RV VE Kommunicate

POLICY PULSE

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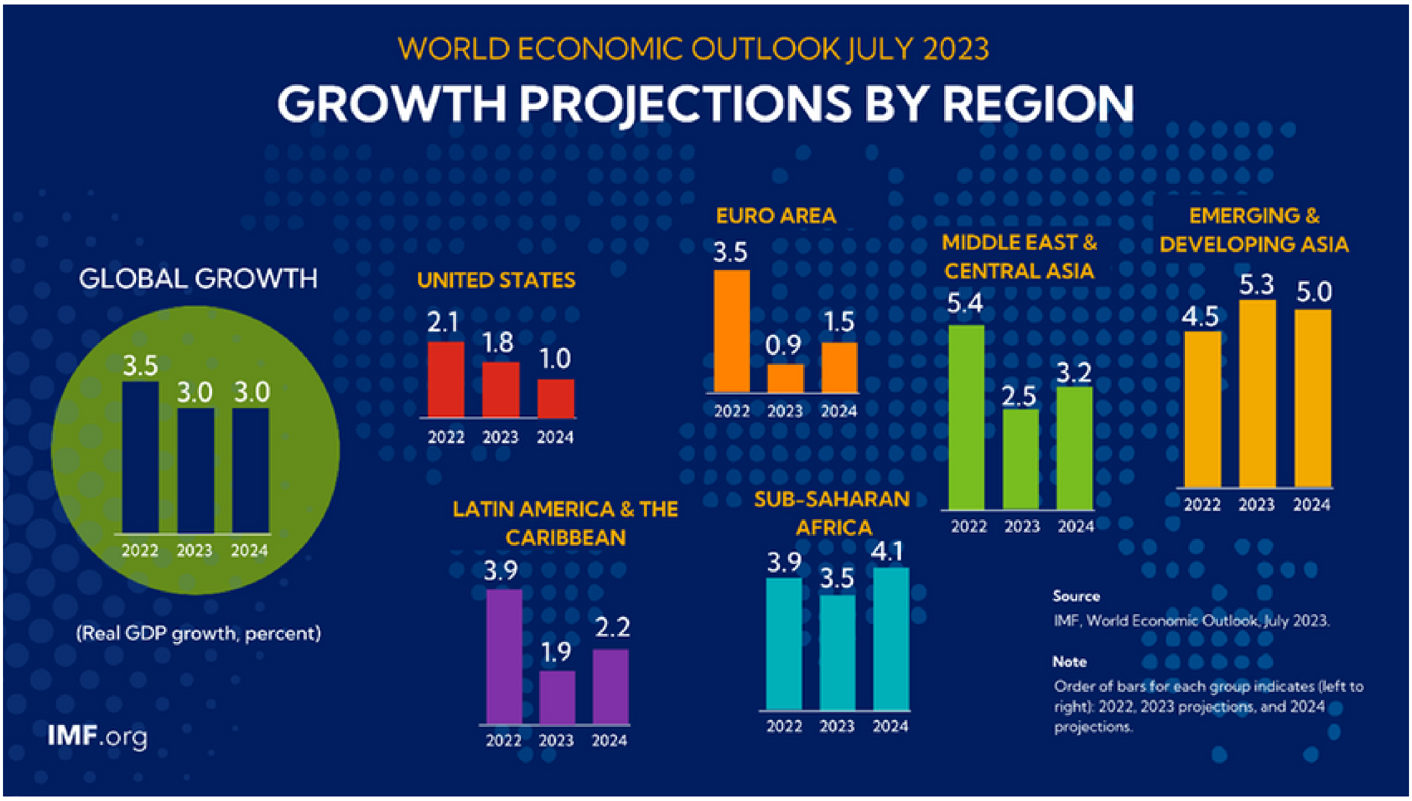
ECONOMY
GLOBAL ECONOMY

The growth of the global economy will slow from last year's 3.5 % to 3 % this year and next but will have a 0.2 percentage points upgrade for 2023 from what the April projections were. Global inflation is projected to decline from 8.7 % last year to 6.8 % this year, a 0.2 percentage point downward revision, and 5.2 % in 2024.

The slowdown is concentrated in advanced economies, where growth will fall from 2.7 % in 2022 to 1.5 % this year and remain subdued at 1.4 % next year. The euro area, still reeling from last year's sharp spike in gas prices caused by the war, is set to decelerate sharply. By contrast, growth in emerging markets and developing economies is still expected to increase, with year-on-year growth accelerating from 3.1 % in 2022 to 4.1 % this year and next.



Source: IMF

Asian Economy:

Asia growing strongly at 5.3 % this year, while many commodity producers will suffer from a decline in export revenues.
Though the forecast for China remains unchanged at 5.2 % for 2023 and 4.5 % for 2024, China's recovery could slow, in part as a result of unresolved real estate problems, with negative cross-border spill overs. Sovereign debt distress could spread to a wider group of economies. On the upside, inflation could fall faster than expected, reducing the need for tight monetary policy, and domestic demand could again prove more resilient.

ECONOMY

GLOBAL ECONOMY

Global Economies Hopeful as Inflation Starts to Recede, but Challenges Remain

Economies worldwide are cautiously optimistic as inflation appears to be entering its final stage after a cycle that began in 2021. However, experts are urging caution, stressing the need for careful execution and continued vigilance to ensure stable economic conditions. The past few years have seen substantial fiscal support in many countries, but now it's time to focus on restoring fiscal buffers and ensuring a more sustainable debt trajectory.

