ECONOMY

BANKING WATCH

CENTRAL BANK OFFERS RLIR LOANS

Mumbai: State-run Central Bank of India on Sunday said it will be offering repo-linked interest rate (RLIR) on home and vehicle loan products with immediate effect. It will continue to offer home loan and vehicle loan products linked to MCLR. **PTI**

LITTLE CHANGE IN COMPLIANCE RATE; 75.8 LAKH RETURNS FILED FOR JULY

August GST revenue sees 4.5% rise over last yr, but lowest so far in FY20

ENS ECONOMIC BUREAU
NEW DELHI, SEPTEMBER 1

GROSS GOODS and Services Tax (GST) collections declined to the lowest level in this financial year and to a six-month low of Rs 98,202 crore in August (for July), reflecting the overall slowdown in the economy.

GST collections, however, recorded 4.51 per cent growth from Rs 93,960 crore collected in August last year.

The compliance rate remained broadly at the same level as previous month with total number of GSTR 3B returns filed for July at 75.80 lakh till August 31, as against 75.79 lakh in the preceding month.

Of the total Rs 98,202 crore GST revenue, Central GST (CGST) collections stood at Rs 17,733 crore, State GST (SGST) at Rs 24,239 crore, and Integrated GST Rs 48,958 crore, a Finance Ministry statement said.

Overall gross GST collections — which include the central government's and states' revenues — are progressing close to the targeted rate even though the CGST is lagging behind the budgeted target.

A total of Rs 5,14,378 crore has been collected so far in April-August this fiscal, with the average monthly collection at Rs 1,02,875 crore.

The government aims to collect approximately Rs 11.89 lakh crore GST revenue on a gross basis. The monthly targeted rate is about Rs 99,112 crore, a result of the sharp cut in Budget targets announced in July from the interim Budget's targeted rate of Rs 1.14 lakh crore that was presented in February.

Revenue stream from both direct and indirect taxes is reflecting the impact of the economic slowdown.

In the remaining eight months of this financial year, gross tax revenue needs to grow at a run rate of 22.1 per cent and net tax revenue needs to grow at 28 per cent, the latest monthly accounts figures released by Controller General of Accounts (CGA) showed.

Tax experts said the lower GST collections will be a crucial factor for determining rate cut decision, if any, in the upcoming GST Council meeting on September 20.

Pratik Jain, partner and leader—indirect tax, PwC India, said, "Slowdown in GST collections perhaps reflects the economic realities on the ground ... with virtually no room for rate increase, the government would hope that efforts to plug tax leakages would yield results soon."

"Given the slowdown in collections, it would be interesting to see if the GST Council would consider rate cuts in its meeting later this month, for automobile sector as the industry has been pushing for," he added.

Abhishek Jain, tax partner, EY, said, "This slight dip in revenue below Rs 1 lakh crore may be linked to the general slowdown in industry. However, a growth vis-à-vis the same month in the last year does reflect better GST compliance and payment.

"The revenue collections this month may also be a factor of consideration in the rate cut agenda, if any in the upcoming Council meeting."

EXPLAINED E. GST revenue at six-month low reflects slowdown

THOUGH THE Rs 98,902 crore of GST collection in August is 4.5 per cent higher than the last year's mop-up, it is the lowest in the 2019-20 fiscal so far. The weakening trend of indirect tax revenue is a direct indicator of the consumption slowdown in the economy.

With sliding GDP growth, the buoyancy of tax revenue is likely to get impacted, which would strain the central government's fiscal math for this year. With sales and consumption remaining low across sectors, especially automobiles, it is now to be seen whether the remedial measures announced by the Finance Ministry last month would bring some relief.

Over 5.65 cr I-T returns filed for AY 2019-20; 4% more than last yr

New Delhi: Over 5.65 crore income tax returns were filed by taxpayers for the Assessment Year 2019-20 as the deadline ended on August 31, showing a 4 per cent rise in ITR filing over the previous year, as per the tax department data.

Total number of income tax returns (ITRs) filed for AY 2018-19 was 5.42 crore.

Nearly 50 lakh people filed their tax returns online on August 31, the last date for ITR filing, Central Board of Direct Taxes (CBDT) data showed. "The Income Tax Department has made history with a quantum jump in the e-filing of ITRs with an all-time high record of 49,29,121 ITRs filed in a single day on August 31," it said in a statement.

