POLICY PULSE

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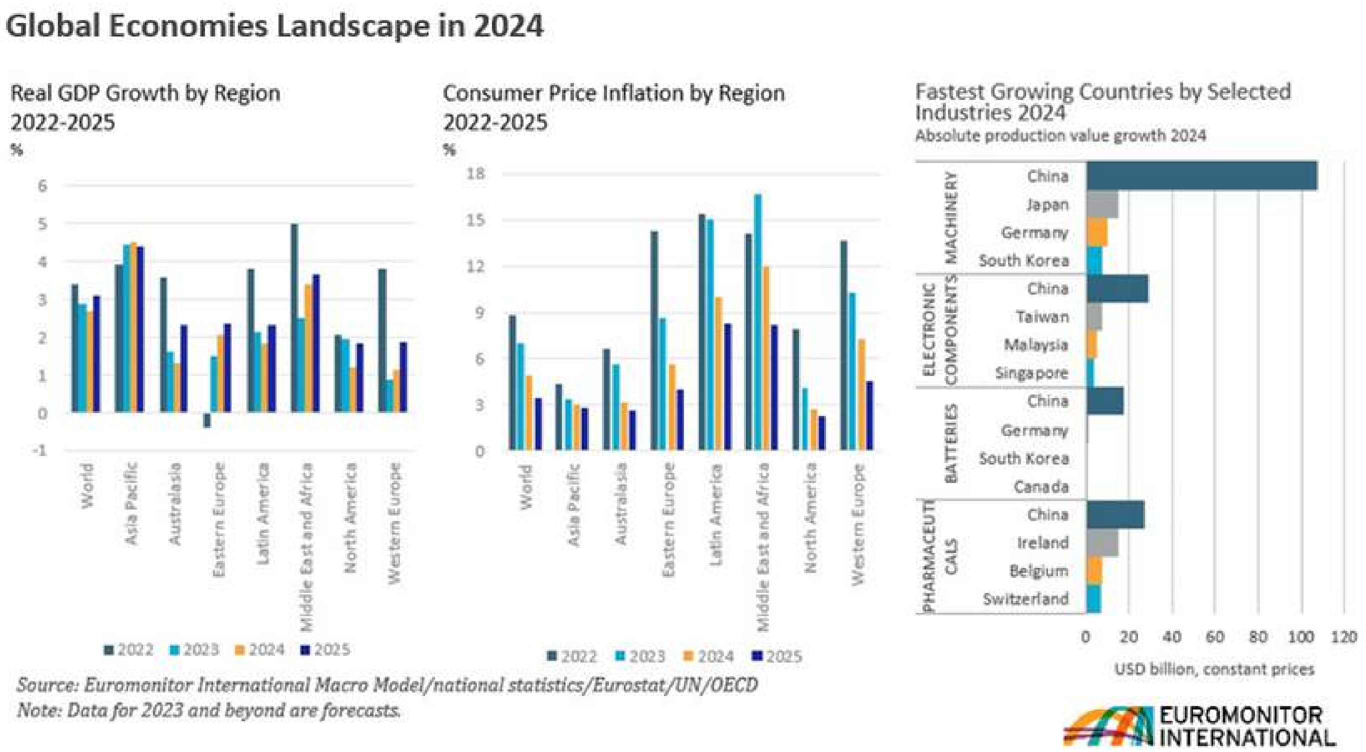
IN THIS ISSUE

ECONOMY
GLOBAL ECONOMY

Global Economic Trends in March 2024: A Comprehensive Analysis

As the world navigates through the complexities of economic landscapes, March 2024 stands as a pivotal month marked by contrasting trends and shifting paradigms across major economies.



Source: Euromonitor International Macro Model/national statistics/Eurostat/UN/OECD
Note: Data for 2023 and beyond are forecasts.

Let's delve into the intricate dynamics shaping the global economy:

United States: The US economy has displayed remarkable resilience driven by a pro-cyclical widening in the fiscal deficit in 2023, fostering robust domestic demand and sustaining GDP growth. However, experts anticipate a tapering of this fiscal boost in the current year, coupled with a deceleration in household income growth. The tightening of monetary policies last year is expected to manifest with rising real interest rates, potentially dampening quarter-on-quarter growth to below-trend levels later in 2024.

Despite a slight slowdown in the first quarter, the US economy remains buoyed by robust job and wage growth. Consumer spending, albeit showing early signs of moderation in big-ticket purchases, is expected to be bolstered by a recovery in the housing sector and continued fiscal spending, supporting a growth trajectory near the long-term trend of 2% for the rest of the year.

GLOBAL ECONOMY

Eurozone: In stark contrast to the US, the eurozone grapples with stagnation, accentuated by Germany's recessionary woes rippling through the bloc. Structural growth constraints coupled with external shocks have hindered momentum, although prospects brighten with anticipated rate cuts by the European Central Bank (ECB), revival in world trade, and subsiding energy shock effects in the medium term.

Japan: Japan finds itself technically in recession territory, attributed to subdued wage growth and sluggish consumer spending despite favourable trade dynamics due to a weakened currency. To counteract this downturn, continued fiscal and monetary stimulus is deemed imperative to prevent further economic contraction.

China: The Chinese economy grapples with multifaceted challenges, including a prolonged property collapse, ongoing trade disputes, and demographic constraints. While fiscal and monetary support has been intermittent, it has cushioned the impact, preventing a more pronounced downturn. However, growth estimates are expected to fall short of government targets, reflecting the intricate interplay of cyclical and structural hurdles.

