

# 14 ECONOMY

## BULLION WATCH GOLD OFF 3-WEEK HIGHS

**Bengaluru:** Gold prices pared gains on Thursday after hitting three-week highs earlier in the session as a set of better than expected US data lifted the dollar, while palladium notched a record peak on supply concerns. **REUTERS**

### DESPITE RISE IN DIGITAL TRANSACTIONS

# Cash in circulation jumps 19.1% from pre-demonetisation level

**GEORGE MATHEW**  
MUMBAI, MARCH 21

CURRENCY IN circulation (CIC) has jumped by 19.14 per cent to a record high of Rs 21.41 lakh crore as on March 15, 2019 from the pre-demonetisation level of Rs 17.97 lakh crore on November 4, 2016, indicating that cash is back in the reckoning in the financial system.

Despite the rise in digital transactions, CIC has increased by over Rs three lakh crore in the last one year from Rs 18.29 lakh crore in March 2018, according to the latest data available from the Reserve Bank of India (RBI). After Rs 500 and Rs 1,000 notes were withdrawn from the system in November 2016, CIC had fallen to around Rs 9 lakh crore on in January 2017. Cash in the system has been steadily rising even though the government and the RBI pushed for a "less cash society", digitization of payments and slapped restrictions on the use of cash in various transactions. Officials were citing the high level of cash in the system, counterfeit notes and black money as reasons for demonetisation.

**EXPLAINED**

## Cash in system rising, while govt push for 'less cash'

CASH IN the system has been steadily rising even though the government and the RBI pushed for a "less cash society", digitisation of payments and slapped restrictions on the use of cash in various transactions.

With Lok Sabha elections around the corner, currency in circulation is expected to rise further. After rising close to Rs 3.50 lakh crore from the pre-demonetisation level, it continues to rise even now.

According to bankers, cash in the system normally increases before the elections. The demand for currency also increases after the monsoons as the harvesting begins in October followed by Rabi sowing, eventually giving rise to cash requirement. The festive season also brings along its natural demand, which gets accentuated with buying of gold, automobiles, increasing the demand for currency.

The Annual Report of the RBI for 2018 says the reserve money growth was driven primarily by the expansion of cur-

rency in circulation as the pace of demonetisation quickened and eventually, the pre-demonetisation level of CIC was exceeded in March 2018. Consequently, the velocity of CIC declined gradually, converging to its long-term trend. Driven largely by private sector banks, credit growth revived from a historic low in 2016-17 and crossed double digits from December 2017, re-emerging as a significant source of financing for the commercial sector.

Additionally, heightened economic activity beginning Q4 of FY18 has meant that the demand

for working capital cycle has changed for the better resulting in more usage of cash for transactional purposes. This may have also prompted more withdrawals at the ATM to support the same level of currency demand. This has amplified over time and is known in the supply chain literature as the Bullwhip Effect, said an SBI Research report.

After Rs 500 and Rs 1,000 notes were withdrawn from circulation on November 8, 2016, the Annual Report of the RBI for 2018 said nearly all of that money had come back to the banking system. The RBI received Rs 15.310 lakh crore of Rs 500 and Rs 1000 notes, or 99.3 per cent of Rs 15.417 lakh crore worth of notes which were in circulation as on November 8, 2016, when the government announced demonetisation.

Cash transactions through ATMs were also rising steadily. From Rs 200,648 crore in January 2017, debit card transactions through ATMs and point of sale (PoS) terminals rose to Rs 295,783 crore in January 2018 and Rs 316,808 crore in January 2019, according to the RBI data. Of Rs 3.16 lakh crore debit card transactions, Rs 2.66 lakh crore was withdrawal through ATMs.

The value of monthly transactions made using the Unified Payments Interface (UPI) crossed the Rs 1-lakh crore mark for the first time in December 2018, data released by the National Payments Corporation of India (NPCI) says.