As inflationary pressures begin to subside, most major economies are expected to reduce their policy rates (the key lending rate used by the central bank to implement or signal its monetary policy stance). In some Latin American nations, rates have already reached their peak. However, experts emphasize that a premature easing of rates could be detrimental, especially until there are clear and sustained signs of underlying inflation cooling down.

"Hope is not a policy," warns Pierre-Olivier Gourinchas (the Economic Counsellor and the Director of Research of the IMF), highlighting the importance of staying vigilant and cautiously navigating the path ahead. Central banks have a critical role to play in monitoring the financial system and being prepared to utilize other tools to maintain financial stability.

While the inflation situation shows signs of improvement, countries must now turn their attention to fiscal management. Gradually restoring fiscal buffers is deemed essential to safeguard financial stability and strengthen the overall credibility of disinflation strategies.

Experts call for a balanced approach to fiscal consolidation that takes into account the strength of private demand while protecting vulnerable populations. Energy prices, having returned to pre-pandemic levels, make it appropriate to phase out fiscal measures such as energy subsidies.

One of the key challenges facing many economies, especially in emerging and developing countries, is the need for structural reforms. Over the past decade, prospects for medium-term growth in income per capita have been dimming. Particularly concerning is the sharper slowdown in low- and middle-income economies compared to their high-income counterparts. As a result, catching up to higher living standards has become increasingly challenging.

Unfortunately, elevated debt levels have also hindered the ability of low-income and frontier economies to invest in growth, raising the risk of debt distress in many regions. While there has been encouraging progress in debt resolution for some countries, experts stress the urgent need for faster progress in other highly indebted nations.

ECONOMY

GLOBAL / INDIAN ECONOMY

The global economic landscape remains uncertain, and challenges lie ahead. Policymakers and central banks face the task of balancing inflationary pressures, fiscal management, and structural reforms to ensure stable economic growth and financial stability. As the world economy looks towards recovery, careful decision-making and strategic policies will be crucial to overcoming the hurdles that lie ahead.

INDIAN ECONOMY

India's 50th GST Council Meeting

The 50th GST Council Meeting convened on the 11th of July 2023 has brought forth significant developments and key decisions with far-reaching implications for businesses across India. The meeting addressed various aspects, ranging from tax rate changes and exemptions to measures aimed at fortifying the GST implementation. Notably, the decisions have stirred concerns among online gaming companies while uplifting the healthcare sector with crucial exemptions on pharmaceutical imports.

One of the standout decisions that garnered attention was the imposition of a 28 % GST rate on gaming, horse racing, and casinos. The move has raised concerns among companies in the online gaming industry, who fear the potential impact on their operations and profitability. This decision aims to generate additional revenue for the government and regulate the rapidly growing gaming and gambling activities in the country.

However, the healthcare sector emerged as one of the beneficiaries of the 50th GST Council Meeting. The council decided to exempt GST on crucial pharmaceutical imports, providing a much-needed boost to the industry. This exemption is expected to lower the cost burden on pharmaceutical companies and improve accessibility to essential medicines for the general public.

The meeting also placed a strong emphasis on strengthening the implementation of the Goods and Services Tax (GST) through a series of measures. Several amendments were proposed to simplify processes, enhance compliance, and address tax liabilities faced by businesses. The council aimed to streamline reporting requirements and make it easier for businesses to adhere to GST regulations.

The decisions taken during the 50th GST Council Meeting hold considerable importance for businesses operating in India. The revised tax rates, particularly on gaming and gambling, will have implications for the entire industry. Online gaming companies may need to re-evaluate their pricing strategies and business models to navigate the increased tax burden.

INDIAN ECONOMY

On the other hand, the healthcare sector's exemption on pharmaceutical imports is expected to bolster the industry and improve access to vital medications for citizens. This move aligns with the government's efforts to prioritize healthcare and enhance the country's overall well-being.

The measures aimed at enhancing compliance and simplifying processes under the GST system reflect the government's commitment to creating a business-friendly environment. By addressing key challenges faced by businesses, the council aims to promote ease of doing business and boost economic growth.

Overall, the 50th GST Council Meeting has set the stage for significant changes in tax policies and regulations affecting various sectors in India. The decisions taken are expected to shape the business landscape and contribute to the country's economic trajectory in the coming months.

IMF projects Indian economy to grow at 6.1% in 2023

The IMF on July 25 projected a growth rate of 6.1% for India in 2023, which is a 0.2 percentage point upward revision compared with the April projection.

Recent government data revealed that India's GDP grew by 6.1 % in the fourth quarter of fiscal year 2022-23 beating Street estimates. For the entire fiscal 2022-23, the growth rate came in at 7.2 % underscoring the country's economic resilience amid geopolitical conflicts and global headwinds.

India's GDP has touched the US$3.75 trillion-mark in 2023 so far from around US$2 trillion in 2014, said finance minister Nirmala Sitharaman on June 12. FM Sitharaman has called India a 'bright spot' in the global economy, highlighting its position as the fifth largest economy in the world. At current prices, India's GDP ranks above the UK (US$3,159 billion), France (US$2,924 billion), Canada (US$2,089 billion), Russia (US$1,840 billion), and Australia (US$1,550 billion) at current prices.

