The Indian Express

Front Page

Government hikes exports tax on petrol, diesel to ease home situation (Page no. 3)
(GS Paper 3, Economy)

With an aim to address the issue of fuel shortage in the country, the government Friday imposed special additional excise duty on export of petrol and diesel.

The move will not just fetch more revenue to the exchequer but also discourage companies from exporting petrol and diesel, and thereby help ease the fuel situation in the domestic market.

Private oil marketing companies were exporting petrol and diesel to foreign countries like Australia for better realisation. As exports are becoming highly remunerative, it has been seen that certain refiners are drying out their pumps in the domestic market. In view of this, cesses equal to Rs 6 per litre on petrol and Rs 13 per litre on diesel have been imposed on their exports. These cesses would apply to any export of diesel and petrol from the country.

While this move would help ease fuel shortage at pumps across the country, it would impact the bottom-line of these companies. Post the announcement, Reliance Industries Ltd fell by over 7% on the BSE to close at Rs 2408.95 on Friday.

The shortage of fuel at retail outlets was because oil marketing companies were not willing to sell fuel at a loss since fuel prices have not increased despite rising crude and depreciating rupee – these two factors have led to oil marketing companies losing Rs 20-25 per litre on diesel and Rs 10-15 per litre on petrol.

Explaining the taxes, Union Finance Minister Nirmala Sitharaman said they are happy with companies making profits by exporting fuel, but these tax measures have been taken as these are "extraordinary times".

The City

Circle rate rebate withdrawn, stamp duty may go up (Page no. 6)
(GS Paper 3, Economy)

As the Delhi government ended the 20 per cent rebate on the circle rate, there were apprehensions that property prices in the national capital would go up. Buyers would have to pay, with effect from July 1, 2022, actual circle rates as per the 2014 guidelines.

Circle rates are minimum prices per unit area determined by the government. A property cannot be registered for a price below the circle rate for that area.

Circle rates vary from state to state, city to city, and area to area. Circle rates are revised upward or down from time to time depending on factors such as demand and supply, amenities, profile of the neighbourhood, etc.

In Delhi, the government has divided localities in categories from A-H, and has fixed a floor price for properties in each category.

Affluent and posh localities such as Jorbagh, Vasant Vihar, Safdarjung Enclave etc., come under category A, while the least developed places — mostly located in Outer Delhi — fall under category H.

In February 2021, amid the disruption caused by the coronavirus pandemic and lockdowns, the government relaxed the circle rate by 20%.

As a result, the existing circle rate of properties in category A fell from Rs 7.7 lakh per square metre to Rs 6.2 lakh per square metre, and in category H, the floor price went from Rs 23,280 to Rs 18,624 per square metre.

Express Network

The Ministry moves to change environment protection law: fine no imprisonment (Page no. 11)
(GS Paper 3, Environment)

The Ministry of Environment, Forests and Climate Change sought feedback from experts and other stakeholders as it proposed to decriminalise the existing provisions of the Environment Protection Act, 1986.

Incidentally, the current EPA provisions will govern the penalties in case of the single-use plastic ban that came into effect Friday.

The ministry has proposed to replace imprisonment with monetary penalty for the "less severe" contraventions under the EPA, an overarching law that supersedes other environment laws such as the Water and Air Act, which will also be decriminalised.

However, serious violations of EPA which lead to grievous injury or loss of life shall be covered under the provision of Indian Penal Code.
The amendments also propose the creation of an "Environmental Protection Fund'' in which the amount of penalty will be remitted.
A notice issued Friday stated that feedback received by the ministry suggested decriminalisation of the provisions of the EPA "in order to weed out fear of imprisonment for simple violations".

