ONGC News, 08.01.2022 Print

FISCAL DEFICIT MAY BE LESS THAN 6.8%

Even if the government spends ₹71,000 crore extra over the Budget Estimate (BE) and all other revenue streams remain constant at BE level, it would be able to rein in the deficit at 6.8 per cent of GDP. Also, healthy tax receipts and the robust dividend by the RBI may help it improve on the target. 4

Growth forecast with Omicron overhang

THE ADVANCE ESTIMATES FOR FY22 COME AT A TIME WHEN THE ECONOMY IS RECOVERING FROM TWO WAVES OF COVID-19. HOWEVER, WITH ONE QUARTER LEFT THIS FISCAL YEAR AND FRESH CURBS BEING IMPOSED IN PARTS OF THE COUNTRY TO COMBAT THE OMICRON VARIANT, THE ESTIMATES MAY UNDERGO REVISIONS

Govt may rein in fiscal deficit at 6.8% of GDP

The government was given this lever after the first Advance Estimates pegged GDP at current prices at ₹232.15 trillion

INDIVJAL DHASMANA
New D8lhi, 7 January

Even if the government spends ₹71,000 crore more than the Budget Estimates (BE) and all revenues remain constant at the BE level, the Centre would be able to rein in its fiscal deficit at 6.8 per cent of gross domestic product (GDP).

The lever to the government was given by the first Advance Estimates, which pegged GDP at current prices at ₹232.15 trillion for 2021-22 as against ₹222.87 trillion assumed by the Budget. The new GDP number would be used to change various figures in the Revised Estimates compared to the BE for FY22 in the forthcoming Budget.

The Budget had assumed the growth rate of 14.4 per cent over ₹194.82 trillion of nominal GDP projected by the first Advance Estimates for 2020-21 then. Meanwhile, GDP at current prices came at 197.46 trillion for 2020-21, ₹2.64 trillion higher than projected by the first Advance Estimates that time.

The first Advance Estimates have now pegged the GDP growth rate at 17.6 per cent at current prices for 2021-22, broken down into expansion of GDP at constant prices at 9.2 per cent and the inflation rate of 8.4 per cent.

The fiscal deficit could now be widened to ₹15.78 trillion from the projected ₹15.07 trillion, and even then the BE target of reining it in at 6.8 per cent would be met.

THE GOVT EYES ₹1.45 TRILLION FROM LIC'S IPO AND BPCL PRIVATISATION. OF THESE TWO BIG-TICKET DISINVESTMENTS, BPCL'S DISINVESTMENT IS ALL SET TO BE DEFERRED WHILE LIC'S IPO MAY COME UP BY MARCH THAT WILL FETCH THE GOVT ₹1 TRILLION

However, the issue is that the government would not spend just ₹71,000 crore but ₹3.28 trillion over the BE, for which it has already got Parliamentary nod through two batches of the supplementary demand for grants. Of this, ₹1.75 trillion is expected to be funded by the buoyant tax receipts and the RBI's dividend.

Tax collections, after devolution to the states, stood at ₹11.35 trillion by the end of November, constituting 73.5 per cent of the BE at ₹15.45 trillion in the current financial year. It had constituted 42.1 per cent of the BE in the previous financial year and 45.5 per cent in FY20. On the other hand, non-tax revenues, including the RBI's dividend, stood at ₹2.23 trillion, accounting for 91.8 per cent of the BE at ₹2.43 trillion. It had constituted 32.3 per cent of the BE in the corresponding period of FY21 and 74.3 per cent in FY20.

ILLUSTRATION: AJAY MOHANTY

SILVER LINING

Nominal GDP in ₹ trillion 2021-22 assumed in the Budget for 2021-22	Fiscal Deficit as % of GDP in Budget Estimates for 2021-22	Fiscal Deficit in ₹ trillion in Budget Estimates
222.87	6.8	15.07

Nominal GDP projected by Advance Estimates in ₹trillion	Fiscal deficit at 6.8% of GDP in ₹ trillion	Leeway in ₹ trillion
232.15	15.78	0.71

Source: Budget for 2021-22, Advance Estimates for 2021-22

Most of the remaining ₹1.53 trillion of extra spending is expected to be matched by savings from the departments which would not spend the amount allocated to them in the Budget.

