ECONOMY

EXPORT WATCH

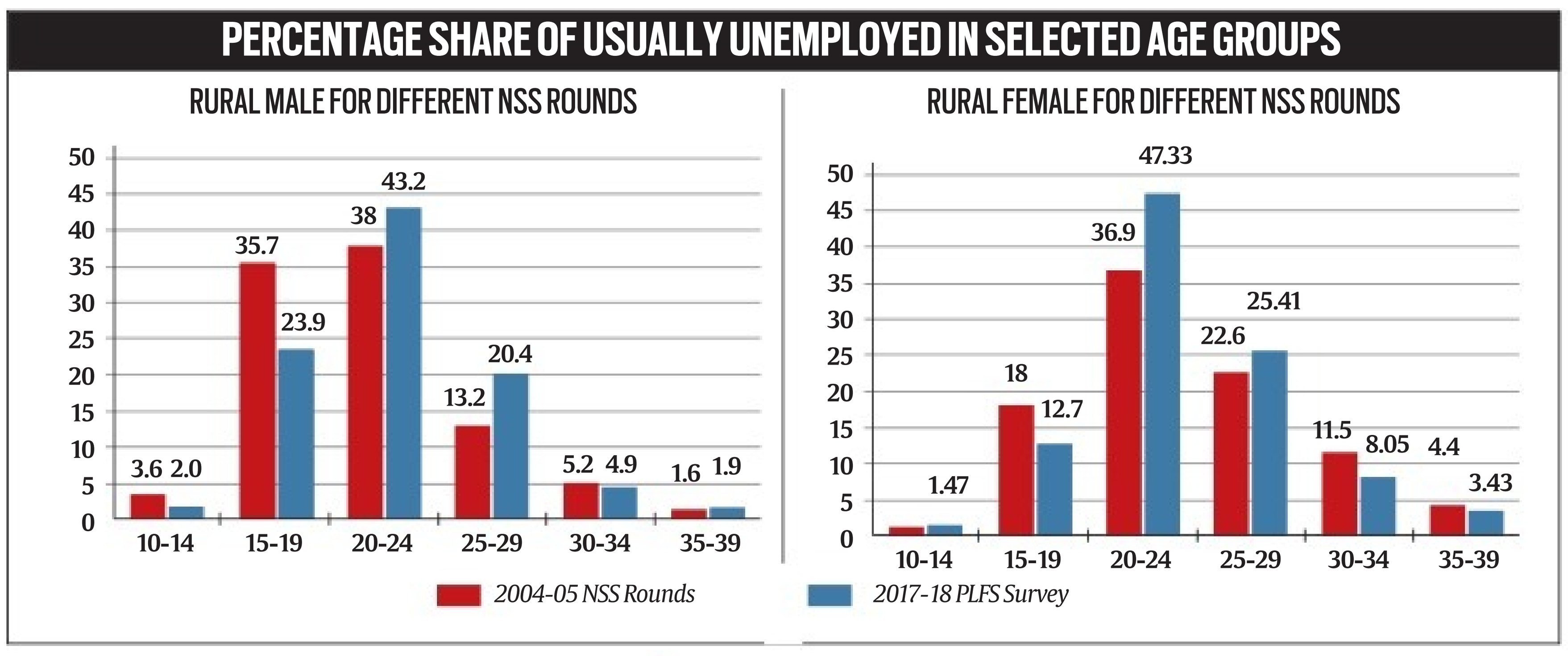
GEMS, JEWELLERY EXPORTS DIP 5.32%

New Delhi: Gems and jewellery exports declined 5.32 per cent to $30.96 billion in 2018-19, mainly on account of slowdown in demand in major developed markets, according to data from the Gems and Jewellery Export Promotion Council (GJEPC). **PTI**

SIGNIFIES MORE PEOPLE CHOOSING EDUCATION OR LONGER WAIT FOR DESIRED JOB

Unemployment trend moves up age brackets, higher in 20-29 age group

AANCHAL MAGAZINE
NEW DELHI, JUNE 2



ALONGSIDE THE unemployment rate for the country rising to 6.1 per cent in 2017-18, there has also been a marked shift in the unemployment pattern to higher age groups in a little over a decade. The share of unemployed in different age groups, as per the recently released Periodic Labour Force Survey (PLFS) for 2017-18, shows that the higher unemployment has shifted to the 20-24 and 25-29 age groups as against the 15-19 age group earlier, signifying more people opting for higher education or willing for a longer wait to get their desired jobs, experts said.

