



July 06, 2022 – Wednesday

Economy

PMI: India's services activity touches an eleven-year high of 59.2 in June

India's services activity expanded at the fastest pace in eleven years in June 2022. Rising from 58.9 in May to 59.2 in June, the seasonally adjusted S&P Global India Services PMI Business Activity Index was at its highest mark since April 2011. The June data pointed to further accelerations in new business growth and output at Indian services companies amid ongoing improvements in demand conditions. Although firms expect the recovery to be sustained over the coming 12 months, concerns surrounding price pressures restricted business confidence. Input costs continued to rise at a historically elevated pace, although one that was the slowest in three months, while charge inflation hit a near five-year high. According to S&P, unrelenting inflation continued to concern businesses, who were cautiously optimistic about the year-ahead outlook for business activity. The overall level of sentiment was well below its long-run average as only 9 per cent of companies forecast output growth.

https://www.business-standard.com/article/economy-policy/june-pmi-services-rises-to-59-2-from-58-8-in-may-hits-11-year-high-122070500324_1.html

Indian job market sees record 22% YoY growth in June, says report

Hiring activity in India has shown an upward growth trajectory with a record 22 per cent year-on-year growth in June 2022 compared to last year, according to a report on Tuesday. The report Naukri JobSpeak Index showed that demand for entry-level talent continues to record the highest yearly growth (+30 per cent) in June'22. Demand for freshers surged specifically in Mumbai (+93 per cent) amongst metros apart from Kochi (+105 per cent) amongst tier-II cities. Sectors leading hiring for freshers include travel and hospitality (+158 per cent), retail (+109 per cent), insurance (+101 per cent), accounting finance (+95 per cent), BFSI (+88 per cent), and education (+70 per cent). Growth in hiring sentiment was also observed for other experience brackets such as 4-7 years (+19 per cent), 8-12 years (+17 per cent), 13-16 years (+21 per cent), and over 16 years (+17 per cent) in June'22 v/s June'21. Amongst industries, travel and hospitality continued to show maximum surge in hiring activity in June'22 v/s June'21 at +125 per cent. This was followed by retail (+75 per cent) and BFSI (+58 per cent).

https://www.business-standard.com/article/economy-policy/indian-job-market-sees-record-22-yoy-growth-in-june-says-report-122070500447_1.html

Unemployment rate rises to 7.8% in June with loss of 13 mn jobs: CMIE

The country's unemployment rate has shot up at 7.80 per cent in June with the loss of 13 million jobs, mainly in the agriculture sector, according to the data released by economic think-tank Centre for Monitoring Indian Economy (CMIE). The massive fall in number of jobs last month was triggered by higher unemployment rate in rural areas, which went up to 8.03 per cent from 6.62 per cent in May. In urban areas, it was slightly better at 7.30 per cent compared to 7.12 per cent recorded in May, according to the CMIE data. "This is the biggest fall in employment during a non-lockdown month. This is basically a rural phenomenon and seasonal. However, this is a seasonal phase when there is a lull in agricultural activities in rural areas and it is most likely to be reversed in July when the sowing begins," CMIE managing director Mahesh Vyas told PTI over a telephonic conversation. He said, while 13 million lost jobs during the reporting month, the count of the unemployed increased by only 3 million.

https://www.business-standard.com/article/economy-policy/unemployment-rate-rises-to-7-8-in-june-with-loss-of-13-mn-jobs-cmie-122070500959_1.html

Production-linked incentive scheme can add 4% to GDP annually: Report

The production-linked incentives (PLI) scheme, which seeks to boost manufacturing in key areas by offering nearly Rs 2.4 lakh crore in incentives over the next five years, can add 4 per cent to the GDP annually in terms of incremental revenue, says a report. So far, the scheme has seen maximum response from the electronics, auto components, and pharma sectors, according to Emkay Investment Managers. The PLI scheme has the potential to add nearly 4 per cent to GDP per annum in terms of incremental revenue if fully realised, the report released on Tuesday said. Manufacturing companies are adding capacities due to robust returns and this is evident from the number of new manufacturing companies registered. Registration of manufacturing companies has shot up to the highest ever in the last seven years and the share of manufacturing companies in total registrations is also at almost highest level since the past decade. Also, the number of environmental clearances sought and granted was the highest ever in FY22, which was 10x of FY15, says the report and credits the same to the structural changes unveiled during 2018-21 which are reminiscent of the many such things that happened prior to the 2003-06 boom cycle.

