

THE \$UPPLY

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GOVT PLANS A STIMULUS PACKAGE FOR GROWTH

India is preparing a stimulus package for sectors worst affected by a deadly coronavirus wave, aiming to support an economy struggling with a slew of localized lockdowns. The Finance Ministry is working on proposals to bolster the tourism, aviation and hospitality industries, along with small and medium-sized companies. The discussions are at an early stage and no timeline for an announcement has been decided. The latest wave of Covid-19 infections has made India the global hotspot for the pandemic and has decimated travel since the second wave picked up in March even though the Prime Minister Narendra Modi has refused to implement a strict nationwide lockdown like last year's. However, some states have imposed lockdowns to curb the spread of the virus. That's prompted many economists to cut their forecasts for the financial year that began April 1, as rising unemployment and dwindling savings among consumers dim the chances for double-digit growth.

DOMESTICATION OF THE CHINESE ECONOMY

At a time when the world economy is reeling under the Covid-19 crisis, China has embarked on a new development paradigm to re-establish its position as a global economic power. This is evident in its 14th Five-Year Plan (2021-25) announced by the government in July 2020 which is enshrined with novel concept called 'dual circulation.'

This development paradigm is centered on domestic circulation with a "dual circulation" model in which domestic circulation and international circulation promote each other. China adopted since 1979 an ambitious export driven model by making full use of domestic and international markets and resources. As the new model is emphasising on domestic circulation, many key China watchers have started pondering whether China plans to transition from export driven growth model to a domestically consumption driven economy. China has been a major player in the global trade. So its shift from export orientation to domestic driven model, will hamper world trade, other nations as well as its itself. Given how the pandemic is playing havoc with the world economy, China is perhaps looking inwards again.



KNOWLEDGE IS POWER

SINGAPORE'S ECONOMY GROWS AT AN UNPRECEDENTED RATE

Singapore's economy grew at its fastest pace in more than a year in the first quarter of 2021, helped by a stronger-than-expected manufacturing sector, official data showed Tuesday. But the government warned of "heightened uncertainties" arising from the Covid-19 pandemic in the months ahead while maintaining its growth forecast for Singapore at 4% to 6% for 2021. The Southeast Asian economy expanded by 1.3% in the quarter ended March compared with a year ago, the ministry of trade and industry said in an economic update.

That's the highest growth rate in Singapore since the fourth quarter of 2019 and an improvement from official advance estimates of a 0.2% expansion. The latest GDP print also exceeded the 0.9% year-on-year growth projected by analysts in a Reuters poll. On a quarter-on-quarter basis, the Singapore economy grew 3.1% — faster than the government's earlier estimates of 2%. Singapore has been battling a rise in Covid-19 cases in recent weeks, which led the government to impose stricter measures for a month starting May 15. A planned air travel bubble with Hong Kong was also postponed.

MAURITIUS: THE KEY TO UNLOCKING BLUE ECONOMY

The ocean matters. It makes up 70% of the planet, generates half of the oxygen we breathe and absorbs 25% of the world's CO₂. As an industry, our ocean is the world's seventh largest contributor and generates at least \$2.5 trillion with over 3 billion people relying on fish from the ocean for income or food.

Mauritius has a strong and thriving blue economy, albeit, some sectors still need investment, execution and focus to realise their full potential. The pillars of our local blue economy are fishing and aquaculture, port infrastructure and maritime transport, shipbuilding and repairs, marine salt harvesting as well as tourism and recreation. Operators of these sectors have developed a world class offering and established efficiencies and the government aspires to increase their contribution to GDP by deepening and diversifying the value chain in a sustainable manner. Meanwhile, the African Union Agenda 2063 describes the blue economy as a major contributor to the continental transformation and growth and Mauritius has the potential to spearhead such transformation and growth. As many as 38 out of Africa's 54 countries have borders surrounded by the ocean and the continent has a total coastline of 30,500 kms, most of which is unexploited.





