

# THE \$UPPLY

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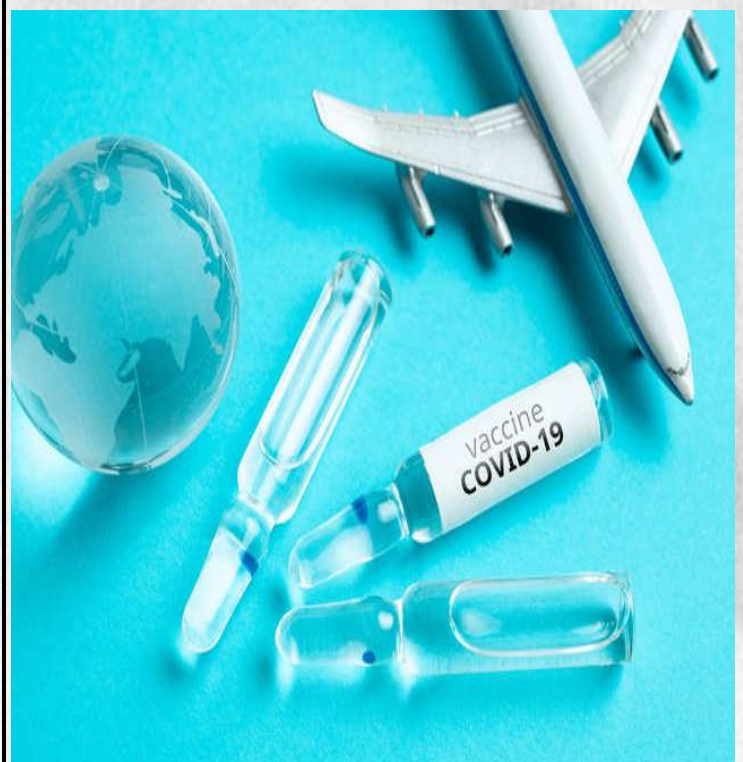
## *THE JHARKHAND GST CONFUSION*

The State of Jharkhand approved the option proposed by the Center to cover part of the GST reimbursement shortfall through a special borrowing window, as reported by the Ministry of Finance. With the agreement of Jharkhand to the proposed solution of the Center, all States and Union Territories have now exercised the option of obtaining part of their GST implementation fees for this year. The Center offered the possibility for States to borrow rupees one lakh crore out of the projected two lakh crore shortfalls in payments expected to be paid to States this year. Since initially telling the States to borrow themselves, the Center later offered to borrow on behalf of the States to lend it out. Over the past month, most of the States which had reservations about the proposed structure of the Centre, including Kerela, West Bengal and Punjab, have notified their approval of Option-1.

## *VACCINE: THE SAVIOUR OF GLOBAL GDP*

After the depredations suffered by the global economy during the pandemic, the IMF is optimistic about the impact of the Covid-19 vaccine. The past year has seen economic growth struggle between a limited range. However, as predicted by the IMF, the vaccine is likely to bring a global growth of 5.5% in 2021. The vaccine is expected to contain the spread of the virus and allow governments around the world to ease lockdowns and encourage normal economic activity. The recovery forecasted by the IMF is also conditional: economies worldwide will need the support of their governments to offset the damage from the pandemic. Furthermore, the IMF also warns that coronavirus mutations could cloud the outlook for global health and economic growth.

Leading the pack is the United States, expected to expand 5.1% in 2021. No. 2 is China, which might record 8.1% growth. The 19 European countries that share the Euro Currency will collectively register 4.2% growth this year.







## ARTIFICIAL INTELLIGENCE AND INDIAN ECONOMY

India is on a progressive path modelled around technological innovation. The Ministry of Statistics is ramping up use of artificial intelligence for collecting, analyzing, and reporting data to better monitor the economy. The measures include a \$60 million program with the World Bank help using an information portal that collates real-time. While the pandemic has exposed the constraints of conventional economic data the world over, the problem is particularly acute in India, where a dependence on manual processing has sometimes led to a data vacuum. India is seeking to build its manufacturing sector by wooing companies away from China, but it can't compare to Asia's biggest economy in timely reporting of statistics. The situation is worse for India's job statistics, a burning issue in a country where about 1 million people enter the job market every month. Give concerns about the official data, economists who study India are seeking alternatives. Monthly numbers released by Mumbai-based private research firm Centre for Monitoring Indian Economy, have become the de-facto unemployment data.