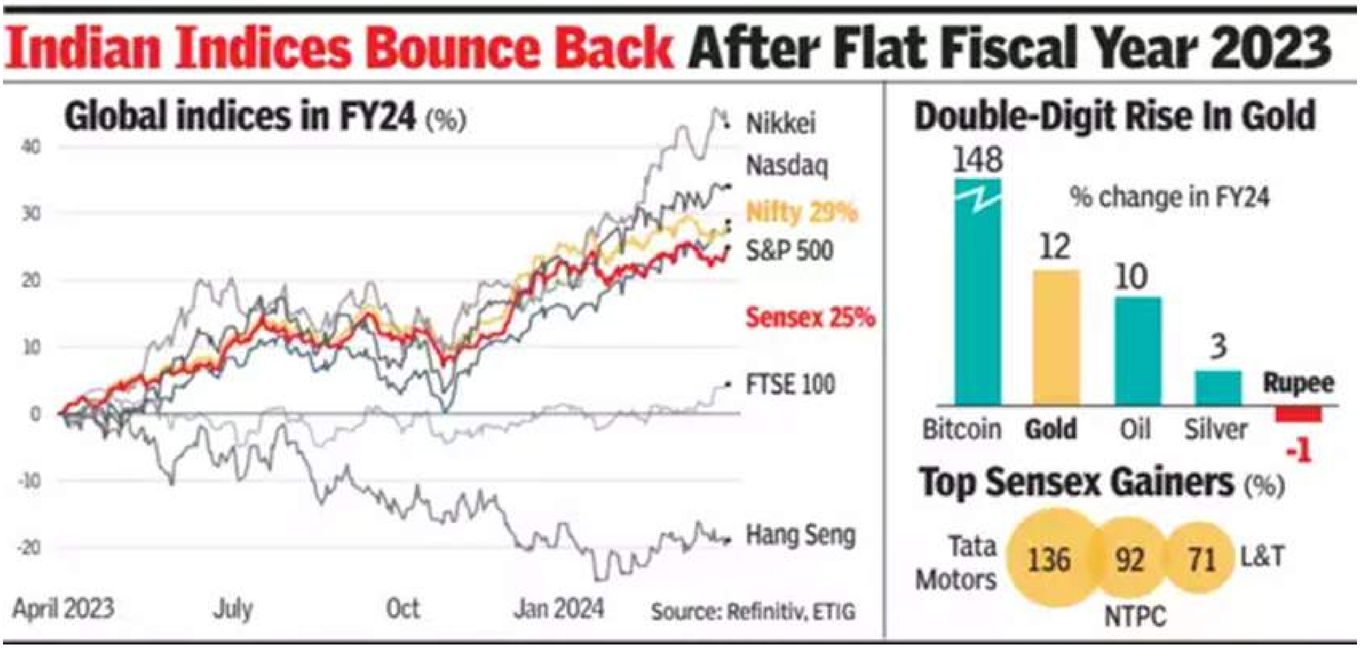
Global Monetary Policies: Both the US Federal Reserve and the ECB are anticipated to implement rate cuts totaling 75 basis points by year-end, albeit contingent on sustained disinflation progress. The timeline for these rate adjustments has been adjusted, indicating a cautious approach amid evolving economic conditions.

In conclusion, March 2024 underscores a nuanced economic landscape characterized by varying degrees of resilience, challenges, and policy responses across major economies. The trajectory ahead hinges on navigating through uncertainties while leveraging available fiscal and monetary tools to sustain growth and address systemic vulnerabilities.

ECONOMY
INDIAN ECONOMY

India's Economic Resilience in March 2024: An Overview

Amidst a backdrop of global economic slowdown, India's economic landscape stands out with robust growth projections and effective inflation management strategies. Let's delve into the key aspects shaping India's economic trajectory in March 2024.



Growth Projections: Finance Minister Nirmala Sitharaman's optimism regarding India's growth prospects is backed by forecasts indicating an expected growth rate of 8% or higher for the last quarter of the financial year 2023-24. This momentum is poised to translate into an equivalent growth rate for the entire fiscal year, reflecting the underlying strength and resilience of India's economy.

The high visibility of structural demand, coupled with healthier corporate and bank balance sheets, serves as a catalyst for sustained growth. Strong momentum, robust indirect taxes, and reduced subsidies have contributed to real GDP growth reaching a six-quarter high in Q3:2023-24, signalling a positive trajectory for economic expansion.

Inflation Management: Inflationary concerns have been effectively addressed through coordinated efforts between the government and the Reserve Bank of India (RBI). Finance Minister Sitharaman emphasized the importance of maintaining inflation within the RBI's tolerance band, particularly focusing on containing food inflation.

Despite seasonal fluctuations and occasional spikes in food prices, the government remains vigilant, leveraging a dedicated group of ministers to ensure stability. Retail inflation, as measured by the consumer price index (CPI), has remained within the RBI's flexible inflation target of 2-6% for six consecutive months, showcasing a proactive approach to inflation management.

INDIAN ECONOMY

Banking Sector Health: Sitharaman highlighted significant improvements in the banking sector's health, with reduced non-performing assets (NPAs) and increased dividend pay-outs to the government. The formation of the National Bank for Financing Infrastructure and Development (NaBFID) has further strengthened the sector by facilitating financing for shorter duration assets and mitigating asset-liability mismatches.

Pandemic-induced Policy Stimulus and Inflation: India's experience during the COVID pandemic contrasts with global trends regarding fiscal stimulus and inflation outcomes. Empirical evidence suggests that India's targeted fiscal support measures, primarily focused on social protection, healthcare, and sector-specific support schemes, were not associated with higher inflation. This nuanced approach reflects India's resilience in navigating pandemic-induced challenges while maintaining macroeconomic stability.