That way, the government was in a comfortable position to rein in its fiscal deficit at 6.8 per cent of GDP. However, disinvestment receipts of the government have not progressed in line with the projections given in the Budget. The Budget had pegged ₹1.75 trillion to come from this head, but only ₹9,330 crore has been realised till date.

The government eyes ₹1.45 trillion from LIC's IPO and BPCL privatisation. Of these two big-ticket disinvestments, BPCL's disinvestment is all set to be deferred while LIC's IPO may come up by March that will fetch the government ₹1 trillion.

India Ratings Chief Economist Devendra Pant said the government would improve upon its projections by reining in its fiscal deficit at 6.6 per cent of GDP in FY22. He projected this number by assuming that disinvestment proceeds would yield just ₹45,000-50,000 crore.

However, Aditi Nayar, chief economist, ICRA Ratings, said only if the LIC IPO sees the light of the day in the current financial year, the government will be able to contain the fiscal deficit at 6.8 per cent of GDP.

D K Srivastava, chief policy advisor, EY India, said with buoyant tax revenues, the government may be able to limit the fiscal deficit to its budgeted level of 6.8 per cent of GDP although a marginal slippage may not be ruled out.

Business Standard
Govt invites bids to set up sales network for natural gas supply
Jan 8, 2022 | Delhi | Pg No.: 6 | | Sq Cm:30 | AVE: 75347 | PR Value: 376734

Govt invites bids to set up sales network for natural gas supply

The Petroleum and Natural Gas Regulatory Board has invited bids for licences to supply natural gas to households, automobiles and small industries, an official statement said on Friday, as the country pushes to cut its net carbon emissions to zero by 2070. The regulator has set a deadline of April 6 to submit bids for city gas distribution (CGD) authorisation for areas offered in the states of Bihar, Jharkhand, West Bengal, Uttar Pradesh and Chhattisgarh. **REUTERS**

Govt seeks bids for five new CGD areas

FE BUREAU
New Delhi, January 7

THE PETROLEUM AND Natural Gas Regulatory Board (PNGRB) has invited bids for five new geographical areas (GAs) for the second tranche of the 11th round of bidding for city gas distribution (CGD).

According to the public notice issued on Friday, two GAs are in Chhattisgarh, one each in West Bengal and Uttar Pradesh and one GA shared between Bihar and Jharkhand. This latest call for auctions follows the government receiving more than 430 bids against 61 GAs in December 2021 in the first tranche of the 11th round of CGD bidding, where 65 GAs spread over 215 districts in 19 states and one Union Territory was offered. The last date for receiving bids under the latest auction has been set as April 6.

Presently, there are 228 GAs authorised by PNGRB in 27 states and UTs covering about 70% of the country's population. After the 11th round, CGD networks are expected to reach more than 90% of the population. The present share of gas in the energy basket of the country is more than 6%, and the target is to take it to 15% by 2030. CGD uses 22% of natural gas in the country, and is the second-largest gas consuming category followed by fertiliser.

The CGD sector receives cheaper domestic gas under administered price mechanism for the domestic piped natural gas (PNG) and compressed natural gas (CNG) categories. However, liquefied natural gas has to be purchased from outside to meet the industrial and commercial PNG demand. The CNG segment comprises around 40% of consumption in CGD. As on November 2021-end, there were 83.7 lakh domestic PNG connections and 3,532 CNG stations across the country.

Bids for city gas sales network invited

New Delhi: The government has invited bids in an auction for licences to supply natural gas to households, automobiles and small industries in some areas of five states, an official statement said on Friday, as the country pushes to cut its carbon emissions.

The Petroleum and Natural Gas Regulatory Board on Friday set a deadline of April 6 to submit bids for city gas distribution authorisation for areas offered in the states of Bihar, Jharkhand, West Bengal, Uttar Pradesh and Chhattisgarh.

The board has so far awarded CGD licences for some areas of 27 states and UTs. **REUTERS**

PNGRB floats bids for city gas networks

OUR BUREAU

New Delhi, January 7

The Petroleum and Natural Gas Regulatory Board on Friday invited bids for city gas distribution (CGD) network in five geographical areas (GAs) covering 27 districts across Uttar Pradesh, Bihar, Jharkhand, Chhattisgarh and West Bengal.