UK'S POTENTIAL TRADE DEAL WITH INDIA

Britain is launching a 14-week consultation on a future trade deal with India, seeking the views of the public and business before trade minister Liz Truss hopes to begin talks later this year. A trade accord with India is seen as a key target for post-Brexit Britain. Prime Minister Boris Johnson reluctantly called off a trip to the capital Delhi in April this year after COVID-19 cases spiralled across India. Johnson's critics suggest the leader went so far as to risk the British public's health by delaying putting India on the travel "red list" - which all but bans travel to England from countries with high coronavirus cases - because of the trip. The government denies the accusation. Britain's top medic has said a coronavirus variant first identified in India will over time become dominant in the United Kingdom. Since completing its exit from the European Union at the end of last year, Britain is keen to secure trade deals and is particularly pursuing ties with nations in the Indo-Pacific region, home to some of the fastest growing economies.

RISING DEBTS COULD PUSH BACK COVID RECOVERY

Swelling debt levels may cause emerging markets to fall further behind developed markets in the economic recovery from the Covid-19 pandemic. With the pandemic, debt rose across all types. The big increase was in government debt because of such a need to provide fiscal stimulus at the same time the tax revenues were down much across the boards around the world. The real impact, however, is an increasing divide between developed economies and emerging markets. The debt loads rose most in emerging markets and they may have the most difficulty in terms of taking care of this debt going forward. Total global debt across government, corporate, household and financial sectors rose by a record \$24 trillion in 2020. The increase took global debt to a new-high of 366% of gross domestic product. Overall debt in emerging markets more than doubled over the past decade and now accounts for one-third of outstanding debt globally. Emerging markets including Turkey, Vietnam and Brazil were singled out in the Moody's Analytics report for having elevated debt burdens in more than one sector.

Many emerging economies including India, Argentina and Malaysia are battling a renewed surge in coronavirus infections, while developed markets such as the U.S., the U.K., and Australia are reporting a decline in cases.



KNOWLEDGE IS POWER



BITCOIN CRASH OPENS DOOR TO A TAX LOOPHOLE -USA

Crypto investors may be shellshocked by a recent plunge in prices. But that sell-off has a silver lining: It opens the door to a money saving tax strategy. Popular cryptocurrencies like bitcoin and ethereum shed more than half their value in volatile trading over the past month or so. But crypto losses are treated differently than those of stocks and mutual funds. That's because so-called wash sale rules don't apply, according to financial advisors. This offers two benefits to crypto investors: They can sell crypto for a loss, and then use that loss to reduce or eliminate capital gains tax on winning investments. Then, they can quickly buy back the crypto they sold so as not to miss out on a subsequent rebound in price. The so-called loophole exists due to the fact that regulators don't consider cryptocurrencies to be "securities." Regulators may crackdown on these rules in the future. However, it's unlikely that transactions occurring before any clampdown would be overturned.

US BUSINESS GROUPS OPPOSE TAX RISE PROPOSALS

The US government is proposing a global minimum corporation tax rate, as well as increasing the tax in the US to pay for infrastructure projects.

Twenty eight industry groups have now created an alliance called "America's Job Creators for a Strong Recovery". One organiser for the new group said the tax proposals "could not come at a worse time". The alliance has been formed as President Biden is seeking to pass a \$2.3tn (£1.7tn) infrastructure package, which would direct billions to initiatives such as charging stations for electric vehicles and eliminating lead water pipes.

The White House has promoted its plans as the most ambitious public spending in decades, saying the investments are necessary to keep the US economy growing and competitive with other countries, especially China. But Eric Hoplin, president and chief executive of the National Association of Wholesaler-Distributors, which is leading the coalition, warned: "The record tax hikes that Democrats are seeking to ram through could not come at a worse time for America's job creators who are just beginning to recover from a crippling pandemic.

"Employers support smart infrastructure to ensure America's 21st century competitiveness, but it shouldn't be used as a Trojan horse to enact record high taxes on America's individually and family-owned businesses."