Seasonality in Economic Indicators: The volatility induced by the pandemic necessitated a revaluation of seasonal adjustment approaches for key economic indicators. Insights reveal distinct seasonal patterns across sectors, with peaks observed in industrial production, monetary indicators, trade, and services during specific months.

Noteworthy trends include price pressures during the monsoon season, particularly driven by vegetable prices, and seasonal variations in consumer durables, vehicle sales, and payment system indicators.

In conclusion, India's economic narrative in March 2024 is characterized by optimism fuelled by strong growth projections, effective inflation management, and improved banking sector health. The strategic coordination between fiscal and monetary authorities, coupled with targeted policy interventions, underscores India's resilience and adaptive capacity in navigating global economic challenges.

WORLD TRADE ORGANISATION

China files WTO Complaint over US tax credits

China has initiated dispute consultations at the WTO regarding the USA tax credits to promote electric vehicles and Renewable energy production under the US Inflation Reduction Act.

China claims the US credits at issue are contingent on the use of domestic over imported goods or discriminate against goods of Chinese origin in violation of provisions under the General Agreement on Tariffs and Trade 1994, the Agreement on Trade-Related Investment Measures and the Agreement on Subsidies and Countervailing Measures. In addition, China's actions have raised concerns regarding unfair competition, distortion of global prices, and potential risks to several industries.

The **Inflation Reduction Act of 2022** in the USA is a significant piece of legislation aimed at reducing domestic inflation and addressing climate change. This act includes a combination of grants, loans, tax provisions, and other incentives and investments in deploying clean energy, expanding the electricity grid, developing domestic clean technology manufacturing, incentivizing the uptake of electric vehicles, reducing methane emissions, increasing building efficiency, improving climate resilience, and other related areas. The key goal of this act is to reduce carbon emissions by around 40% by 2030.

India and the USA submitted a Mutually Agreed Solution at WTO in a dispute on Poultry imports

On 15th March 2024, India and the USA formally announced a mutually agreed solution to the WTO in dispute DS430, "India — Measures Concerning the Importation of Certain Agricultural Products."
DS430 issue was raised in March 2012, when the United States requested consultations with India concerning the prohibitions imposed by India on the importation of various agricultural products from the United States, supposedly because of concerns related to Avian Influenza.

MC13 Declaration on Technical Barriers to Trade (TBT) committee

During the committee meetings on Technical Barriers to Trade, WTO members adopted practical guidelines to assist regulators in the selection and design of conformity assessment methods. These processes assist in determining if products meet the requirements established by relevant technical rules or standards. Members also agreed on principles for sharing information about their steps to ensure the TBT Agreement is implemented. Members raised 70 trade issues, out of which 15 were raised for the first time.

WORLD TRADE ORGANISATION

Among the 15 new trade issues raised, three issues are related to India –

Specific Trade Concern	Publish Date	Notification linK	Proposed/ Final Measure	Member(s) raising
India - Plywood and Wooden flush door shutters (Quality Control) Order, 2023	8/06/2023	G/TBT/N/IND/274	Final Measure	Indonesia
India - Furniture (Quality Control Order), 2023	27/09/2023	G/TBT/N/IND/318	Not Indicated	European Union
India - Cookware and Utensils (Quality Control) Order, 2023	05/05/2023	G/TBT/N/IND/258	Not Indicated	European Union

Further, the TBT Committee adopted guidelines for members to follow in notifying the overarching legal and institutional arrangements they have put in place to implement the TBT Agreement.

The guidelines have been drafted following work done under the Transparency Working Group. They will facilitate access to information on government agencies involved in standards and regulations and the publications and websites they use to disseminate information about their work.

The committee also discussed on the 10th Triennial Review that the WTO members are submitting proposals to define the next cycle of the Committee's work in 2025-2027. The second phase is to develop a set of recommendations for the new areas of work. Members are expected to finalise this review by the last Committee meeting of the year in November 2024.

Members discussed more than 20 proposals made in the context of the 10th Triennial Review. They cover issues such as transparency, standards, technical assistance, specific trade concerns, thematic sessions and other matters related to the operation of the Committee. Other issues include mutual recognition agreements, interoperable data standards, critical and emerging technologies, beverage containers and plastic packaging, traceability for sustainable agriculture, and medical devices.

The next meeting will be preceded by an informal meeting scheduled for June 2024.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

India holds FTA talks with Eurasian Economic Union

India is engaging in Free Trade Agreement (FTA) talks with the Eurasian Economic Union (EAEU). The negotiations aim to boost India's exports to the region, particularly in sectors like engineering goods, electronics, and agriculture, to create a balanced trade relationship and increase market access. The FTA discussions were initiated to enhance economic cooperation and open new opportunities for Indian businesses in the EAEU countries, including Russia, Kazakhstan, Belarus, Armenia, and Kyrgyzstan.

UK – Switzerland fourth round of FTA negotiations

The fourth round of negotiations on an Enhanced UK-Switzerland Free Trade Agreement (FTA) took place in Bern, Switzerland from 4 to 8 March 2024. Both countries are working towards a modern and comprehensive agreement with ambitious outcomes, focusing on areas such as services, investment, mobility, digital, and the environment.

The progress has been made, with discussions now centred on text-based negotiations. Notably, the chapter on Small and Medium Enterprises (SMEs) was provisionally closed during this round, aiming to facilitate UK SMEs' expansion into the Swiss market. Mobility outcomes are a key priority for both sides, with the fifth hybrid round of negotiations expected to occur in the UK in early summer 2024. The UK government emphasizes that any deal signed will be in the best interests of the British people and the UK economy.

South Korea is expanding its market access by negotiating agreements

South Korea is actively negotiating the FTA with India, the Philippines & Britain. The country is also in the process of starting talks with Thailand and Bangladesh.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

WORLD

India: South Korea signed the CEPA in 2009 and became effective in 2010. The two countries are committed to upgrading the agreement for better market access and leverage opportunities. According to the media report, both sides expect to conclude the negotiation this year.

