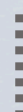
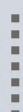


SEPTEMBER 2024



MONTHLY NEWSLETTER

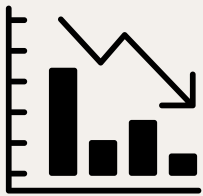


CENTRE FOR BUDGET STUDIES (CBS)
CUSAT

NEWS

MACROECONOMIC ANALYSIS

India's wholesale inflation eases to 1.31% in August as fuel prices turn negative



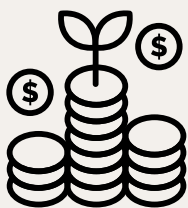
India's wholesale inflation eased to 1.31% in August from 2.04% in July, driven by falling fuel prices and slower food price increases. The Wholesale Price Index was expected to moderate to 1.85%. The MPC kept rates unchanged at 6.5% amid concerns over food prices and geopolitical tensions. Fuel and power saw a deflation in August with prices falling 0.67 per cent in August, as against 1.72 per cent rise in July, government data showed. The annual rate of inflation for Primary Articles of WPI stood to 2.42 per cent in August as compared to 3.08 per cent in July.

Forex reserve rise \$2.8 billion to a new high of \$692.3 billion



India's foreign exchange reserves rose by \$2.8 billion to a record high of \$692.3 billion, primarily driven by a \$2 billion increase in foreign currency assets, which now stand at \$605.6 billion. The Reserve Bank of India likely absorbed foreign investor inflows into stocks and bonds to manage currency volatility, without targeting a specific exchange rate. Foreign investments in Indian markets reached \$10.9 billion in September, the highest monthly inflow this year. The rupee appreciated by 0.4% during the week, ending at 83.485 against the US dollar.

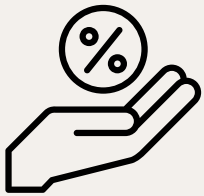
Government capex to pick up, says finance ministry's Economic Review for August



India's economic growth, which slowed in the first quarter of 2024-25 due to subdued government capital expenditure (capex) ahead of the general election, is slated to pick up in the subsequent quarters on the back of higher public spending stimulating investment, said the Economic Review. It points out that rural incomes and demand are expected to get stronger, and food inflation will be milder in the coming months in the absence of any serious adverse climate shocks.

NEWS

ECONOMIC POLICY



Indian Economy Expected to Grow at 6.5-7% in FY 2024: Chief Economic Advisor

Chief Economic Advisor (CEA) V Anantha Nageswaran announced on this Friday that India's economy is poised to grow at a rate of 6.5-7% in the current financial year. Nageswaran explained that while India's real growth rate will be 6.5%, the nominal growth rate, accounting for inflation, is projected to reach 11%. This steady growth, despite global trade slowdown and medium-term uncertainties, reflects India's strong post-COVID recovery, which he attributed to calibrated fiscal and monetary policies.



India Poised to Become a \$55 Trillion Economy by 2047, Says IMF Executive Director Krishnamurthy Subramanian

India has the potential to become a \$55 trillion economy by 2047 if it achieves an annual real growth rate of 8%, according to Krishnamurthy Subramanian, Executive Director at the International Monetary Fund (IMF) and former Chief Economic Advisor to the Centre. He emphasized that even India's formal sectors lag behind their global counterparts in productivity and investment, which are key to sustained growth. This visionary outlook for India's future, combined with a strong startup ecosystem and necessary reforms, positions the country to achieve significant economic milestones by 2047.



India Aims for \$1 Trillion Merchandise Exports by 2030: World Bank Report

According to the World Bank's latest India Development Update, India's economy remains resilient, growing at 8.2% in FY23/24, driven by public infrastructure investment and a strong manufacturing sector. However, to reach its \$1 trillion merchandise export target by 2030, the report stresses the need for India to diversify its exports and tap into global value chains. The World Bank recommends reducing trade costs, lowering barriers, and deeper integration into global value chains to boost exports in sectors like textiles, electronics, and green technology.

NEWS

FINANCIAL TECHNOLOGY



Trinidad and Tobago to roll out India's UPI payments tech

The Ministry of Digital Transformation of Trinidad and Tobago has signed a deal to launch a real-time digital payment platform for person-to-person and person-to-merchant transactions, aimed at expanding financial inclusion. Modeled after India's Unified Payments Interface (UPI), which has been key to India's digital payment success, this platform will foster innovation in the fintech sector and strengthen the country's payment infrastructure. With increased security through reduced cash usage, the initiative also aims to support the financial inclusion of unbanked citizens. NPCI, India's international payments subsidiary, has been actively expanding UPI globally, including recent deals in Peru, Namibia, and Nepal.



