ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,550	71.47	$61.46	₹45,080

*Indian basket as on November 8, 2019

SENSEX: 40,345.08 ▲ 21.47 **NIFTY:** 11,913.45 ▲ 5.30 **NIKKEI:** 23,520.01 ▲ 188.17 **HANG SENG:** 27,065.28 ▲ 138.73 **FTSE:** 7,354.62 ▲ 26.08 **DAX:** 13,271.21 ▲ 72.84

Indian equity and forex markets were closed on Tuesday on account of Guru Nanak Jayanti.*International market data till 1900 IST

SECTOR WATCH
FINANCE

'Millennials among the most credit-conscious consumer segments'

ENS ECONOMIC BUREAU
MUMBAI, NOVEMBER 12

THE NUMBER of self-monitoring Indian millennials — the generation of people born between 1980 and 2000 — grew by 58 per cent between 2016 and 2018, becoming one of the most credit-conscious consumer segments, while credit-conscious non–millennial consumers grew by just 14 per cent, recent study by TransUnion CIBIL has said.

Despite their high appetite for credit, the CIBIL study revealed that millennials are one of the most credit-conscious consumer segments in the country.

"These credit-conscious millennials self-monitor their credit scores regularly and have an average CIBIL score of 740," it said.

While 51 per cent of self-monitoring millennials come from Maharashtra, Karnataka, Tamil Nadu, Uttar Pradesh and Delhi collectively, millennials from Gujarat ranked highest when it comes to credit-consciousness with an average score of 747.

This was followed by Haryana at 743, and Rajasthan at 742. Featuring at the bottom of the list was Delhi with an average CIBIL Score of 734 and Tamil Nadu at 736, Cibil said.

As per the study, self–monitoring millennials show a preference for unsecured loans, with credit cards, personal loans and consumer durable loans contributing to 72 per cent of all loans availed by this consumer segment.

"Among secured loans, two-wheeler loans and auto loans had the highest demand, jointly contributing to 9 per cent of the total credit pie," CIBIL said.

Sujata Ahlawat, vice-president and head-direct to consumer interactive, TransUnion CIBIL, said: "It is encouraging to see the rising trend in credit consciousness and good financial behaviour exhibited by Indian millennials. It's also interesting to see that many lenders have started reaching out to this demographic with relevant product offerings. Since many millennials are at the beginning of their credit journey, reaching out to them at the right time will help lenders engage with them throughout their credit lifecycle."

PREFERENCE FOR UNSECURED LOANS

- **Number of self-monitoring Indian millennials —the generation of people born between 1980 and 2000 — grew by 58 per cent between 2016 and 2018, as per a study by TransUnion CIBIL**
- **Credit-conscious non–millennial consumers grew by just 14 per cent**

SBI RESEARCH CUTS FY20 FORECAST TO 5%; NOMURA PROJECTS 4.9%

July-Sept quarter growth set to fall to 4.2%, say reports

ENS ECONOMIC BUREAU
MUMBAI/NEW DELHI, NOV 12

WITH LEADING growth indicators, including the second straight month of contraction in factory output in September, pointing to the slowdown worsening further, India's gross domestic product (GDP) growth for July-September is seen slipping to the sub-4.5 per cent level, much lower than the 25-quarter low of 5 per cent seen in April-June.

State Bank of India (SBI) and Nomura Global Markets Research, in their respective research reports, projected the country's GDP growth for July-September to decelerate to 4.2 per cent, the lowest quarterly growth level in the 2011-12 (base year) series.

For the full year 2019-20, SBI has downgraded the growth rate to 5 per cent from 6.1 per cent earlier, while Nomura has projected GDP growth rate to be 4.9 per cent. The Reserve Bank of India (RBI) in its October policy meet has cut the GDP forecast for 2019-20 from 6.9 per cent to 6.1 per cent, projecting 5.3 per cent growth in July-September and in the range of 6.6-7.2 per cent for October-March.