Britain: South Korea signed the FTA in 2019 and became effective in 2021. Both countries are committed to upgrading their FTA in response to the changing global scenario. The upgraded FTA envisioned to strengthen trade relations new fields such as gender and clean energy. It is also expected to help expand our exports and investment and ensure stable supply chains.

Philippines: Both sides signed the FTA in September 2023 and targeted to ratify the agreement by mid-year.

Thailand: South Korea has opened the negotiation for the Economic Partnership Agreement (EPA); the first round is expected in the Middle of 2024, and the completion is targeted at the end of 2025 or early 2026. Through the EPA, Thailand and South Korea agreed to push for negotiations in areas of mutual interest, including economic cooperation, digital and government procurement, and attain a high level of market access to goods and services.

According to the South Korean government, the potential benefits of the Thailand-South Korea EPA include increasing bilateral trade in key sectors such as automobiles, electric vehicles (EVs), car parts, construction, manufacturing, and visual and auditory services. This agreement aims to create new market opportunities in the ASEAN region, facilitating the spread of Korean culture and fostering deeper cooperation in critical fields like supply chains, biotechnology, and the clean economy.

Bangladesh: The two sides have discussed ways to broaden the economic ties, including seeking a bilateral trade and investment promotion framework (TIPF). During the bilateral meeting, the South Korean trade minister asked the Bangladeshi government to support South Korean firms operating within the South Asian nation by addressing issues regarding visa issuance, tariffs, customs and infrastructure.

INDIA

Kerala state to improve the logistics sector

The Kerala Logistics Parks Policy 2024 is a draft policy that aims to boost the logistics sector in the state by offering investment subsidies. Industry Minister P. Rajeev unveiled the policy in Kochi and announced an investment subsidy of up to ₹7 crore for the logistics park. The draft policy responds to Kerala's position in the 'Achiever' Category in the Logistics Ease Across Different States (LEADS) - 2023 assessment.

The Kerala Logistics Parks Policy 2024 is a part of the state's efforts to improve the logistics sector and attract investments. The policy is expected to create a conducive environment for the growth of the logistics sector, improve the state's infrastructure, and create employment opportunities. The draft policy is currently in the consultation phase, and the state government is seeking stakeholder feedback.

With the announcement of the draft policy, Kerala seeks to tap into the country's fast-growing logistics industry, which is rising at an annual rate of 8.8%. The draft policy suggests developing a single-window system for park approval, which would streamline and smooth the procedure for investors and developers.

It also lays a strong emphasis on skill development, recognising the importance of specialised training in storage, transportation, and other logistical functions.

Himachal Pradesh to curb illegal mining

The Himachal Pradesh Mineral Policy 2024 is a new policy that aims to curb illegal mining and increase revenue in the state. The policy includes several key changes, such as increasing the depth of mineral extraction from one metre to two metres, allowing the use of machines for mining, permitting the manufacturing of Manufactured Sand (M-sand), and registering new stone crushers near hydel or road projects. These changes are intended to increase the efficiency of mineral extraction and boost state revenue.

However, environmentalists have raised concerns about the potential impact of these changes on the fragile ecology of Himachal Pradesh, which is a mountainous region with steep and plain gradients. They have urged the state government to exercise caution in implementing the policy and emphasised the need for separate rules for different areas based on their nature.

POLICY/ REGULATORY UPDATES

INDIA/WORLD

The policy also aims to prevent environmental degradation caused by the dumping of waste generated during the construction of infrastructure projects. To this end, stone crushers are allowed to be installed based on mineral/muck material generated during the construction of such projects.

The mining sector in Himachal Pradesh provides employment to thousands of people, and the state has significant reserves of minerals such as limestone, dolomite, gypsum, magnesite, barytes, and rock salt. The new policy aims to ensure optimum utilisation of accumulated mineral resources in the state river/stream beds and prevent erosion and transportation of minerals to adjoining states. It emphasises the use of scientific and mechanical techniques for the extraction of mineral wealth while ensuring adequate safeguards for the preservation of the environment and ecology.

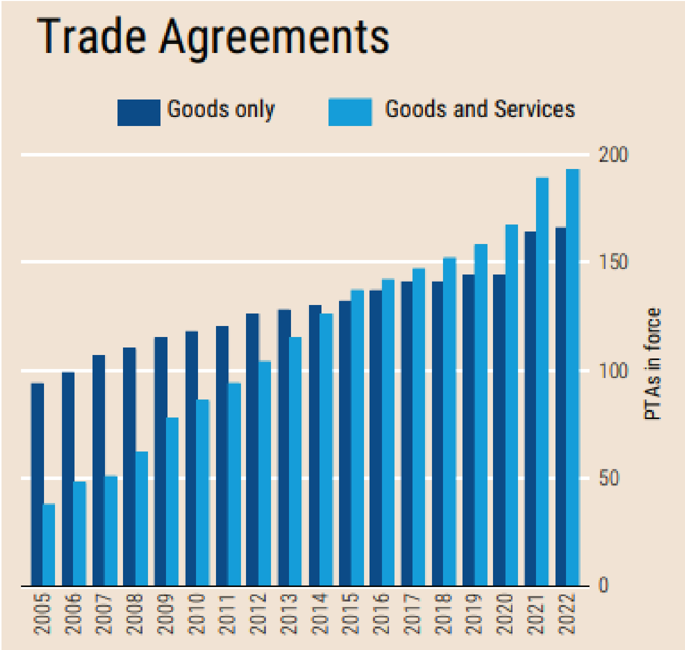
WORLD

International trade liberalized in the last decades

The UNCTAD publication *"Key Statistics and Trends in Trade Policy"* provides a comprehensive overview of recent trends in trade policy for 2023. It offers detailed statistics on the utilization of different trade policy instruments and their evolution over the decade.