Significantly, banks are now witnessing a lower deposit growth. Credit growth at 14.6 per cent has outpaced deposit growth at 9.8 per cent. If credit growth continues to outpace deposit growth, then scheduled commercial banks reliance on bulk deposits is likely to increase which could lead to a higher cost of funds along with increasing volatility in the asset-liability structure of banks, says a report by India Ratings.

The RBI says retail payments have grown by nearly 45 per cent in volume and 30 per cent by value during 2017-18. Retail payment systems in India are characterised by large volumes and this makes it necessary that the systems are available whenever and wherever they are required. If these systems are to deliver at the desired levels of expectations, then there is a need to focus on certain key essential features of 'excellence', the regulator has said.

### 'GENERAL INSURERS' PREMIUM RISES 23% TO ₹12,959 CR IN FEB'

General, or non-life, insurance companies registered 23 per cent growth in their premium at Rs 12,959.44 crore in February, data from the Insurance Regulatory and Development Authority of India (IRDAI) showed

**₹10,916.33 cr**

Premium collected by 25 of 34 general insurers during Feb 2019, showing an 18.1% rise over year-ago period

**₹ 920.03 cr**

Collective premium of two specialised PSU insurers in February 2019, registering 80% year-on-year growth

**₹1,123.08 cr**

Premium collected by seven standalone private health insurance firms in Feb, shows 38% rise over year ago period

**₹10,573.70 cr**  
Gross premium garnered by all 34 general insurers in February 2018

**₹1,52,097.04 cr**  
Cumulative premium of all 34 non-life insurers during April-February 2018-19, as against Rs 1,34,084.94 crore in year-ago period; growth of 13.43 per cent

### TOP 10 GENERAL INSURANCE COMPANIES WITH PREMIUM COLLECTED IN FEB 2019

Name of insurers	Premium collected in Feb 2019 (in Rs cr)
The New India Assurance Company Limited	1,550.15
National Insurance Company Limited	1,312.33
ICICI Lombard General Insurance Company Limited	1,133.26
United India Insurance Company Limited	1,097.57
The Oriental Insurance Company Limited	933.13
Bajaj Allianz General Insurance Company Limited	709.44
Tata AIG General Insurance Company Limited	621.37
HDFC Ergo General Insurance Company Limited	612.13
IFFCO Tokio General Insurance Company Limited	477.53
Cholamandalam MS General Insurance Company Limited	394.00

### 'NO SURETY ON OTHER LIFE INSURER'

## Irdai panel may identify LIC as systematically important insurer

**ENSE ECONOMIC BUREAU**  
MUMBAI, MARCH 21

THE COMMITTEE set up by insurance regulator IRDAI to identify domestically Systematically Important Insurer (SII) and put in place an enhanced regulatory framework for such institutions is likely to identify Life Insurance Corporation (LIC) as an SII in the sector.

However, insurance sector officials are not sure whether any other life insurer or a general insurance player other than LIC will qualify for the status. The committee headed by Pravin Kutumbe, Member-Finance & Investment, Irdai, has been asked to submit report in six months.

"Given the dominant position of LIC in India, while any other insurer qualifies to be a D-SII or not, that LIC is a sure candidate does not require much explanation," said KK Srinivasan, former Member (non-life) of Irdai. Explaining the rationale for having enhanced regulatory watch for SII, Irdai had said the failure of an SII has potential to cause significant disruption to the essential services they provide to policy holders and to the overall economic activity in the country.

SII are perceived as insurers that are 'too big to fail'. "The continued functioning of SII is critical for the uninterrupted availability of uninterrupted insurance services to the real economy," it said recently.

"Given the very nature of its constitution as a corporation formed under a specific Act of the Parliament (LIC Act), LIC does enjoy some unparalleled privileges and protections. But it is often forgotten that while the Government has provided the privileges, protections and guarantees, the funds of LIC will continue," he said.

### 'TOO BIG TO FAIL'

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■ SII are perceived as insurers that are 'too big to fail'

### BRIEFLY

#### FB: Readable password issue fixed

**Bengaluru:** Facebook Inc said on Thursday it has resolved a glitch that exposed passwords of millions of users stored in readable format within its internal systems to its employees. The passwords were accessible to as many as 20,000 Facebook employees and dated back as early as 2012. "These passwords were never visible to anyone outside of Facebook and we have found no evidence to date that anyone internally abused or improperly accessed them," the company said.