There was another positive sign for the Indian economy:

"Rural Development Minister Giriraj Singh, in a written reply to the Lok Sabha, on July 25 informed that names of over five crore workers have been deleted under the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) in the financial year 2022-23. There has been a hike of 247% in deletions during 2022-23 as compared to 2021-22." (The Hindu, July 26)

A decline in the workforce participation within the MGNREGS is a positive indicator for the economy, implying that a greater number of individuals have successfully secured gainful employment and do not have a necessity for rural employment initiatives.

INDIAN ECONOMY

Looking forward:

India's economy will grow at a solid pace for the rest of this fiscal year and next but well below its potential rate, according to a Reuters poll of economists who also said the employment situation will improve only slightly.

India aspires to leapfrog to the status of a developed nation, riding on the demographic dividend, which demands an annual gross domestic product (GDP) growth rate of around 8% for the next 25 years. But reaching this milestone hinges on implementing key reforms in education, infrastructure, healthcare and technology.

"If we want to realize that 8% growth potential this decade...the biggest challenge before policymakers is to reallocate the surplus labour from agriculture to more productive sectors with gainful jobs in them," said Dhiraj Nim, economist at ANZ Research.

The latest Reuters poll of 53 economists taken between July 13 and 21 showed the Indian economy would grow 6.1% this fiscal year, a respectable rate when other major economies are expected to slow, maintaining a conducive environment for job creation.

It was forecast to grow 6.5% next fiscal year, with expectations of 6.2% growth this quarter, followed by 6.0% and 5.5%. The outlook was largely unchanged from a June poll. World Bank President Ajay Banga recently said the key to India's growth story is through more jobs as he outlined the opportunity to cash in on the "China Plus One" strategy, a scheme adopted by many companies to build manufacturing units outside of the People's Republic of China.

Performance of Key Indicators

The combined Index of Eight Core Industries (ICI) increased by 8.2 per cent (provisional) in June 2023 as compared to the Index of June 2022. The production of Steel, Coal, Cement, Refinery Products, Natural Gas, Fertilizers and Electricity increased in June 2023 over the corresponding month of last year. ICI measures combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP).

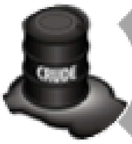
Final growth rate of Index of Eight Core Industries for March 2023 is revised to 4.2 % from its provisional level 3.6 %. The cumulative growth rate of ICI during the quarter April to June, 2023-24 reported 5.8 % (provisional) as compared to the corresponding period of last year.

ECONOMY

INDIAN ECONOMY

Summary of the Index of Eight Core Industries

Coal production (weight: 10.33%) increased by 9.8% in June, 2023 over June, 2022. Its cumulative index increased by 8.7 % during the quarter April to June, 2023-24 over corresponding period of the previous year.



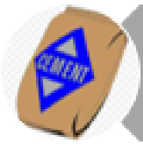
Crude Oil production (weight: 8.98 %) declined by 0.6 % in June, 2023 over June, 2022. Its cumulative index declined by 2.0 % during the quarter April to June, 2023-24 over the corresponding period of previous year.

Natural Gas production (weight: 6.88 %) increased by 3.6 % in June, 2023 over June, 2022. Its cumulative index increased by 0.1% during the quarter April to June, 2023-24 over the corresponding period of previous year.

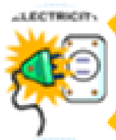
Petroleum Refinery production (weight: 28.04 %) increased by 4.6 % in June, 2023 over June, 2022. Its cumulative index increased by 1.9 % during the quarter April to June, 2023-24 over the corresponding period of previous year.

Fertilizer production (weight: 2.63 %) increased by 3.4 % in June, 2023 over June, 2022. Its cumulative index increased by 11.3 % during the quarter April to June, 2023-24 over the corresponding period of previous year.

Steel production (weight: 17.92 %) increased by 21.9 % in June, 2023 over June, 2022. Its cumulative index increased by 15.9 % during the quarter April to June, 2023-24 over the corresponding period of previous year.



Cement production (weight: 5.37 %) increased by 9.4 % in June, 2023 over June, 2022. Its cumulative index increased by 12.2 % during the quarter April to June, 2023-24 over the corresponding period of previous year.

