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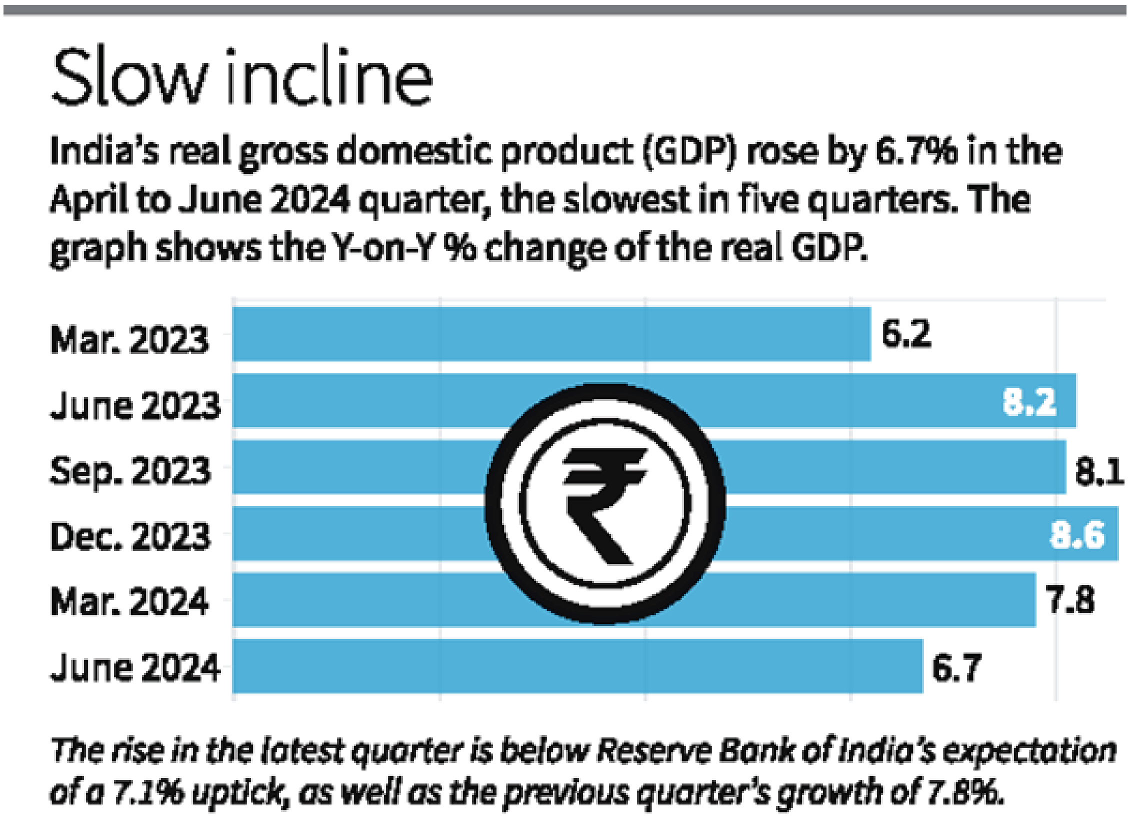
● POLITY ● ECONOMICS ● TECHNOLOGY ● ECOLOGY

At 6.7 %, growth slid to five-quarter low in Q1

ECONOMICS AND DEVELOPMENT



India's real GDP growth slowed to 6.7 % in the April-June 2024 quarter, falling short of both the Reserve Bank of India's 7.1 % forecast and the previous quarter's 7.8 %. For the first time in a year, real Gross Value Added (GVA) growth surpassed GDP growth, rising by 6.8 %. This contrasts with the previous two quarters when GVA growth was lower than GDP growth. The actual growth is seen as underwhelming, despite a higher Gross Value Added (GVA) growth of 6.8 %. Expectations for this fiscal year had hinged on a normal monsoon boosting agricultural output and easing inflation, which would ideally stimulate rural demand and private investment. The government plans to increase capital expenditure by 17 % to ₹ 11.11 lakh crore to support growth while waiting for these conditions to improve. The Reserve Bank of India has projected a 7.2 % GDP growth for the year, but the weaker-than-expected Q1 performance and declining headline inflation may influence its monetary policy, especially given the potential for an interest rate cut by the U.S. Federal Reserve.

