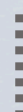


**JULY 2024**



**MONTHLY NEWSLETTER**

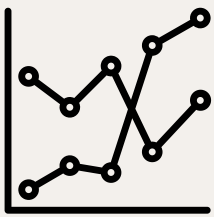


CENTRE FOR BUDGET STUDIES (CBS)  
CUSAT

## NEWS

### MACROECONOMIC ANALYSIS

#### Data Lab to Boost India's Statistical System



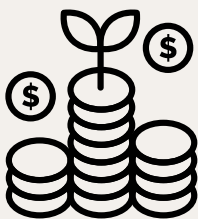
The Ministry of Statistics and Program Implementation (MOSPI) is setting up a Data Innovation Lab to revolutionize India's statistical landscape. The lab will serve as a platform for researchers and innovators to develop new methodologies for improving data quality and creating novel statistical indicators. By leveraging technology and fostering collaboration, the lab aims to address the challenges faced by the National Statistical System. This initiative aligns with the govt's broader push for improved data governance and utilization as highlighted in the recent Budget and Economic Survey. The lab is expected to play a crucial role in enhancing the accuracy and relevance of India's statistical data for policymaking.

#### PMI Points to Strong Growth, Rising Inflation Concerns



India's economy is showing robust growth, indicated by a surge in the July Flash PMI (Purchasing Managers Index). Both services and manufacturing sectors are expanding rapidly, leading to the highest employment levels in 18 years. However, this strong growth comes with a price: inflation. Rising input costs, including materials and labour, are being passed on to consumers, pushing up prices at the fastest pace in nearly 11 years. While the PMI reflects conditions among top firms, it signals potential inflationary pressures for the broader economy.

#### India Overhauls Inflation Metrics

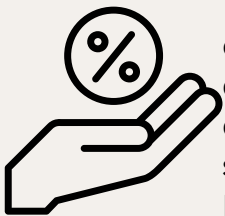


India is set to revamp its inflation measurement system. The base year for calculating Consumer Price Index will be shifted from 2012 to 2024, according to the Economic Survey 2023-24. Additionally, the government aims to expedite the development of the Producer Price Index (PPI) to better capture inflationary trends. These changes aim to provide a more accurate and up-to-date picture of price changes in the economy, reflecting evolving consumption patterns and production costs. The overhaul also includes plans to revise GDP and other economic indicators, aligning them with a common base year for better analysis and comparison.

## NEWS

### ECONOMIC POLICY

#### **Union Budget 2024-25: Major Push for Employment Amid AI Adoption Concerns**



The Union Budget for the fiscal year 2024-25, presented unveils a comprehensive plan to tackle employment challenges. With a robust allocation exceeding Rs 2 lakh crore, the budget aims to create approximately 4.1 crore jobs over the next five years. However, the rapid integration of AI in labour-intensive sectors like construction raises concerns about the potential impact on the Modi 3.0 administration's employment strategy. The balance between technological advancement and job creation is considered crucial.

#### **RBI May Favor Mild Rupee Weakness to Boost Competitiveness: BofA**



The Reserve Bank of India might allow a slight depreciation of the rupee to correct its overvaluation and maintain competitiveness, according to a note from BofA Securities. This strategy aligns with the govt's goal of attracting large-scale manufacturing investments. BofA anticipates the rupee will weaken to 84 against the U.S. dollar by year-end, down from its current rate of 83.7, nearing the all-time low of 83.72.

#### **Empowering MSMEs for Global Value Chains**



The Union Budget 2024-25 offers crucial support for India's MSMEs. Finance Minister Nirmala Sitharaman emphasized the need for credit flow to this sector, vital for integrating MSMEs into global value chains. Key measures include a credit guarantee scheme for collateral-free term loans, a self-financing guarantee fund with a Rs 100 crore cover, and enhanced MUDRA loan limits. The budget also introduces mechanisms to unlock working capital using trade receivables and mandates lower turnover thresholds for the TReDs platform, easing financial constraints.