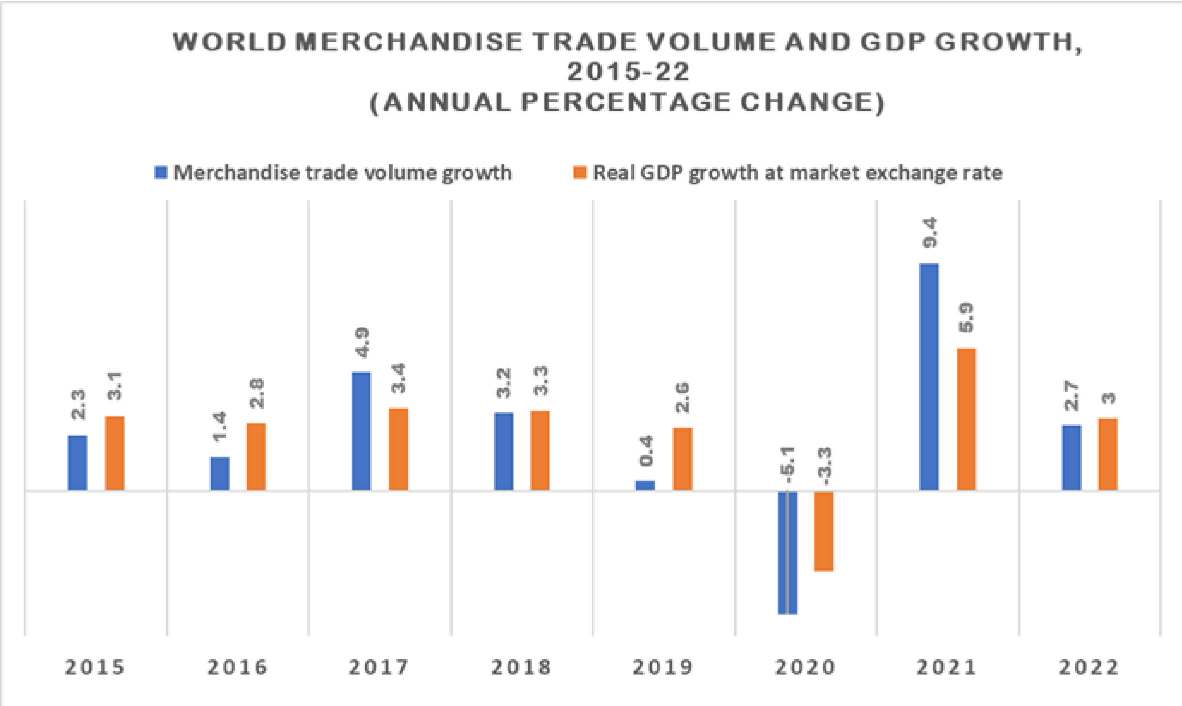


Electricity generation (weight: 19.85 %) increased by 3.3 % in June, 2023 over June, 2022. Its cumulative index increased by 1.0 % during the quarter April to June, 2023-24 over the corresponding period of previous year.

WTO UPDATES

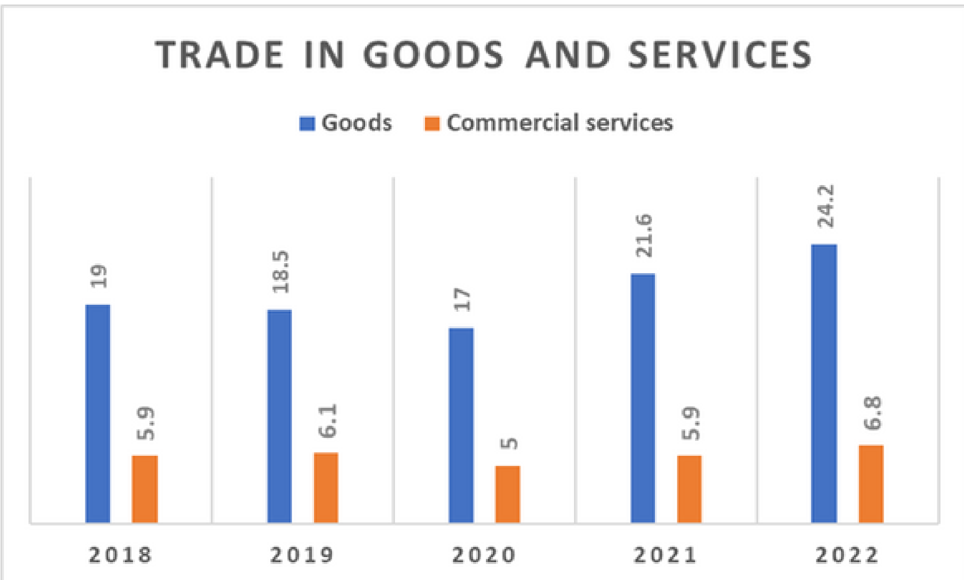
World Trade Statistical Review 2023

WTO issued the World Trade Statistical Report reviewing world trade patterns in 2022, with insights into the outlook for trade in 2023, in light of the wider international context. In volume terms, the world merchandise trade rose by 2.7% in 2022 after growing 9.4% in 2021 as the global economy rebounded from the COVID-19 pandemic. Trade growth in 2022 was accompanied by real GDP growth at market exchange rates of 3.0%, down from 5.9% in 2021.



Trade in goods and services

Trade in goods and services amounted to US$ 31.0 trillion in 2022, a 13% rise year-on-year. At the same time, trade in goods exceeded pre-pandemic levels in 2021, and trade in services caught up in 2022.



WTO UPDATES

According to the report, India ranks 18th as the leading exporter with US$ 453 billion & share of 1.8%and 8th as the importer with US$ 753 billion & share of 26% in the world merchandise trade in 2022.

In the manufacturing sector, China increased the value of its automotive product exports by 30% year on year in Q1 2022, capitalising on its strong position in lithium-ion battery manufacture to become the world's second-largest exporter of electric motor vehicles behind the European Union.

Services trade fared better than merchandise trade, growing 15% in 2022. International travel continued to rebound strongly, rising 70% year-on-year after many regions lifted pandemic-related mobility restrictions. Looking back through the entire pandemic period, computer services were the most dynamic sector in services trade, with global exports in 2022 worth 44% more than their value in 2019. Digitally delivered services – services provided via computer networks, from streaming games to remote consulting services – are an emerging source of growth, accounting for 54% of global services exports in 2022 and 12% of total international trade in goods and services. Within Europe and Asia, intra-regional flows accounted for a large share of trade in digitally delivered services, respectively accounting for 62% and 43% in 2021. In contrast, the intra-regional shares in South & Central America, the Caribbean, and Africa were only 8% and 3%, respectively, suggesting growth potential.