The oil regulator invited electronic bids under '11A CGD Bidding Round' and the last date of bid submission is April 6. Along with bids for 61 GAs the 11th CGD round will cover 28.47 per cent of the country's population and 34.66 per cent of its area.

"Upon finalisation of bids under these rounds, approximately 88 per cent of the country's area will be authorised for development of CGD Network to provide access of natural gas to approximately 98 per cent of country's population," PNGRB said in a statement.

As of March 2021, provisionally, India had a total of 78.65 lakh piped natural gas connections and 3,094 compressed natural gas stations

The regulator had launched the 11th CGD Bidding Round in September 2021 for development of CGD network in 65 GAs spread over 215 districts (212 complete and three partly) in 19 States and one Union Territory covering 26 per cent of India's population and 33 per cent of its area. The technical bids were opened in December 17-22, 2021 wherein 439 bids were received from 26 entities against 61 GAs. This is expected to fetch investment of more than ₹80,000 crore and generate employment.

In the 10th CGD bidding round in November 2018, around 50 GAs were authorised for development of the CGD network. While in the ninth round of CGD bidding (May 2018), PNGRB offered 86 GAs covering 174 districts (156 complete and 18 part) spread over 22 states and union territories covering 29 per cent of India's population and 24 per cent of its geographical area.

Extensive coverage

At present, there are 228 GAs authorised by the regulator across 27 States and union territories covering around 53 per cent of the country's geographical area and 70 per cent of its population. In the past, PNGRB has conducted 8 rounds of bidding for developing CGD infrastructure resulting in award of 56 GAs, including 29GAs, which were initiated before PNGRB and six government mandated GAs.

As of March 2021, India had a total of 78.65 lakh piped natural gas (PNG) connections and 3,094 compressed natural gas (CNG) stations on a provisional basis.

Business Standard
Shell pursues $7 bn buyback despite LNG troubles
Jan 8, 2022 | Delhi | Pg No.: 8 | | Sq Cm:31 | AVE: 76740 | PR Value: 383700

Shell pursues $7 bn buyback despite LNG troubles

Royal Dutch Shell said it will pursue "at pace" a $7 billion share buyback largely funded from the sale of its US shale business as it faces liquefied natural gas (LNG) outages and slower fuel sales due to the economic hit from Omicron. Shares in Shell, the world's largest trader of LNG, were down 0.32 per cent on Friday after a trading update ahead of its quarterly results on February 3. This compared with a 0.12 per cent rise in the broader European energy index. **REUTERS**

Sri Lanka signs deal to lease 75 oil tanks to IOC unit

REUTERS
Colombo, January 7

Sri Lanka on Thursday signed a deal with the local unit of Indian Oil Corp, Lanka IOC, to lease 75 oil tanks, as the island moved closer to securing a $500 million fuel credit line from India.

The signing of the deal comes ahead of Chinese Foreign Minister Wang Yi's visit to Colombo this weekend, with China also vying for clout in Sri Lanka.

Sri Lanka is facing its worst financial crises in decades with its foreign exchange reserves dwindling and nearly $4.5billion worth of debt repayments due in 2022, prompting it to look at innovative ways to bring in foreign exchange.

Previously Sri Lanka had agreed to lease all of its 99 tank oil farms to India in 2003. According to the new pact, Lanka IOC will have 14 tanks on a 50-year lease while its joint venture with State-run Ceylon Petroleum Corporation (CPC), the Trinco Petroleum Terminal, will develop 61 oil farms. CPC will use the remaining 24 tanks.

"This agreement will nullify the lease agreement entered into by the two countries in 2003 and bring the tank farm under a new governance structure," Sri Lanka's energy ministry said in a statement on Thursday.

Prior to this agreement, Lanka IOC was operating 15 of the 99 storage tanks in the eastern port of Trincomalee.

The Sri Lankan government had been considering developing the rest to increase its fuel storage capacity.