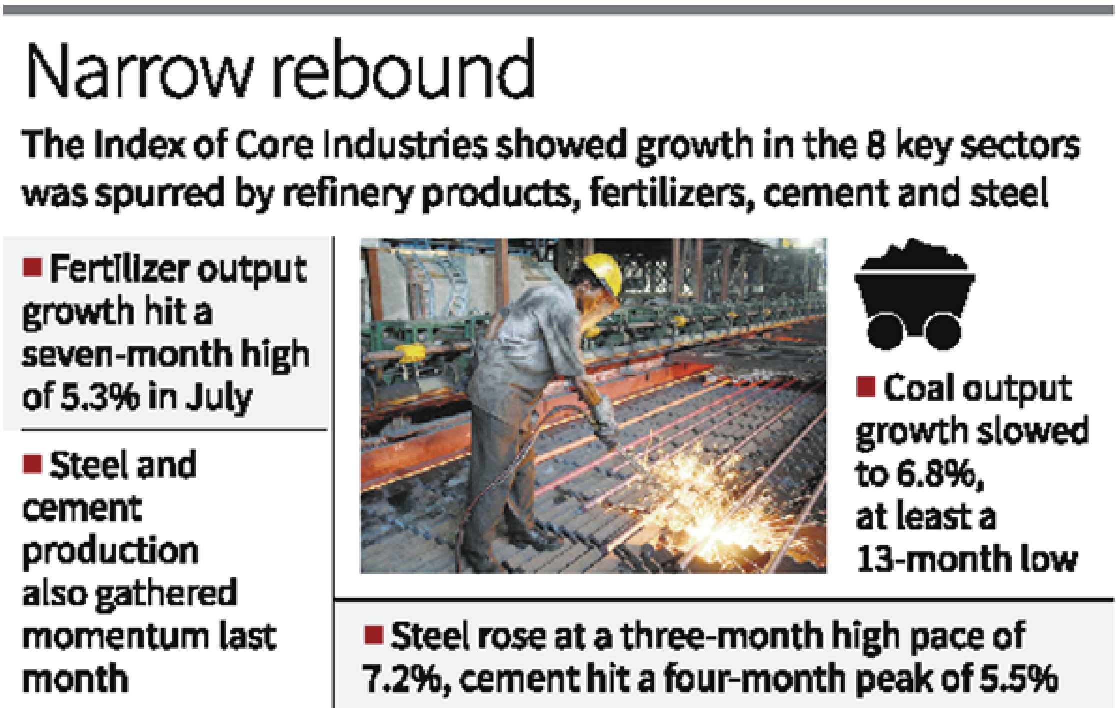
Chief Economic Adviser V. Anantha Nageswaran downplayed the slower 6.7 % GDP growth in Q1 2024, attributing it to anticipated factors like reduced government spending due to the general elections. He highlighted that this growth rate was in line with expectations. Nageswaran also noted positive trends in the economy, such as improved alignment between demand and supply, strong performance in private consumption, fixed capital formation, and net exports. Additionally, the farm sector's 2 % GVA growth in Q1 signalled a recovery from previous lows.

In Q1 2024, government final consumption expenditure decreased by 0.2 %, and public capital expenditure fell by 33.3 % compared to the previous year. Despite this, gross fixed capital formation increased by 7.5 %, recovering from a previous quarter's low of 6.5 %. Private consumption expenditures also improved, reaching a six-quarter high of 7.4 %. The stagnation in public sector capital expenditure, combined with steady household sector spending, suggests a modest increase in private sector capital expenditure.

In Q1 2024, real GVA growth was boosted by a robust 8.4 % increase in the Secondary Sector, driven by Construction (10.5 %), Electricity, Gas, Water Supply, and other utility services (10.4 %), and Manufacturing (7 %). However, growth in the services sector showed a decline: the 'Trade, Hotels, Transport, Communication & Broadcasting' segment fell to 5.7 % from 9.7 % a year earlier, and 'Financial, Real Estate, and Professional Services' dropped to 7.1 % from 12.6 %. Economists noted that some of these declines could be due to statistical base effects.

Core sectors grew 6.1% in July

ECONOMICS AND DEVELOPMENT

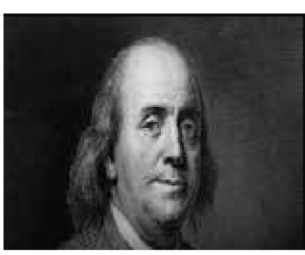


Output at India's eight core sectors grew 6.1% in July, rebounding from June's five-month low pace of 5.1%, data from the Commerce and Industry Ministry showed on Friday.