From August 27 to 31, 1,47,82,095 people filed online returns, an increase of 42 per cent as compared to the same period of AY 2018-19. CBDT said the Department is actively interacting with taxpayers on social media to help resolve grievances and e-filing related queries and getting accolades in return. **PTI**

CONCERNS OVER SLOWDOWN, US-CHINA TRADE WAR HIT SENTIMENT

Surcharge rollback sees little impact, as FPIs continue outflow from Indian equities

SANDEEP SINGH
NEW DELHI, SEPTEMBER 1

THE GOVERNMENT'S announcement on August 23 to roll back the imposition of surcharge on foreign portfolio investors (FPIs) — which was proposed in the Union Budget in July — seems to have failed to rekindle the sentiments on equity investment in India.

In the five trading sessions following the rollback of surcharge, FPIs sold Indian equities worth a net of Rs 5,485 crore from Indian equities as broader concerns around domestic economic growth, slowdown in consumption and threat of escalation of tariff war between US and China played on the investors' mind.

While the Budget announcement on imposition of surcharge on FPIs in July severely dented investor confidence, and between July 5 (Budget announcement) and August 23 (rollback of surcharge) they pulled out a net of Rs 20,260 crore from Indian equity markets, experts say that investors are now concerned more about the basic fundamentals of the Indian economy, including the consumption growth, and therefore the surcharge rollback may not reverse equity flows as of now.

"There is a bit of pessimism on growth, corporate earnings and problems surrounding NBFCs. Both domestic and foreign investors are concerned over the fundamentals of the economy. I think that the stimulus measures being announced by the government may not have the desired impact till the overall sentiments turn positive," said CJ George, MD, Geojit Financial Services.

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The CIO of a leading mutual fund said that a decline in private consumption and lacklustre growth in direct tax collection in the first five months of the current fiscal have raised concerns in the market. "A dip in private consumption and low inflation is hurting the corporate earnings growth. Slow pace of growth in direct tax collections has also raised concerns over the government's ability to use RBI's additional dividends for capital expenditure."

As both FPIs and domestic investors turned wary of slowdown in the economy, the broader markets have lost significantly. Against the Sensex fall of 5.6 per cent in July-August, the BSE mid cap and the small cap indices have lost 9.2 per cent and 12.2 per cent.

However, there is some hope going forward, said the CIO, pointing towards expected ease in liquidity situation and revival of the consumption growth. "The RBI has started providing liquidity and revival should begin in the October-December quarter. While cyclically we are at the bottom as of now, I am hopeful that we will end the current financial year in a better position," he said.

There are some who added that the Centre's latest reform measure to merge six relatively weaker public sector banks into four stronger ones will be beneficial in the long run, though it may block credit disbursal by these banks in the near term as decision making will get impacted.

"There is a slowdown in the economy and private consumption and investments are down, and at a time when you need to lift the economy and increase the credit flow in the short-term, you take a decision that will block the credit in the short term," said the head of the financial services firm.

He, however, added that it will have big benefits in the long run. "Bigger banks have better technology at their disposal and they work more efficiently and so merger of smaller banks with bigger banks will create banking institutions that are more robust and that operate more efficiently."

'Flexible workplace segment to see major consolidation'

India may see a major consolidation in the flexible workplace segment, as bigger operators will look to acquire smaller ones for inorganic growth, property consultant Colliers said

8.8 MILLION SQ FT: Projected leasing by flexible workspace operators in 2019 across seven major markets; flexible workspace operators leased 6.8 million sq ft in 2018

17 MILLION SQ FT: Total stock of flexible workplace in India, around 3.5 per cent of total commercial real estate stock

55,000 SQ FT: Average size of a flexible workspace in 2019, which has increased 40 per cent over two years

TOP 3 CITIES WITH HIGHEST SHARE:
- Bengaluru: ~35%, around 6 million sq ft
- Delhi-NCR: 19%
- Mumbai: 17%

18-20%
Expected share of flexible workspace leasing in total gross leasing of office space; in 2018, it accounted for 14 per cent of total commercial office leasing

300
Estimated number of flexible workspace operators in India

FACTORS THAT WILL BOOST CONSOLIDATION OF FLEXIBLE WORKSPACE OPERATORS:
- Acquisition of smaller companies
- Desire to enter new locations
- Aim to increase scale of operations

SEVEN CITIES considered for the report: Bengaluru, Chennai, Delhi-NCR, Hyderabad, Kolkata, Mumbai and Pune

Auto makers see sluggish domestic sales in Aug; some see up to 50% fall

ENS ECONOMIC BUREAU
NEW DELHI, SEPTEMBER 1

THE SLOWDOWN in the auto industry and decline in domestic sales extended for yet another month, with leading car manufacturers announcing up to 50 per cent drop in sales in August 2019 as against that in corresponding month last year.