Between 2019 and 2022, exports of goods and services from least-developed countries (LDCs) rose by 31%, with goods exports increasing by 41% in value terms, once again reflecting higher commodity prices. Commercial service exports from LDCs are still reduced, 14% below before the outbreak. The slow recovery of tourism, especially travel to Asian LDCs inside Asia, partly attributable to ongoing pandemic-related measures in the region, is a significant contributor to the fall. Travel exports from Asian LDCs in 2022 were 74% less expensive than in 2019. However, African LDCs' travel exports fared better than average, falling 9% short of pre-COVID-19 levels in 2022.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

INDIA

India-UK FTA negotiations

The 12th round of negotiations between India and the United Kingdom is scheduled to take place in August. The discussions are anticipated to include topics such as investment, duty reductions on automobiles and whisky, and trade-in services. Out of 26 proposed chapters, 19 have been agreed upon, and a separate agreement on bilateral investment is also being discussed.

Both sides are in discussion and resolving differences on issues like investment, treaties, intellectual property rights (IPRs) and Rules of Origin extensively. Under the Rules of Origin, product-specific rules are being negotiated, which include value-addition norms for each product category, changes in chapter heading, and certification.

Further, Indian business is demanding greater access to the UK market for its professionals from areas such as IT and healthcare, as well as market access for a variety of commodities at zero duty.

On the other hand, the UK is seeking a major decrease in import duties on products such as scotch whisky, vehicles, lamb meat and certain confectionary items. Also, exploring greater prospects for UK services in Indian markets, particularly in telecommunications, legal services, and financial services such as banking.

FREE TRADE AGREEMENT/ BILATERAL DISCUSSIONS

WORLD

Israel signed FTA with Vietnam

Vietnam and Israel started negotiating the Vietnam-Israel Free Trade Agreement (VIFTA) seven years ago and had 12 negotiation sessions. On 25 July 2023, VIFTA was signed in Israel.

The VIFTA's signing and implementation will give Vietnam the opportunity to export growth to Israel while also having access to Israeli high-tech goods, lowering production and business costs and boosting the competitiveness of Vietnamese goods.

The agreement consists of 15 chapters and several appendices, which cover topics such as trade in goods, services and investment, rules of origin, technical trade barriers (TBT), sanitary and phytosanitary measures (SPS), customs, trade remedies, public procurement, and legal and institutional framework.

According to Israel's Central Bureau of Statistics report, the bilateral trade of goods stood at US$168.9 million in the first six months of 2023. Israel's majors export to Vietnam includes chemicals, machinery, medical and optical equipment, rubber, and plastics. The imports from Vietnam include machinery, fresh agricultural produce, and food products. The two sides anticipate that two-way trade will rise significantly and surpass US$3 billion. According to the Vietnamese Ministry of Industry and Trade, the agreement will ultimately reduce taxes on at least 86% of Vietnamese and 93% of Israeli products.

USAID & Indonesia's MOEF launched a climate and conservation partnership

Under a bilateral agreement with Indonesia's Ministry of Environment and Forestry (MOEF), the USAID has launched climate and conservation collaboration. This agreement directly supports Indonesia's Forestry and Other Land Use Net Sink 2030 Operational Plan, which is a critical strategy for Indonesia's nationally determined Contribution to the Paris Agreement on Global Climate Change.

The agreement will strengthen Indonesia's efforts to promote low-carbon growth, boost resilience to climate risks, and improve biodiversity conservation. Under this new Framework Agreement, USAID aims to contribute up to USD 50 million over the course of five years, in support of the MOEF's FOLU Net Sink climate and biodiversity objectives.

Monsoon Session of Parliament

The Monsoon Session 2023 commenced on July 20, 2023. It is scheduled to be held till August 11, 2023, with 17 sitting days. During the monsoon session, 21 Bills are listed for introduction, consideration, and passing.

Out of which, 3 Bills were passed by Parliament, which includes the Cinematograph (Amendment) Bill, 2023 and 8 Bills were passed by Lok Sabha, which includes (i) the Biological Diversity (Amendment) Bill, 2023, (ii) the Multi-State Co-operative Societies (Amendment) Bill, 2022, (iii) the Forest (Conservation) Amendment Bill, 2023, (iv) Mines and Minerals (Development and Regulation) Amendment Bill and (v) The Jan Vishwas (Amendment of Provisions) Bill, 2022.

Bills passed by Lok Sabha

- **Biological Diversity (Amendment) Bill, 2021**

The Lok Sabha passed the Biological Diversity (Amendment) Bill, 2023, to amend the Biological Diversity Act 2002. The bill's objectives include promoting ease of doing business in the biodiversity sector and encouraging foreign investments in the AYUSH sector. It aligns the definition of a foreign company with the Companies Act, 2013 (Sec 2(42) of the Companies Act, 2013 ('Act') defines a foreign company as a body corporate or company that is incorporated outside India but- Has a business place in India, whether through an agent or by itself, either physically or through electronic mode). The legislation ensures the sustainable use of biological components and equitable benefits-sharing with vulnerable communities. Notably, it decriminalizes all offences under conservation law, opting for penalty-based measures. This move significantly relieves the AYUSH sector, encompassing Ayurveda, Yoga and Naturopathy, Unani, Siddha, and Homeopathy, which the government has actively promoted.