Editorial Page

A Renewables revolution (Page no. 12)
(GS Paper 3, Environment)
Nero was famously accused of fiddling while Rome burned. Today, some leaders are doing worse. They are throwing fuel on the fire. Literally.
As the fallout of Russia's invasion of Ukraine ripples across the globe, the response of some nations to the growing energy crisis has been to double down on fossil fuels, pouring billions more dollars into the coal, oil and gas that are deepening the climate emergency.
Meanwhile, all climate indicators continue to break records, forecasting a future of ferocious storms, floods, droughts, wildfires and unlivable temperatures in vast swathes of the planet.
Fossil fuels are not the answer, nor will they ever be. We can see the damage we are doing to the planet and our societies. Fossil fuels are the cause of the climate crisis. Renewable energy can limit climate disruption and boost energy security. Renewables are the peace plan of the 21st century.
But the battle for a rapid and just energy transition is not being fought on a level field. Investors are still backing fossil fuels, and governments still hand out billions in subsidies for coal, oil and gas — about $11 million every minute.
There is a word for favouring short-term relief over long-term well-being — addiction. We are addicted to fossil fuels. For the health of our societies and planet, we need to quit.
The only true path to energy security, stable power prices, prosperity and a livable planet lies in abandoning polluting fossil fuels and accelerating the renewables-based energy transition.
To that end, I have called on G20 governments to dismantle coal infrastructure, with a full phase-out by 2030 for OECD countries and 2040 for all others.
I have urged financial actors to abandon fossil fuel finance and invest in renewable energy. And I have proposed a five-point plan to boost renewable energy around the world.

Passing stress test (Page no. 12)
(GS Paper 3, Economy)
Despite concerns, the asset quality of the Indian banking system has continued to improve. According to the Reserve Bank of India's latest financial stability report, gross non-performing loans (GNPAs) of the banking system have declined from 7.4 per cent in March 2021 to a six-year low of 5.9 per cent in March 2022.
While public sector banks continue to be more stressed than private banks — for the former, bad loans stood at 7.6 per cent of advances, while for the latter, the figure is lower at 3.7 per cent — the improvement is broadbased.
Alongside, banks have also witnessed an improvement in their capital position, with the capital to risk weighted assets ratio rising to 16.7 per cent at the end of March 2022. This is good news.
It is also comforting that the central bank's stress tests indicate that banks are well capitalised and are "capable of absorbing macroeconomic shocks even in the absence of any further capital infusion by stakeholders.
Data presented in the report shows that banks have seen an improvement in their asset quality across all major sectors. Bad loans have declined even in sectors such as engineering goods, gems and jewellery, and construction — sectors where they have been significantly elevated in the past.
And even as fresh slippages into the bad loan category have declined, banks have been increasing their provisioning for bad loans. Further, the restructuring of loans under the resolution framework was at only 1.6 per cent of total advances in December 2021.
The RBI report also shows that the share of large borrowers in the banks' loan portfolio has been declining, falling to less than 48 per cent of banks total advances, indicating a "reduction in concentration and diversification of borrowers".

Bad loans of these large borrowers have also declined to 7.7 per cent of advances at the end of March 2022. As a consequence, their share in bad loans of all banks stood at 62.3 per cent in the second half of 2021-22, much lower than the levels witnessed in September 2020. However, the continuous rise in the SMA-0 and SMA-1 categories (loans where the principal or interest payment is overdue for upto 30 days are characterised as SMA-0, while where they are due between 31 to 60 days are SMA-1) requires close monitoring.

Idea Page

How the bank held its own (Page no. 13)
(GS Paper 3, Economy)
Several articles published of late have been uncharacteristically harsh about the RBI's inflation management. Writing an epitaph for such articles reminds me of a recent interaction with RBI Deputy Governor Michael Patra at an event in Delhi.
When the DG was specifically asked about how much interest rates will rise, he recalled the tale of Albert Einstein landing in heaven. When Einstein was introduced to people across the strata with very high and very low IQs, he said that he will discuss interest rates only with persons with the lowest IQs!
Recently Arvind Subramanian and Josh Felman have asserted that the RBI has been missing the inflation target since 2019 by not raising rates ('The RBI's misdiagnosis', IE, June 15).
Interestingly, Subramanian, while he was the Chief Economic Adviser, had taken the opposite position by arguing for rate cuts from the RBI.
In the Economic Survey, he strongly argued for more fiscal dominance by stating that the RBI was holding significant excess reserves that could be given to the government.
Inflation has been largely the result of supply side shocks from vegetable prices, caused by crop damages due to unseasonal rains (tomato, onion and potato) in late 2019 and widespread supply-side disruptions after the outbreak of the pandemic.
A narrow-minded focus on inflation caused by supply shocks would have constrained the MPC from supporting growth amidst the unprecedented loss of life and livelihood. Therefore, it was necessary to provide a lifeline to the economy at that juncture by focusing on the recovery.
The MPC shifted to policy tightening to control inflation when growth impulses became more definitive and entrenched across sectors. Moreover, the wide tolerance band of 200bps +/- in the inflation targeting framework was specifically designed to accommodate such supply shocks, which provided the flexibility in the flexible targeting (FIT) framework (Patra and Bhattacharyya, 2022).
In contrast to a pure inflation targeting framework (inflation nutters), the amended mandate of the RBI under FIT reads as "price stability, taking into account the objective of growth".
Therefore, the MPC was justified in looking through the higher inflation print during the pandemic while trying to resurrect growth. And it worked.