The Ministry had earlier pegged June's core sector growth at 4%, the lowest in 20 months, and the revision was largely driven by a sharp upgrade to steel output numbers, which now reflect 6.7% growth compared with a 27-month low of 2.7% estimated earlier. Electricity generation numbers were also revised for June to show an 8.6% rise, compared with 7.7% estimated earlier. In July, electricity generation growth slid to a 6-month low of 7%, while natural gas production contracted for the first time in over a year, shrinking 1.3%. Coal output growth eased to 6.8%, the least in at least 13 months.

Crude oil output dropped for the third straight month, with the year-on-year decline deepening to 2.9%. Despite these weakening trends, the Index of Core Industries (ICI) was lifted by a 6.6% jump in refinery products, the fastest rise in eight months, and fertilizer output growth hitting a seven-month high of 5.3%. Steel and cement production also gathered momentum, rising at a three-month high rate of 7.2% and a four-month peak of 5.5%, respectively.

Most economists noted that July's core sector rebound was not broad-based. The key segments that have driven the growth of core output in July are the oil refineries, fertilizers and steel. We expect core sectors' growth to average between 5.5% and 6% this year, given the pickup in public capital expenditure.



"If you invest more in your education, then you are likely to get more interest in it."

–Benjamin Franklin

Over 2,700 scientists at India's top farm research body recruited laterally without reservation

POLITY AND GOVERNANCE

More than 2,700 scientists at India's top farm research body — accounting for an overwhelming majority of senior-level hires at the Indian Council of Agricultural Research (ICAR) — have been recruited through lateral entry since 2007, undermining the goals of the reservation policy. A July 29 resolution of the Agricultural Research Service Scientists' Forum — an association representing about 3,750 scientists at ICAR — has sought a ban on lateral entry into the research body. The resolution says that the lateral entry system "creates conflict among these two groups of scientists" and has made for a "toxic" work culture "which affects the efficiency of the system". Scientists who have served for more than 25 years at ICAR, those who were recruited by ARS [Agricultural Scientists Recruitment] examination are not getting Semi RMP [Research Management Positions] and RMP positions as the scientists recruited through lateral entry are blocking the opportunities.

The resolution adds that the lateral entry system in ICAR does not provide reservation for SC/ST [Scheduled Caste and Tribe] candidates, violating the Constitution and disappointing those who have joined the institution through the examination system. The Board is ICAR's recruitment arm for India's 113 Centrally-run agricultural research institutes. The reports show that RMPs — those at the grade of Senior Scientist or above — are recruited through "direct/lateral entry" or "recruitment by interviews". On the other hand, there is the three-tier selection process — based on qualification, a National Eligibility Test, and an interview — called the "single entry system", which is subject to reservation rules. Two-thirds of ICAR scientists are appointed through this examination process. They still form the core of its agri-researchers but they have little chance to make it to senior posts, which are filled through the lateral entry system.

The ICAR is one of the largest agricultural and allied activities research bodies globally. It employs 6,304 scientists, as per a July 2020 office memo. This is a marginal increase of 23 positions since 1997 across ICAR's eight divisions. Of the current 6,304 on its rolls, 4,420 hold the grade of Scientists, who are recruited through the single-entry system that adheres to reservation policies. The remaining 1,884 positions — comprising Senior Scientists, Principal Scientists, Directors, Heads of Divisions (HoD), Heads of Regional Centres (HoRC), Project Coordinators (PCs), Directors-General, Additional and Deputy Directors-General — have been filled through the direct interview, or lateral entry process, which restricts affirmative action policies to be only followed for the lowest entrant. Including past appointments, there are more than 2,700 who have been hired using this system.

An August 2023 ASRB advertisement to fill senior-level positions relies on a July 7, 1994 letter from ICAR exempting such vacancies from the reservation policy. While this does not violate existing norms, it overlooks the 1995 Constitutional amendment introducing Article 16(4A) enabling reservations to be followed in promotions for SCs and STs. A five-judge bench of the Supreme Court in 2006 in Nagaraj Vs Union of India upheld the amendments as constitutionally valid while leaving it to the States to decide the adequacy of reservation based on quantifiable data. It should be noted that the recruitment of scientists to government departments such as Space, Atomic Energy, and Earth Sciences are also exempt from reservation norms.