https://www.business-standard.com/article/economy-policy/pli-scheme-can-add-4-to-gdp-annually-report-122070500850_1.html

Banking and Finance

Cost pressure may spike default rates among lower-rated firms: Crisil

Rising cost pressure brought on by volatile input prices, and withdrawal of pandemic-induced relief measures may further increase default rates especially among sub-investment-grade firms, or those with a rating of "BB" and below, according to CRISIL Ratings. This category is dominated by MSMEs-- those with turnover less than or equal to Rs 250 crore. The annual default rate rose to 5.24 per cent in FY22 from 3.9 per cent in FY21, but lower than the 6.1 per cent average between fiscals 2011 and 2020. About 90 per cent of the entities that defaulted last fiscal were MSMEs. The default rate in the investment grade entities--those with "BBB" and above--is typically lower (average 0.5 per cent between fiscals 2011 and 2020). It touched a decadal low of 0.03 per cent in FY22, from an already low 0.17 per cent in fiscal 2021, Crisil said.

https://www.business-standard.com/article/companies/cost-pressure-may-spike-default-rates-among-lower-rated-firms-crisil-122070500524_1.html

Govt to get \$12 billion from tax on crude in rest of fiscal year: Moody's

The taxes imposed on domestic crude oil and fuel exports will generate close to \$12 billion (Rs 94,800 crore) for the government in the remainder of the current fiscal, Moody's Investors Service said Tuesday, while trimming profit forecasts for Reliance Industries Ltd and ONGC. The country's large foreign exchange reserves remain sufficient to pre-empt any issues concerning repayment of external debt despite weakening of the rupee, it said. The additional revenue will help offset the negative impact of the reduction in excise duties for petrol and diesel announced in late May to tame soaring inflation. "Significant additional tax revenue will offset fiscal pressure on the sovereign," it said. On July 1, the government imposed a "windfall" tax on the export of petrol, diesel and aviation turbine fuel (ATF), and a cess on domestically produced crude oil.

<https://economictimes.indiatimes.com/news/economy/finance/govt-to-get-12-billion-from-tax-on-crude-in-rest-of-fiscal-year-moodys/articleshow/92685648.cms>

Industry

Consumer electronics inventory piles up as consumers pull back

Consumer electronics and smartphone makers have decided to extend their production cuts till August and defer plans for ramping up output for the festive season by a month, as demand continues to be subdued. Company executives said production of mobile phones, televisions, refrigerators and washing machines is at 75% to 85% of original targets as inventory has piled up with consumers holding back their discretionary spending due to overall inflation. This is the first time in the last five years that the industry has cut production for such a long stretch, stretching from April-May. "Production is cut by 20-25% over the original plan and these cuts will continue till August

since inventory has piled up. Festive production will be postponed by a month," said Godrej Appliances business head Kamal Nandi.

<https://economictimes.indiatimes.com/industry/cons-products/electronics/consumer-electronics-inventory-piles-up-as-consumers-pull-back/articleshow/92685956.cms>

Retail auto sales grow 27% in June, but lag pre-Covid levels

Retail sales of automobiles increased in strong double digits last month, indicating a revival in demand across sectors which were hit by the pandemic the past two years. According to data available with vehicle retailers' body Federation of Automobile Dealers Association (FADA), 1,550,855 vehicles were retailed in June, 27% more compared with the 1,219,657 units sold a year earlier. Sales, however, were around 9% lower compared with the pre-Covid June 2019. The federation has compiled the numbers from the vehicle registration data available on the road transport and highways ministry's Vahan dashboard.

<https://economictimes.indiatimes.com/industry/auto/auto-news/retail-auto-sales-grow-27-in-june-but-lag-pre-covid-levels/articleshow/92685792.cms>

2-wheeler demand skids on new regulation, rising cost

The constant increase in the cost of two-wheelers are likely to remain unabated as new government regulations are set to kick in, putting further pressure on consumer demand for motorcycles and scooters. As against the two-stage implementation of On-Board Diagnostics Stage 2 (OBD 2), the government has gone for a single-stage implementation of the programme. The two and three-wheeler companies will have to test, validate and make their entire range conform to the new regulations much before the deadline. While OBD 2A was to be implemented from April 1, 2023, OBD 2B was set for April 1, 2025. However, as per the new order, both the stages shall get implemented effective April 1, 2023. "In November 2021, the Centre had decided to advance the implementation of the OBD 2 for two-and three-wheelers as a single stage instead of the previously agreed introduction in two stages. Effectively, the norms were to be implemented ahead of the Euro 5 OBD 2B standards, but with no time to achieve mature calibration," noted Bajaj Auto, in its latest annual report.