#### Tata to offer partial EU packaging sale

**Frankfurt:** Tata Steel will likely offer parts of its European packaging activities in a bid to seek regulatory approval for a planned joint venture with Germany's ThyssenKrupp, three people familiar with the matter told Reuters. **REUTERS**

#### Oil slips but holds near 2019 peak

**London:** Oil edged lower on Thursday but held near 2019 highs, supported by a tightening of global stocks, OPEC production cuts and U.S. sanctions on key producers Iran and Venezuela. Brent crude futures were down 24 cents at \$68.26 a barrel by 1102 GMT, having hit their highest since November 13 at \$68.69 earlier in the session. US West Texas Intermediate crude futures were at \$60.01 per barrel. **REUTERS**

## 'Counterfeit and pirated goods represent 3.3% of global trade'

Global sales of counterfeit and pirated goods have soared to \$522 billion a year, amounting to a whopping 3.3 per cent of world trade, according to a report by the EU Intellectual Property Office (EUIPO) and the Organisation for Economic Co-operation and Development (OECD)

'Considerable' rise in the share of counterfeit goods since its previous 2016 estimate of 2.5 per cent of global trade, the latest assessment found

Such goods represented 121 billion euros worth of imports into the European Union alone - a massive 6.8 per cent of total imports into the bloc, up from 5 per cent in 2016, EUIPO said in a statement

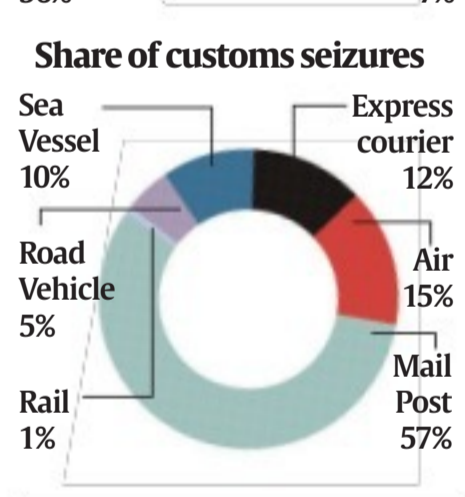
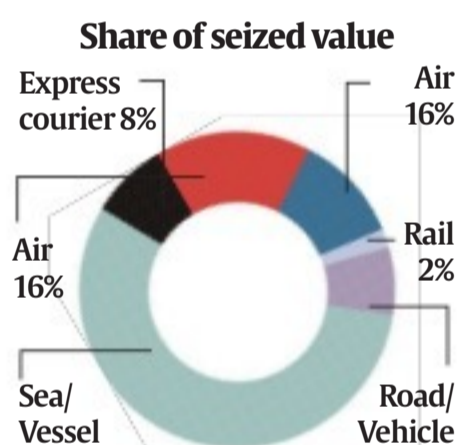
Counterfeiting and piracy pose a major threat to innovation and economic growth, at both EU and global level, EUIPO executive director Christian Archambeau said.

Deeply concerning rise clearly calls for coordinated action, at all levels, to be fully tackled, report said

Affected companies are mainly based in developed OECD nations like the United States, Japan, South Korea and EU states

Counterfeit and pirated goods originate from virtually all economies in all continents, while China and Hong Kong continue to be by far the biggest origin, it added

### CONVEYANCE METHODS FOR COUNTERFEIT AND PIRATED PRODUCTS, 2014-16



Countries exporting the most counterfeit and pirated goods were China, Hong Kong, United Arab Emirates, Turkey, Singapore, Thailand, India and Malaysia

Counterfeit and pirated products continue to follow complex trading routes, misusing a set of

