

THE \$UPPLY

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EASE OF DOING BUSINESS

Now 20 States are eligible for an additional borrowing of 0.25% of Gross State Domestic Product.

“As many as 20 States have successfully completed ease of doing business reforms”, The Finance Ministry said on Saturday.

States completing the reforms are eligible for additional borrowing of 0.25% of Gross State Domestic Product (GDSP).

The number of states that have successfully completed the ‘Ease of doing Business’ reforms has reached to 20. Five more States namely, Arunachal Pradesh, Chhattisgarh, Goa, Meghalaya, and Tripura have completed the reforms stipulated by the Department of Expenditure”, the Ministry said in a statement.

These 20 states have been granted permission by the Department of Expenditure to raise additional financial resources of Rs 39,521 crores through Open Market Borrowings. These reforms are a crucial indicator of the investment business-friendly climate in the country. Improvements in the ease of doing business will enable faster future growth of the state economy.

COVID-19: STILL CAUSING PROBLEMS FOR THE RBI

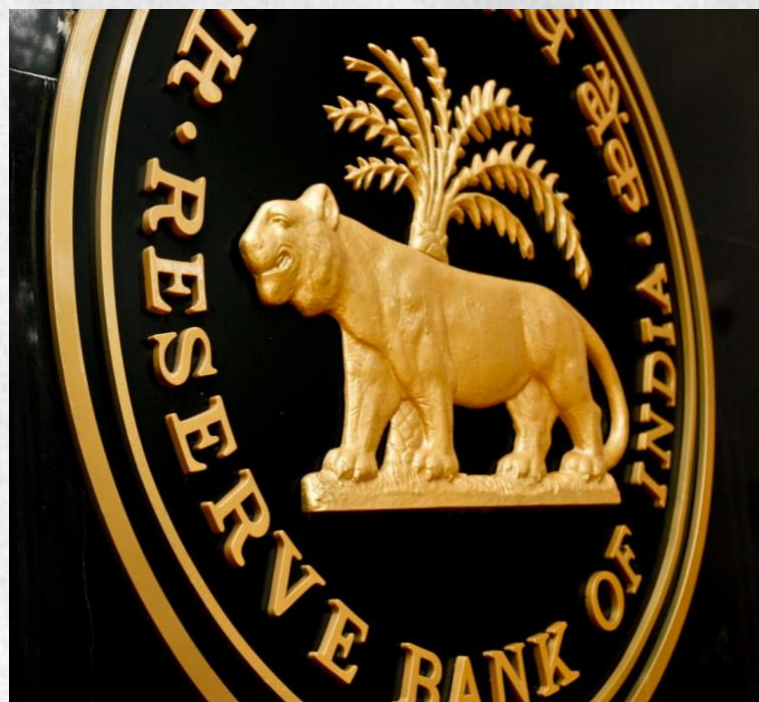
The Reserve Bank of India may have to delay the start of monetary policy normalisation by three months amid rising COVID-19 cases but barring the return of stringent lockdowns there is no significant threat to the economy’s recovery, analysts say.

Having seen a peak of daily cases of almost 1,00,000 in late September, infections had been on a steady decline but have now started rising again over the last month.

“Even as the increase in the current caseload points to the risk of a second wave, more localised and less stringent restrictions will help contain the economic impact versus the initial wave,” said Radhika Rao, an economist with DBS Bank.

DBS has retained its assumptions for a stronger pick-up in March quarter growth versus the December 2020 quarter. India reported 35,871 new coronavirus cases on Thursday, the highest in more than three months, with Maharashtra alone accounting for 65% of that.

The RBI in early January said it wanted to start restoring normal liquidity operations in a phased manner.





CRYPTO-INDIA: STILL A CRYPTIC NOTION?

