

OVERALL RETAIL INFLATION AT 3.21%, SLIGHTLY ABOVE RBI PROJECTION

IIP growth rises to 4.3% in July on stronger manufacturing; Retail inflation at 10-mth high

ENSECONOMIC BUREAU
NEW DELHI, SEPTEMBER 12

FACTORY OUTPUT rose to a two-month high of 4.3 per cent in July, primarily on account of higher output growth in manufacturing and mining sectors, data released by the Ministry of Statistics and Programme Implementation (MoSPI) showed. Retail inflation, based on Consumer Price Index (Combined), climbed to a 10-month high of 3.21 in August, on the back of rise in food inflation, a separate set of data released by MoSPI showed. The Index of Industrial Production (IIP) growth for July 2019 rebounded from 1.2 per cent growth, despite a high base effect. IIP growth for July last year was recorded at 6.5 per cent. Manufacturing output, which carries weight of 77.63 per cent in IIP, picked up pace to 4.2 per cent

growth rate in July as against a growth of 0.2 per cent in the previous month, though it was lower than 7.0 per cent in the year-ago period. Mining sector output grew at 4.9 per cent in July as against 3.4 per cent in the year-ago period, while consumer non-durables output grew at 8.3 per cent as against 5.3 per cent a year ago. Electricity output recorded a growth of 4.8 per cent in July as against 8.2 per cent a month ago and 6.6 per cent in the year-ago period. However, capital goods output, an indicator of investment activity, continued to stay in the negative territory for the seventh straight month, contracting 7.1 per cent in July as against a growth of 2.3 per cent in the year-ago period. Consumer durables output also contracted for the second month running, recording a contraction of 2.7 per cent as against a contraction of 10.2 per cent a

EXPLAINED
RBI might go for another rate cut

WHILE THE high growth of intermediate goods output and primary goods output offers hope of output picking up, capital goods and durables continue to disappoint. Even as the headline IIP number is positive, there is bound to be support from the RBI in terms of more rate cuts in the next month's policy meet.

month ago and a growth of 14.1 per cent in the year-ago period. Economists said the high growth of intermediate goods output and primary goods output give hope of output picking up but it may be too early to term it as a recovery. Devendra Kumar Pant, chief economist, India Ratings & Research said, "Continued double digit growth of intermediate goods growth in last three months and 3.5 per cent growth in primary goods in July 2019 give a glimmer of hope of minor industrial recovery in coming months. However, it will be too early to term this as recovery and one has to wait for some more time and completion of forthcoming festive season to judge whether industrial recovery is there for real. In the past we had seen pattern of some industrial revival and then collapse in industrial recovery." Sector-wise data showed that

the growth in intermediate goods grew in double digits for the third consecutive month at 13.9 per cent in July as against 1.3 per cent last year. Cumulatively, industrial output grew at 3.3 per cent in April-July as against 5.4 per cent a year ago. Retail inflation in August rose significantly primarily due to rise in food inflation. Consumer Food Price Index (CFPI) inflation stood at 2.99 per cent in August as against 2.36 per cent in July. Urban areas recorded higher food inflation than rural areas, with urban food inflation being recorded at 7.07 per cent in August, while rural inflation stood at 0.85 per cent. At 3.21 per cent, the overall retail inflation rate is slightly higher than the RBI's inflation projection of 3.1 per cent for July-September 2019-20, but well within the medium term target of 4 per cent within a band of +/- 2 per cent.

'\$1 tn exports in next 5 years to get to a \$5 tn economy doable'



Goyal's light reference, Einstein's gravity

Commerce Minister Piyush Goyal with Housing & Urban Affairs Minister Hardeep Singh Puri and NITI Aayog CEO Amitabh Kant at the Board of Trade meeting in New Delhi on Thursday. Renuka Puri