In 2017-18, the percentage share of unemployed rural males rose to 43.2 per cent in the 20-24 age group, from 38 per cent in 2004-05 National Sample Survey (NSS) round of Employment-Unemployment Survey. In the 15-19 age group, there was sharp reduction in percentage share of unemployed males to 23.9 per cent in 2017-18, from 35.7 per cent in 2004-05.

The shift in the unemployment pattern is more noticeable for females, especially in rural areas. Rural females remained unemployed for a slightly longer time than males, with percentage share of unemployed rural females for the 20-24 age group rising to 47.33 per cent in 2017-18 from 36.9 per cent in 2004-05. Similarly, for the 25-29 age group, percentage share of unemployed rural females rose to 25.41 per cent in 2017-18 from 22.6 per cent in 2004-05. In the 15-19 age group, the percentage share of unemployed rural females saw a reduction to 12.7 per cent in 2017-18 from 18 per cent in 2004-05.

One of the reasons for this could be attributed to a shift towards education in the 15-19 age group, experts said. Also, many people after gaining education are probably spending time unemployed in wait of their desired job.

The shift towards education is visible in the PLFS data. As per the distribution of youth by activity status, the Survey shows that 71.7 per cent of rural males in the 15-19 age group were enrolled as students in 2017-18, as against 57.3 per cent in 2004-05.

The share of students has also gone up in the 20-24 group over the decade, with 26.1 per cent of rural males in 2017-18 as against 16.6 per cent in 2004-05.

A sharp reduction is seen in the share of casual labour and self-employed among rural males, with only 6.8 per cent of rural males as casual labour and 8.7 per cent as self-employed in 20-24 age group in 2017-18 as against 33.6 per cent and 35.6 per cent, respectively, in 2004-05.

More rural females also opted for education in the 15-19 age group, with 64.1 per cent share in 2017-18 as against 47.1 per cent in 2004-05. In the 20-24 age group, share of rural females as students went up to 13.8 per cent in 2017-18 from 7.5 per cent in 2004-05.

A similar trend of shift of unemployment towards higher age groups was also seen for urban areas. The share of unemployed urban males in the 15-19 age group reduced to 14.73 per cent in 2017-18 from 23 per cent in 2004-05, while that for 20-25 age group was 36.12 per cent in 2017-18 from 40.6 per cent in 2004-05.

The share of unemployed urban males increased in the 25-29 age group and 30-34 age group to 26.20 per cent and 8.93 per cent, respectively, in 2017-18, from 19.2 per cent and 6.5 per cent, respectively, in 2004-05.

The share of unemployed urban females reduced in the 15-19 age group to 5.81 per cent in 2017-18 from 12.6 per cent in 2004-05. For 20-24 and 25-29 age groups, however, the share of unemployed urban females went up to 41.07 per cent and 30.43 per cent, respectively, in 2017-18, from 39 per cent and 23 per cent, respectively, in 2004-05.

BRIEFLY

ONGC most profitable PSU in 2018-19

New Delhi: Oil and Natural Gas Corp (ONGC), India's top oil and gas producer, has toppled Indian Oil Corp (IOC) to regain crown of being the country's most profitable public sector company. According to earnings statements of the listed companies, ONGC reported a 34 per cent jump in its 2018-19 fiscal net profit to Rs 26,716 crore. In comparison, IOC registered a net profit of Rs 17,274 crore for the fiscal year ended March 31, 2019.

L&T's share in Mindtree now worth ₹70cr

New Delhi: Infrastructure major Larsen and Toubro (L&T) picked up 7.11 lakh shares of information technology firm Mindtree between May 27-30 for about Rs 70 crore, according to regulatory data. **PTI**

Global airlines slash profit forecast

Seoul: Global airlines slashed a widely watched industry profit forecast by 21 per cent on Sunday as an expanding trade war and higher oil prices compound worries about an overdue industry slowdown. The International Air Transport Association (IATA), which represents about 290 carriers, said the industry is expected to post a $28 billion profit in 2019, down from a December forecast of $35.5 billion. **REUTERS**

OVER ₹1 LAKH CRORE COLLECTED EACH IN APRIL, MAY THIS YEAR

Monthly GST may have topped ₹1 lakh cr, but required run rate short by ₹13.5K crore

AANCHAL MAGAZINE
NEW DELHI, JUNE 2

GROSS GOODS and Services Tax (GST) collections have stayed above the Rs 1 lakh crore mark for the third consecutive month in May. However, the mop-up so far for this financial year is lagging behind the required run rate by around Rs 13,500 crore.