- **Trade Agreements**

The global trading system is increasingly governed by a growing array of preferential trade agreements (PTAs). Many of these recent agreements cover not just goods but also services, and they encompass rules that extend beyond mere reciprocal tariff concessions. Also, in recent past new concepts are negotiated under the Trade agreements such as gender, trade & labour, environment, etc.



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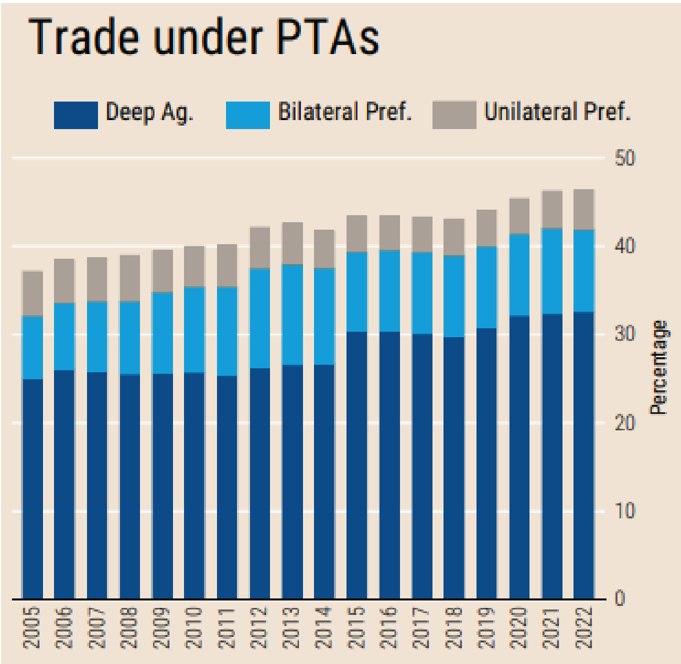

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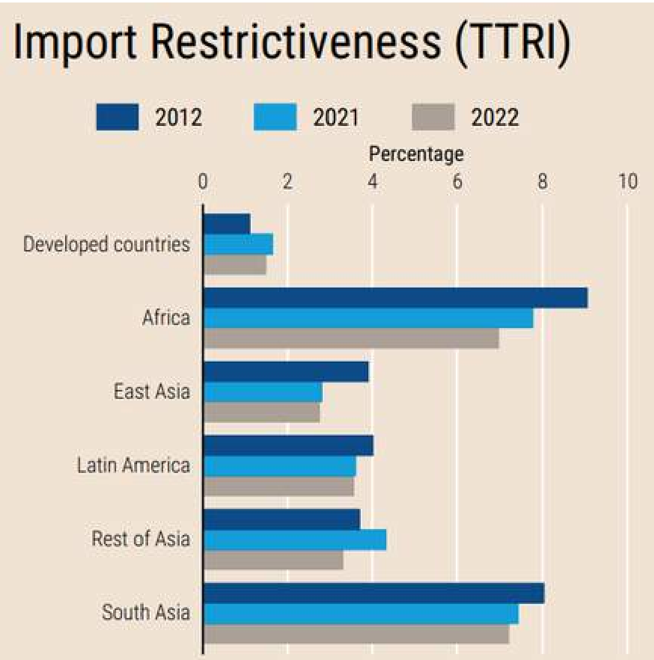
POLICY/ REGULATORY UPDATES
WORLD

The number of PTAs in force has approximately doubled from less than 150 in 2005 to more than 350 in 2022. After 2015, trade agreement changes can be seen in trade agreement trends, as the upward trend is seen covering both goods and services agreements. In addition, deep trade agreements, which are reciprocal agreements between countries that also cover trade and other policy areas, including investment flows, IPR, etc, have also shown growth.

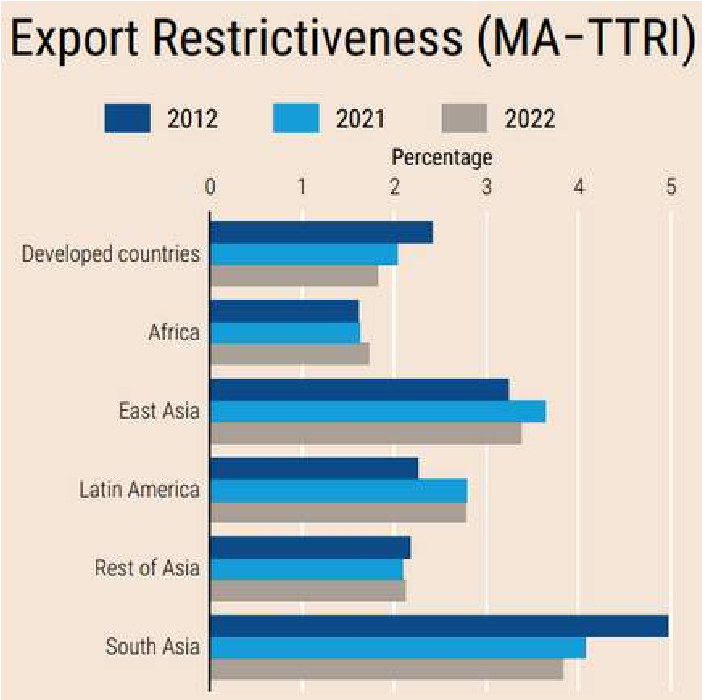
- **Tariffs**

Tariffs have generally declined between 2012 and 2022. However, tariffs applied by developed countries increased between 2012 and 2021 while slightly decreasing in 2022.