## A BUDGET FOR ALL?

The Finance Ministry faces an unprecedented challenge in presenting the 2021 Budget. As the nation is still recovering from the economic depredations suffered due to the pandemic, measures are needed to accelerate growth, boost investment, etc. Sitharaman has planned to deliver a 'once in a 100 years' budget, but she has limited fiscal room to step up spending. She needs to reprioritize spending plans to provide more funding to projects that have a quick turnaround and continue supporting the ongoing ones. The focus should be on creating jobs and stimulating demand, particularly at the lower end of the pyramid and that's the consensus opinion among economists, industry lobbies and other opinion-makers. Receiving growth in the construction and real estate sector needs to be the top priority in the forthcoming budget. Close to 60% of India's population depends on agriculture and related activities for their livelihood. Agriculture is high unremunerative, and farmers rarely get the right price for their produce. Livelihood opportunities are limited, and the rush for the Mahatma Gandhi National Rural Employment Guarantee Scheme jobs during the pandemic proves that. Thus, the finance minister would do well to provide more money for this job guarantee scheme. The pandemic exposed the poor state of the country's public health infrastructure and education systems and has made it necessary to revise the aforementioned sectors.







## *CHINA' S WARNING: A SECOND COLD WAR?*

Chinese President Xi Jinping warned global leaders at an all-virtual Davos forum against starting a “new Cold War” while he championed multilateralism. Representing the only major economy to record growth last year, Xi presented himself as the defender of multilateralism. Without naming the United States, XI seemed to have a message for Trump’s successor Joe Biden. Trump had chosen open confrontation and verbal attacks, without tangible results for the enormous US trade deficit with China. An executive order is to give US companies and products priority in contracting with the federal government as part of an overall plan to save industrial jobs by increasing investments in factories and workers. German Economy Minister defended a controversial accord signed by the European Union and China to provide increased mutual market access. Herbert Diess, head of the German auto giant Volkswagen, which has several plants in China, noted that the country represented a great opportunity for European companies. But some members of the European parliament say the accord should be contingent on Beijing’s ratifying international conventions banning forced labor.

## *SAUDI' S BIG PLANS*

Saudi Crown Prince Mohammed bin Salman has unveiled a new five-year economic strategy aimed at achieving the Kingdom's 'Vision 2030' goal to diversify the economy away from dependence on oil, the media reported. In a statement on Sunday, the Crown Prince said the Public Investment Fund (PIF) will pump at least \$40 billion a year into the local economy, double its assets to \$1.07 trillion, contribute \$320 billion to non-oil GDP and create 1.8 million jobs by 2025, Arab News reported. According to Mohammed bin Salman, the 2021-2025 strategy will "represent a major pillar in achieving the aspirations of our country and aims to achieve the concept of comprehensive development". It will focus on launching new sectors, empowering the private sector, developing the PIF's portfolio, achieving effective long-term investments, supporting the localization of sectors and building strategic economic partnerships, he added. As part of the strategy, Saudi Arabia plans to increase the residents of Riyadh from 7.5 million to 15-20 million in 2030. Riyadh represents 50% of the country's non-oil economy, and the cost of the job creation in Riyadh is 30% less than other cities in Saudi Arabia, while the cost of infrastructure and real estate development is 29% less. The strategy also aims to improve Riyadh in terms of quality of life, tourism, education by various initiatives covering different sectors.







### *GAMESTOP - A GAME CHANGER*

On January 12, **GameStop**'s stock price began its meteoric rise to historic highs, blasting past its meager \$15 share price in mid-December to a peak of \$467 per share at the time of writing. This explosion in value has made traders a fortune, but it wasn't the suits on Wall Street profiting off of what has been a more than 700% boost in share price in just one week; it has been amateur traders who have raked in millions. Over the past year, armchair traders have surged into the market. Some smelled opportunity after stocks tumbled last spring, some were trying to scratch a gambling itch after sports leagues shut down, and for some it's just a game — trying to ring up dollars instead of points. All this has been made easier by the free trades available through platforms like Robinhood and E-Trade. Some of these enthusiastic amateurs are buying shares of GameStop, but many are placing their own options bets, on the opposite side of the shorts. These bets involve contracts that give them the option to buy a stock at a certain price in the future. If the price rises, the trader can buy the stock at a bargain and sell it for profit.

### *OIL: HOPE FOR CAMBODIA*

The project, which started pumping oil at the end of December, had been 15 years in the making and had suffered several false starts. Hun Sen said oil production would be a boon for Cambodia's economy from 2021 onwards and that revenues from the sector would be used to improve education and health. Cambodia might well look with envy at some of its neighbours, with substantial oil industries that make a key contribution to government revenues. But will its nascent oil sector be able to make a real difference to Cambodia's economic future?

Some analysts believe the oil sector will likely remain too small to lead an economic recovery in Cambodia.

The country struck a deal with Singapore-listed KrisEnergy in 2017 to develop 3,083 square kilometres of the Khmer basin. KrisEnergy estimates that the first phase of development will generate around 7,500 barrels a day.

The company doesn't know yet if the project is likely to extend to further development of oil fields in Cambodia.

Even if the sector does expand significantly, Cambodia remains an oil minnow. The biggest producers - the US, Saudi Arabia and Russia - all produce more than ten million barrels a day, according to the US Energy Information Administration. Cambodia is likely to see a modest bump to its revenues from the project. Between royalties and taxes, the government will make around \$500m from the project.