The slower trend in revenue is being seen as a reflection of the revenue loss due to change in exemption threshold, which became effective April 1, along with overall slowdown in the economy.

The widening gap between the GST revenue and the monthly target will put strain on the government to meet its total budgeted target for the 2019-20 fiscal.

Officials say a shortfall of Rs 6,000-7,000 crore can still be met during festive season, when indirect tax revenue tends to go up, but a higher shortfall will make the overall target tough to meet.

"The monthly run rate was set factoring in the required 14 per cent growth in revenue. Change in exemption threshold and economic slowdown have started showing up in GST revenue.

"A shortfall of Rs 6,000-7,000 crore is manageable since the revenue picks up during festive season and year-end. But a shortfall higher than Rs 10,000 crore will make the overall annual target challenging," a senior government official said.

The Centre's target for gross GST collection for states and Centre is around Rs 1.14 lakh crore a month. The government had already missed its GST collection target for fiscal 2018-19 by almost Rs 60,000 crore, even after scaling down the Budget target by Rs 1 lakh crore.

In the Interim Budget for FY20 presented on February 1, the Centre had scaled down the GST collection target by Rs 1 lakh crore, with revised estimate for 2018-19 pegged at Rs 6.44 lakh crore as against the initial Budget target of Rs 7.44 lakh crore.

Out of the total Rs 6.44 lakh crore GST collections pegged in Budget 2018-19, the government had aimed to collect CGST of Rs 5.04 lakh crore and IGST of Rs 50,000 crore.

For the current fiscal 2019-20, the Centre has pegged GST target at Rs 7.61 lakh crore, out of which Rs 6.10 lakh crore is estimated from CGST, Rs 1.01 lakh crore from compensation cess and Rs 50,000 crore from Integrated GST. Adding states' share, the overall target for GST revenue is around Rs 13.71 lakh crore for 2019-20, up from the target of Rs 11.48 lakh crore for 2018-19.

In its 32nd meeting in January, the GST Council had decided to double the exemption threshold to Rs 40 lakh and hike the limit for composition scheme to Rs 1.5 crore from Rs 1 crore with effect from April 1.

With the hike in exemption threshold to Rs 40 lakh, about 20.64 lakh taxpayers, including composition scheme registrants, were estimated to have the option to move out of GST regime.

The annual revenue impact of the decision was estimated to be Rs 5,225 crore, assuming that 50 per cent of registered taxpayers move out of GST.

External commercial borrowings drop 20% in Apr: RBI

Indian industry's borrowings from foreign markets fell by nearly 20 per cent to $3.16 billion in April 2019 compared to the year-ago month, according to data from the Reserve Bank of India

$3.92 BILLION IN APR 2018: Companies based in India had raised $3.92 billion from overseas markets in April last year

SHARE OF ECBs: Of the total external commercial borrowings (ECBs) in April 2019

$2.66 billion was raised through automatic route

$500 million was raised through approval route

$304,462 came through the issue of rupee denominated bonds (RDBs)

BORROWERS THAT RAISED FUNDS VIA AUTOMATIC ROUTE:

- **Shriram Transport Finance Company: $750 million on sub-lending**
- **Dhamra LNG Terminal: $600 million for rupee expenditure**
- **Indian Railway Finance Corporation: $300 million for infrastructure development**
- **Ikea India Pvt Ltd: $257.82 million as working capital loan**
- **Tata Motors Finance Ltd: $150 million for on-lending**
- **Performance Speciality Products (India) Pvt Ltd: $89.91 million as working capital funding**
- **Johnson Matthey India Pvt Ltd: $64.82 million for new project requirement**

COMPANY THAT RAISED FUNDS VIA APPROVAL ROUTE:
JSW Steel Ltd:
$500 million for modernisation

COMPANY THAT RAISED FUNDS VIA RDBs:
Biosense Technologies Pvt Ltd:
$304,462 for new project needs

SFIO identifies 'coterie' that defrauded IL&FS

PRESS TRUST OF INDIA
NEW DELHI, JUNE 2

LAUNCHING A massive crackdown on perpetrators of the IL&FS scam, the Serious Fraud Investigation Office (SFIO) has charged the erstwhile top management members of the group's financial services subsidiary IFIN of forming a "coterie" with its auditors and independent directors to defraud the company while running the business as their "personal fiefdom".