"We expect Q2 (September quarter) GDP growth at 4.2 per cent. Our acceleration rate for 33 leading indicators at 85 per cent in October 2018 is down to just 17 per cent in September 2019, with such decline gaining traction from March 2019. Even IIP growth number for September 2019 was -4.3 per cent, which is quite alarming. We are revising our GDP forecast for FY20 to 5 per cent from 6.1 per cent earlier," SBI said in its Ecowrap report, indicating the deepening slowdown. However, it said the growth rate is expected to pick up pace in FY21 to 6.2 per cent. "We also expect revisions to GDP data as in the past, but that is likely in February 2020 as is the custom. In FY17, Q1 GDP figure was revised upwards from 7.1 per cent in every revision and finally settled at 9.2 per cent," SBI said.

Nomura said IIP growth was expected to improve in September in preparation for pre-Diwali demand (in October). "Not only does this print suggest that the festive boost was largely absent, the non-synchronicity of the timing of the festival (Diwali was in November 2018) suggests elevated risk of a sharper fall in the next IIP print, depressed by the unfavourable base. This cements our assessment that Q3 (July-September) has almost universally been a washout for growth indicators vs Q2 (April-June), setting the stage for a disappointing GDP print (on 29 Nov). We forecast growth to slide further to 4.2 per cent y-o-y vs 5 per cent in Q2," it said.

The SBI report said this growth rate in FY20 should be looked through the prism of synchronised global slowdown. Countries have witnessed 22-716 basis point decline between June 2018 and June 2019, and India cannot be isolated. India is also significantly lower in Economic Uncertainty Index when compared globally. "We also believe that Moody's change in outlook from stable to negative will not have any significant impact as rating actions are always a laggard indicator and the markets this time have categorically given a thumbs down to such," it said.

With the growth rate declining, the SBI report said it expects larger rate cuts from the RBI in the December policy. However such rate cut is unlikely to lead to any immediate material revival, rather it might result in potential financial instability as debt financed consumption against an increasing household leverage had not worked in countries and India cannot be an exception.

In essence, markets are not unduly worried about fiscal deficit and await clarity from the government on the extent of fiscal slippage in current fiscal. "Such an announcement could in fact be good for the markets," it said.

SBI report cautioned, "against such growth slowdown, it is imperative that India adheres to no negative policy surprises in sectors like telecom, power and NBFCs. For example, it is imperative that a lasting solution is worked out for the NBFC sector that has been much delayed now."

"We believe that given the crisis of confidence in the financial markets, provision of central bank liquidity for NBFCs is necessary to ensure the stability of the financial system. With every passing day the risk increases that the not so better rated NBFCs in their quest to achieve the capital ratio could do it through deleveraging and reduction of their assets, thus prolonging the credit crunch," the report said. "The woes of the telecom sector need to be addressed so that new investors are encouraged to set up new networks in the country. Simultaneously, it is perplexing that a growing economy is witnessing a contraction in power demand with Discoms buying less power for reasons well known," SBI said.

Average PLF of thermal plants dipped to all time low of 48.9 per cent in October. Renewables generation declined by 6.4 per cent despite 15 per cent increase in installed capacity. "The government is doing the correct thing in addressing sector specific problems. NBFC, telecom, roads, power and real estate are sectors that require specific attention and there must not be any negative sector specific policy surprises in the current uncertain environment," it said.

EXPLAINED E.

May lead to a rate cut by the RBI in December

A SHARP reduction in economic growth in the second quarter might prompt larger rate cuts from the Reserve Bank of India in the December policy.

SBI Research has, however, warned that rate cuts are unlikely to lead to any material revival, but result in potential financial instability as debt-financed consumption against an increasing household leverage had not worked in other countries and India cannot be an exception.

Jul-Sept GDP numbers key, says DBS report

Singapore: July-September quarter GDP data, scheduled for release on November 29, will be important as headline growth has already slipped to a six-year low, said Singapore's DBS Bank. A disappointing GDP report could lift USD/INR above its two-month range between 70.5 and 71.5 and bring it closer to year's high around 72.5. **PTI**

LABOUR STRIKE

Manesar shut, HMSI moves production to other factories

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 12

HONDA MOTORCYCLE & Scooter India (HMSI) has increased production at its plants in Rajasthan and Gujarat, as labour unrest at the Manesar facility has led to zero production for the eighth consecutive day on Tuesday. People aware of the development said workers at the other plants have been doing double shifts to make up for the output loss at the Manesar unit.