While Maruti Suzuki (MSIL), the market leader with around 50 per cent market share, announced a sharp 36 per cent drop in domestic passenger vehicle sales for August, Honda Cars posted a 51 per cent fall in sales for the month with sales of 8,291 units as against 17,020 units in August 2018.

Toyota India also announced a 24 per cent drop in domestic sales in August 2019 at 10,701 units as against 14,100 units in August last year. Hyundai Motor India recorded a 16.58 fall in domestic sales, with 38,205 units sold last month as against 45,801 in the corresponding period a year-ago.

For MSIL, the domestic car sales stood at 93,173 units last month, against sales of 145,895 units in August last year.

The August sales for MSIL is lowest monthly sales in almost five years, said a source. While the mini and compact sub-segment, (Alto, WagonR, Celerio, Ignis, Swift, Dzire and Baleno) which account for over two-thirds of the automobile manufacturer's sales witnessed a 40 per cent drop in sales last month, its mid-size car Ciaz witnessed a sharp 77 per cent drop in sales in August. The firm sold 1,596 units of Ciaz last month as against over 7,000 units sold in the same month last year.

The utility vehicle segment for Maruti Suzuki, however, witnessed a marginal 3 per cent rise in sales over that seen in the same period last year.

While the slowdown in auto sales began since the IL&FS crisis hit markets in August-September 2018, on account of slowdown in lending by NBFCs, the first five months of the current fiscal have been very hard for the industry.

MSIL has seen its domestic passenger car sales fall 27 per cent in the period between April and August 2019. In these five months, MSIL has sold 553,068 units, as against 757,289 units sold in April-August 2018 — over two lakh fewer than in the year-ago period.

While the industry has started witnessing loss of jobs across its value chain, even large players have now started reducing the headcount following production cuts on account of decline in sales.

Recently, MSIL chairman RC Bhargava said that the company has not renewed the contracts of 3,000 temporary employees across its manufacturing plants, as it is battling rising inventory amid slowdown in demand.

Commenting on the industry sales, Rajesh Goel, senior vice president and director—sales and marketing, Honda Cars India, said, "The auto sector continues to witness high de-growth due to poor consumer sentiment. This is despite the high discounts prevailing in the market which makes it the best time to buy cars.

"We hope the recent measures taken by the government will help in improving consumer sentiment and demand creation as we move forward. With the impending festive season, the sales are likely to pick-up in coming months," he added.

BRIEFLY

ATF price cut by 1%, LPG rate up by ₹15.5

New Delhi: Jet fuel price on Sunday was cut by about 1 per cent to a four-month low on softening international oil prices, according to state-owned fuel retailers. Market-priced or non-subsidised cooking gas (LPG) price was however raised by Rs 15.5 per cylinder, oil firms said in a price notification. Aviation Turbine Fuel (ATF) price in Delhi was cut by Rs 596.62 per kilolitre or 0.9 per cent, to Rs 62,698.86 per kl. This is the third straight monthly price reduction. Jet fuel prices were last cut by 5.8 per cent or Rs 3,806.44 per kl on August 1.

Assets up to ₹31.11 lakh crore: LIC

New Delhi: LIC Sunday said its assets have grown to over Rs 31.11 lakh crore, mainly helped by a bouquet of 32 plans under individual business. With the increased business, the market share of the insurer rose to 73.1 per cent at the end of July 2019. "Starting with an initial capital of Rs 5 crore in 1956, LIC has assets of over Rs 31,11,847.28 crore with life fund to the tune of Rs 28,28,320.12 crore," the insurer said in a statement. **PTI**

FM on job losses: Data talks only about formal sector, not informal

ENS ECONOMIC BUREAU
CHENNAI, SEPTEMBER 1

AS THE Central Statistics Office (CSO) said on Friday the country's gross domestic product (GDP) grew at a 25-quarter low rate of 5 per cent in April-June with private consumption and manufacturing faltering the most in a rather broad-based slowdown, Finance Minister Nirmala Sitharaman on Sunday said the government was responding to the issues confronting the economy "sectorally".

Outlining the government's approach, she asserted that, "every sector of the Indian economy, when it approaches us, we (the government) hear them out for solutions that they want and we respond to it".

"When we spoke about amalgamation of banks I have very clearly underlined the fact that there shall not be one employee removed. Not at all"

NIRMALA SITHARAMAN
FINANCE MINISTER

Sitharaman was addressing mediapersons here after a meeting with officers of the Customs, goods and service tax and income tax departments. Asked what was her message to people who had lost their jobs and those fearing job losses, she said, "I can only say we are responding to the industry requirements. Across the board, there is no one particular answer that I can give, saying this is the magic wand. Sectorally, what they want, we are responding."

