

INDIA'S CONSUMPTION SLOWDOWN

As discretionary goods exhibit slump, demand for necessity items grows

PRANAV MUKUL NEW DELHI, JUNE 10

LOWER GROWTH OF E-TAIL MAINSTAY - SMARTPHONES Consumption breakdown is visibly stemming from non-agricultural segment in rural areas while agriculture is largely holding up in terms of physical volumes

EVEN AS most indicators point to a slowdown in the economy, a closer look at consumption trends paint a more layered picture of the sluggishness.

In the hinterland, the consumption breakdown is visibly stemming from the non-agricultural segment in rural areas even as agriculture is largely holding up in terms of physical volumes.

EXPLAINED

dar year 2018, fell to 38 per cent in January-March period this year, according to data provided by RedSeer Consulting.

5.3 per cent — the highest in last five years led primarily by products such as washing machines, cooking appliances, electric heaters and refrigerators.

“Slowdown in sales volume in the FMCG sector was credited to lower demand mainly from rural segment. Usually, the growth numbers posted by rural segment are higher compared with urban, due to inherently lower penetration levels in rural.

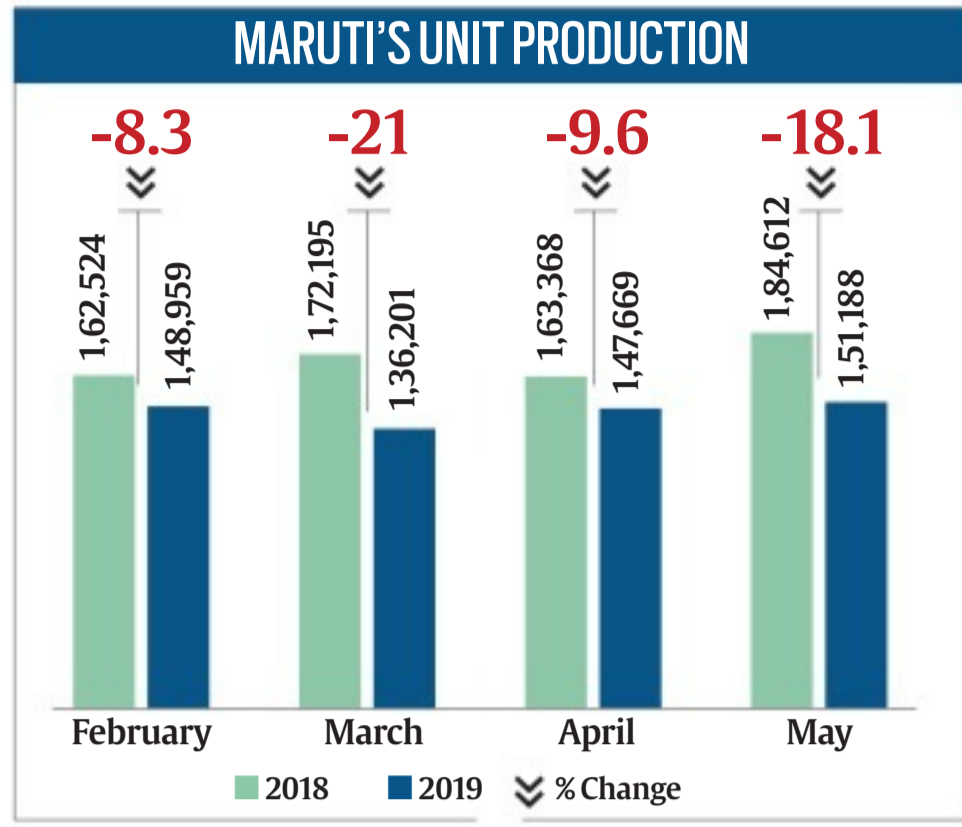
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Another key reason for the slowdown in consumption demand, especially outside of the metropolitan centres, is the slowdown in loan growth for India's NBFCs.

VEHICLE PRODUCTION CUT BY OVER 18%

Maruti slashes output for fourth straight month in May

ENSECONOMIC BUREAU NEW DELHI, JUNE 10



IN A reflection of how weak consumer demand is, Maruti Suzuki India said it had cut production by over 18 per cent year-on-year (y-o-y) in May, the fourth consecutive month in which it trimmed output.