Officials also said it is just a tip of the iceberg in this massive fraud case, involving defaults totalling an estimated amount of over Rs 90,000 crore, as the SFIO's first chargesheet concerns just one entity, IL&FS Financial Services Ltd (IFIN), and the probe is already underway against the parent firm Infrastructure Leasing and Financial Services Ltd (IL&FS) and several other subsidiaries.

In addition to prosecution of former executive and independent directors of IFIN, among others, and attachment of their properties, SFIO is also looking to seek interim attachment of all moveable and immovable assets of the auditors including their lockers, bank accounts and jointly-held properties, officials said.

The SFIO is also collecting details about all borrowings by IFIN from banks and through market instruments, as also about the role of banks and their officials and of credit rating agencies.

The first charge-sheet, filed by the government's white-collar fraud investigation agency, follows inspection of accounts of close to 400 entities, an extensive forensic audit, data collected from desktops and laptops seized from various IL&FS offices as also e-mails extracted from the IL&FS servers, RBI inspection reports, minutes of meetings, among other documents, as also the assessment reports from the government-appointed new board of IL&FS.

The huge scam came to light last year after IL&FS and its subsidiaries defaulted on several debt repayments due to a severe liquidity crisis. As of March 2018, it owed over Rs 90,000 crore to banks and other creditors.

With bond yields at 18-month low, markets bet on Reserve Bank to cut rates once again

GEORGE MATHEW
MUMBAI, JUNE 2

AFTER THE 50 basis points cut in the Repo rate by the Reserve Bank of India since February, the central bank is likely to opt for another cut in the main policy interest rate at its Monetary Policy Committee (MPC) meeting on June 6, despite the banking system not fully passing on the benefits of the previous cuts to the customers.

Yields on benchmark government bonds have already fallen to a near 18-month low of 7.03 per cent as the markets are betting on sharper rate cuts in the current fiscal, with the new government getting ready for its first Union Budget on July 5, crude oil prices falling and growth rate declining.

Soumya Kanti Ghosh, group chief economic adviser, State Bank of India, said, "We are thus pencilling a larger rate cut (35-50 bps) by RBI in the forthcoming policy. Interestingly, the RBI for the first time could use the rate change in non-multiples of 25 bps as a first step towards providing second generation signals to market of future policy stance. However, even such larger rate cuts will not help fully, but its transmission will. To this end, the RBI should now ensure following things."

Lakshmi Iyer, chief investment officer (debt), Kotak Mahindra Mutual Fund, said, "Liquidity woes in banking system are far from over. The silver lining in this is the expectation of government spending... this is likely to reduce the liquidity deficit in the system. Also, the currency in circulation which had shown sharp spikes due to elections, is also likely to gradually recede, impacting liquidity favourably."

"Given the global as also domestic scenario, the MPC may well choose to gratify the markets with a benchmark rate cut. What is more important for markets is the MPC guidance that the actual rate action," she added.

According to bankers, asset and liability side of the banks should move in tandem and Repo rate should be directly benchmarked to external benchmark, non-volatile bank liabilities, CASA deposits that are mostly used for transaction purposes.

"Otherwise, we would continue to be constrained by lack of transmission, even as the RBI will continue to cut rates," Ghosh said.

While policy rates have been reduced by 50 bps since February, average bank lending rates have declined by only 5 bps. Many banks have cut the marginal cost of funds based lending rate (MCLR), but only by a symbolic 5-15 bps. "State Bank of the India reduced the MCLR by 5 bps since February. In fact, several banks have increased deposit rates since February. Banks are not willing to cut rates as deposits and household financial savings are at historical lows," Goldman Sachs said.

However, some bankers expect a status quo from the banking regulator in view of the Budget and monsoon.

"We expect the RBI to keep policy rates on hold during the June meeting. Our thinking is driven by five factors: uncertainty about oil prices, weak El Niño conditions, and its implications for south-west monsoon, with some evidence on firming up of wholesale and retail prices of food, incomplete transmission of the 50 bps reduction in the policy rate since February and therefore, a cautious wait and watch approach to make progress on more complete and faster transmission," Goldman Sachs said in a report.

It added the Reserve Bank will "evaluate the implications of any new government policies for growth and inflation". "Our call is in line with market expectation — market pricing of less than 50 per cent chance of a cut in policy rates in June. However, we do see continued liquidity injections to take place in the near term," Goldman Sachs said.

Since the April monetary policy meeting, there have been several key developments that are likely to weigh on the RBI's decision. On the external side, global growth continues to be soft.