Monsoon Session of Parliament

- **Multi-State Co-operative Societies (Amendment) Bill, 2022**

The Bill introduces significant amendments to the Multi-State Co-operative Societies Act 2002, with several key highlights. Firstly, it establishes the Co-operative Election Authority, responsible for conducting and overseeing elections to the boards of multi-state co-operative societies. Secondly, multi-state co-operative societies need government permission before redeeming their shareholding. Thirdly, a Co-operative Rehabilitation, Reconstruction, and Development Fund will be created to revive struggling multi-state co-operative societies, financed by contributions from profitable ones. While the Fund aims to aid sick societies, it places a burden on well-functioning ones. Additionally, granting the government the authority to restrict shareholding redemption may contradict the cooperative principles of autonomy and independence. Moreover, the Bill permits state co-operative societies to merge into existing multi-state co-operative societies, subject to respective state laws.

- **Forest (Conservation) Amendment Bill, 2023**

The Bill proposes amendments to the Forest (Conservation) Act 1980, extending its applicability to certain types of land. This includes land designated as forest under the Indian Forest Act 1927 or recorded in government records after the 1980 Act's enactment. However, land converted to non-forest use before December 12, 1996, remains exempt from the Act's provisions. Certain categories of land are excluded from the Act's scope, such as land within 100 km of India's border required for national security projects, small roadside amenities, and public roads leading to human settlements. The Bill seeks to ensure that any assignment of forest land to private entities, which previously required state government approval, now necessitates prior sanction from the central government. The central government will also specify the terms and conditions for such assignments. Permissible activities in forests, like establishing check posts, fencing, and bridges, are mentioned in the Act. Additionally, the Bill allows the operation of zoos, safaris, and eco-tourism facilities.

- **Mines and Minerals (Development and Regulation) Amendment Bill**

The Mines and Minerals (Development and Regulation) Amendment Bill has been passed by the Lok Sabha in India's monsoon session, permitting private companies to mine critical minerals like lithium. Previously restricted to state-owned enterprises, these minerals are crucial for economic development and national security. The bill aims to boost the exploration and mining of deep-seated and critical minerals by introducing an exploration license through an auction for reconnaissance and prospecting operations. The amended bill allows private firms to propose areas for exploration and mining, deviating from the traditional government-defined blocks for auction. With approval from the Union Cabinet, this move is expected to enhance the mineral sector and attract private investment in India's mining industry.

Monsoon Session of Parliament

- **Jan Vishwas Bill (Amendment) Bill 2022**

The Jan Vishwas (Amendment of Provisions) Bill, 2022, is a comprehensive amendment affecting 42 laws in various sectors like agriculture, environment, and media. It replaces fines with penalties, eliminating the need for court prosecution for administering punishments, and removes imprisonment for many offences. Surprisingly, all offences under the Indian Post Office Act, 1898 are being removed, raising concerns about privacy violations due to the elimination of punishments for unlawful opening of postal articles. The appointment of Adjudicating Officers for environmental offences is questioned due to their potential lack of technical and judicial competence. Additionally, the creation of the Environmental Protection Fund is unclear, given the existing funds for environmental protection. The Bill also decriminalizes offences under the High Denomination Bank Notes (Demonetisation) Act, 1978, raising questions about its relevance after 45 years.

POLICY/ REGULATORY UPDATES
INDIA

Uttar Pradesh's new Township Policy for affordable housing

Through the new township policy, the government will incentivise private developers to invest in the state. The state finance minister Suresh Khanna said that the government has been continuously promoting urbanization, and the new township policy decision is part of the government's efforts in this direction.

The developers will get the most significant alleviation under the Policy by lowering the land-use conversion cost. The conversion price would be discounted by 25% for townships built in areas with a population of more than five lacs but less than ten lacs and up to 50% for areas with less than five lacs.

The policy states that a township's land area will only be permitted for residential use if it is less than 50 acres; however, if it is more than 50 acres, it will also be allowed for agricultural use. The decision would be subject to the procedures required to turn the property into residential land.

According to a senior state government official, the UP government will also permit foreign direct investment (FDI) through the FDI policy of the Indian government's Ministry of Commerce and Department for Promotion of Industry and Internal Trade.

Recognition of Ayurvedic drugs by Swiss Medic

Indian ayurvedic drug exports increased after the COVID pandemic as FY 2023 reached US$ 628.48 million from US$ 428.08 million in FY 2020. Ayurveda Medicine exporters said Ayurveda products have a fast-growing market in all European Union countries. The Switzerland government's initiative to approve Ayurveda is a significant milestone in growing Indian traditional medicine worldwide.

The Pharmacopoeia Commission for Indian Medicine & Homoeopathy (PCIM&H), through the Ministry of Ayush, Govt. of India, is working with the Government of Switzerland to recognise Ayurvedic drugs. Under this, 41 substances of Ayurveda medicines have been recognized by Swissmedic, the Swiss authority responsible for the authorization and supervision of therapeutic products, and were included in the list of Traditional Asian Substances (TAS) approved by the Switzerland government.

WORLD

The inclusion of 41 substances came into effect on July 1, 2023; accordingly, the Swiss agency's 'Ordinance on Complementary and Herbal Medicinal Products' has been revised.

Some experts have praised it as this will help more research on traditional methods and provide an opportunity for MSMEs to export growth. On the other hand, some concerns have been raised about whether the manufacturing of medicine will be in India or Swiss and compliance with rules & regulations according to the Swiss market.

WORLD

European Union's Foreign Subsidies Regulation

The Foreign Subsidies Regulation ('FSR') comes into effect on 25th July 2023, and companies have to start notifying the details of relevant transactions on foreign subsidies from 12 October. This new set of rules is game-changing as it will resolve foreign subsidy distortions, allowing the EU to remain open to trade and investment while ensuring a level playing field for all enterprises participating in the Single Market. The Commission proposed the Regulation in May 2021, and the European Parliament and Council agreed in June 2022.