The Financial Express
Yields rise on Fed stance, hardening of oil prices
Jan 8, 2022 | Delhi | Pg No.: 6 | | Sq Cm:276 | AVE: 904231 | PR Value: 4521155

● UNCERTAINTY AMONG INVESTORS

Yields rise on Fed stance, hardening of oil prices

Absence of announcement of a new benchmark bond by the RBI added to the disappointment among traders

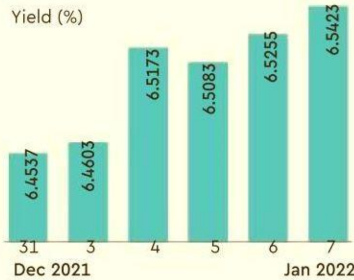
FE BUREAU
Mumbai, January 7

THE YIELD ON benchmark bonds surged more than 9 basis points for the week ended January 7 following a sharp rise in US Treasury yields, hawkish minutes by the US Federal Open Market Committee and a sharp rise in global crude oil prices. Additionally, there was disappointment among traders after states increased their borrowing through bonds in the January-March quarter and the absence of announcement of a new benchmark bond by the Reserve Bank of India (RBI).

The yield on the benchmark 6.10%-2031 bond, which was trading at 6.4537% last week, breached the psychological mark of 6.50% and traded above 6.54% by the middle of this week. It ended at 6.5423% on Friday.

"Currently, Indian bond yields are more influenced by external factors like the US Treasury yields and crude oil prices which are moving higher. As things settle down on the global front, we may see markets switching their focus to the domestic inflation and fiscal deficit. At the current level of yields, much of the negative seems already priced in," Pankaj Pathak, fund manager, fixed income at Quantum Asset Management, said.

10-year benchmark government bond



The yield rose through the week following the sharp rise in 10-year benchmark US Treasury notes after FOMC minutes signalled earlier-than-expected tightening of monetary support and an expected rate hike in 2022. The 10-year benchmark US Treasury notes have surged nearly 20 basis points since last week and ended at 1.73% on Thursday. Rising yields on US securities narrow the interest rate differential with emerging markets debt yields, leading to the latter becoming less attractive to foreign investors.

Prices of Brent crude oil have risen after the unrest in Kazakhstan and the deteriorating political situation in Libya which affected the supply. By the end of Indian market hours, Brent crude prices were trading at $82.78 a barrel, up 0.96%.

Adding to this, there was also uncertainty among investors after the market borrowing of states via bonds in January-March increased more than the expected amount. The RBI, last week, announced a higher market borrowing of ₹3.09 lakh crore for states for the quarter January-March. "The yield should continue to see upward pressure as the markets worry about the supply, including SDL, as we enter the Budget session," Sandeep Yadav, head – fixed income, DSP Investment Managers, said.

Market participants expect the RBI to announce a new benchmark next week as the current 10-year benchmark bond has reached an outstanding amount of ₹1.5 lakh crore. Dealers expect each auction will put an added strain on the yields due to cancellation and devolvement on primary dealers.

"The cancellation of the auction last week does show RBI's discomfort on the sudden rise in yields. Thus, it is quite likely that the RBI will announce a new 10-year benchmark to show better headline numbers on benchmark yield," Yadav said.

Business Standard

Oil set for third weekly advance

Jan 8, 2022 | Delhi | Pg No.: 11 | | Sq Cm:95 | AVE: 234749 | PR Value: 1173747

Oil set for third weekly advance

BLOOMBERG
7 January

Oil was poised for a third weekly gain as demand remained resilient while supplies are frayed across the Opec+ coalition and beyond.

Futures increased again on Friday to trade near $80 a barrel in New York, bringing this week's increase to almost 7 per cent.

Kazakhstan's biggest oil producer has altered output at the giant Tengiz field following protests in the country, while Libyan production has also been crimped.

The oil market has firmed into a bullish backwardation structure, signaling growing supply tightness.

The Opec+ alliance this week stuck with a scheduled output boost of 400,000 barrels a day for February, but the group is unlikely to meet that threshold as some members struggle to achieve their targets. Production in Libya has declined amid militia unrest, while Russia also failed to boost volumes last month.

Nigeria, beset by disruptions at loading facilities, pumped just 1.35 million barrels a day of crude last month.

