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1. Retail inflation in India eases to 6.71% in July (Aug. 13, 2022)

India's retail inflation eased to 6.71% in July on moderation in food inflation, according to data from the National Statistical Office, but remained well above the 4-6% limit set by the Reserve Bank of India for the seventh consecutive month.

Important facts

- Food inflation in July 2022 moderated to 6.75% as against 7.75% in June, according to the data.
- Retail inflation remained above 7% in the first three months of the current fiscal.
- Retail inflation remained elevated despite a fall in vegetable and edible oil and other commodity prices.
- In such a situation, the RBI may make another hike in the policy rate in the proposed monetary policy review at the end of September.
- According to the data, the main reason for the moderation in retail inflation in July is the reduction in vegetable and edible oil prices. In terms of fuel and power, prices remain high.
- As per the data, inflation in vegetable and oil and fat segments moderated in July to 10.90 per cent and 7.52 per cent, respectively.
- In the month of June, it was 17.37 percent and 9.36 percent respectively.
- Fuel inflation stood at 11.76 per cent in July as against 10.39 per cent earlier.
- India's factory output, as measured by the Index of Industrial Production (IIP), fell to 12.3 per cent in the month of June, compared to 19.6% in May.
- Manufacturing sector output grew 12.5% in June 2022.
- Mining production grew by 7.5% and electricity generation by 16.4% in June this year.
- The index rose 12.7% in April-June 2022, compared to a rise of 44.4% in the same period a year ago.

What is CPI based inflation or retail inflation?

- CPI (Consumer Price Index) monitors retail prices at a certain level for price movement of a particular commodity, goods and services at rural, urban and all India levels.
- The change in the price index over a period of time is known as CPI-based inflation, or retail inflation.
- CPI formula - $(\text{Price of basket in current period} / \text{Price of basket in base period}) \times 100$

2. India-UK conclude fifth round of FTA talks (Aug. 12, 2022)

India and the United Kingdom (UK) concluded the fifth round of talks for an FTA on the 29th of last month.

Important facts

- In the fifth round of talks, technical experts from both sides came together to discuss 15 policy areas.
- Currently, India is holding FTA talks with some of its trading partners including the European Union, Canada and Israel.

Consensus between both countries

- Officials in India and the UK will continue to work intensively throughout the summer to finalize talks on a comprehensive and balanced free trade agreement by the end of October 2022.
- UK agrees to end duties on Indian rice and textile items.
- India may allow duty-free entry of British apples, medical equipment and machinery manufactured in the UK.
- India initially proposed an early harvest agreement or interim FTA that would be ready by Diwali.
- Through this agreement, India-UK bilateral trade is estimated to double to about \$100 billion by 2030.
- An agreement is also expected to be reached on mutual recognition of higher education qualifications.
- India is likely to get more skill visas, as the UK currently faces a shortage of experts in the IT and programming sectors.
- The India-UK FTA agreement is also expected to give a boost to the domestic textile sectors.

What is Free Trade Agreement (FTA)?

- Under this agreement, customs duties, regulatory laws, subsidies and quotas etc. are simplified on the products under import-export between two countries.
- Its main objective is to simplify trade.
- A major advantage of FTA is that the cost of production of the two countries between which this agreement is made becomes cheaper as compared to other countries.
- This encourages trade and gives impetus to the economy.

3. India achieves landmark milestone, over 75000 startups recognised so far (Aug. 3, 2022)

Union Minister of Commerce & Industry, Consumer Affairs, Food and Public Distribution and Textiles Piyush Goyal on August 3 announced that India has achieved a milestone, recognizing 75000 startups in the country.

Important facts

- Out of the total recognized startups, about 12% are established in IT Services, 9% in Healthcare and Life Sciences, 7% in Education, 5% in Professional and Commercial Services and 5% in Agriculture.
- So far, 7.46 lakh jobs have been created by the Indian startup ecosystem, an annual growth of 110 per cent in the last 6 years.
- About 49% of these startups are from Tier II and Tier III.