Production has been suspended since November 5 at the Manesar plant, which has a capacity of 1.5 million units per annum, as around 2,500 contract workers have gone on an indefinite strike. The strike was called to protest against retrenchment of over 200 contractual workers last week and the company cited low production and demand for two-wheelers as the reason for the layoffs. Even the 1,900 permanent workers are supporting the strike by the contractual workers. The other two plants have a production capacity of 1.2 million units each.

FE had first reported in August that the two-wheeler maker had let go off 700 contract workers, following a significant output cut due to the ongoing slowdown in sales and high inventory at the dealers. The latest lay offs is in addition to the previous one, Suresh Gaur, president at HMSI employees labour union, said.

While workers refrained from working since November 5, the company on November 10 wrote to the union members stating the normal operations will be suspended from November 11 and further notice regarding resumption of operations will be given. Workers have also been demanding Rs 1 lakh compensation for every year of service till the time of retrenchment.

Company increases production at its plants in Rajasthan and Gujarat

Emails sent to HMSI did not elicit a response. A company official, however, said since demand is subdued, a few days of production loss would not have much impact as dealers and firm's stockyard are flushed with stocks and other plants are fully operational. "The call taken to shut production is to convey that contract staff are hired for a specific period based on demand and cannot be given similar treatment like the permanent workers," the official said.

Gaur said the Rajasthan plant is just 25 km away from the Manesar unit and daily production numbers have increased there since last week. "While the company has cited slowdown in demand as the reason for such large scale layoffs, that could not be the only reason as other plants are functioning as usual," Gaur said, adding the management has refused to have settlement talks.

Contract workers are usually hired for jobs like loading and unloading, transferring goods from one place to another, deploying material on the assembly lines and driving service vehicles.

While most manufacturers including Maruti Suzuki, Mahindra & Mahindra had let go off a few contractual staff in the last six months due to slowdown in vehicle sales, none of that led to labour unrest of this scale. A poor festive season demand in 2018 led to pile up of excess inventory at the dealers.

In the April-October 2019 period, HMSI's production was down by around 20 per cent y-o-y. The company's sales have been falling virtually every month since December 2018 in the range of 12-45 per cent y-o-y. **FE**

'PE/VC investments remain flat at $3.31 bn in Oct'

Venture investment activity in India slowed down both by value and deal volumes in October to $3.312 billion in 91 transactions on account of poor show by the realty sector, an EY report said

CRITICAL TIMING
The report comes amid economic growth slipping to a six-year low of 5 per cent for the June quarter, and with analysts expecting it to go down to as low as 4.9 per cent in FY20

FUNDS RAISED
in October totalled to $403 million, as against $641 million in October 2018, it said

EXIT PERSPECTIVE
The sell-offs were 30 per cent lower at $960 million as against the $1.4 billion in the year-ago period and 64 per cent down as compared to September's $2.6 billion, it said

98 deals, which had seen investments of $3.744 billion by private equity and venture capital funds in September, and $3.336 billion in 64 deals in October 2018, the EY data showed

PE/VC INVESTMENTS in 2019 have maintained a consistent monthly run rate of over $3 billion, and have increased 16.5 billion to $43.7 billion for the 10 months of the year, said EY's partner Vivek Soni

$114 MILLION, realty investments in October — a tenth of the $1.45 billion in September

INTEREST in the infrastructure sector was driven from global buyout, pension and sovereign funds who continue to take large bets and the trend is expected to remain strong in the near future, it said

A MASSIVE JUMP in infrastructure investments supported the overall deal activity, with growth to $1.415 billion from the $98 million in the month-ago period

MAJOR INVESTMENTS included Abu Dhabi Investment Authority (AIDA), Public Sector Pension Investment Board (PSP Investments), and National Investment and Infrastructure Funds $1.1 billion investment in GVK Airport Holdings, it said

Future in India could be in doubt: Vodafone

REUTERS
LONDON, NOVEMBER 12

VODAFONE SAID its future in India could be in doubt unless the government stopped hitting operators with higher taxes and charges, after a court judgment over license fees resulted in a 1.9 billion euro group loss in its first half. Chief executive Nick Read said India, where Vodafone formed a joint venture with Idea Cellular in 2018, had been "a very challenging situation for a long time", but it remained a sizable market where Vodafone had a 30 per cent share.