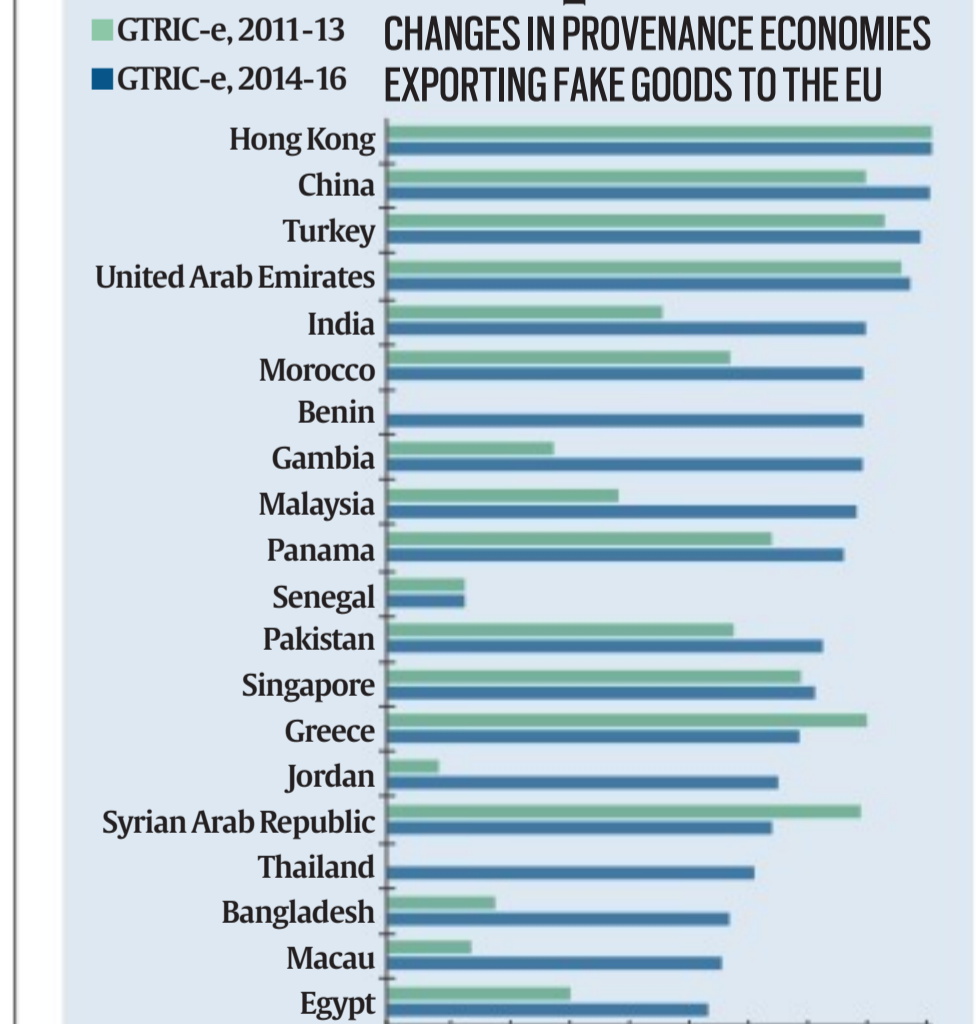
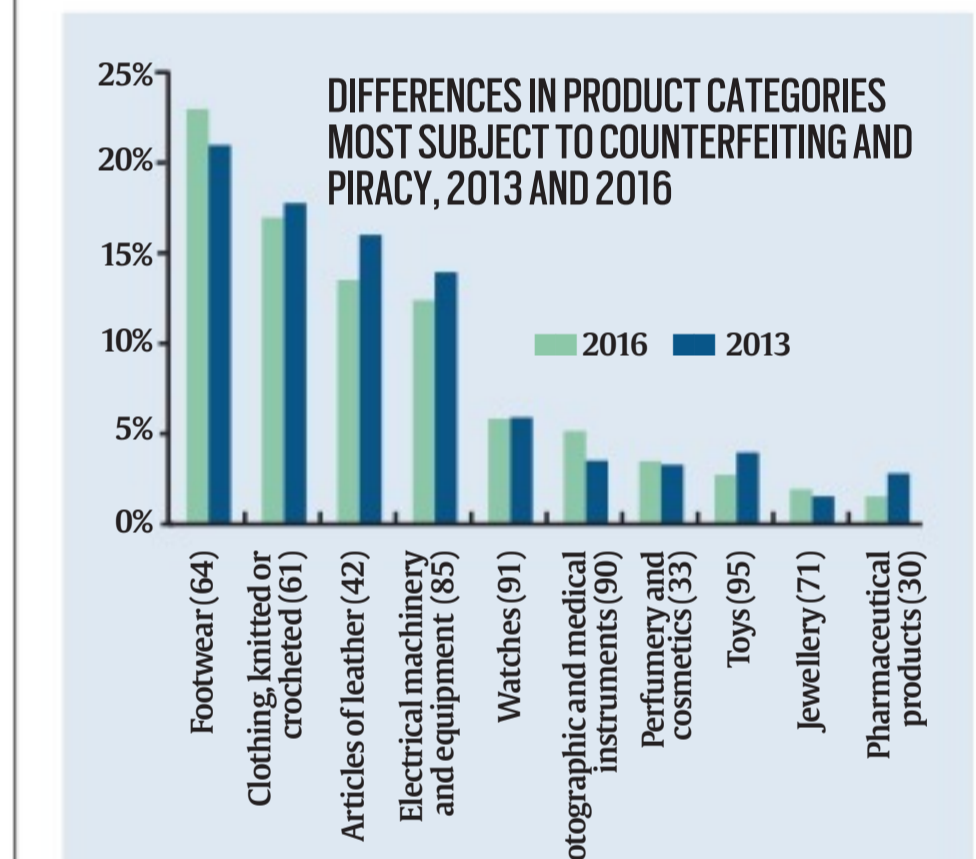
intermediary transit points. Many of these transit economies host large free trade zones that are important hubs of international trade