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Cyclone Asna forms over Kutch; rain lashes Gujarat

ECOLOGY AND ENVIRONMENT

Cyclone Asna has formed over the Kutch coast in Gujarat and adjoining areas of Pakistan, the India Meteorological Department (IMD) said on Friday. The cyclonic storm — a rare land-originating one in August and headed to the Arabian Sea — is expected to move further away from the western coast in the next 48 hours.

On the back of the cyclone, light to moderate rainfall occurred at most places in Gujarat and heavy to very heavy rainfall was reported at isolated places in Kutch and adjoining districts of Saurashtra on Friday.

This is the first cyclonic storm in the Arabian Sea in August since 1976. The name Asna, meaning "the one to be acknowledged or praised", has been given by Pakistan. Between 1891 and 2023, only three cyclonic storms formed in the Arabian Sea in August (in 1976, 1964, and 1944).

Low pressure off A.P.

Simultaneously, a well-marked low pressure area — a very early precursor to a cyclone — has formed in the Bay of Bengal off north Andhra Pradesh and south Odisha. It is likely to move further west-north-westwards towards north A.P. and adjoining south Odisha coasts and intensify into a depression during the next 36 hours. The IMD has forecast light rain over both States.

The build-up from cyclone Asna resulted in torrential rainfall in Gujarat this week. Rain-related incidents in Gujarat claimed 32 lives since Sunday. More than 18,000 people have been relocated, and around 1,200 rescued from flood-affected areas.

Senior bureaucrat T.V. Somanathan takes charge as Cabinet Secretary

POLITY AND GOVERNANCE

Veteran bureaucrat T.V. Somanathan took over as the Cabinet Secretary on Friday following the superannuation of Rajiv Gauba. Mr. Somanathan, a 1987-batch Indian Administrative Service (IAS) officer from the Tamil Nadu cadre, holds a PhD in Economics from Calcutta University. He has also completed the Executive Development Program of Harvard Business School, and is a Chartered Accountant, Cost Accountant, and Company Secretary.

He has served as Joint Secretary and Additional Secretary in the Prime Minister's Office. Prior to his joining as the Cabinet Secretary, he was holding the charge of Finance Secretary, and Secretary, Department of Expenditure. In Tamil Nadu, he served many key positions such as Managing Director of Chennai Metro Rail Corporation Ltd., and Secretary to the Chief Minister. He was also the Additional Chief Secretary and Commissioner of Commercial Taxes during the crucial phase of roll-out of the Goods and Services Tax.

Mr. Somanathan has also served at multiple levels in the World Bank, including as Director between 2011 and 2015. He has published over 80 papers and articles in journals and newspapers on economics, finance and public policy, and is the author of three books.

India yet to take a decision on Pak. invite to SCO meet

INTERNATIONAL RELATIONS

The Government on Friday confirmed of receiving an invitation from Pakistan for the Shanghai Cooperation Organisation (SCO) Heads of Government (HoG) meeting in Islamabad on October 15 and 16. However, the Ministry of External Affairs (MEA) said it did not have a decision yet on whether India would participate and at what level that would be, even as it outlined other travel scheduled by Prime Minister Narendra Modi in September and October this year.

While Mr. Modi is technically the Head of Government, India and Pakistan decided when they joined the regional grouping that their elected leaders would participate in the Heads of State summit, alongside Presidents of the other countries, and not the HoG. As a result, Mr. Modi has thus far deputed the Vice-President or External Affairs Minister to attend SCO HoG conferences.

In addition, India has refused to attend any meetings of the SAARC grouping in Pakistan since 2016, and it would be a major departure from this policy if the government were to send a Minister or high-level dignitary to Islamabad for the SCO meeting. Mr. Modi would visit Brunei Darussalam on September 3-4 and then Singapore on September 4-5.

Mr. Modi will travel next to the United Nations for the “Summit of the Future” special meeting on September 22-23 and is expected to stay on for a meeting of the Indian diaspora in New York, followed by the UN General Assembly. However, the MEA spokesperson declined to comment on whether the government has been able to tie up for the Quad Summit at the same time in New York. India was due to host the summit in 2024, but owing to Indian and U.S. election schedules, the dropping out of U.S. President Joe Biden and Japanese Prime Minister Fumio Kishida from leadership races in their respective countries as well as Australian Prime Minister Anthony Albanese’s availability.