## NEWS

### FINANCIAL TECHNOLOGY

#### **Economic Survey 2024: India third largest fintech economy, a cornerstone to help achieve financial inclusion**



The Economic Survey 2024 tabled today revealed that India is emerging as a fintech economy with multiple digital infrastructure projects. India's robust DPI has played a pivotal role in enabling the country's digital transformation, providing citizen-centric and transparent governance services. With the objective of India emerging as a fintech nation, the Government has launched many flagship schemes such as the Digital India Mission, Make-in-India and emphasised the creation of DPI such as Aadhaar, e-KYC, UPI, Aadhaar-enabled Payment System, Bharat QR, DigiLocker, etc.

#### **NPCI launches UPI One World : What it is, who can use and all other details**



NPCI introduces 'UPI One World' wallet service for international travelers in India, offering a cashless payment solution linked to UPI. This service aims to simplify transactions for foreign nationals and Non-Resident Indians (NRIs) from G20 countries. UPI One World offers a Prepaid Payment Instrument (PPI) linked to India's Unified Payments Interface (UPI), allowing visitors to make cashless payments at UPI-enabled merchant locations across the country. The rollout of UPI One World is a collaborative effort between NPCI, IDFC First Bank, and Transcorp International Ltd, under the supervision of the Reserve Bank of India.

#### **Paytm partners with Axis Bank to provide payment solutions for merchants**



The partnership will enable Paytm to expand its presence by reaching a broader merchant base through Axis Bank. At the same time, it will enhance the latter's merchant acquiring portfolio by improving transaction efficiency. This development comes months after the troubled fintech firm shifted its nodal account to Axis Bank to facilitate merchant payments, amid regulatory scrutiny by the Reserve Bank of India.



## NEWS

### INTERNATIONAL ECONOMICS

#### Turkey Leads Global Wealth Growth Despite High Inflation



Turkey experienced a remarkable 157% increase in wealth per adult between 2022 and 2023, significantly ahead of other nations, according to UBS's Global Wealth Report 2024. Despite the country's 72% inflation rate, this surge is attributed to rising asset values like housing and the local currency effect. The Turkish lira's depreciation and high inflation have pushed up asset prices, benefiting asset owners. In contrast, Russia and Qatar saw nearly 20% growth, South Africa just over 16%, and the U.S. almost 2.5%. The report highlights the disparity in wealth growth due to inflation and currency differences.

#### China Cuts Key Rates to Stimulate Economy Amid Weak Growth



China unexpectedly lowered its short-term policy and benchmark lending rates to support economic growth following weaker-than-expected Q2 data. The People's Bank of China reduced the seven-day reverse repo rate to 1.7% and improved open market operations. Subsequently, the one-year loan prime rate (LPR) dropped to 3.35% and the five-year LPR to 3.85%. Facing potential deflation, a prolonged property crisis, rising debt, and weak consumer and business sentiment, China aims to bolster its economy amid growing global trade tensions.

#### Russia Attains High-Income Status Amid Sanctions and War

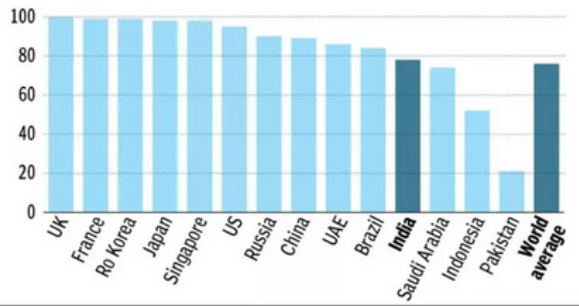


Despite Western sanctions due to the Ukraine war, Russia has been classified as a high-income economy by the World Bank, based on its GNI per capita. Economic growth was driven by increased military activity, a rebound in trade (+6.8%), financial sector growth (+8.7%), and construction (+6.6%). These factors led to a 3.6% real GDP growth and an 11.2% rise in Atlas GNI per capita. Military spending and payments to volunteer soldiers significantly boosted the economy, despite the reduced availability of imported goods and global brands.