Use of small shipments for trade in fakes also keeps growing. Small shipments, sent mostly by post or express services, are an example of greater trade facilitation

Common consumer goods, (footwear, cosmetics, toys), business-to-business products (spare parts or chemicals), IT goods (phones, batteries) and luxury items (fashion apparel, deluxe watches), are industries in which fake products can be found in a large and growing number

To understand and combat this risk, governments need up-to-date information on the magnitude, scope and trends of counterfeit and pirated trade

Report was based on data from almost half a million customs seizures by international enforcement agencies



## Stocks wilt as Federal Reserves shift sparks stampede into bonds

**REUTERS**  
LONDON, MARCH 21

EUROPEAN SHARES wilted and there was a stampede into bonds on Thursday, after the US Federal Reserve's abandonment of all plans to raise rates this year left traders wondering what might be lurking in the shadows.

World markets' reaction to a super-dovish Fed was not unlike the response to the European Central Bank's equally easy stance earlier this month -- the benefits of a reduced interest rate horizon came laced with doubts.

Banks suffered their usual worries about low borrowing rates to drag the pan-European STOXX 600 down and though a rise in metals prices and a weaker pound helped London's

FTSE edge up, Wall Street futures were down 0.5 per cent. But the real action was happening in bond markets.

With investors rushing to price in the prospect of US rate cuts later this year, benchmark Treasury yields dived to their lowest since early 2018 and those on German Bunds to the lowest since October 2016.

Ten-year Bunds were offering buyers virtually nothing again at yields of just 0.048 per cent while widespread curve flattening -- where shorter and longer-term borrowing costs converge -- showed alarm bells were ringing.

With central banks having already cut rates to the bone and tried full-scale money printing, investors are concerned that many are now low on traditional ammunition to fight recessions.

## United States negotiators to visit China on Mar 28-29

**PRESS TRUST OF INDIA**  
BEIJING, MARCH 21

SENIOR US officials will visit Beijing for a new round of trade war talks on March 28-29, followed by a trip to the United States by China's top negotiator in April, the Chinese commerce ministry said Thursday.