ENSECONOMIC BUREAU
NEW DELHI, SEPTEMBER 12

COMMERCE AND Industry Minister Piyush Goyal Thursday urged states and exporters to study measures to boost the country's exports to \$1 trillion in the next five years to achieve the government's vision of becoming a \$5 trillion economy. "A \$5 trillion economy cannot be complete unless we once again get back to the 19-20 per cent export levels. So, we're really looking at \$1 trillion of exports in the next five years and that is something which is very eminently doable. It is not at all beyond imagination, but we need to dare to accept a large target," he said here at the second meeting of the Board of Trade. "So, I would urge all of you to seriously start looking at what can be done to achieve \$1 trillion of exports to boost the entire economy and ensure that we have our fair share (of the global export market)," he added. The government is expected to "soon" come out with its credit scheme for exporters, which will enhance insurance cover up to 90 per cent from 60 per cent currently, the Commerce Ministry stated in a release following the minister's statement. "Export credit — we are very concerned — has fallen. I assure you that, very soon, we will come out with the contours of a very vibrant programme which will particularly support MSMEs and, more importantly, it will make

available foreign exchange export credit... at very very competitive rates — something like sub-four per cent rates for foreign exchange credit," said Goyal. India's exports crossed the half trillion-dollar mark at \$537 billion in 2018-19, with goods exports at \$331 billion and services exports at \$205 billion, as per the Ministry. While industries would have to increase domestic production and improve competitiveness, the central and state governments have to take measures to improve ease of doing business, decrease logistics cost and simplify regulatory procedures, said Goyal. According to him, India has a huge potential for exports due to the ongoing trade dispute between the US and China. "We have a trade surplus of \$17 billion with USA, while we have a trade deficit of \$53 billion with China, added the minister and, for this, India needs to work on its strengths by exploring market access for agriculture and pharma products in different regions," said the Ministry. Goyal also said that the merger of banks will now enable them to disburse enhanced credit, raise their risk appetite and raise resources from the market, adding that Rs 70,000 crore will be released to public sector banks upfront. Additional lending and liquidity to the tune of Rs 5 lakh crore expected to benefit corporate, retail borrowers, MSMEs, small traders and exporters, will also be released, according to the Ministry release.

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NEW DELHI, SEPTEMBER 12

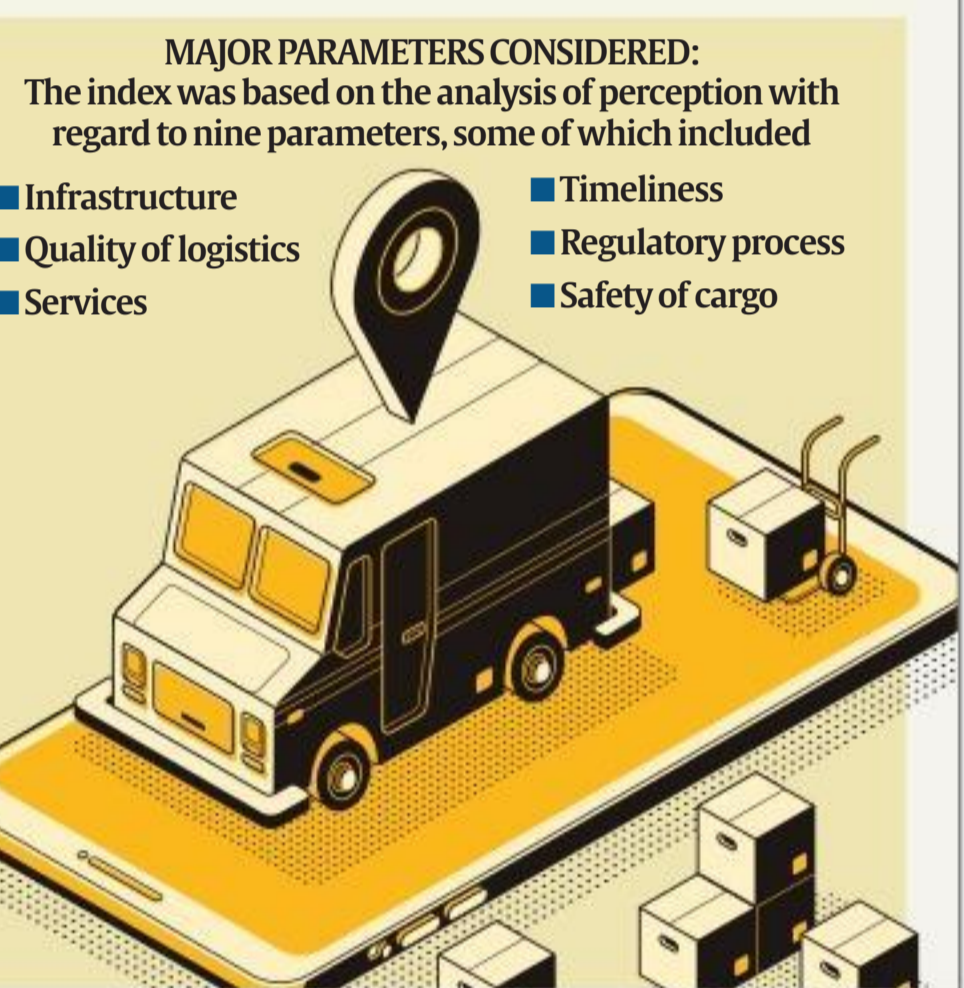
COMMERCE AND Industry Minister Piyush Goyal said Thursday that businesses should think big, rather than get obsessed with calculations. Speaking to reporters on boosting India's exports at a meeting with the Board of Trade here, Goyal said, "Don't get into the calculations that you see on television: Oh, if you're looking at a \$5 trillion economy, the country will have to grow at 12 per cent. Today it's growing at 6-7 per cent. Don't get into those maths. Those maths have never helped Einstein discover gravity." Goyal said that if Einstein had only gone by structured formula and what was past knowledge, "I don't think there would have been any innovation in this world". While it was Isaac Newton who formulated the law of universal gravitation in late 17th century, gravity is most accurately described by the general theory of relativity proposed by Albert Einstein in 1915 which describes gravity not as a force, but as a consequence of the curvature of space-time caused by the uneven distribution of mass. Goyal issued a statement and cited "mischievous attempts" to quote him out of context. "There is a very mischievous and baseless narrative sought to be presented about my closing comments at the Board of Trade meeting this morning... The comment I made had a certain context," he said. In a subsequent statement, he said, "I think the Twitter world tries to tap every word. So, while maths helped Einstein discover gravity, it is because he had an open mind and the ability to think big that he could use maths to discover gravity. He didn't go by the traditional maths only..."