Dhan displaces Paytm Money to enter the list of top 10 stock broking platforms

Dhan, led by ex-Paytm executive Pravin Jadhav, became the 10th largest stock broking app in India in August by adding 60,000 investors, pushing Paytm Money out of the top 10. Dhan now has 7.4 lakh active users, while Paytm Money lost 17,500 users in August, continuing a declining trend since April. PhonePe's Share.Market has rapidly grown, reaching 2 lakh active investors in August. Meanwhile, Angel One is on track to overtake Zerodha as the second-largest broker, while market leader Groww continues to grow, adding over 4 lakh active investors per month.



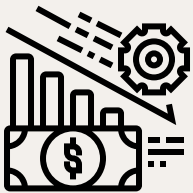
Retail Banks in Singapore Set to Implement Face Verification to Protect Customers Against Scammers

Singapore banks are introducing Singpass Face Verification (SFV) as a security measure to strengthen the setup process for digital tokens (DTs) and protect against scams. SFV verifies a customer's identity against national records, reducing the risk of scammers using phished credentials to take over accounts. The Monetary Authority of Singapore (MAS) emphasizes that SFV will enhance digital token security, and banks are also working to phase out OTPs. Additional measures like the 'Money Lock' feature further safeguard funds. Consumers are encouraged to stay vigilant, practice good cyber hygiene, and stay informed on scam tactics.

NEWS

INTERNATIONAL ECONOMICS

Indonesia's Pursuit of High-Income Status Amid Growth Challenges



Indonesia aims to overcome the "middle-income trap" and transition to a high-income economy, with Finance Minister Sri Mulyani Indrawati warning that the current 5% GDP growth is insufficient. The new administration under President Subianto, taking office in October, plans to advance the "Golden Vision 2045," focusing on human capital investment and infrastructure development. An IMF report emphasizes the need for Indonesia to enhance productivity, develop a skilled workforce, and achieve balanced, green growth to meet its aspirations.

Rising Property Demand Raises Concerns for Dubai's Affordability



Dubai's property market continues to thrive, with 2024 projected to set new sales records, particularly in the luxury sector. Hussain Sajwani, chairman of Damac, expressed concern over rising living costs as increasing demand drives up prices across the city. He noted that challenges such as securing school placements and inflation contribute to Dubai becoming an expensive city. Sajwani emphasized the need for government intervention to address these issues amid a continuous influx of residents.

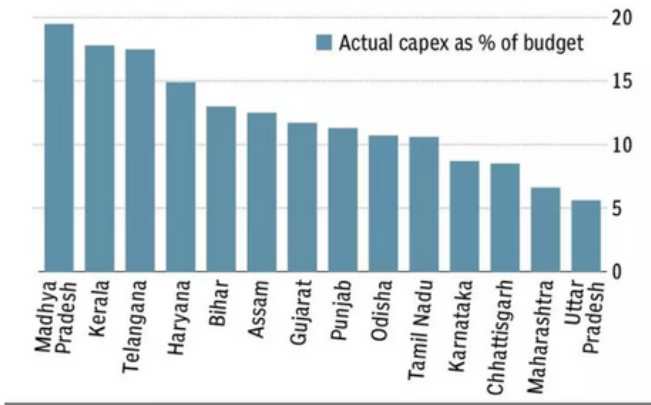
Mario Draghi's Vision for European Growth



Former ECB President Mario Draghi warns that the EU risks falling behind the U.S. and China without significant investment in technology. He proposes an annual boost of 800 billion euros in investment, advocating for eased competition rules and centralized capital market supervision. Highlighting Europe's lag in venture capital and productivity, Draghi emphasizes the need for unified public investment and increased fiscal integration to foster innovation, similar to the U.S. defense sector's role in technological advancements.