The back-to-back trips come as Washington and Beijing battle over the final shape of a trade deal, with American officials demanding profound changes to Chinese industrial policy.

US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin are returning to the Chinese capital next week, commerce ministry spokesman Gao Feng said at a weekly briefing.

## Mindtree board to meet again on Mar 26

**PRESSTRUST OF INDIA**  
NEW DELHI, MARCH 21

THE BOARD of Mindtree, which Wednesday deferred a decision on share buyback, will meet again on March 26 even as it faces a Rs 10,800-crore hostile takeover bid from L&T.

The board of the IT company had met on Wednesday too, but no decision was taken on the agenda item at hand - the proposed buyback of equity shares - and the firm had informed the stock exchange that the meeting has been adjourned to a future date. In a fresh filing on BSE Thursday, Mindtree said, "This is to inform that the adjourned board meeting is scheduled to be held on Tuesday, March 26, 2019".

On Monday, diversified L&T made an offer to buy up to 66 per cent stake in Mindtree for around Rs 10,800 crore - a move that Mindtree promoters have vowed

to oppose.

L&T has entered into a deal to buy Cafe Coffee Day owner V G Siddhartha's 20.32 per cent stake in Mindtree and has also placed an order with brokers to pick up another 15 per cent of the company shares from the open market. Further, the group would make an open offer to buy additional 31 per cent stake in Mindtree.

Siddhartha was a director of Mindtree since 1999 and resigned in March 2018. He and Cafe Coffee Day group firms have 20.32 per cent stake in Mindtree and that shareholding is to be acquired by L&T. On Tuesday, Mindtree CEO and promoter Rostov Ravanan said the company's board would deliberate on the buyback or the open offer within the framework of the laws.

"Obviously there are laws - what the board can do and cannot do under the circumstances," he had said.

## Pierer Industrie in talks with Bajaj Auto for stake in KTM

**PRESS TRUST OF INDIA**  
NEW DELHI, MARCH 21

BAJAJ AUTO and Austria's Pierer Industrie AG have started discussions to assess the possibility of transferring Bajaj's 48 per cent stake in KTM AG to KTM Industries AG, with the Pierer-Group continuing to retain the controlling majority over KTM Industries AG.

"Pierer Industrie AG and Bajaj will now evaluate the proposals in detail. The transaction decision is targeted to be made in the second quarter of 2019," Bajaj Auto said in a regulatory filing Thursday. At present, Pierer Industrie AG holds approximately 62 per cent of the shares of KTM Industries AG. The listed company KTM Industries AG holds approximately 51.7 per cent of the shares of KTM AG.

## Reliance sends fuel from India, Europe to Venezuela to sidestep US sanctions

**REUTERS**  
NEW DELHI/MEXICO CITY, MARCH 21

RELIANCE INDUSTRIES is selling fuels to Venezuela from India and Europe to sidestep sanctions that bar US-based companies from dealing with state-run PDVSA, according to trading sources and Refinitiv Eikon data.

Reliance had been supplying alkylate, diluent naphtha and other fuel to Venezuela through its US-based subsidiary before Washington in late January imposed sanctions aimed at curbing the OPEC member's oil exports and ousting Socialist President Nicolas Maduro. At least three vessels chartered by the conglomerate supplied refined products to Venezuela in recent weeks, and another vessel carrying gasoil is expected to set sail to the South American nation as well, accord-

ing to the sources and data.

A Reliance spokesman wrote to Reuters in an email and said: "Reliance is and will remain in compliance with the sanctions and shall work with the concerned authorities." He also said "the volume of products supplied to and crude oil imported from Venezuela have not increased."

Reliance has significant exposure to the financial system of the United States, where it operates subsidiaries linked to its oil and telecom businesses, among others. The Indian market is crucial for Venezuela's economy because it has historically been the second-largest cash-paying customer for the OPEC country's crude, behind the United States. Additional sanctions against Venezuela are possible in the future, as US President Donald Trump's administration has not yet tried to prevent companies based outside US from buying Venezuelan oil.