere 1.9% in the pre-COVID year.

When income and expenditure growth differ significantly, an average of the two more fairly represents the state of the economy rather than any one measure. By that averaging method, GDP grew by 2.9% in the pandemic year.

The slowdown from the heady 9% GDP growth in the mid-2000s to 3%-4% before the pandemic reflected severe weakness in demand. That weakness manifested in the glaring drop in private corporate fixed investment from a peak of 17% of GDP in 2007-8 to 11% in 2019-20. Private corporations cut back investments recognising that domestic consumers, fearful of job and earning prospects, had constrained purchasing power, and foreigners had only a limited appetite for Indian goods.

In the post-COVID-19 years, the economy has bounced around. It fell sharply, recovered modestly, slowed severely, and experienced a dead cat bounce from late-2022. The only way to assess this bouncy post-COVID phase is by determining the average growth rate over the entire period. Even that is not straightforward. If we consider the latest four quarters over the four quarters before COVID, the annual growth rate (of the income and expenditure average) is 4.2%. If we compare only the latest quarter over the quarter before COVID, the annual growth is just above 2%.

The tell-tale sign of post-COVID demand weakness is the further drop in private corporate investment to 10% of GDP in 2021-22; analysts believe that it has remained anaemic in 2022-23. Investors recognise that while rich Indians, helped by an overvalued rupee, are buying luxury goods, the majority can barely buy necessities.

In response to shrinking mass affordability, producers continue offering ultra-low price staples such as noodles, toothpaste, soaps, soft drinks, and biscuits, but sell them in packages of ever-smaller quantities. In December 2022, the government instituted a year-long free grain programme for nearly three-fifths of the population; analysts expect the programme to persist through the 2024 general elections. Meanwhile, to maintain consumption, households have slashed their savings rates to 5.1% of GDP, from 11.9% in 2019-20. Those eligible for credit cards are racking up worrying levels of debt. And with an overvalued rupee and world trade barely crawling ahead, Indian exports have been falling.

In the glow of a fake high-growth story, government policy has tried to rev-up supply rather than bolster demand through good jobs, more human capital investment, and functional cities. Unsurprisingly, the September 2019 corporate tax cut, sops like PLI schemes, and shiny flyovers and highways have failed to revive corporate investment. Increased fiscal reliance on indirect taxes, which erode purchasing power, has aggravated demand.

A sober analysis of GDP growth just before and after COVID points to a medium-term annual GDP growth forecast of 3%-4%. Unfortunately, a domestic elite and international media narrative of “high growth” will continue, as will policies in opposition to India’s needs. And when narrative and reality clash repeatedly, tragedy follows.

***Ashoka Mody is Visiting Professor of International Economic Policy at Princeton University and the author of* India is Broken: A People Betrayed, Independence to Today**

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