Russia visit

Given his recent visit to Ukraine and India’s stated commitment to assist a peaceful resolution to the Russia-Ukraine conflict, Mr. Modi’s possible next meeting with Ukraine President Volodymyr Zelenskyy on the sidelines of the UNGA will be closely watched. He is then expected to travel to Russia for the BRICS summit on October 22-24, the Kremlin announced this week. On October 25, Mr. Modi is expected to host German Chancellor Olaf Scholz in Delhi for the biannual summit, where the conflict in Ukraine will again be at the top of the agenda. Asked whether India would play a mediator role.

LGBTQIA+ couples can open joint bank accounts: Centre

POLITY AND GOVERNANCE

Persons from the LGBTQIA+ community cannot be prevented from opening joint bank accounts with their partners, the Union government said in an advisory this week, making it clear that they can also nominate each other as beneficiaries.

This comes nearly a year after the Supreme Court asked the Union government to consider providing equal entitlements to LGBTQIA+ couples, in a judgement that refused to recognise same-sex marriage. The top court, in the October 2023 judgment, directed the government to consider enabling LGBTQIA+ couples to be able to open joint bank accounts and nominate each other in case of death.

The August 28 advisory was issued by the Department of Financial Services as a “clarification” in connection with judgment. “There are no restrictions for persons of the Queer community to open a joint bank account and also to nominate a person in queer relationship as a nominee to receive the balance in the account, in the event of death of the account holder,” it said, adding that the Reserve Bank of India had also issued a clarification on this matter to all scheduled commercial banks on August 21.

Some private banks had already been enabling LGBTQIA+ couples to open joint bank accounts, even before the judgment. In a statement, Axis Bank welcomed the advisory, saying it “seamlessly aligned” with its inclusive banking initiative, which has let LGBTQIA+ persons in same-sex relationships nominate each other as beneficiaries and open joint bank accounts since September 2021.

In April, the government set up a six-member committee to define and elucidate “the scope of the entitlements of queer couples who are in unions”, in accordance with its submission to the top court.

The panel held its first meeting on May 21, the Social Justice Ministry told Parliament. A sub-committee meeting was held on May 31, and the first round of stakeholder consultations was held on July 25.

U.P. to outsource over 10,000 teaching jobs to ease anganwadis’ load

POLITY AND GOVERNANCE

The Uttar Pradesh government has decided to outsource over 10,000 teaching jobs across 75 districts in the State in order to ease the burden on anganwadi workers, who double as playschool teachers for children aged three to six, read an official communication.

A model bid will be prepared to on board an external recruitment agency, which in turn will on board 10,684 Early Childhood Care and Education (ECCE) teachers on an annual 11-month contract. The decision to outsource the hiring of the teachers has been taken after the Union Ministry of Education approved funds worth ₹142.75 crore for the same in the current financial year. The State government’s decision is in line with the National Education Policy (NEP), 2020, which recommends providing quality early childhood care and education.

Mandate for teachers

Early Childhood Care and Education (ECCE) teachers are expected to be qualified in pre-primary education or Home Science, and should not be over the age of 40 at the time of hiring. They are mandated to prepare children aged three to six for formal education, the letter said. Special attention is to be given to children aged five to six to prepare them for Class 1, including ensuring that they are equipped with basic foundational knowledge like counting and the alphabet. The educators will be paid a monthly salary of ₹ 10,313, which includes contributions to the Provident Fund and Employees State Insurance. ECCE educators hired through an external recruitment agency will be onboarded on contract. This is different from direct departmental hiring, which makes teachers a part of the permanent cadre.

‘ULI, OCEN to help reset credit access’

ECONOMICS AND DEVELOPMENT

Initiatives like the Account Aggregator framework, Unified Lending Interface (ULI), Open Credit Enablement Network (OCEN) will help redefine credit access, particularly for small firms and individuals, Reserve Bank of India (RBI) Governor Shaktikanta Das said on Friday at the Global FinTech Fest 2024.

The Reserve Bank’s regulatory frameworks have facilitated new and innovative businesses to grow in an orderly manner. These regulatory initiatives reflect our commitment to support innovation with prudence. The collaboration between policymakers, regulators, and innovators was the defining element of India’s fintech journey. The success stories in India’s fintech space like Aadhar, UPI, and Digilocker were the results of such collaborative efforts.


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