FSR applies to transactions above a certain threshold. Companies must notify the European Commission if their transactions involving foreign subsidies exceed this threshold. For mergers and acquisitions, notification is mandatory if the combined value of the merging companies' assets exceeds €500 million or the foreign financial contribution is more than €50 million. In addition, for public procurement procedures, the estimated contract value is at least €250 million, and the bid involves a foreign financial contribution of at least €4 million per non-EU country.

In addition to notification obligations, the EC will have the authority to conduct ex officio investigations or request notification where it suspects that distorting subsidies have been awarded.

According to Global Trade Research Initiative (GTRI) report, India will have an impact on products that come under any PLI Scheme, FAME or export benefits. These products include smartphones and other IT-related products. Furthermore, the report cautioned that if the Commission determines that a foreign subsidy is distorting competition, it can impose a variety of remedies, including fines of up to 10% of the company's annual aggregated turnover, requiring the company to repay the foreign subsidy if competition distortion is confirmed, or prohibiting the company from participating in public procurement.

OPINION COLUMN

Getting Inside Economics

Aditya Sinha

The Effect of Inflation on the Economy

Inflation, a persistent rise in the general price level of goods and services over time, is an intrinsic feature of modern economies. It is a complex and multifaceted phenomenon that plays a significant role in shaping the economic landscape. While moderate inflation (around 3%) is generally considered a sign of a healthy economy, excessive inflation can lead to adverse consequences. The following points aim to explores the effect of inflation on the economy, examining its impact on various aspects such as purchasing power, investment, interest rates, and income distribution.

- **Purchasing Power**

One of the most evident effects of inflation is its impact on the purchasing power of consumers. As prices rise, the value of money diminishes, reducing the quantity of goods and services that can be purchased with the same amount of currency. This reduction in purchasing power erodes the standard of living for fixed-income individuals, retirees, and those with limited wage adjustments. Consumers find their budgets stretched, leading to difficult choices and potential cutbacks in spending, affecting overall economic demand.

- **Investment and Capital Formation**

Inflation can also influence investment decisions. Uncertainty about future price levels may deter businesses from undertaking long-term investment projects. Investors fear that their capital's purchasing power will be eroded over time, leading to a preference for shorter-term and less productive investments. Consequently, the rate of capital formation may slow down, hindering economic growth and productivity improvements.

- **Interest Rates**

Inflation is intrinsically linked to interest rates, and the relationship between the two is crucial in understanding monetary policy. Central banks typically respond to rising inflation by increasing interest rates. Higher interest rates not only act as a tool to control inflation but also impact borrowing costs for businesses and consumers. As borrowing becomes more expensive, consumer spending and investment may contract, leading to a potential slowdown in economic activity.

- **Wage-Price Spiral**

Inflation can trigger a wage-price spiral, wherein rising prices lead workers to demand higher wages to maintain their purchasing power. In response, businesses pass on the increased labor costs to consumers, resulting in further price hikes. This cyclical pattern of rising wages and prices can fuel persistent inflation and make it challenging to bring inflation under control.

OPINION COLUMN

- **Debt and Savings**

Inflation affects debtors and savers differently. For borrowers, inflation can act as a hidden ally, eroding the real value of debt over time. Individuals and governments with substantial debt burdens may find that inflation helps to reduce the relative weight of their liabilities. On the other hand, savers experience a decline in the real value of their savings as inflation erodes the purchasing power of money held in savings accounts or low-interest investments.

- **Income Distribution**

Inflation can impact income distribution within society. Those on fixed incomes or with low-wage jobs may face a disproportionately higher cost of living compared to individuals with higher incomes. This disparity in the effects of inflation can exacerbate income inequality, creating social and economic tensions.

The Inevitable Dance

Inflation, as an ever -present economic force, has both positive and negative effects on the economy. When inflation is moderate and stable, it can facilitate economic growth, encourage investment, and provide incentives for businesses and individuals to spend and invest. However, excessive inflation can be highly detrimental, leading to eroded purchasing power, reduced investment, and distorted income distribution.

Managing inflation is a delicate balancing act for policymakers and central banks. Striking the right balance between controlling inflation to maintain economic stability and ensuring it does not impede growth is essential. With effective monetary and fiscal policies, economies can harness the positive aspects of inflation while mitigating its negative impacts, fostering a healthier and more prosperous economic environment for all.

(The writer is an Senior Research Analyst at VeKommunicate)

Smart Manufacturing

Akriti Kumari

The Future of Sales

Achieve and sustain growth with a networked, data-driven and digitally-enabled approach to sales.

Customers have taken control of the digital revolution's sales search and discovery process. In conversations with clients' sales teams, they note that consumers now seek out reviews and listen to recommendations and advocacy from influencers rather than relying on advertising for information. However, it's imperative for sales teams to be collaborative with their market, both customers and potential customers, to involve them in the journey and listen to their needs. In order for sales to provide the experiences their customers expect, their teams must understand when, where, and how their customers want to interact.

To optimize touchpoints, sales functions must embrace a fundamental shift where they provide different interactions, engage in direct conversations that deliver on customer value propositions and advance the customer lifetime value calculation built into performance metrics.

With the help of emerging technologies, sales can provide rich, multi-channel, easy engagements through seamless transactions and efficient payment processes to meet rising customer expectations and deliver value in every interaction.