Economy

BBB era ends: new body select chiefs of PSU banks ,insurance firms (Page no. 15)
(GS Paper 3, Economy)
The Appointments Committee of the Cabinet (ACC) has approved a government resolution for establishing the Financial Services Institutions Bureau (FSIB) in place of the Banks Board Bureau (BBB). The FSIB will now select the chiefs of public sector banks and insurance companies.
The selection process of top officials of public sector insurance companies was in limbo in the wake of the Delhi High Court decision to strike down the power of BBB to select directors and chiefs of PSU insurers.
The ACC has also approved the appointment of Bhanu Pratap Sharma, former Chairman, BBB, as initial Chairperson of FSlB for a term of two years from the date of notification of government resolution or until further orders, according to a note issued by the Department of Personnel & Training to the Department of Financial Services (DFS).
Other members of the FSIB are Animesh Chauhan, former Chairman and Managing Director, Oriental Bank of Commerce; Shailendra Bhandari, former MD & CEO of ING Vysya Bank and ICICI Asset Management Company; and Deepak Singhal, former ED, RBI in-charge of departments of corporate strategy and budget, corporate services and human resource.
The new framework was proposed by the DFS. The Cabinet also approved the guidelines for selection of General Managers and Directors (GMDs) of non-life insurance companies.
"The Department (DFS) shall first carry out necessary modifications in the Nationalised Banks (Management and Miscellaneous Provisions) Scheme of 1970/1980 (as amended) with the approval of Finance Minister, and then notify

the Government Resolution for establishing FSIB as a single entity for making recommendations for appointments of WTD (Whole-time Director) and NEC (Non-executive Chairmen) in PSBs, PSIs and FIs and Guidelines for selection of GMDs in non-life insurance firms modelled on the guidelines set aside, while substituting references to BBB with FSIB," the note said.

'Acute price pressures: Factory PMI growth at 9-mth low' (Page no. 15)
(GS Paper 3, Economy)
India's manufacturing sector growth fell in June as growth of total sales and production eased amid intense price pressures, as per an S&P Global India survey. The seasonally adjusted S&P Global India Manufacturing Purchasing Managers' Index (PMI) declined to 53.9 last month from 54.6 in May, with the latest reading showing the weakest pace of growth since last September 2021. A reading below 50 indicates contraction.
The economic recovery of the Indian manufacturing sector continued in June, aided by robust domestic and international client demand. However, growth of total sales and production eased amid intense price pressures, S&P Global India said.
Although the rate of input cost inflation remained historically high, the latest increase was the slowest in three months, a trend that was likewise seen for output charges, it said. Inflation concerns continued to dampen business confidence, with sentiment slipping to a 27-month low. Elsewhere, input delivery times shortened for the first time since the onset of Covid-19, the survey said.
S&P Global India said softer increases in production, factory orders, stocks of purchases and employment all dragged down the PMI in June, alongside an improvement in supplier performance which is inverted before entering the calculation.
Factory orders and production rose for the twelfth straight month in June, but in both cases the rates of expansion eased to nine-month lows, the survey added.

Explained Page

The new virus sub variants (Page no. 17)
(GS Paper 3, Science and Technology)
The country's current surge in Covid-19 cases is because of the BA.2 sub-variant of Omicron — which drove the third wave in January, along with BA.1 — and another sub-variant that has branched off from it, called BA.2.38.
Earlier this week, Delhi reported its first couple of cases of the BA.5 sub-variant of Omicron — this was one of the sub-variants that led to an increase in cases in South Africa a couple of months ago. The first BA.5 case in India was reported in late May in Telangana.
Cases of such sub-variants that are driving surges at many places globally are on the rise in India as well, but they currently account for only a small percentage of cases. Importantly, experts believe that there is no clinical significance of this change.
Genome sequences uploaded to the global database GISAID show that BA.2.38 — which branched off from BA.2 — is dominant in the country, accounting for 30% of all sequences over the last 30 days.
This was followed by the BA.2 sub-variant itself, accounting for 28% of samples, shows an analysis of the GISAID data by outbreak.info.