DATA POINT

States have spent just between 5 per cent and 20 per cent of FY25 capex budgets as of Q1

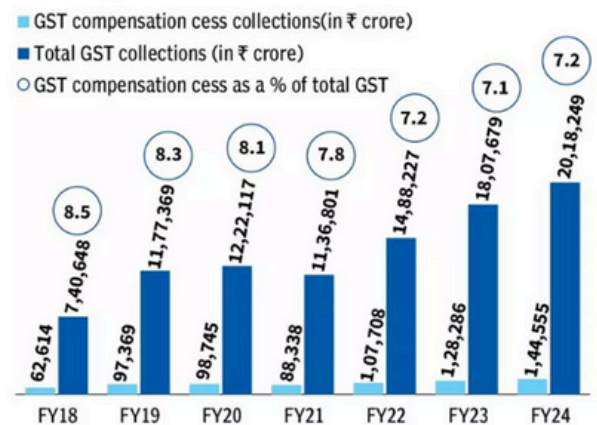


STATES REDUCE CAPITAL SPENDING IN EARLY 2024-25

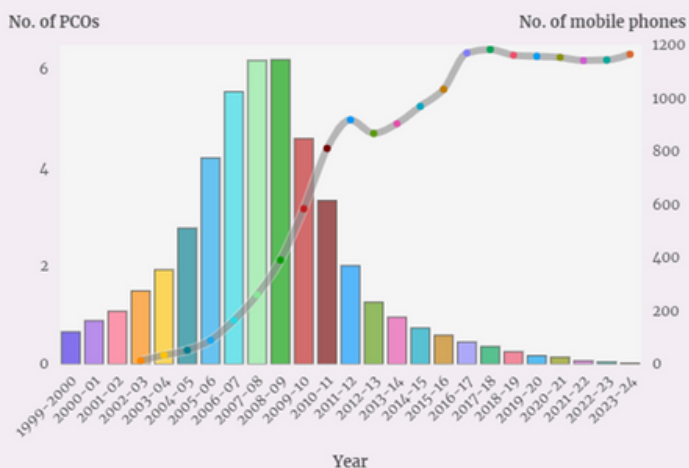
Data from the Comptroller and Auditor General (CAG) monthly bulletin for States shows a sharp decline in capital expenditure for many Indian states in the first quarter of FY25, primarily due to the upcoming general elections. States have been frontloading their spending to offset the anticipated decline, leading to lower utilization of overall capex budgets. While some states like Andhra Pradesh and Odisha have seen significant drops, others like Madhya Pradesh, Kerala, and Telangana have recorded higher actual capex as a percentage of their budgets.

GST CESS REVENUE SURPASSES PROJECTIONS, EXCEEDING GOVERNMENT EXPECTATIONS

The GST compensation cess has been a significant revenue source for the government, contributing around 8% of total GST collections. Its growth rate has been similar to or even higher than the overall GST collections. While industries hope for its discontinuation, the government faces a dilemma as it needs to balance industry expectations with revenue needs. The Group of Ministers (GoM) will decide the future of the cess after it ends in March 2026.



PCOs vs Mobile phones



THE PCO: A FORGOTTEN PIECE OF TECHNOLOGY

PCOs (public call office) were once a common sight in India, but their numbers have declined dramatically due to the rise of mobile phones. In the early 2000s, PCOs and pagers were essential communication tools. However, as mobile phone technology advanced and became more affordable, the demand for PCOs decreased. Today, many telecom service areas in India have very few or no PCOs remaining.



ARTICLES OF THE MONTH

VALUATION AND HOUSEHOLD ACTIVITIES

>>> **READ MORE**

Valuation of Unpaid Household Activities in India

**-Satyanadh Sahoo, Kaustav K Sarkar,
Amit Kumar**

A quantitative measure of the value of unpaid household activities in India is attempted. The findings reveal that in 2022-23, women spent an average of 4.6 hours on domestic chores, which is more than double the 2.2 hours spent by men. Using replacement cost and gross opportunity cost approaches, the estimated value of unpaid household work in India ranged from 26% to 36% of gross domestic product in 2022-23. However, the impact on GDP remains uncertain, and these findings do not suggest that GDP would increase commensurately if unpaid household work were to be incorporated.

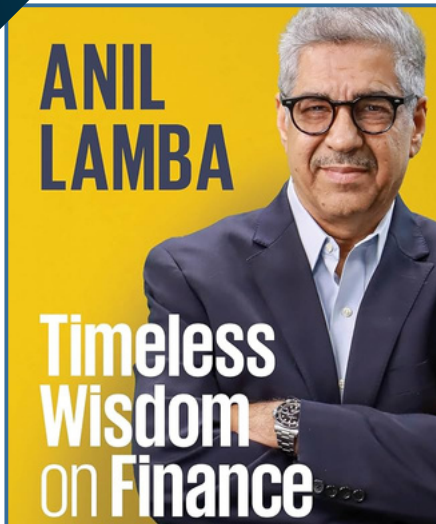
READ MORE <<<

Interstate Development and Disparity
-Advait Moharir, Rajendran Narayanan

DEVELOPMENT AND DISPARITY

The relationship between inequality and social welfare is an important yet understudied one. Using state-level data, a critical replication of a study conducted in the Economic Survey in 2021 is undertaken and it is found that the claimed positive inequality-welfare correlation does not hold. It is found that some clusters form neatly around geographical divisions (north versus south) and confirm well-established developmental facts; significant heterogeneity among other regions (North-East) that do not adhere to established narratives is documented; and the development gap between states is found to be persistent and path-dependent.