The Central government has finally opened its mouth on the topic of cryptocurrencies. Ever since the introduction of cryptocurrency, India has largely reserved its views on the said innovation. However, with the recent surge in bitcoin prices, the government has finally revealed that it will bring a new bill on cryptocurrencies in the ongoing Budget session: a bill banning cryptocurrencies, fining anyone trading in the country or even holding such digital assets. The bill, one of the world's strictest policies against cryptocurrencies, would criminalise possession, issuance, mining, trading, and transferring crypto-assets. The measure is in line with a January government agenda that called for banning private virtual currencies such as bitcoin while building a framework for an official digital currency. However, recent government comments had raised investors' hopes that the authorities might go easier on the booming market.

Instead, the bill would give holders of cryptocurrencies up to six months to liquidate, after which penalties will be levied.

THE FUTURE OF NPAs

NPAs are likely to increase in the first half of 2021, says FICCI-IBA.

A survey showed that the asset quality of banks, which had improved in the second half of 2020, is likely to worsen in 2021. The 12th round of bankers' survey carried out by FICCI-IBA between July and December 2020 has had these conclusions.

The survey was conducted on the public sector, private sector and foreign banks which were a total of 20 in number. In the current round of the survey, half of the respondent banks reported a decline in NPAs during the second half of 2020. About 78% of participating state-run banks cited a reduction in NPA levels. "However, in terms of outlook, nearly 68% of respondent bankers expect the NPA levels to be above 10% in the first half of 2021," the survey showed. Close to 37% of respondents expect NPA levels to be upwards of 12%.

The Reserve Bank of India's Financial Stability Report, released in January this year, showed that gross non-performing assets (NPAs) of banks may rise to 13.5 per cent by September 2021, under the baseline stress scenario. Some of the high NPA risk sectors identified by majority of respondent bankers in the current round of survey include tourism and hospitality, MSME, aviation and restaurants, the survey showed.



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SEBI'S DEMAND FROM NSE

The governing body of the National Stock Exchange (NSE) has been asked, by the Securities and Exchange Board of India (SEBI) to determine why the NSE Management failed to shift its operations from the primary site to the Disaster Recovery Site (DRS) within the time frame specified by SEBI on 24th February when trading was halted. The board has also been asked to fix individual responsibility for the same. These need to be completed within 21 days, the SEBI order said. SEBI, which has been probing the incident of trading halt at NSE on February 24, has also directed the NSE and NSE Clearing Ltd. (NCL) to update the functionality of collaterals at the 'slave system' of NCL placed at the data centre of BSE/MSEI and connect the trading system at the primary site of NSE to the slave system of NCL placed at the data centre of BSE/MSEI. These have to be implemented in 90 days. SEBI also directed all Market Infrastructure Institutions (MIIs) to move to disaster recovery sites within 45 minutes of declaring an incident a 'disaster'. In a statement, NSE said failure of telecom links and of the storage area network (SAN) system led to the outage. Instability in telecom links was primarily due to 'digging and construction... along the path between the two sites.'