The Morning Standard

Auto, telecom, BPO, insurance & oil sectors see fall in hiring, says report

Jan 8, 2022 | Delhi | Pg No.: 10 | | Sq Cm:362 | AVE: 869889 | PR Value: 4349446

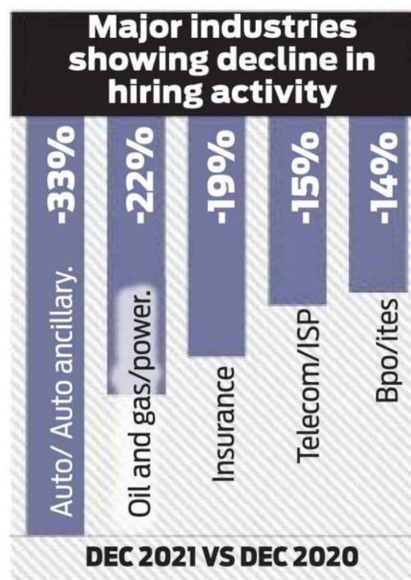
Auto, telecom, BPO, insurance & oil sectors see fall in hiring, says report

ENS ECONOMIC BUREAU @ New Delhi

REFLECTING a negative hiring sentiment, major industries like auto, telecom, oil, BPO, insurance saw a fall in hiring in December, according to Naukri JobSpeak index released on Friday.

Sectors such as insurance (-19%), BPO (-14%), and FMCG (-12%) saw a decline in hiring activity in December this year over the same period last year, says the report.

"On the other hand, the software & IT sector continues to grow by 8% Y-O-Y. Real estate sector showed a growth of 8% in hiring activity for Dec '21. Sectors like travel and hospitality (+22%), retail (+20%) and education (+12%), have been showing good growth owing to the festive quarter and a rebound," the report said, adding other sectors that grew included BFSI (+3%) and advertising (+18%).



Pawan Goyal, Chief Business Officer, Naukri.com, commented on the report saying, "As companies continue to press the pedal on their digital transformation journeys, the demand for certain functional areas and sectors will keep growing."

While hiring for new applicants and young professionals was flat in Dec'21 over last year, demand witnessed a slump for professionals in the 8-12 years at (-4%) and 13-16 years (-9%) experience segments.

Geographically, the report notes that metros, except Delhi and Kolkata, witnessed growth. But amongst the emerging cities, barring Ahmedabad, other tier-2 cities such as Kochi, Coimbatore, Jaipur, and Chandigarh have shown a dip in hiring activity in Dec'21 vs Dec'20.

RISE OF UNCERTAINTY

Protests, violence in Kazakhstan underline fragility of authoritarian regimes. Instability in country will resonate in regional geopolitics

THE UNFOLDING CRISIS in Kazakhstan is about more than just the rise in LPG prices, consequent inflation and violent unrest since January 1. The protests, violence and backlash against an authoritarian government echo crises that preceded the fall of the Iron Curtain, exposing the fragility of even the most entrenched autocratic regimes. Instability in the country is also a challenge to equilibrium in the region, which is still reeling from the strategic consequences of the Taliban takeover of Afghanistan.

As of Thursday evening, at least a dozen security and police personnel have been killed and over 2,000 protesters arrested. These numbers are likely to rise once the internet and communications are restored in large parts of the country and more information comes in. The protests, initially peaceful, erupted in violence and firing, as has been reported in Almaty, Kazakhstan's largest city, as well as in other areas. President Kassym-Jomart Tokayev called for military aid from the Collective Security Treaty Organisation — a Russia-led security alliance of former Soviet republics — and Russian "peacekeeping" troops are now reportedly present in the country. The protests, initially about fuel prices, quickly became demands for the ouster of "old man" Nursultan Nazarbayev. The last of Soviet-style apparatchiks, Nazarbayev has ruled the country since its independence from the USSR till 2019, and is still considered the power behind Tokayev, his chosen successor. The latter's decision to dismiss the government and remove his mentor from official posts has done little to placate the protesters.

Kazakhstan, the largest and most oil-rich of the former USSR's Asian republics, has functioned under an autocratic regime, which has curbed citizens' rights. It is also a deeply unequal society, despite the wealth it has gained from its oil reserves. Yet, it has been largely secular and stable and this, coupled with its energy resources, has meant that the country receives international investment and is of strategic significance: Neither China nor Russia can afford political instability in an important neighbour. The call for Russia's intervention also shows that despite Beijing's economic might, Moscow, for good or ill, continues to be the main security provider in the region. Kazakhstan attended the NSA-level summit hosted by India on Afghanistan in November, and there is a reasonable fear that the current tumult, if it continues for long, will, among other things, complicate Delhi's plans in the region further.