The trade war is gearing up again, and poses a downside risk to our China and US growth forecasts. India's headline consumer price index (CPI)-based inflation stayed flat at 2.9 per cent in April. The rise in food was offset by lower core and transport inflation in April. "We forecast average headline inflation to rise from 3.4 per cent in FY19 to 3.9 per cent in FY20," Goldman Sachs said.

Indranil Sen Gupta of Bank of America Merrill Lynch said, "Looking ahead, we expect the RBI MPC to cut 35 bps (up from 25 bps earlier) on June 6 (and 100 bps in 2019) with May inflation tracking a low 3.3 per cent."

"One can expect both liquidity measures and a rate cut. Rate cut expectation ranges from 25 bps to 50 bps. The central bank will see how the fiscal situation unfolds with the Budget announcement and spending measures. It will also take into account global factors, trade tensions, crude price trends, geopolitical equations and the monsoon outlook," said Shanti Ekambaram, president—consumer banking, Kotak Mahindra Bank.

With the elections resulting in a decisive mandate, the attention will now shift to policy — both fiscal and monetary — with focus of spurring growth, boosting slowing consumption and attracting private investment. There may be some structural measures from a liquidity perspective, strengthening of the financial system framework and, of course, looking at rates in the current context of low inflation and flagging growth.

SYMBOLIC RATE CUT BY BANKS

- **While policy rates have been reduced by 50 bps since February, average bank lending rates have declined by only 5 bps. Many banks have cut MCLR, but only by a symbolic 5-15 bps**
- **Some bankers expect a status quo from RBI in view of the Budget, monsoon, uncertainty about oil prices and incomplete transmission of the reduction in policy rate**

US cannot use 'extreme pressure' to force trade negotiations, says China

SOWMIYA ASHOK
BEIJING, JUNE 2

Chinese Vice Minister of Commerce Wang Shouwen speaks during a press conference about China-US Trade issues at the State Council Information Office in Beijing, Sunday. *AP*

CHINA ON Sunday laid the blame entirely on the US for the breakdown of trade talks between the two biggest economies in the world, while accusing the United States of using "extreme pressure" to force Beijing to reach a deal to end the trade conflict.

China said its negotiators were still "committed to credible consultations based on equality and mutual benefit" but said there will be no compromise on "matters of principle".

In a 28-page 'white paper' on the nation's official position released here, China's State Council Information Office made it clear that the US government "should bear the sole and entire responsibility" for the current stalemate and the escalating trade conflict.

The white paper, 'China's position on the China-US Economic and Trade Consultation', also hit back at allegations that China had significantly changed the text under negotiation and backtracked from earlier promises.

It pointed out that it was "common practice" to make new proposals and adjustments as the talks progressed and said that this was something the US had done consistently. The white paper outlined the long drawn out process of 11 rounds of negotiations held since early last year to end the stand-off.

"Trumpeting 'America First', the current US administration has adopted a series of unilateral and protectionist measures, regularly wielded tariffs as a 'big stick' and coerced other countries into accepting its demands," the paper stated in a reference to US trade measures against various countries, including India.

The white paper was released a day after China hit $60 billion worth of US goods with new punitive tariffs ranging from five to 25 per cent, in retaliation to the US raising punitive tariffs on $200 billion worth of Chinese goods.

Notably, the Chinese government's white paper pointed out that the US tariff measures have caused "serious harm" to the US economy instead of boosting it.

At the press conference held here on Sunday, China's Vice Minister for Commerce, Wang Shouwen called the US "irresponsible" for accusing Beijing of backtracking on its promises. "Nothing is agreed until everything is agreed," he said in English.

Wang also said that the United States was putting "compulsory requirements", impinging on China's sovereignty with a rider that some tariffs will remain even after the deal.

Without naming US President Donald Trump, Wang said "they also increased tariffs in order to exhort pressure on China" leading to severe setback of the negotiations." "If one doesn't respect other side's sovereignty and core interests and tries to force the other side to compromise by pressuring to yield lopsided results, such negotiations cannot succeed," Wang said. "If the US wants to use extreme pressure and all kinds of ways to escalate trade frictions to force China to capitulate, this is impossible," he added.

The white paper also accused the US of going back on its word three times over the course of negotiations by introducing new tariffs and other conditions beyond what was agreed on. It agreed that China and the US agreed on most parts of the deal.

"But the consultations have not been free of setbacks, each of them being the result of a US breach of consensus and commitments, and backtracking," the white paper said.