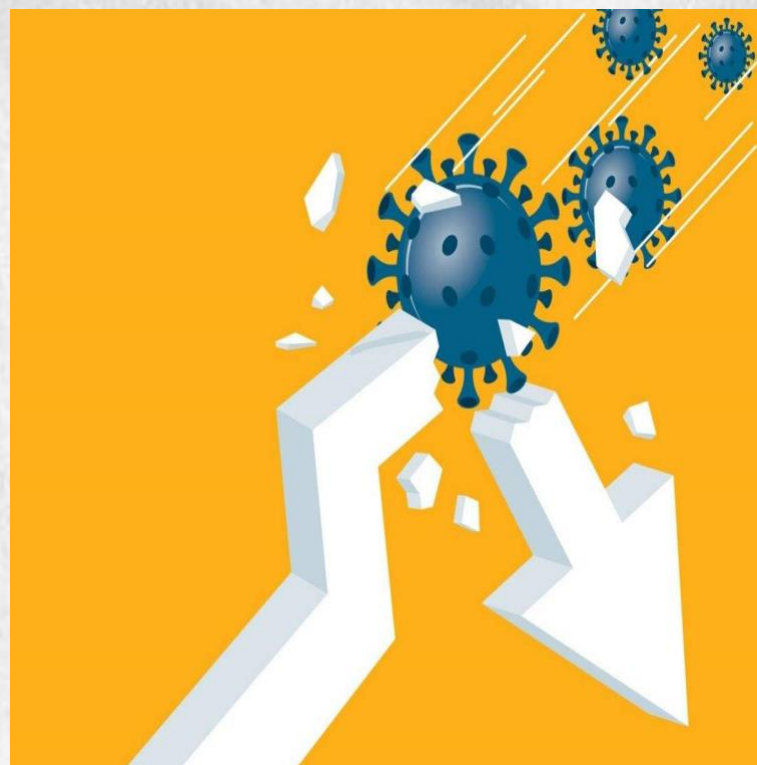


SECOND WAVE: A THREAT TO THE ECONOMY

India has registered more than one lakh daily covid cases consecutively for the last seven days till Monday, pushing the active caseload past the one million mark. Many states, including Maharashtra, Delhi, Chhattishgarh, Punjab and Haryana, have imposed night curfews, partial lockdowns and reduction in working hours to limit spread of the virus. Economists believe contact intensive services may be the first casualty of the second wave of the pandemic. In March, both manufacturing and services PMI declined, reflecting early impact of the surge in infections.

The International Monetary Fund (IMF) on Tuesday upgraded its FY22 growth projection for India to 12.5% from 11.5% estimated in January, but cautioned that the forecast hasn't factored in the severe downside risks arising from the country's ongoing second wave of covid-19.

Retail and recreation activity across India had dropped by 25% as of 7 April compared with 24 February, according to Google mobility data. This was mirrored in the Reserve Bank of India's March consumer confidence survey which showed a deterioration in perceptions of the economic situation and expectations of decreased spending on nonessential items. Due the focus on "micro-containment zones" to deal with the current wave of infections, as opposed to a nationwide lockdown the impact on



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JOE BIDEN'S IMPACT ON INFRASTRUCTURE

Investcorp, a Bahrain-based investment company, is looking for opportunities to invest in U.S. roads and ports as U.S. President Joe Biden proposed to spend more than \$ 2 trillion on infrastructure.

Biden is set to meet with bipartisan members of Congress to sell his infrastructure plan. The plan would inject money into building bridges, airports, broadband, electric vehicles, housing and job training, while hiking the corporate tax rate. Rishi Kapoor, co-chief executive at Investcorp, said there appears to be "bipartisan acceptance" in the U.S. for an upgrade of the country's infrastructure, although there are disagreements on how to finance the spending. Still, the U.S. looks set to make up for the shortfall in infrastructure spending over the last decade, Kapoor told CNBC's "Capital Connection" on Monday. The reality is that there has been a consistent underspend relative to what the needs of the economy are. Just over the last decade there's about an \$835 billion shortfall in expenditure," he said.

ALIBABA'S FATE – A WARNING

Over the weekend, Chinese billionaire Jack Ma's e-commerce giant Alibaba was fined \$2.8bn (£2bn) by Chinese regulators, who said it had abused its market position for years.

They've been given one month to "self-reflect" and comply with China's new rules for platform companies.

Alibaba is the grandfather of China's tech industry. It dominates the marketplace there with over 800 million users in China alone.

That is why it was a wake-up call for others in the tech sector when the firm was fined and officially reprimanded.

The investigation into Alibaba determined that it had abused its market position for years by restricting merchants from doing business or running promotions on rival platforms. The fine amounts to about 4% of the company's 2019 domestic revenue.

Industry players tell me "everyone is tense". The big firms are worried they're next.

Companies like Tencent, JD.com, Meituan, Bytedance and Pinduoduo are all looking at Alibaba's experience, and trying to avoid crossing any red lines set by Beijing.

Chinese regulators are trying to be more forward looking and thinking ahead, in attempt to regulate an industry that is moving so fast.