Source:UNCTAD

In comparison to developed nations, developing countries continue to have much higher levels of tariff restrictiveness as of 2022. Specifically, in terms of developing countries, the most import restrictiveness is seen in South Asia and Africa, where the Trade-Weighted Tariff Restrictiveness Index (TTRI) stands at 7%.



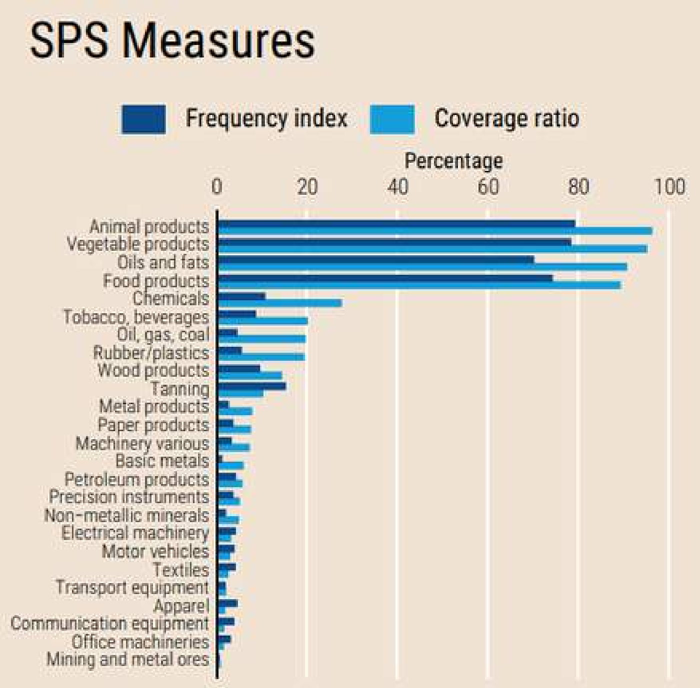
Source:UNCTAD

African countries face comparatively forgiving market access constraints, notwithstanding a minor increase, as evidenced by a Market Access TTRI (MA-TTRI) of less than 2 percent in 2022. Conversely, exports from South Asia confront a higher average level of restrictiveness, nearly reaching 4%.

- **Non-tariff Measures**

Non-tariff measures (NTMs) are policy measures other than tariffs that can potentially have an economic effect on international trade in goods. They are increasingly shaping trade, influencing who trades what and how much.

WORLD



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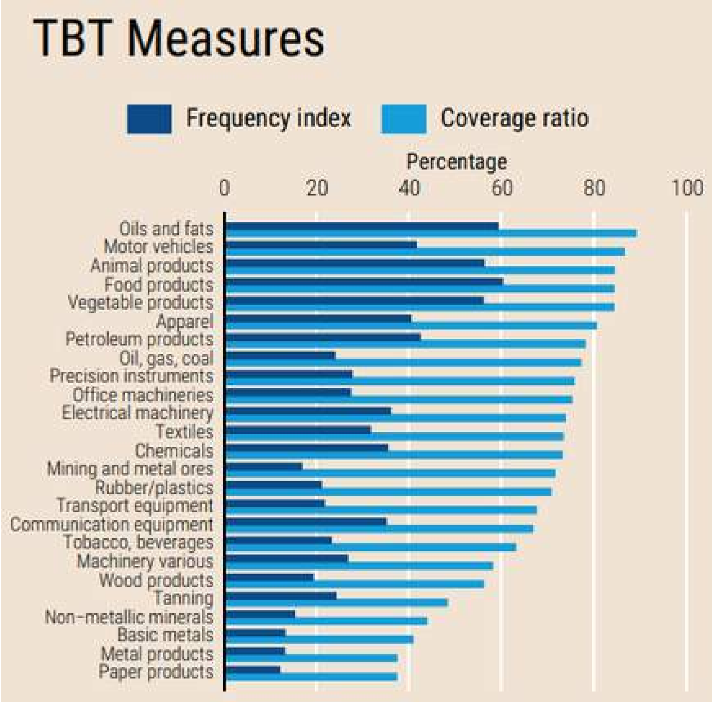


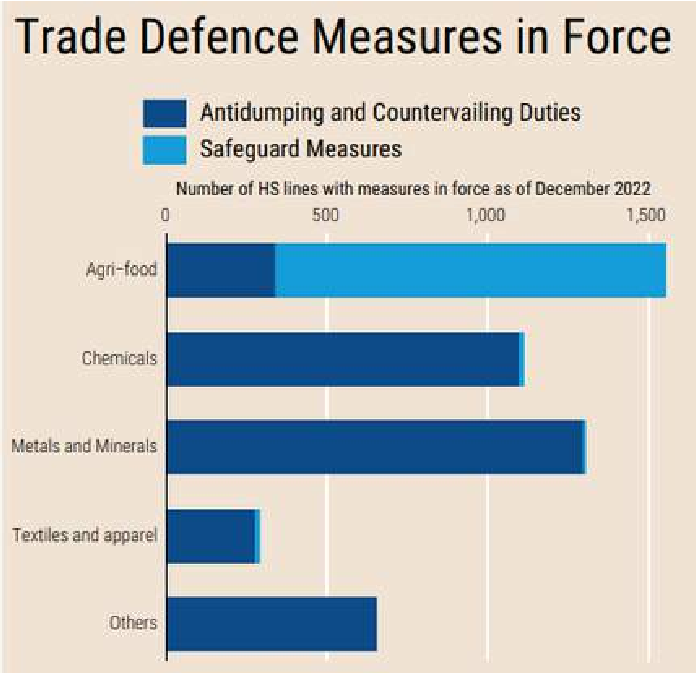
Source:UNCTAD

SPS measures predominantly impact trade products such as animal and vegetable products, oils and fats, and other food items. This is often due to the fact that these traded goods must not transmit pests or diseases, and food products must be free from harmful substances or pathogens that could endanger human health.