Market watchers said demand had flagged due to the increased prices of cars resulting from rising insurance premiums and hikes taken by manufacturers for new safety features.

In a stock exchange notice on Sunday, the country's biggest car maker said it produced a total of 151,188 units last month.

Models like the Baleno and Swift were somewhat less impacted with production of these cars pruned by about 10 per cent YoY.

Maruti Suzuki chairman RC Bhargava had observed in April that demand typically tended to be weak during pre-election months and therefore, a revival in the April-June quarter was unlikely.

Bhargava had said. Maruti had cut output by 10 per cent in April while in March, the cut was just under 21 per cent. This was the steepest decline in volume-wise monthly production since 2014 and in sharp contrast to a positive trend seen in the past several years.

While the company has been putting out official data since January, production cuts, of nearly 30,000 units, are understood to have taken place in December 2018 too as stocks had piled up after a subdued festive season.

of passenger vehicles and two-wheelers too have been resorting to production cuts in the past four to five months to clear unsold inventory.

Mahindra & Mahindra said last week it would shut production across plants for up to 13 days in the current quarter to adjust stocks to market demand.

“FY20 could also be a challenging year for the sector due to transition to BS-VI norms from April 1, 2020,” analysts at Kotak Institutional Equities said.

SECTOR WATCH MUTUAL FUNDS

Credit risk funds, fixed term plans see outflows in May

ENSECONOMIC BUREAU MUMBAI, JUNE 10

CREDIT RISK funds and fixed term plans (FTPs) of mutual funds witnessed outflows during May 2019 as the recent credit default events in the NBFC sector continued to take a toll.

'REDEMPTION PRESSURE' Credit risk funds witnessed Rs 4,155 crore worth of outflows in May. The mutual fund industry has been witnessing redemption pressures in the wake of the debt crisis at various groups, including IIF&S, Essel and DHFL.

According to data released by the Association of Mutual Funds in India (AMFI), credit risk funds recorded outflows of Rs 1,253 crore. Fixed Maturity Plans (FMPs) witnessed a net outflow of Rs 1,797 crore in May as against Rs 17,644 crore in April, while net outflow from the balanced hybrid funds category stood at Rs 2,481 crore in the month under review, as per AMFI.

Bank deposit growth rise, credit offtake stagnant

The growth in deposits of commercial banks accelerated as of May 24, 2019, while credit offtake remained stagnant, according to the Reserve Bank of India data