<https://www.thehindubusinessline.com/economy/new-regulations-poor-buyer-sentiment-could-skid-two-wheeler-demand-in-fy23/article65602291.ece>

Food ministry calls meeting of edible oil companies for reduction in retail prices

The food ministry has called a meeting on Wednesday with edible oil industry bodies and manufacturers to discuss reduction in the retail prices of cooking oils amid a fall in global prices. Speaking on the sidelines of a conference, Food Secretary Sudhanshu Pandey informed that a meeting has been called with edible oil companies. "We will tell them to pass on the benefits of reduction in global prices to consumers," he said. When contacted, Solvent Extractors' Association of India's (SEA) Executive Director B V Mehta said the global prices have fallen by USD 300-450 per tonnes of different edible oils in the last one month, but it takes time to reflect in the retail markets. He said the retail prices are expected to come down in the coming days.

<https://economictimes.indiatimes.com/industry/cons-products/fmCG/food-ministry-calls-meeting-of-edible-oil-companies-for-reduction-in-retail-prices/articleshow/92684248.cms>

As monsoon spreads and prices ease, dealers stock up on kitchen essentials

Demand for kitchen essentials like cooking oil, wheat flour and rice has improved as monsoon spreads across the country, prompting dealers and distributors to start stocking these items as demand is expected to remain robust and cooking oil prices have eased. FMCG companies expect good demand for essentials during the July-September period that marks the beginning of the festive season with Raksha Bandhan, Janmashtami and Ganesh Chaturthi. "Demand has started picking up as the heatwave has gone away," said Angshu Mallick, managing director of Adani Wilmar, maker of Fortune brand of edible oils and food products. "Falling cooking oil prices has also added to the rising demand," he said.

<https://economictimes.indiatimes.com/industry/cons-products/food/essential-food-items-dealers-stock-up-on-demand-rebound/articleshow/92685920.cms>

Improved economic activity to support demand for steel, cement: Fitch

Fitch Ratings forecast strong medium-term growth to support the demand for India's steel, cement and chemicals sectors, with improved economic activity boosting power and petroleum product sales. The credit rating agency also said the adequate balance sheet buffers and strengthening demand should mitigate pricing and cost pressure at most rated Indian corporates. According to Fitch, the steel prices in the medium-term are likely to moderate due to the industry's demand and supply dynamics, while cement prices will be pressured by added capacity from large manufacturers over the next few years. As regards the near-term fuel prices, Fitch said it will be a function of the government's efforts to balance fiscal needs, inflationary pressure and the financial health of oil marketing companies. Rising energy prices are likely to pressure the margins of steel manufacturers, auto suppliers, cement producers, chemicals manufacturers and oil marketing companies, despite government intervention to manage surging inflation, the rating agency said.

https://www.business-standard.com/article/economy-policy/improved-economic-activity-to-support-demand-for-steel-cement-chemicals-in-india-fitch-122070500318_1.html

Agriculture

India to be self-sufficient in urea by 2025 end; Output of conventional & nano urea rising, says Centre

India will not need to import urea by 2025-end as the domestic production of conventional urea and nano liquid urea is expected to be sufficient to meet the country's annual demand, Union Minister for Chemicals and Fertilisers Mansukh Mandaviya said on Tuesday. At present, the country's urea (conventional) production is 260 lakh tonnes, while around 90 lakh tonnes are imported to meet local demand. "As per our estimate, we will be self-sufficient in urea by 2025-end and there will be no import dependence. Our domestic production of conventional urea and nano urea will be more than the demand," he told reporters here. The minister said around 60 lakh tonnes of production capacity will be added for conventional urea, while the output of nano urea is estimated to rise to 44 crores bottles (of 500 ml each) per annum, which will be equivalent to 200 lakh tonnes of conventional urea. Mandaviya said the adoption of nano urea by farmers has been very encouraging and highlighted that the liquid nutrient is effective for maintaining soil health as well as for increasing crop yield.