Today's B2B customers are very clear about what they want from suppliers: more channels, convenience, and a more personalized experience. They want the right mix of in-person interactions, remote contact via phone or video, and e-commerce self-service across the purchasing journey. Adjusting to this new dynamic requires B2B organizations to shift from "traditional" and "inside" sales to "hybrid" in order to move with the customer.

Hybrid selling orchestrates the customer journey across multiple touchpoints and is a critical capability in the omnichannel ecosystem. More than just a remote call centre with salespeople working out of their home offices, hybrid selling is a flexible, scalable—and frequently more profitable—way to reach buyers. It utilizes a combination of remote and e-commerce channels to serve customers where they prefer to buy. Because of its omnichannel nature, it enables broader and deeper real-time customer engagement.

The most compelling reason why remote sales is here to stay is that it works. Remote sales reps can reach four times as many accounts in the same amount of time and generate up to 50 per cent more revenue.

Even partial shifts can generate significant performance benefits. B2B buyers apparently agree. In 2021, more than two-thirds opted for remote human interactions or digital self-service across the sales process, underscoring the need for sellers to offer in-person, remote, and digital self-serve interactions in equal measure if they want to meet buyers' expectations.

Agility: *Go remote where possible and where customers prefer it—but don't abandon in-person sales completely* - Hybrid sales structures expand upon the pre-pandemic version of inside sales, creating an agile organization in which the majority of selling is conducted virtually. Resources are deployed dynamically in response to customer opportunities. In-person engagement doesn't go away entirely, but it is reserved for specific accounts and moments that matter, such as very large customers with complex needs or for important opportunities, like buying a new product or solution, where buyers have signalled their preference for face-to-face engagement.

Technology: *Optimize tech for a remote-first environment* - The pandemic has given rise to increasing use of a vast number of excellent technology tools that sales teams can deploy to their advantage—while also delighting customers across all stages of the funnel. However, the menu of choices can be overwhelming, and sales organizations run the risk of overcomplicating their IT environment if they allow next-generation bells and whistles to distract from core needs.

Talent: *Cultivate next-gen sales capabilities and attract more diverse talent by becoming a learning organization* - As sales structures have evolved, so have traditional sales roles, such as field sales and inside sales, with many settling into a hybrid approach. A hybrid seller has the same set of responsibilities as a traditional field-based representative. Still, hybrid sellers use videoconferences, online chats, and the support of e-commerce to close deals, spending at least half their time working remotely. In contrast, field sellers spend most of their time in person with customers or travelling for customer meetings. Hybrid roles also allow for more diverse and inclusive organizations, according to a recent Forbes article, by removing barriers for talented people who were excluded from job opportunities in the past because they were unable to travel daily to an office, including primary caregivers, people with disabilities, and people facing economic housing limitations

Recent research demonstrates the positive business impact of weaving human and digital interactions together to create a cohesive buyer journey. It's time to explore practical ways to challenge long-held assumptions about B2B sales and shape a new mindset for the future.

(The writer is an Senior Research Analyst at VeKommunicate)

OPINION COLUMN

Environment Equity

Saloni Goyal

Microplastic impact on drinking water

Microplastics are everywhere around us; thus, it is inevitable that they will enter our bodies and have an effect on our health. Humans may swallow microplastics through polluted drinking water in addition to various other ways, such as eating or drinking certain foods.

Microplastics encompass a wide range of materials composed of different substances with different densities, chemical compositions, shapes and sizes. Microplastics have no scientifically agreed definition, although they are frequently defined as plastic particles <5 mm long. However, this is a rather arbitrary definition and is of limited value in drinking water since particles at the upper end of the size range are unlikely to be found in treated drinking water. A subset of microplastics <1 µm in length is often called nanoplastics.

Drinking-water sources may become contaminated with microplastics in a variety of ways, including surface runoff (such as after a rainstorm), wastewater effluent (both treated and untreated), combined sewer overflows, industrial effluent, degraded plastic debris, and atmospheric deposition. The two main sources are known to be wastewater effluent and surface runoff. Better data are still needed to quantify the sources and link them to more precise plastic waste streams. Microplastics in drinking water may also come from plastic bottles and lids used on bottled water.

According to the WHO, nine studies measuring microplastics in drinking water were identified; these studies revealed particle counts in individual samples ranging from 0 to 10 000 particles/L and mean values ranging from 10-3 to 1000 particles/L. Microplastic pieces and fibres were the most common particle shapes discovered in drinking water, with polyethene terephthalate and polypropylene being the most commonly detected polymers.

Potential threats posed by microplastics in drinking-water

Microplastics pose potential risks in three forms: physical particles, chemicals, and microbial diseases found in biofilms. Particles may cause impacts in the body depending on a variety of particle physicochemical features such as size, surface area, and shape.

Despite the fact that plastic polymers are generally thought to be low in toxicity, plastics and microplastics can include unbound monomers and additives. Hydrophobic substances in the environment, such as persistent organic pollutants, may also bind to the plastic particle. When bacteria grow on drinking-water distribution networks and other surfaces, biofilms build in the water.

The majority of bacteria found in biofilms are not harmful. The health risk posed by microplastics in drinking water is determined by both hazard (the potential for unwanted consequences) and exposure (dosage). The same chemical can have different effects at different doses, depending on how much of the material a person is exposed to and the method of exposure, such as ingestion, inhalation, or injection.

To minimize the microplastics in drinking water, actions that can be taken are reducing the use of plastics where possible, improving recycling programmes, reducing littering, improving circular solutions and decreasing industrial waste inputs into the environment.

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