On apprehensions of huge job losses, the FM said, the country's official jobs data always concentrated on the formal sector only. This, she said, was the case even before the first Narendra Modi government came into power in 2014 and the period after it.

"Indian informal sector employment has not been appropriately or exhaustively documented. When we are referring to data from government organisations like NSSO, it talks only about the formal sector and not about the informal. In India, the nature of our economy was that it is in the informal sector where majority of our employment is. If there is stress in the respective sectors, I am willing to hear," she added.

Sitharaman also allayed fears of job losses following the proposed merger of public sector banks (PSBs), saying that not even one employee would be removed following the amalgamation.

"Absolutely, ill informed. I want to assure every union in every one of these banks to please recall what I have said last Friday. When we spoke about amalgamation of banks I have very clearly underlined the fact that there shall not be one employee removed. Not at all," she said.

There would not be any closure of banks and no bank was being asked to do something new.

The minister's remarks are against the backdrop of global agencies cutting global and India's growth outlook and grim prognosis by many noted analysts of the India's short-term growth prospects. The RBI said in its annual report 2018-19 last week, "The recent (growth) deceleration could be in the nature of a soft patch mutating into a cyclical downswing, rather than a deep structural slowdown. Nonetheless, there are still structural issues in land, labour, agricultural marketing and the like, which need to be addressed."

The Centre has been in consultation with various sectors and Sitharaman came out with two tranches of announcement during the last two weeks. **FE & PTI**

CITING COMMENTS FROM US ECONOMIST PETER MORICI, TRUMP CALLS ON US FIRMS TO FIND SUPPLIERS OUTSIDE OF CHINA

Beijing, Washington kick off new round of tariffs in trade war

BEN BLANCHARD & STEVE HOLLAND
BEIJING/WASHINGTON, SEPTEMBER 1

CHINA AND the United States began imposing additional tariffs on each other's goods on Sunday, the latest escalation in a bruising trade war, but US President Donald Trump said the sides would still meet for talks later this month.

Trump, writing on Twitter, said his goal was to reduce US reliance on China and again urged American companies to find alternate suppliers outside China.

A new round of tariffs took effect from 0401 GMT, with Beijing's levy of 5 per cent on US crude marking the first time the fuel has been targeted since the world's two largest economies began their trade war over a year ago.

The Trump administration Sunday began collecting 15 per cent tariffs on over $125 billion in Chinese imports, including smart speakers, Bluetooth headphones and many types of footwear.

In retaliation, China started to impose additional tariffs on some of the US goods on a $75-billion target list. Beijing did not specify the value of the goods that face higher tariffs from Sunday.

The extra tariffs of 5 per cent and 10 per cent were levied on 1,717 items of a total of 5,078 products originating from US. China will start collecting additional tariffs on the rest from December 15.

Trump on Sunday cited comments from US economist Peter Morici, who claims the tariffs will not impact US consumers that much given a drop in the Chinese currency, and called on US companies to find suppliers outside of China. "We don't want to be servants to the Chinese!" he said. "This is about American Freedom. Redirect the supply chain. There is no reason to buy everything from China!"

Later, he told reporters that talks with China were continuing and the two would meet in person in September. "We are talking to China, the meeting is still on, as you know, in September," he said. "We'll see what happens, but we can't allow China to rip us off anymore as a country."

Chinese state media struck a defiant note. "The United States should learn how to behave like a responsible global power and stop acting as a 'school bully,'" the official *Xinhua* news agency said.

"As the world's only superpower, it needs to shoulder its due responsibility, and join other countries in making this world a better and more prosperous place. Only then can America become great again." **REUTERS**

FIRST TIME THAT FUEL HAS BEEN TARGETED

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China plans to give its economy more support

REUTERS
BEIJING, SEPTEMBER 1

CHINA PLANS to provide more support for its economy, including investing in infrastructure projects and regional development, while maintaining a prudent monetary policy with "reasonably" ample liquidity, the State Council said on Sunday.

As the second-largest economy weathers its biggest slowdown in decades, the State Council said the government aimed to better integrate fiscal, financial and monetary policies, deepen capital market reforms and further open up the financial sector.

"We attach great importance to the development of infrastructure, high-tech, traditional industrial transformation, social services and new growth regions," the State Council said in a statement, after a meeting of the Financial Stability and Development Commission (FSDC) chaired by Vice Premier Liu He on Saturday.