'Gujarat retains top slot on logistics performance index'

Gujarat has retained the top slot on the logistics index chart, an indicator of the efficiency of logistical services necessary for promoting exports and economic growth, according to a Commerce Ministry report

LEADS 2019: According to the report by the Commerce Ministry - LEADS (Logistics Ease Across Different States) 2019, prepared with the help of consultancy firm Deloitte, the findings would help in identifying the problem areas in the sector and prepare policy responses to deal with them. **AIMED AT IMPROVING LOGISTICS PERFORMANCE:** The objective of the index is to enhance the focus on improving logistics performance across states, which is essential for improving the country's trade and reducing transactions cost

TOP THREE STATES IN LOGISTICS PERFORMANCE
 ■ Gujarat
 ■ Punjab
 ■ Andhra Pradesh
BIHAR, HIMACHAL PRADESH AT BOTTOM: Among the 22 states considered for the report, Himachal Pradesh stood last on the chart while Bihar ranked at 20th position. **TOP THREE UNION TERRITORIES:**
 ■ Chandigarh, replacing previous topper Daman and Diu
 ■ Delhi
 ■ Puducherry



To tide over slump, M&M offers cars on rental basis

ENSECONOMIC BUREAU
NEW DELHI, SEPTEMBER 12

AT A time when automobile manufacturers and dealers are saddled with huge inventory, Mahindra and Mahindra (M&M) has come out with a new model to sell some of its stocks. The company will be offering its range of passenger vehicles on a subscription model, under which customers can use new vehicles for a minimum period of one year at a certain subscription price, which would include insurance and routine maintenance charges. The maximum period for which vehicles will be offered is four years.