In contrast, TBT measures a coverage ratio above 20% for all the products. This shows that TBT measures are more prevalent as compared to SPS measures only because they cover a broad range of goods and regulations. Furthermore, TBT measures are often more complex and diverse due to the wide array of products and industries they cover, for example, labelling requirements, product testing and certification procedures, and packaging standards. However, both types of measures play significant roles in shaping the global trade landscape.

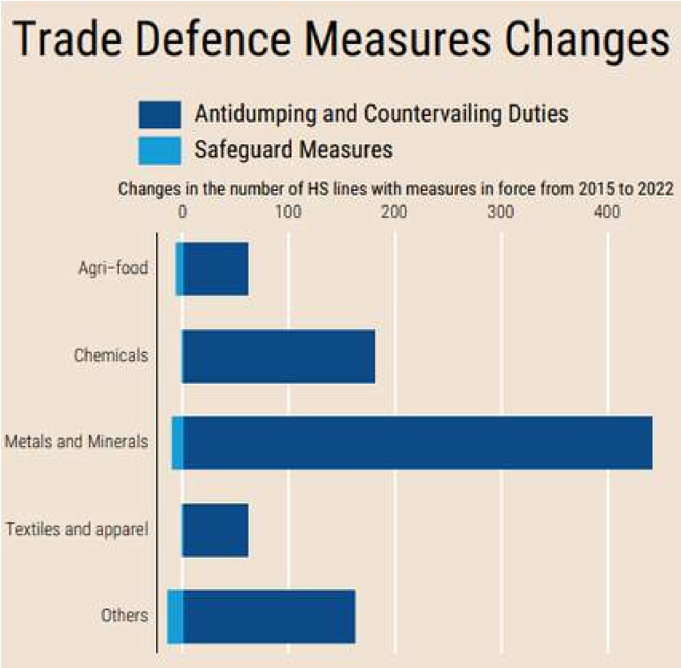
- **Trade Defence Measures**

Trade Defence measures are imposed against imports to protect domestic industries from unfair practices such as dumping and subsidies or to cope with a sudden surge of foreign goods.



Source:UNCTAD

POLICY/ REGULATORY UPDATES
WORLD



Source:UNCTAD

As of 2022, over 2200 anti-dumping measures and countervailing duties were enforced, alongside approximately 70 safeguard measures. The majority of antidumping measures were imposed on metals & minerals, and chemicals. Safeguard measures primarily targeted the agri-food sectors, encompassing a significant number of HSN lines.

Getting Inside Economics

Aditya Sinha

Seasonality in Key Economic Indicators: Understanding Its Meaning and Implications

Seasonality refers to the regular and predictable fluctuations that occur in key economic indicators over specific time periods, typically within a calendar year. These patterns are influenced by various factors such as weather conditions, holidays, cultural events, and business cycles. Understanding the meaning of seasonality in economic indicators is crucial for policymakers, economists, businesses, and investors as it provides insights into underlying trends, facilitates accurate forecasting, and informs decision-making processes.

Types of Key Economic Indicators Affected by Seasonality:

- **Retail Sales:** Retail sales exhibit seasonality due to factors like holiday shopping seasons, back-to-school sales, and changes in consumer spending patterns during different times of the year.
- **Employment:** Certain industries experience seasonal fluctuations in employment levels, such as tourism and agriculture, where hiring peaks during specific seasons.
- **Housing Market:** Real estate and housing market indicators, including home sales, mortgage applications, and construction activity, are influenced by seasonal factors like weather conditions and school calendars.
- **GDP Growth:** Gross Domestic Product (GDP) growth rates can vary seasonally due to factors such as agricultural output, holiday spending, and inventory cycles.
- **Consumer Price Index (CPI)**: The CPI, a measure of inflation, can be influenced by seasonal price changes in goods and services, such as energy costs, food prices, and holiday-related expenses.

Meaning of Seasonality in Economic Indicators

- **Regular Patterns**: Seasonality reflects the recurring patterns and cycles observed in economic data over specific timeframes, such as quarterly, monthly, or weekly intervals.
- **Predictable Fluctuations:** These fluctuations follow a predictable trend, allowing analysts to identify seasonal peaks, troughs, and trends in economic activity.
- **Impact on Analysis:** Ignoring seasonality can distort data analysis and lead to inaccurate conclusions about underlying economic trends and performance.
- **Adjusted Data:** Economists often use seasonally adjusted data, which removes the effects of seasonality, to provide a clearer picture of underlying economic conditions and trends.
- **Importance for Forecasting**: Understanding seasonal patterns is essential for accurate economic forecasting, budgeting, and policy

formulation, enabling stakeholders to anticipate changes and make informed decisions.

Implications of Seasonality in Economic Indicators

- **Business Planning:** Businesses use knowledge of seasonality to plan inventory levels, marketing strategies, and staffing requirements based on anticipated fluctuations in demand.
- **Policy Decisions:** Policymakers consider seasonality when designing economic policies, such as fiscal stimulus measures or interest rate adjustments, to account for seasonal variations in economic activity.
- **Investment Strategies:** Investors and financial analysts factor in seasonality when evaluating investment opportunities, assessing risk factors, and projecting returns based on seasonal trends in key sectors.
- **Economic Stability:** Seasonal fluctuations can affect overall economic stability, employment levels, consumer confidence, and inflationary pressures, highlighting the importance of proactive policy responses to mitigate volatility.
- **Data Interpretation:** Accurate interpretation of economic data requires distinguishing between seasonal variations and underlying economic trends, ensuring informed decision-making and effective policy implementation.