"Financially there's been a heavy burden through unsupportive regulation, excessive taxes and on top of that we got the negative supreme court decision," he said on Tuesday.

Vodafone had asked the government for a relief package comprising a two-year moratorium on spectrum payments, lower license fee and taxes and waiving of interest and penalties on the Supreme Court case, which centred on regulatory fees.

Asked if it made sense for Vodafone to remain in India without any relief package, he said: "It's fair to say it's a very critical situation."

Read said Vodafone was not committing any more equity to India and the country effectively contributed zero value to the company's share price.

Vodafone, the world's second largest mobile operator, reported improving organic revenue growth as it saw signs of improvement in Spain and Italy and as it integrates its German cable acquisition.

It reported organic service revenue growth of 0.3 per cent in the first half, as it returned to growth in the second quarter, while organic core earnings rose 1.4 per cent.

It increased its forecast for adjusted core earnings to 14.8-15.0 billion euros from its previous forecast of 13.8-14.2 billion euros, but said India and lower cash flows following the sale of assets in New Zealand meant free cash flow would be "around" 5.4 billion euros, rather than "at least" 5.4 billion euros, as it previously forecast.

Read said he was pleased with progress in executing his strategy.

"This is reflected in our return to top-line growth in the second quarter, which we expect to build upon in the second half of the year in both Europe and Africa," he said on Tuesday.

Read cut Vodafone's dividend for the first time in May after tough market conditions and a need to invest in its networks and airwaves caused him to backtrack on his pledge not to reduce the payout.

'IT'S A VERY CRITICAL SITUATION'

- **Vodafone chief executive Nick Read said India had been "a very challenging situation for a long time" ...**
- **"Financially there's been a heavy burden through unsupportive regulation, excessive taxes and on top of that we got negative Supreme Court decision," he said**
- **Asked if it made sense for Vodafone to remain in India without any relief package, he said: "It's fair to say it's a very critical situation"**

L'Oreal, Nestle score the most at Alibaba's Singles' Day shopping fest

BRENDA GOH & JOSH HORWITZ
SHANGHAI/HANGZHOU, NOVEMBER 12

CHINESE SHOPPERS snapped up food supplements, facial masks and baby milk powder at the world's largest shopping festival, with brands such as L'Oreal and Nestle among the biggest winners, Alibaba data showed.

The Chinese e-commerce giant's annual Singles' Day shopping blitz on Monday brought in a record 268.4 billion yuan ($38.38 billion) in sales, more than six times the amount of online sales made in the United States on Black Friday last year.

It kicked off this year's 24-hour shopping bonanza with a live performance by US pop star Taylor Swift followed by the live-streamed marketing of over 1,000 brands.

Alibaba said on Tuesday that 299 brands surpassed 100 million yuan in gross merchandise value, including LVMH's Givenchy, home appliance manufacturers Dyson and Philips and sportswear maker Under Armour.

Fifteen brands made over 1 billion yuan in sales, it said. These included Huawei Technologies, Apple, Nike, Xiaomi Corp and Fast Retailing's Uniqlo.

Food supplements were the most popular import product, while sales of makeup, diapers and face wash were also strong.

Sales growth for the annual shopping festival this year eased to 26 per cent , the weakest since the event started in 2009, in a reflection of how e-commerce sales in China have been slowing.

Analysts, however, said the growth rate had slightly beaten their expectations, saying that more aggressive promotions, a focus on attracting more customers from rural cities, and even the overall slowing economy might have helped as people sought to buy goods at discounted prices.

Citic Securities had predicted a 20-25 per cent expansion, while Daiwa Capital Markets had an estimate of 23 per cent .