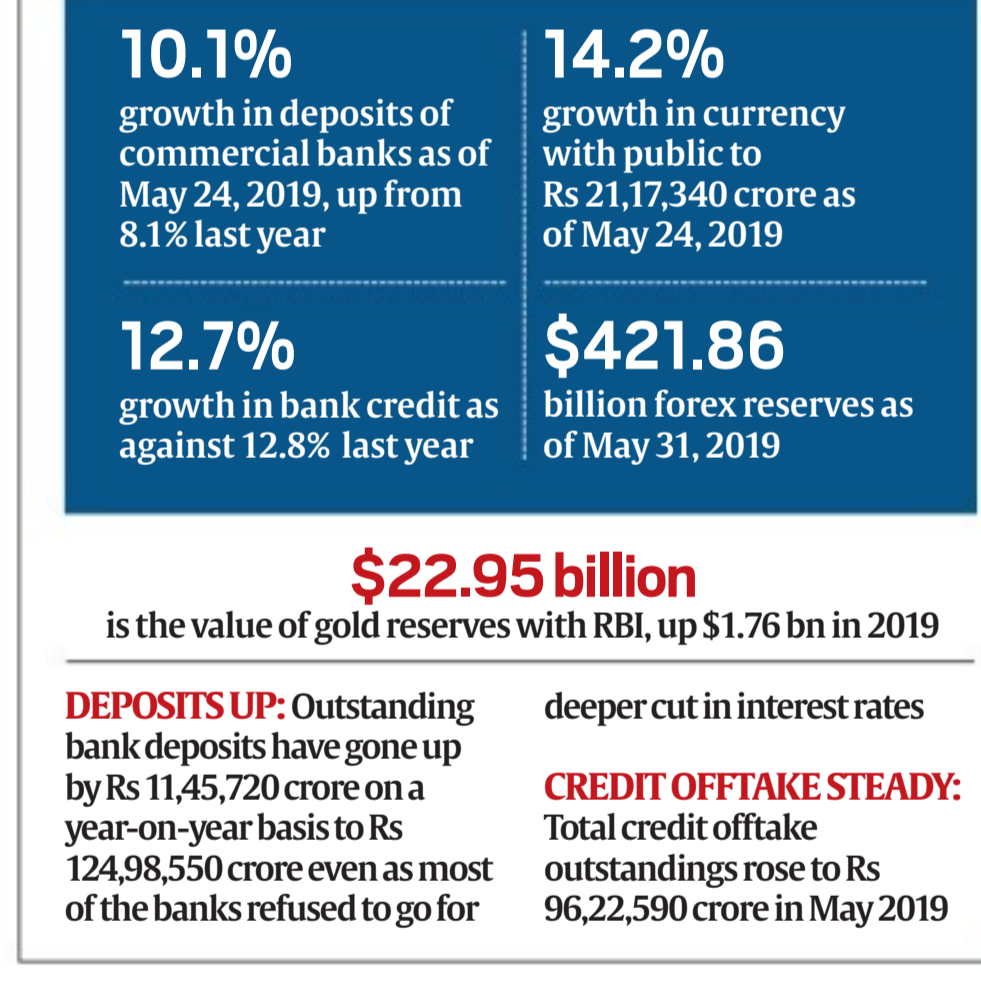


Table with columns: OUTSTANDING AS ON MAY 24, 2019 (₹ CRORE), TOTAL, CHANGE. Rows include Aggregate deposits, Demand deposits, Time deposits, Borrowings, Bank Credit, Food Credit, and Non-food credit.



RBI relaxes norms for basic savings bank deposit accounts

ENSECONOMIC BUREAU MUMBAI, JUNE 10

THE RESERVE Bank of India (RBI) on Monday relaxed the norms for the Basic Savings Bank Deposit (BSBD) accounts — or popularly known as no-frills accounts — allowing banks to provide cheque books and other facilities like minimum four withdrawals to basic account holders.

NEW FACILITIES ADDITIONAL facilities earlier made BSBD accounts like normal savings account, thus attracting requirement of maintaining minimum balance

in a month. It has allowed minimum of four withdrawals in a month, including ATM withdrawals. It also allowed ATM card or ATM-cum-debit card for such accounts.

discriminatory manner) subject to disclosure. “The availment of such additional services should be at the option of the customers,” it said.

US Fed is 'very destructive to us', says Trump

AGENCIES WASHINGTON, JUNE 10

US PRESIDENT Donald Trump complained on Monday that Chinese President Xi Jinping enjoys a major advantage in the US-China trade war.

Trump made clear in an interview with CNBC his frustration with a system that provides political independence for America's central bank.

Centre compulsorily retires 12 senior I-T officers for corruption, extortion & misconduct

ENSECONOMIC BUREAU NEW DELHI, JUNE 10

THE GOVERNMENT has compulsorily retired 12 senior Indian Revenue Service (income tax) officers, including one of the rank of the joint commissioner.

The officers who have been ousted include Ashok Agarwal (IRS 1985 batch), Joint Commissioner Income Tax, S K Srivastava (IRS 1989 batch), Commissioner (Appeal), Noida, Homi Rajvansh (IRS 1985 batch), B B Rajendra Prasad, Ajay Kumar Singh (CIT) and B Arulappa (CIT).

A similar action under Rule 56 (j) was taken by the government in May 2016 when 33 officials of the Revenue Services, including seven Group 'A' officers, were prematurely retired for non-performance under Rule 56 (j) of CCS (Pension) Rules.

Finance Ministry sources said Ashok Agarwal, who remained suspended from 1999 to 2014, had serious complaints of corruption and major extortion from businessmen accused of helping self-styled godman Chandraswami.

ORDER IN EFFECT FROM TODAY The Finance Ministry issued the orders on Monday, which will come into effect from Tuesday afternoon

official position and by corrupt and illegal means, sources said. Rajvansh was arrested by CBI after absconding from his headquarters to evade arrest and was also placed under suspension following his arrest, they said.

All these 12 officers shall be paid a sum equivalent to the amount of pay & allowances for a period of three months calculated at same rate at which they were supposed to be withdrawing their (pay & allowances) immediately before their retirement, the ministry said.