<https://www.financialexpress.com/economy/india-to-be-self-sufficient-in-urea-by-2025-end-output-of-conventional-nano-urea-rising-says-centre/2583825/>

UP, Gujarat follow Madhya Pradesh seek rollback of cut in PDS wheat allocation

Two months after dealing with reduced wheat allocation after the Centre replaced it with the same amount of rice, Uttar Pradesh, Gujarat and Madhya Pradesh have sought a review of the allocation policy. Raising the issue at a State Food Ministers' conference on Tuesday, Gujarat Food Minister Nareshbhai Patel sought the change in allocation policy as many beneficiaries particularly in Saurashtra and north Gujarat are finding it difficult to accept rice in place of wheat. "We have sought allocation of 3 kg wheat and 2 kg rice per person whereas we get 2 kg wheat and 3 kg rice. Until April, the allocation was on the basis of 3.5 kg of wheat and 1.5 kg of rice per person," said a Gujarat government official.

<https://www.thehindubusinessline.com/economy/up-gujarat-follow-mp-in-seeking-partial-rollback-of-cut-in-pds-wheat-allocation/article65603663.ece>

Infrastructure

NHAI InvIT likely to raise up to Rs 4,000 crore via two legs

State-run National Highways Authority of India (NHAI) is planning to raise up to Rs 4,000 crore for its infrastructure investment trust (InvIT), which is set to accelerate road asset acquisition, likely by forming a new special purpose vehicle under the trust structure. While half of the funds may be raised by selling units in the InvIT to existing investors including Canadian pension funds CPPIB and OTPP, the rest of the money is likely to come from a public bond sale in the local market where retail investors can buy, said people familiar with the matter. Existing offshore funds are not yet formally informed about the plan. "The plan has been chalked out for the two-legged fundraising," one of the people told ET. It is in an early stage with the sponsor, NHAI, preparing a roadmap for the same. National Highways Infra Investment Managers is managing the InvIT, National Highways Infra Trust.

<https://economictimes.indiatimes.com/news/economy/infrastructure/nhai-invite-likely-to-raise-up-to-rs-4000-crore-via-two-legs/articleshow/92683611.cms>

Energy

India expands biofuel tax benefits for ethanol and vegetable oils

India has expanded the excise duty exemption for biofuels to encourage the blending of higher proportions of ethanol and components of vegetable oil with gasoline and diesel, a government order said. India, the world's third-biggest oil importer and consumer, has been particularly keen to rein in its oil import bill since the conflict in Ukraine spurred a surge in global crude prices. The tax exemption will be applicable to an ethanol portion of 12%-15% blended with gasoline, up from 10% previously. For diesel, the exemption will apply to a 20% portion of alkyl esters of long chain fatty acids obtained from vegetable oils, the order said. India plans to introduce 20% ethanol blending with gasoline in some parts of the country from April next year, followed by a nationwide roll out from 2025/26.

https://www.business-standard.com/article/economy-policy/india-expands-biofuel-tax-benefits-for-ethanol-and-vegetable-oils-122070500458_1.html

Windfall tax to generate nearly Rs 94,800 cr for govt, says Moody's

The windfall taxes on domestic crude oil production and fuel exports will generate close to USD 12 billion (Rs 94,800 crore) for the government in the remainder of the current fiscal while trimming profits of firms such as Reliance Industries Ltd and ONGC, Moody's Investors Service said Tuesday. On July 1, the government imposed windfall gain taxes on the export of petrol, diesel and aviation turbine fuel (ATF), and on the domestic production of crude oil. It has also mandated exporters to meet the requirements of the domestic market first. "The tax increase will reduce the profits of Indian crude producers and oil exporters like Reliance Industries Limited (RIL) and Oil and Natural Gas Corporation Ltd (ONGC)," Moody's said in its comments on the new taxes. Following the government's announcement, Indian oil companies will have to pay Rs 6 per litre (around USD 12.2 per barrel) on exports of petrol and ATF, and Rs 13 per litre (around USD 26.3 per barrel) on exports of diesel. At the same time, upstream producers will have to pay taxes of Rs 23,250 per tonne (around USD 38.2 per barrel) of crude oil produced in India.

https://www.business-standard.com/article/economy-policy/windfall-tax-to-generate-nearly-rs-94-800-cr-for-govt-says-moody-s-122070500464_1.html

States

Odisha tops state ranking for implementation of National Food Security Act

Odisha has topped the ranking of states for implementation of the National Food Security Act (NFSA), followed by Uttar Pradesh and Andhra Pradesh, the government said on Tuesday. Union Food and Consumer Affairs Minister Piyush Goyal released the 'State Ranking Index for NFSA' 2022 during a conference of state food ministers on food and nutrition security in India. Among the special category states (the North Eastern states, Himalayan states, and the Island states), Tripura has obtained the first rank. Himachal Pradesh and Sikkim are at the second and third positions. Despite the logistical limitations in these areas, they displayed a high degree of accomplishment in competing with the general category states as well, the report said. As per the government's ranking, Odisha is at first position with a score of 0.836, followed by Uttar Pradesh (0.797) and Andhra Pradesh (0.794). Gujarat is at fourth place, followed by Dadra & Nagar Haveli and Daman Diu, Madhya Pradesh, Bihar, Karnataka, Tamil Nadu and Jharkhand.