"What's happened is that you've had a lot of consumers this year being a little bit more careful about their purchasing because the economy's slowing down," said Ben Cavender, managing director of consultancy China Market Research Group.

"I think this year especially, people were kind of waiting for Singles' Day and kind of waiting to make some of those medium-sized purchases that they didn't want to pay full price for."

The event has been replicated at home and abroad, with Singles' Day promotions found at rivals such as China's JD.com and Pinduoduo as well as South Korea's 11thStreet and Singapore's Qoo10. **REUTERS**

The Chinese e-commerce giant's annual Singles' Day shopping blitz on Monday brought in a record 268.4 billion yuan ($38.38 billion) in sales

FOR 3 PSU BANKS

BBB recommends 3 candidates as CEOs

ENS ECONOMIC BUREAU
MUMBAI, NOVEMBER 12

THE BANKS Board Bureau (BBB) has recommended three candidates for the position of Managing Director and CEO in Bank of Baroda, Canara Bank and Bank of India. The Bureau has recommended Sanjiv Chadha, LV Prabhakar and Atanu Kumar Das, in order of merit, for the position of MD and CEO in BoB, Canara Bank and BoI. Chadha is currently Deputy MD with State Bank of India. While Prabhakar is Executive Director with Punjab National Bank, Das is ED with Bank of India.

BBB, the recruitment body for top officials of PSU banks and insurance companies, said AS Rajeev and Peruvemba Ramchandra Seshadri are on the reserve list.

Bank of India has been headless since July 1 after Dinabandhu Mohapatra retired as CEO. PS Jayakumar retired as MD and CEO of BoB in October as his one-year extension ended. The government had extended Jayakumar's tenure due to the bank's merger with two smaller state-run banks — Dena Bank and Vijaya Bank.

On the other hand, RA Sankara Narayanan, who is the Canara Bank MD and CEO, will retire in January 2020. Last month, BBB had recommended Challa Sreenivasulu Setty for the position of MD in SBI. In August, it proposed Devesh Srivastava as the CMD of GIC Re. It selected Malay Kumar Poddar as the CMD of Delhi-based Agriculture Insurance Company(AIC).

The Bureau has recommended Sanjiv Chadha, LV Prabhakar and Atanu Kumar Das, in order of merit, for the position of MD & CEO in BoB, Canara Bank, BoI

Eager markets get nothing new on trade talks from Trump in NY speech

REUTERS
WASHINGTON, NOVEMBER 12

US PRESIDENT Donald Trump on Tuesday took aim once again at the Federal Reserve for its interest rate policy in a highly anticipated speech that offered no fresh details on his administration's long-running trade war with China.

With financial markets from frothy stocks to jittery bonds eager for word about the state of talks between Washington and Beijing, Trump instead bemoaned the fact that the United States has higher interest rates than other developed economies, and he took credit for the economy's record-long expansion.

"Remember we are actively competing with nations that openly cut interest rates so that many are now actually getting paid when they pay off their loan, known as negative interest. Who ever heard of such a thing?" he told members of the Economic Club of New York.

"Give me some of that. Give me some of that money. I want some of that money. Our Federal Reserve doesn't let us do it."

The Fed has cut interest rates three times since July, but that followed a string of nine increases since late 2015. Trump has repeatedly railed against the Fed for not lowering rates even further.

His speech had been eagerly awaited on Wall Street, where signals that the White House and Beijing are nearing a trade deal that could go a long way toward dispelling the uncertainty dogging the global economy have helped US stocks to record highs in recent days. The renewed optimism has also undercut the year's big rally in safe assets like Treasury bonds.

Excerpts of the text of Trump's prepared remarks, however, focused on the performance of the US economy and labour market since he took office.

As Trump spoke, the benchmark Standard & Poor's 500 Index SPX edged down from the record high it had touched earlier in Tuesday's trading session. It remained 0.25 per cent higher on the day.

As he often has, Trump pointed to the market's run to a record as a validation of his economic and trade policies.

"We are competing with nations that cut interest rates so that many are actually getting paid when they pay off their loan ... Who ever heard of such a thing?

DONALD TRUMP,
PRESIDENT, US