BOOK RELEASES



TIMELESS WISDOM

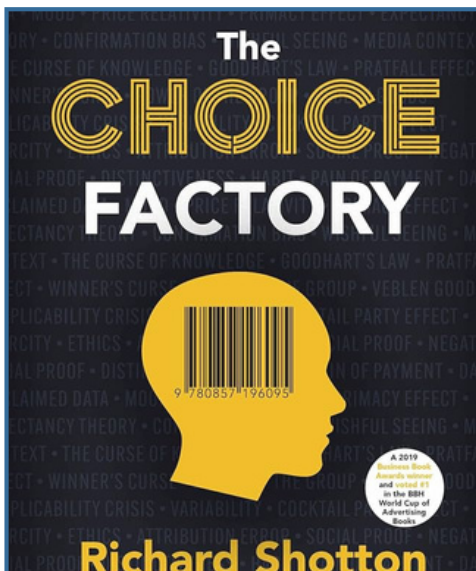
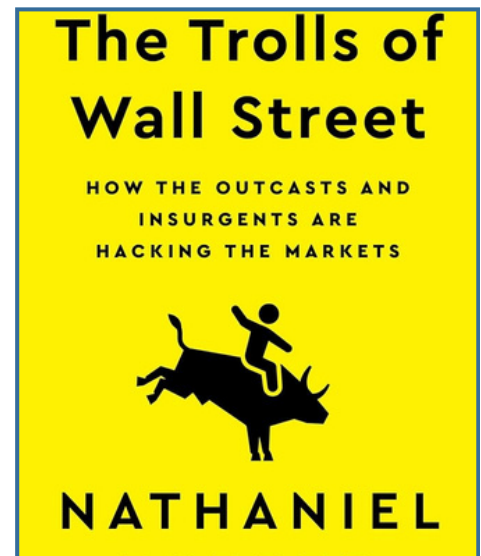
-ANIL LAMBA

Timeless Wisdom on Finance by Anil Lamba offers a practical guide to financial management, blending timeless principles with modern insights. Lamba demystifies finance with clear explanations, covering key concepts like financial statements, cash flow, and profitability. This concise and accessible book is perfect for professionals and beginners, offering valuable lessons on building a strong financial foundation.

TROLLS OF WALL STREET

-NATHANIEL POPPE

The Trolls of Wall Street by Nathaniel Poppe delves into how unconventional traders and outsiders are reshaping financial markets. Poppe illustrates the impact of insurgent strategies, driven by technology, on traditional market dynamics. The book analyzes new market players who defy established norms, offering a fresh perspective on the future of trading and finance.



THE CHOICE FACTORY

- RICHARD SHOTTON

The Choice Factory by Richard Shotton delves into 25 behavioral biases that shape consumer decisions. Through real-world examples and psychological insights, Shotton highlights how brands can leverage these biases to influence purchasing behavior. The book offers marketers practical strategies to apply these findings effectively, making it an essential read for understanding the subconscious forces driving consumer choices.

CBS ARTICLES

>>> READ MORE



GALACTIC ECONOMY: A COSMIC FINANCIAL OUTLOOK WITH ALIEN CIVILIZATIONS- EXPLORING FUTURE REALITIES BEYOND FICTION.

-MANUPRASAD K P

Exploring the concept of a galactic economy blends science fiction with economic theories. Futurists like Herman Kahn and Nobel laureate Paul Krugman have discussed interstellar trade and economic growth. While we haven't found extraterrestrial civilizations yet, the space economy is rapidly growing. Investments in space tourism, satellite services, and space manufacturing are on the rise. Future frameworks might include interstellar comparative advantage and galactic central banks, supported by valuable resources found on other planets and comets.

"An investment in knowledge pays the best interest."

-Benjamin Franklin

READ MORE <<<

IS THERE VERTICAL FISCAL IMBALANCE IN OUR INDIAN ECONOMY?