ECB promises stimulus buys 'as long as necessary', cuts rates

DEPOSIT RATE CUT TO A RECORD LOW -0.5% FROM -0.4%; TO RESTART BOND PURCHASES OF €20 BILLION A MONTH FROM NOVEMBER

REUTERS
FRANKFURT, SEPTEMBER 12

THE EUROPEAN Central Bank promised an indefinite supply of fresh asset purchases and cut interest rates deeper into negative territory on Thursday, an effort to prop up the ailing euro zone economy that was cheered by financial markets. The moves come in the final weeks of ECB President Mario Draghi's mandate. Yet there were immediate doubts as to whether the ECB measures — the few remaining in its monetary policy arsenal — would be enough to boost a euro zone recovery in the face of a US-China trade war and possible disruption from Brexit. The ECB cut its deposit rate by 10 basis points to a record low of -0.5 per cent, promised that rates would stay low for longer and said it would restart bond purchases at a rate of 20 billion euros a month from November 1. "The Governing Council expects (bond purchases) to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates," it said in a statement. Given that markets do not expect rates to rise for nearly a decade, such a formulation suggests that purchases could go on for years — an eventuality Draghi did not challenge. "We have a relevant headroom to go on for quite a long time at this rhythm without the need to raise the discussion about limits," he told a regular news conference after the meeting. The rate cut will however increase the cost to commercial banks of parking their more than 1 trillion euros worth of excess reserves at the central bank. The ECB said it would compensate lenders for part of this charge to ensure they continued to lend to the real economy. The ECB also eased the terms of its long-term loan facility to banks and said it would introduce a multi-tier deposit rate facility to help them. Draghi, whose pledge in 2012 that the ECB would do "whatever it takes" to save the euro is credited with helping restore stability at the peak of the bloc's debt crisis, stressed the currency zone needed more support. "Incoming information since the last Governing Council meeting indicates a more protracted



European Central Bank (ECB) President Mario Draghi in Frankfurt on Thursday. Reuters

weakness of the euro area economy, the persistence of prominent downside risks, and muted inflationary pressures," he said. Indeed the ECB's initial, unprecedented 2.6-trillion-euro bond purchase scheme since the financial crisis has had only limited success in stimulating activity. Data earlier showed euro zone industrial production fell for a second month in July, while Germany's Ifo institute predicted a recession in Europe's economic powerhouse in the third quarter. "Will the more aggressive ECB stance make a difference? Not much," concluded analyst Holger Schmieding at Berenberg. The decision suggests that many of these sceptics eventually agreed, giving Draghi a comfortable enough majority in what is likely to be his last major policy move before handing over to Christine Lagarde later this year. The ECB has undershot its inflation target of almost 2 per cent since 2013 so stimulus was essential to maintain credibility. But policy easing by central banks around the globe, including the US Federal Reserve, also put the ECB in a bind.

ECB action 'hurting US exports', says Trump; ups pressure on Fed

REUTERS
WASHINGTON, SEPTEMBER 12

THE EUROPEAN Central Bank's move to cut interest rates and restart a larger stimulus programme drew fast reaction from the White House on Thursday, with US President Donald Trump saying the ECB was undercutting the value of its currency and "hurting US exports." "European Central Bank, acting quickly, Cuts Rates 10 Basis Points. They are trying, and succeeding, in depreciating the Euro against the VERY strong Dollar, hurting US exports... And the Fed sits, and sits, and sits. They get paid to borrow money, while we are paying interest!" Trump tweeted about half an hour after the ECB's policy announcement. The ECB's aggressive move, which included a renewal of \$20 billion euros in monthly bond-buying that will continue indefinitely, will add further pressure on the Federal Reserve to cut interest rates when it meets next week. Though a rate cut of a quarter of a percentage point was widely expected before the ECB meeting, the extent of the move in Frankfurt makes the case more compelling, adding downward pressure on US inflation and feeding through to exchange rates that influence the price of US exports — the issue highlighted by Trump. The world's major central banks, as well as monetary officials in China, are now in a global round of policy easing that has taken on an air of competition as elected officials battle over how to rewrite the rules for international trade. Trump, as he spars with China, has in recent months called on the Fed to restart its own "quantitative easing" program of bond purchases begun in the wake of the 2007 to 2009 financial crisis and recession. Trump on Wednesday said the US central bank should follow Europe and drive rates below zero.

Stocks climb on easing trade concerns, euro stimulus

REUTERS
BENGALURU, SEPTEMBER 12

US STOCKS were on track for a second straight session of gains on Thursday, after a stimulus drive by the European Central Bank added to an upbeat mood from trade concessions by Washington and Beijing ahead of planned negotiations in October. At 12:51 pm ET the Dow Jones Industrial Average was up 130.49 points, or 0.48 per cent, at 27,267.53, the S&P 500 was up 15.64 points, or 0.52 per cent, at 3,016.57 and the Nasdaq Composite was up 47.52 points, or 0.58 per cent, at 8,217.19. Stocks in Europe were whipped saw by the trade reports as well after climbing on the earlier ECB policy statement, with the broad STOXX 600 index rising as much as 0.75 per cent. The pan-European STOXX 600 index rose 0.18 per cent and MSCI's gauge of stocks across the globe gained 0.41 per cent.