## DATA POINT

### India well poised among emerging economies but lags advanced countries

Global Financial Inclusion database of World Bank



Source: RBI, PMJDY, NPCI, World Bank

## INDIA'S FINANCIAL INCLUSION IS ON THE RISE, BUT STILL TRAILS BEHIND GLOBAL COUNTERPARTS.

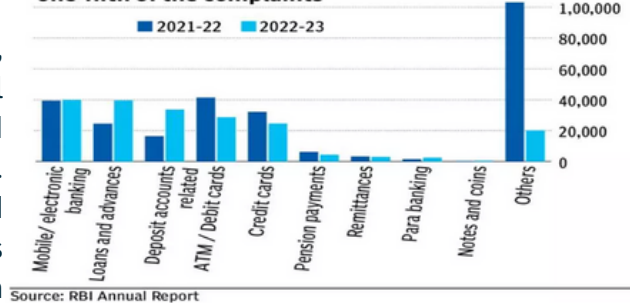
The RBI's Financial Inclusion Index for 2024 indicates growth across key parameters. Expanded banking access, digital payments, and government initiatives like PMJDY have contributed to this progress. However, challenges such as fraud and credit data availability hinder further advancement.

While India has made significant strides, achieving parity with global leaders in financial inclusion remains a goal.

## CYBERCRIME SURGE: CARD AND INTERNET FRAUDS TRIPLE IN INDIA

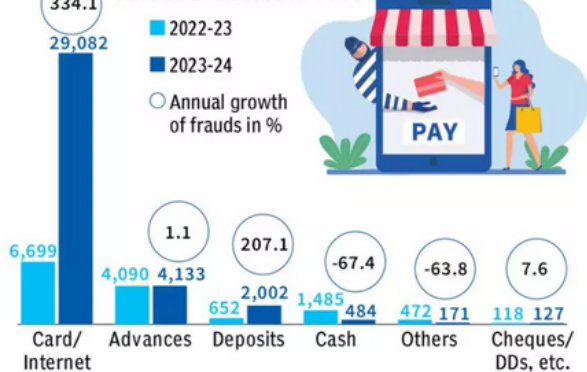
Card and internet frauds surged by 334% in FY24, according to the RBI. This accounted for 80% of all banking frauds. Increased digital transactions and customer vulnerability have contributed to this rise. Cybercriminals employ various tactics like phishing and hacking to target unsuspecting users. The RBI's Integrated Ombudsman Scheme also recorded a high number of complaints related to mobile and electronic banking.

### Mobile/electronic banking account for one-fifth of the complaints



Source: RBI Annual Report

### Card and Internet frauds account for 80% of the cases in FY24



## INDIA'S GEN AI SURGE: FIFTH IN GLOBAL PATENTS BUT LAGS BEHIND CHINA

India ranks fifth globally in Generative AI patents, trailing China, US, South Korea, and Japan. While India boasts the highest annual growth rate in GenAI patents, its overall number is relatively small. Chinese companies dominate the top patent holders. Despite this, Indian firms like Miko Robotics and TCS have made significant contributions.



## ARTICLES OF THE MONTH

### TAXES AND DIVISIBLE POOL

#### >>> READ MORE

Finance Commissions' Distance Criterion

**-D K Srivastava, Muralikrishna Bharadwaj  
Tarrung Kapur, Ragini Trehan**

The income distance criterion plays a key role in determining states' shares in the divisible pool of taxes as recommended by several finance commissions, especially from the Ninth Finance Commission. It has been accorded the highest weight among all devolution criteria. It aims at fiscal capacity equalisation in India's fiscal transfer system. Over time, the weight attached to this criterion has been reduced, resulting in reduced fiscal capacity equalisation. The underlying axiomatic framework that informs India's tax devolution system is discussed.

#### READ MORE <<<

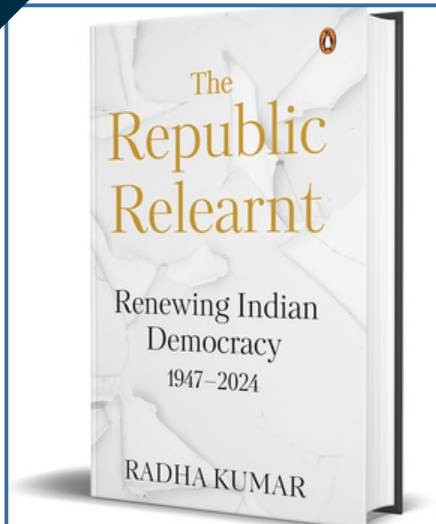
Global Business Cycles and India's Services Exports

**-Sujata Kundu, Rajeev Jain, Ranjeeta Mishra**

### GLOBAL BUSINESS AND INDIAN EXPORT SECTOR

The degree of synchronisation of India's exports of goods and services with the global business cycle is examined using a time-varying transition probability Markov-switching regression model for nearly three decades from 1990 to 2021. India's services exports reveal a higher degree of synchronicity with global gross domestic product growth compared to goods exports. This suggests that services could be a more stable source of overall export growth; however, there is a need for greater diversification of India's services export basket if potential from global business opportunities is to be reaped.