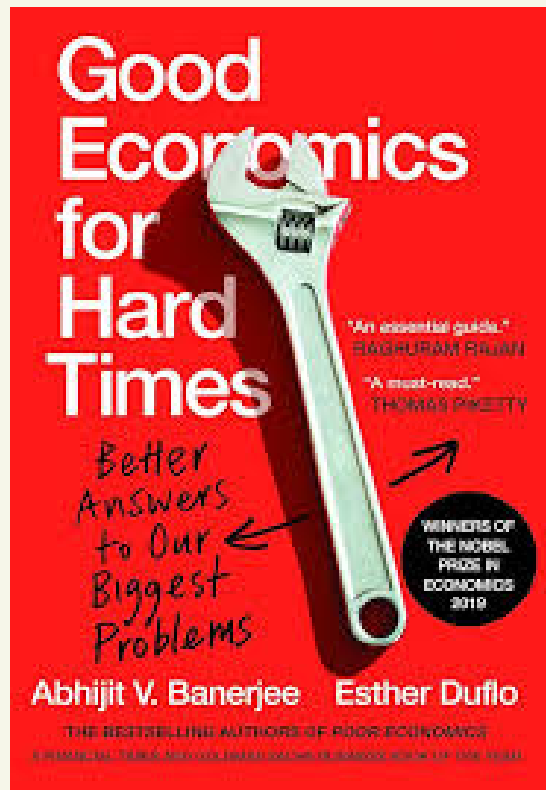
-JOSHNI S

Vertical fiscal imbalance (VFI) in India highlights how states handle most public spending but generate less revenue. The 15th Finance Commission suggests addressing this imbalance through tax devolution and grants. There's a strong call to increase the tax devolution share to 50% for better fiscal autonomy and expenditure efficiency, empowering states to meet their developmental needs.



Financial Imbalance

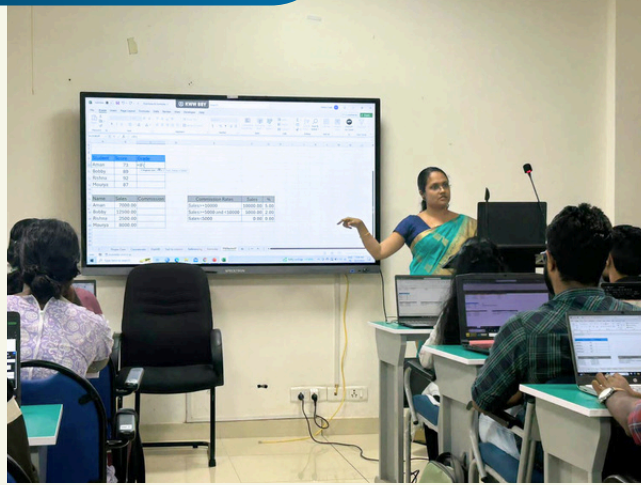
BOOK REVIEW

GOOD ECONOMICS FOR HARD TIMES – ABHIJIT BANERJEE AND ESTHER DUFLO

Good Economics for Hard Times by Abhijit Banerjee and Esther Duflo addresses critical global issues like immigration, trade, inequality, and climate change, offering evidence-based insights to debunk common economic myths. They challenge the belief that immigration lowers wages and explore the mixed impacts of globalization, highlighting how it has both spurred growth and left some communities behind. The authors emphasize that climate change disproportionately harms poorer nations, stressing the need for bold, just policies. They also critique the optimistic views on automation and AI, pointing out the potential for widening inequality. Throughout, Banerjee and Duflo advocate for economic policies grounded in data, compassion, and humility, aiming to create a more just and equitable world.

READ MORE <<<

CBS ORGANISED



A three-day workshop on **Advanced Excel and Power BI** was conducted by **Dr. Rohini S Nair** at Centre for Budget Studies, CUSAT from August 21 to 23, 2024. The workshop focused on enhancing participants' proficiency in data analysis and visualization using these tools. Key topics covered included advanced Excel functions like pivot tables, lookups, and macros, along with Power BI features for building interactive dashboards and reports. The session was hands-on, with participants practicing on real-world datasets. Attendees praised the practical approach and insights into streamlining data processes for business analytics.



A two-day workshop on **"Stock Market Essentials"** was held at Centre for Budget Studies, CUSAT on September 4 and 5, 2024, led by **Dr. Renjith Subhash**. The event focused on providing participants with a comprehensive understanding of stock market fundamentals, including market structure, trading mechanisms, and key financial metrics. Dr. Subhash emphasized practical strategies for investment decision-making and risk management. Attendees actively engaged in interactive sessions, covering both theoretical and real-world applications, enhancing their knowledge of stock market operations. The workshop was well-received and concluded with a Q&A session addressing various investment-related queries.

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