<https://www.financialexpress.com/economy/odisha-tops-state-ranking-for-implementation-of-national-food-security-act/2583483/>

Delhi: Draft policy for cab aggregators, food delivery firms mandates transition to all e-vehicles by April 2030

The Delhi government's draft aggregator policy mandates transition to an all-electric fleet for cab companies, food delivery firms and e-commerce entities by April 1, 2030 and proposes a fine of Rs 50,000 per vehicle if a company fails to make the transition. The draft policy titled 'Delhi Motor Vehicle Aggregator Scheme' has been uploaded on the Transport Department's website with the government inviting feedback on the scheme within the next three weeks. The draft policy also lays down guidelines for cab aggregators to take action against errant drivers. "Aggregator shall be required to take appropriate action against the driver partners having 15 per cent or more

grievances for the rides undertaken by him/her in a period of one month. The data so referred shall be stored/collected by the Aggregator for at least three months from the date of service provided," it said.

<https://economictimes.indiatimes.com/news/economy/policy/delhi-draft-policy-for-cab-aggregators-food-delivery-firms-mandates-transition-to-all-e-vehicles-by-april-2030/articleshow/92683012.cms>

Healthcare

Current booster policy needs to be updated: Experts

Amid emergence of a new Omicron sub-lineage, experts call for updating the booster policy in India. They say that the current policy is not making the best use of evidence and available vaccine choices. India has been using the same vaccine as a precaution dose since January even as it approved Corbevax as a booster. "Much evidence shows heterologous boosting to be more effective than homologous boosting," said virologist Shahid Jameel of the University of Oxford. Jameel cited the Christian Medical College (CMC) Vellore data that shows Covishield after Covaxin is far superior but India continues to use 3rd dose Covaxin in people who got 2 doses.

<https://economictimes.indiatimes.com/industry/healthcare/biotech/healthcare/current-booster-policy-needs-to-be-updated-experts/articleshow/92685741.cms>

External

Nod for 80 FDI proposals from China entities

India has approved 80 Foreign Direct Investment (FDI) proposals involving Chinese entities as on June 29, according to data accessed through Right to Information (RTI). The government received 382 proposals from the Chinese in all for consideration since India imposed restrictions on investments from countries that share land border with it, Department for Promotion of Industry and Internal Trade (DPIIT) said in response to the RTI. It is not clear as to how many proposals have been rejected. Following the skirmish at the border, New Delhi in 2020 made a prior government approval, including a security clearance, mandatory for any FDI coming from countries that share land borders with India.

<https://economictimes.indiatimes.com/news/economy/finance/nod-for-80-fdi-proposals-from-china-entities/articleshow/92685606.cms>

Import Duty Exemption on Cotton Extended till Oct 31

The government has extended the exemption of customs duty and agriculture infrastructure and development cess (AIDC) on the import of cotton for one more month till October 31, 2022. The extension will give relief to the textile industry as sowing of cotton crop was delayed in some regions due to patchy monsoon rainfall. Officials said that the Centre will assess the cotton crop cultivation again in the next two months and may extend it further, if required.

<https://economictimes.indiatimes.com/news/economy/foreign-trade/india-extends-deadline-for-duty-free-cotton-imports-to-oct-31/articleshow/92675517.cms>

Toy imports decline 70%, exports rise 61% over last 3 years

Toy imports in India have declined 70 per cent while exports have increased 61 per cent over the last three years, according to figures shared by the Commerce & Industry Ministry. This is due to various interventions by the government such as mandating sample quality testing of every import consignment, increasing import duty on toys and bringing toys under compulsory Bureau of Indian Standards (BIS) certification, a release issued by the government pointed out. "For HS Codes 9503, 9504, and 9505, the import of toys to India has reduced from \$371 million in 2018-19 to \$110 million in 2021-22 thus showing a decrease of 70.35 per cent...For HS Codes 9503, 9504, and 9505, export of toys has increased from \$202 million in 2018-19 to \$326 million in 2021-22, up by 61.39 per cent," the release said.

<https://www.thehindubusinessline.com/economy/toy-imports-decline-70-exports-rise-61-over-last-3-years/article65603419.ece>