Present Status

- India is the third largest start-up ecosystem in the world after the US and China.
- 44 Indian start-ups have achieved unicorn status in 2021, taking the total number of unicorns to 83.
- Most unicorns are from the services sector.
- Some of the successful Indian unicorns include Lenskart, Cred, Meesho, PharmEasy, Lycius, Grofers, etc.
- Bangalore has been listed among 20 leading startup cities in the world in the 2019 Startup Genome Project Rankings.

Related Government Initiatives

- **SETU (Self-Employment and Talent Utilization) Fund** - Rs 1,000 crore has been allocated by the government for creating self-employment and new jobs opportunities mainly in the technology driven domain.
- **Credit Guarantee Fund** - It was launched by the Government of India to make available collateral-free credit to the micro and small enterprise sector.
- **Fund of Funds for Start-ups (FFS)** - Under the Startup India programme, the government set up a Fund of Funds for Startups (FFS) with a corpus of Rs 10,000 crore to provide funding support for startups.
- **Tax exemption** - Tax exemption on capital gains tax, removal of angel tax, tax exemption for 3 years and tax exemption on investments above fair market value.
- **MUDRA Scheme** - Through this scheme, start-ups get loans from banks to establish and grow their business.

4. India's July preliminary trade deficit widens to \$31 billion (Aug. 3, 2022)

India's July trade deficit widened to \$31.02 billion, from \$10.63 billion a year ago, on increased imports of crude oil and coal.

Important facts

- Merchandise exports fell to a five-month low of \$35.2 billion in July, while imports fell sequentially to \$66 billion, according to data released by the commerce ministry.
- Seven of the top 10 export items witnessed contraction - engineering goods (2.5 per cent), petroleum products (7.1 per cent), gems and jewellery (5.2 per cent), pharmaceuticals (1.4 per cent), readymade garments (0.6 per cent), cotton yarn (28.3 per cent), and plastic (3.4 per cent).
- However, some items showed strong growth - chemicals (7.9 per cent), electronic goods (46.1 per cent), and rice (30.2 per cent).
- Among major import items, gold declined 43.6 per cent to \$2.4 billion after the Center raised import duty on the metal last month.
- However, imports of non-oil and non-gems and jewellery products increased by 42.9 per cent due to improved domestic economic activity as well as increased price pressures.

Reason of trade deficit and its effect

- Rising interest rates and the closure of economic stimulus packages are likely to have a negative impact on trading volumes in the remaining months of 2022.
- Volatility in commodity prices and geopolitical factors will also continue to make business development uncertain.
- The conflict in Ukraine is putting further pressure on international prices of energy and primary goods.
- In the short term, due to stagnant global demand for food and energy products, an increase in food and energy prices is likely to lead to higher trade values and a slight decrease in trade volume.
- The current account deficit is likely to have crossed \$30 billion in Q1 FY23.

Can India compensate for the trade deficit?

- The recently signed trade deals with UAE and Australia will boost exports.
- These two countries can export \$ 15-16 billion.
- The trade arrangement announced by the Reserve Bank of India will boost trade with Russia and Sri Lanka.
- There are huge opportunities in Russian tea, telecom, pharmaceutical products, leather etc.
- Exports could exceed \$500 billion in this fiscal year, as restrictions on exports of wheat, iron and steel, and petroleum products have curbed growth in shipments.

What is trade deficit?

- A trade deficit occurs when a country's imports exceed its exports.

- It is also known as negative balance of trade.
- A trade deficit is calculated by subtracting the total value of a country's exports from the total value of its imports.

5. UPI records 6 billion transactions in July (Aug. 2, 2022)

The Unified Payments Interface (UPI) saw over 6 billion transactions in July, the highest ever by India's leading digital payments platform since its inception in 2016.

Important facts

- According to data released by the National Payments Corporation of India (NPCI), which operates the platform, UPI handled 6.28 billion transactions totaling Rs 10.62 trillion.
- Month-on-month, the volume of transactions was up 7.16% and value increased 4.76%.
- Year-on-year (YoY), transaction volume nearly doubled, while transaction value grew by 75%.
- UPI crossed 1 billion transactions for the first time in October 2019, almost three years after its launch.
- In October 2020, the UPI processed more than 2 billion transactions.
- In the next ten months, the UPI processed 3 billion transactions.
- It took only three months for UPI to reach from 3 billion to 4 billion transactions per month.
- The incremental one billion transactions were achieved in just six months' time.
- Apart from some reduction during the first two waves of the pandemic, UPI transactions are on the rise as the economy recovers.