## BOOK RELEASES



### THE REPUBLIC RELEARNT: RENEWING INDIAN DEMOCRACY (1947-2024)

-RADHA KUMAR

The book critically examines the ebbs and flows of Indian democracy, highlighting periods of decay and renewal. The book challenges the notion of an uninterrupted democratic run post-independence, emphasizing lessons from history to anchor future democratic resurgence. Kumar's insightful analysis is timely, given current totalitarian threats, and offers a hopeful perspective on renewing democracy in India.

### THE CAPITALIST MANIFESTO

-JOHAN NORBERG

This book offers a robust defense of capitalism, arguing for its moral and economic benefits. With endorsements from prominent figures and media outlets, the book counters criticisms of inequality and geopolitical challenges, emphasizing the role of free markets in alleviating poverty and driving innovation. Norberg's passionate narrative underscores the dangers of moving away from global capitalism, highlighting its essential role in fostering prosperity and social inclusion.

of why capitalism is not just successful, but morally right" Elon Musk

Johan  
Norberg  
**The Capitalist  
Manifesto**  
Why the  
Global  
Free Market  
Will Save  
the World



### WHAT'S NEXT IS NOW

-FREDERIK PFERDT

In "What's Next Is Now," Frederik Pferdt, Google's first Chief Innovation Evangelist, offers an optimistic guide to shaping the future through six principles: optimism, openness, curiosity, experimentation, empathy, and Dimension X. Packed with real-world examples and practical exercises, this book inspires readers to navigate uncertainty and transform challenges into opportunities, making it essential for innovators and change agents aiming to actively create a vibrant, inclusive future.



## CBS ARTICLES

### >>> READ MORE

#### THE WORLD PRESS FREEDOM INDEX: COMPUTATION, ECONOMIC CONTEXT, AND INDIA'S RANKING

**-MANUPRASAD K P**

In this article, we delve into the nuances of the World Press Freedom Index, as published by Reporters Without Borders (RSF). We explore the unique challenges in accurately assessing press freedom in India, a country with vast linguistic diversity and a complex media landscape. The discussion highlights potential biases in the survey's methodology and the implications for India's ranking on the global stage.



“The individual investor should act consistently as an investor and not as a speculator.”

- Ben Graham

### READ MORE <<<

#### THE IMPACT OF PLANNING COMMISSION VS NITI AAYOG: WHICH IS BETTER FOR INDIA

**-SHAREN RAHAEL KOSHY**

This article explores the evolution of India's planning bodies, from the Planning Commission to NITI Aayog, and their roles in shaping the nation's socio-economic policies. It examines the challenges and criticisms faced by NITI Aayog and offers recommendations for improving governance and promoting equitable development across the country.



## CBS SCOOP: SPECIAL ARTICLE



The Economic Survey of India 2023-24 provides a comprehensive analysis of the nation's economic progress and strategic directions. Highlighting an **8.2% GDP growth** and resilient economic performance, the survey covers various sectors including economic growth and inflation, external sector dynamics, MSME revitalization, banking and financial stability, energy transition, social sector advancements, employment, infrastructure development, and climate change.

Key findings emphasize India's recovery from COVID-19, with a focus on improving trade balances, enhancing MSME competitiveness, and advancing infrastructure. The survey underscores the need for tailored climate strategies, inclusive stakeholder engagement, and individual responsibility in climate action. Despite substantial progress, challenges such as food inflation, geopolitical tensions, and data collection issues persist. The survey concludes that continued strategic efforts are crucial for sustaining growth and fostering an inclusive, sustainable future for India.

**>>> [READ MORE](#)**

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