France: Can't allow Facebook's Libra in Europe

REUTERS
PARIS, SEPTEMBER 12

FACEBOOK'S LIBRA cryptocurrency cannot be allowed to operate in Europe while concerns persist about sovereignty, systemic financial risks and the risk of abuses by a dominant market player, France's Finance Minister Bruno Le Maire said on Thursday. The social media network announced plans in June to launch the new currency. The minister did not spell out how France could keep Libra out of the 28-member European Union.

Google to pay \$1.1 bn in France to settle fiscal investigation

REUTERS
PARIS/BERLIN, SEPTEMBER 12

GOOGLE AGREED to pay close to 1 billion euros (\$1.10 billion) to French authorities to settle a fiscal fraud probe that began four years ago in a deal that may create a legal precedent for other large tech companies present in the country. French investigators have been seeking to establish whether Google, whose European headquarters are based in Dublin, failed to pay its dues to the state by avoiding to declare parts of its activities in the country. The settlement comprises a fine of 500 mil-

lion euros and additional taxes of 465 million euros, Google said. Google pays little tax in most European countries because it reports almost all sales in Ireland. This is possible thanks to a loophole in international tax law but it hinges on staff in Dublin concluding all sales contracts. "The agreement allows) to settle once for all these past disputes," said Antonin Levy, one of Google's lawyers, at a hearing in the Paris court. The combined tax payment is less than the 1.6 billion euros the finance ministry had been seeking from Google after the company's Paris offices were raided in 2016. At the time, the ministry had ruled out settling with the

company. Budget Minister Gerald Darmanin told Le Figaro newspaper on Thursday the settlement would create a legal precedent and added that talks were underway with several other companies, big and small. He did not specify their names. European countries have struggled to tax the profits of multinational tech firms derived in their jurisdictions. Meanwhile, Google won a legal battle on Thursday after Europe's top court said publishers in Germany could not demand copyright fees since 2013 from the tech firm because the European Commission had not been notified of the German regulation.

Ahead of talks, China & US prepare ground for deal

REUTERS
BEIJING/WASHINGTON, SEPT 12

THE US on Thursday welcomed China's promise to buy agricultural goods while maintaining the threat of tariff hikes as the world's two largest economies sought to prepare the ground for upcoming in-person talks. Lower-level US and Chinese officials are expected to meet within days in Washington ahead of talks between top trade negotiators in early October aimed at easing a trade war that has rattled financial markets and fueled fears of a looming global recession. On Thursday, Beijing said Chinese companies have started to inquire about prices for US agricultural goods purchases. US

Tariffs may lower 2020 GDP: IMF

WASHINGTON: Tariffs that have been imposed or threatened by the US and China could shave 0.8 per cent off global economic output in 2020 and trigger additional losses in future years, the International Monetary Fund said. IMF spokesman Gerry Rice said trade tensions were beginning to affect a world economy that is already facing challenges. **REUTERS** farmers have been among the hardest hit by the tit-for-tat tariff battle that began more than a year ago and escalated in recent weeks. "It is expected that China will be buying large amounts of our agricultural products!" Trump said in a tweet on Thursday. US Treasury Secretary Steven Mnuchin sought to temper over-optimism, however, telling CNBC that Trump was prepared to keep

or even raise tariffs on Chinese imports and that Beijing had asked for more concessions beyond the removal of tariffs. Speaking at a weekly news briefing in Beijing on Thursday, Chinese Commerce Ministry spokesman Gao Feng said China welcomed the US delay to its schedule tariff hike on billions of dollars worth of Chinese goods. "According to my understanding,

Chinese firms have started to inquire about prices for US agricultural goods," Gao noted. "China hopes both sides would continue to meet each other half way and adopt concrete actions to create favourable conditions for negotiations." Possible purchases of US farm goods included pork and soybeans, Gao said, both of which are still subject to hefty Chinese duties. On Wednesday, the United States agreed to delay increasing tariffs on \$250 billion worth of Chinese imports from October 1 to October 15 "as a gesture of goodwill." The tariffs on those goods were set to increase to 30 per cent from 25 per cent. Earlier on Wednesday, China announced it was exempting 16 types of US products from tariffs.