About UPI

- Unified Payments Interface (UPI) is a single platform that integrates various banking services and facilities under one umbrella.
- It is developed by National Payments Corporation of India (NPCI).
- The names of the top UPI apps currently are – PhonePe, Paytm, Google Pay, Amazon Pay and BHIM.
- NPCI launched UPI in 2016 with 21 member banks.

National Payments Corporation of India (NPCI)

- It is an umbrella organisation for operating retail payment and settlement systems in India.

- It has been launched by the 'Reserve Bank of India' (RBI) and 'Indian Banks' Association' (IBA) under the 'Payment and Settlement Systems Act, 2007'.
- It is a 'non-profit' company established under the provisions of section 25 of the Companies Act 1956.
- It aims to provide the infrastructure for physical and electronic payments to the entire banking system in India.

6. India's manufacturing PMI hits 8-month high in July (Aug. 2, 2022)

India's manufacturing Purchasing Managers' Index (PMI), compiled by S&P Global, came at an eight-month high.

Important facts

- The S and P Global India Manufacturing Purchasing Managers' Index (PMI) rose to 56.4 in July, from 53.9 in June.
- The survey said that this jump was driven by a significant increase in trade orders.
- The PMI data for July points to an improvement in overall operating conditions for the 13th consecutive month.
- The Indian manufacturing industry recorded a welcome combination of fast economic growth and soft inflation during July month.
- Production increased at the fastest pace since last November, a trend that corresponds to a more forward-looking indicator of new orders.
- The readings are based on a monthly survey of businesses that are primarily engaged in manufacturing activities.
- Despite the solid performance of the manufacturing industry, overall job creation remained sluggish.
- Most firms (98 per cent) opted to leave workforce numbers unchanged amid lack of pressure on operational efficiencies.
- About 96 per cent of the manufacturers expect no change in production from current levels during the coming 12 months.

What is Purchasing Managers' Index (PMI)?

- It is a measure of the prevailing direction of economic trends in manufacturing.
- It is based on a monthly survey of supply chain managers across 19 industries, covering both upstream and downstream activities.
- The price fluctuations of PMI and its components can provide useful insights to business decision makers, market analysts and investors.
- PMI is used by the central bank to set interest rates.

Purpose of PMI

- Providing information about current and future business conditions to the company's decision-makers, analysts and investors.

Calculation of PMI

- It is represented by a number from 0 to 100.
- A print above 50 indicates expansion while a score below 50 indicates contraction.
- If the previous month's PMI is higher than the current month's PMI, it shows that the economy is contracting.

Five major Survey Areas of PMI

1. Employment
2. New orders
3. Production
4. Inventory levels
5. Supplier deliveries

7. Govt launches 11th agricultural census 2021-22 (July 30, 2022)

Recently the Ministry of Agriculture and Farmers Welfare has started the "Eleventh Edition" of the Agriculture Census to be conducted every 5 years.

Eleventh Agricultural Census

- Agriculture census work will start in August 2022.
- For the first time, the data collection for Agriculture Census will be done on smartphones and tablets, so that the data is available in a timely manner.

It includes

- Use of digital land records such as land title records and survey reports.
- Collection of data through app/software using smartphone/tablet.
- Enumeration of all villages in non-land record states during Phase-I as done in land record states.
- Real time monitoring of progress and processing.
- Operating Authority: Agriculture Census is conducted by the Department of Agriculture and Farmers Welfare, Ministry of Agriculture.

Agricultural census

- Agriculture Census is conducted every 5 years, which is being conducted late this time due to the COVID-19 pandemic.
- The entire census is conducted in three phases and the operational ownership for data collection is viewed as a statistical unit at the micro level.
- Based on the Agriculture Census data collected in three phases, the department presents three detailed reports analysing trends on various parameters at all India and State/UT level.
- District/Tehsil level reports are prepared by the respective States/UTs.
- The first agricultural census was conducted in the year 1970-71.