Seasonality in key economic indicators plays a significant role in shaping economic analysis, forecasting, and decision-making processes. By understanding the meaning of seasonality, stakeholders can better interpret economic data, anticipate trends, and implement strategies to navigate seasonal fluctuations and promote sustainable economic growth. Incorporating seasonally adjusted data, leveraging historical patterns, and considering seasonal factors in policy formulation are essential practices for enhancing economic resilience, stability, and performance in an ever-evolving global economy.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Environment Equity

Saloni Goyal

The Global Impact of E-Waste

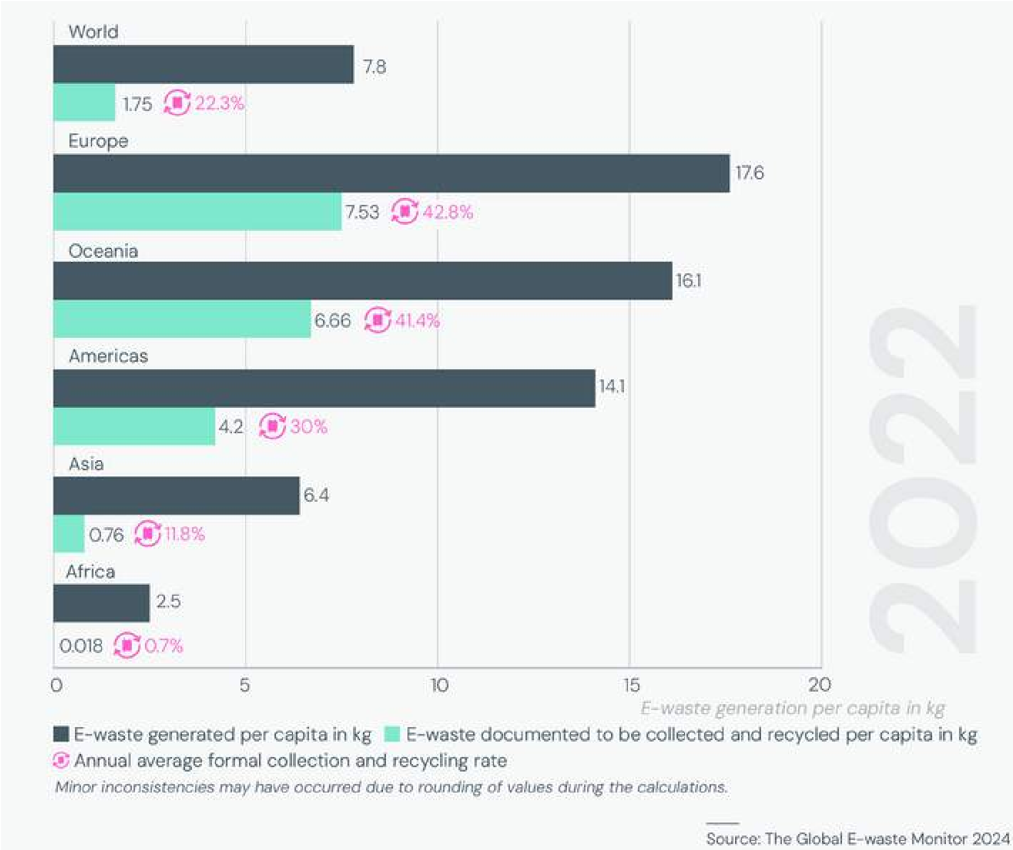
In today's digital age, technology is constantly evolving and becoming more advanced. As a result, electronic waste, or e-waste, is becoming a major environmental concern. The world's generation of electronic waste is rising five times faster than documented e-waste recycling, the UN's fourth Global E-waste Monitor (GEM) reveals.

The improper disposal of e-waste has a significant impact on the environment globally. Developing countries, in particular, are often the dumping grounds for e-waste from developed countries. This not only poses a threat to the health of the local population but also contributes to the pollution of the environment. Burning e-waste to extract valuable materials releases toxic fumes into the air, contributing to air pollution and climate change.

The transportation of e-waste also has a significant carbon footprint, further exacerbating the environmental impact.

A record 62 million tonnes (Mt) of e-waste was produced in 2022, Up 82% from 2010; On track to rise another 32%, to 82 million tonnes, in 2030; Billions of dollars' worth of strategically-valuable resources squandered, dumped; Just 1% of rare earth element demand is met by e-waste recycling.

Meanwhile, less than one quarter (22.3%) of the year's e-waste mass was documented as properly collected and recycled in 2022, leaving US$ 62 billion worth of recoverable natural resources unaccounted for and increasing pollution risks to communities worldwide. Most losses occur due to incineration, landfilling or substandard treatment.



Solution for E-waste

The proper recycling and disposal of e-waste. Many electronic devices can be recycled, and the materials can be reused to produce new devices. This reduces the amount of e-waste in landfills and decreases the need for new resources. Governments and businesses can also implement recycling programs and incentivise individuals to recycle their e-waste.

The GEM report underlines that if countries could bring the e-waste collection and recycling rates to 60% by 2030, the benefits – including minimizing human health risks – would exceed costs by more than US $38 billion.

Another possible solution is the effective use of a circular economy to create more secure and sustainable value chains. According to current economic assessments, e-waste management has economic benefits (e.g., the recovery of metals) and costs (e.g., e-waste treatment and hidden externalized costs for society). The annual economic and monetary cost of e-waste management is estimated at USD 37 billion worldwide.

While these can be the possible solution, e-waste management requires more awareness at the individual level and investments to turn it into a formal business that can be governed.

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