8. Core sector output expands by 12.7% in June (July 30, 2022)

According to official data the output of eight core infrastructure sectors expanded by 12.7 per cent in June against 9.4 per cent in the year-ago period.

Important facts

- The output growth of eight infrastructure sectors – coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity – stood at 19.3 per cent in May 2022.
- Production of coal, refinery products, fertilisers, cement and electricity grew by 31.1%, 15.1%, 8.2%, 19.4% and 15.5%, respectively, in June.
- Crude oil production contracted by 1.7%.
- Growth in natural gas and steel production declined to 1.2% and 3.3%.

Core Sector Industries in India

- The core industries have a major impact on general economic activities and industrial activities.
- They significantly impact most other industries and represents the capital base of the economy.
- The combined share of these eight industries in the Index of Industrial Production (IIP) is more than 40%.
- These eight core sectors are - electricity, steel, refinery products, crude oil, coal, cement, natural gas and fertilizers.

About Index of Industrial Production (IIP)

- It is an index of India that details the development of various sectors such as mineral mining, power and manufacturing in an economy.

- The All India IIP is a composite indicator that measures short-term changes in the volume of production of a basket of industrial products over a given period.
- Base year of IIP is 2011-2012.
- NSO compiles the Index of Industrial Production (IIP) using secondary data received from 14 source agencies in various Ministries/Departments or their attached/subordinate offices.

What are Strategic Sectors?

- **These are -**

1. Atomic energy, space and defence
2. Transport and telecommunications
3. Power, petroleum, coal and other minerals and
4. Banking, insurance and financial services

9. PM Modi inaugurates India's first international bullion exchange at GIFT city, Gandhinagar (July 30, 2022)

Prime Minister Narendra Modi on 29 July launched 'India International Bullion Exchange (IIBX)', the country's first international bullion exchange near Gandhinagar.

Important facts

- He visited India's first International Financial Services Centre (IFSC) at the Gujarat International Finance Tec-City (GIFT City) on 29 July.
- Gandhinagar's GIFT city is an international financial services hub set up by the Gujarat government outside the State capital.
- The exchange will facilitate efficient price discovery with responsible sourcing and quality assurance, besides promoting financialization of gold in India.
- India is the second largest consumer of gold in the world and the establishment of IIBX is seen as India's effort to bring transparency in the market for this precious metal.
- In addition, setting up of IIBX could lead to standard pricing of gold in the country and make it easier for small bullion dealers and jewellers to trade the precious metal.

India, a leading importer of bullion

- India is a major importer of the metal and imported 1,069 tonnes of gold in 2021, up from 430 tonnes in 2020.
- Currently, only designated banks and agencies approved by the Reserve Bank of India in the country can import gold and sell it to dealers and jewellers across the country.

Foundation stone of IFSCA

- PM Modi laid the foundation stone of the headquarters building of the International Financial Services Centres Authority (IFSCA).
- IFSCA is the country's first and only IFSC in line with those in UAE, Singapore and Hong Kong.
- IFSCA will support innovation and also act as a catalyst for growth opportunities in the financial services sector in the country.

10. India receives highest-ever FDI inflow in last financial year (July 29, 2022)

According to the Ministry of State for Commerce and Industry India has received the highest-ever Foreign Direct Investment inflow of over six lakh 31 thousand crore rupees in the last financial year.

Important facts

- The central government has formulated a liberal and transparent policy to attract foreign direct investment.
- FDI equity inflow into manufacturing sectors has also increased by 76 per cent in the last financial year as compared to 2020-21 to more than one lakh 58 thousand crore rupees.

What is FDI?

- Foreign direct investment or FDI is an investment made by a party of one country in a business or corporation operating in another country with the intention of earning long-term profits.
- Through FDI, foreign companies are directly involved in the day-to-day operations of another country.

Routes to gets FDI in India

- Foreign investment in India can be done mainly through two routes -

1. **Automatic Route** - Under this route, the non-resident investor or the Indian company does not require any approval from the Government of India for investment.
2. **Government route** - Under this route, prior to investment, approval from the Government of India is required. Proposals for foreign direct investment under this route are considered by the respective Administrative Ministry/ Department.