ECONOMY

GOLD	RUPEE	OIL	SILVER
₹39,213	70.69	$61.48	₹47,583

*Indian basket as on November 4, 2019

SENSEX: 40,248.23 ▼ 53.73 NIFTY: 11,917.20 ▼ 24.10 NIKKEI: 23,251.99 ▲ 401.22 HANG SENG: 27,683.40 ▲ 136.10 FTSE: 7,391.27 ▲ 21.58 DAX: 13,133.86 ▼ 2.42

*International market data till 1900 IST

POLICY WATCH RCEP

India's decision is 'absolutely final' for now: Goyal

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 5

The Commerce Minister said if the remaining 15 RCEP participating countries "make a sincere effort" to resolve India's concerns, the Centre may re-initiate talks to join the trade deal

INDIA'S DECISION to be out of the Regional Comprehensive Economic Partnership (RCEP) is "final" unless other countries involved in the pact uphold its demands, said Commerce and Industry Minister Piyush Goyal on Tuesday. At the same time, doors for further negotiations remained open as India did not exit the deal on a bitter note that would lead to uncertainty in its economic and political relation with these countries, according to him.

"For the present, it is a final decision. We are not joining RCEP," said Goyal during a briefing on the decision in New Delhi.

He suggested that if the remaining 15 RCEP participating countries "make a sincere effort" to resolve India's concerns and give it the confidence that they will help it "balance this trade inequality", the country may re-initiate talks to join the mega trade deal.

"In international engagement and international relations...we always talk to countries. The doors never shut for anybody. But, as I said, for the present, the decision is absolutely final," he said. "All these issues have been pending for a long time, they have been in negotiation for a long time. The onus is on other nations to respond to India's concerns and India's requests and therefore I think this will only strengthen India's position in the future."

The minister had reportedly stated during a visit to Nagpur in October that remaining out of RCEP would leave India "isolated" from a large trading bloc.

"As regards isolation, India has not got out of the pact in an acrimonious manner," he told reporters during the briefing Tuesday. "We have put forth our issues with logical reasoning. The other countries have all appreciated India's concerns. They have appreciated that the points that India is negotiating are fair and just and therefore...have assured India that they still want India to be a part of the regional trade agreement and will make an effort to address our concerns," he said.

The Narendra Modi-led government had been "less enthusiastic" about the deal than the United Progressive Alliance (UPA) government that had initiated talks to participate, but could not close the discussions citing a change in government, said Goyal. The current government had, over the last five years of negotiations, put forth "very strong demands" on aspects like services and investments that it felt would help balance regional trade, according to him.

"...Until recently, India was an outlier in 49 of the nearly 70-odd issues that were under negotiations. For the last five years, we have consistently negotiated what is good for the people of India, what is good for the industry, what is good for farmers, what is good for the economy in India," he said. According to him, India's decision to stand its ground had prevented RCEP negotiations from concluding by the earlier deadline of 2016.

"We were seeking to open the Indian market (in return) for India's products where we want access like textiles, like automobiles, like gems and jewellery," said Goyal.

Meanwhile, India plans on re-starting negotiations for a Free Trade Agreement (FTA) with the European Union, which could open up "large markets" for the country's textile, agricultural and services sector as well as opportunities for the gems and jewellery industry, said Goyal.

RCEP is a mega free trade agreement between 10 ASEAN group countries, China, Japan, South Korea, Australia, New Zealand and, until recently, India.

SOLUTION TO BE BASED ON 'MUTUAL UNDERSTANDING'

Will resolve India's RCEP issues, hope it joins early, says China

SOWMIYA ASHOK
SHANGHAI, NOVEMBER 5

A DAY after India withdrew from the Regional Comprehensive Economic Partnership (RCEP) over "significant outstanding issues", China indicated its willingness to work out a solution based on "mutual understanding and accommodation".

"The RCEP is open. We will follow the principles of mutual understanding and accommodation to resolve the outstanding problems raised by India. We welcome India joining the RCEP at an early date," Chinese Foreign Ministry spokesperson Geng Shuang said.

On Monday, India said at the RCEP summit in Bangkok that it will not join the 16-nation trade agreement since the outcome is "neither fair nor balanced" even as the other 15 nations in the regional grouping — 10 of ASEAN plus China, Japan, South Korea, Australia and New Zealand — decided to sign the pact next year.

A joint statement issued at the summit said: "India has significant outstanding issues, which remain unresolved. All RCEP Participating Countries will work together to resolve these outstanding issues in a mutually satisfactory way. India's final decision will depend on satisfactory resolution of these issues."

Among the fears expressed by opponents of the deal was that it would lead to the Indian market being flooded by Chinese goods in key sectors. Speaking at the Ministry of Foreign Affairs in Beijing, Geng said RCEP's signing and implementation by India would have been conducive for more Indian goods to enter China and other participating countries.

"Likewise, it would have been conducive for Chinese goods to enter India and other markets. India and China are large emerging countries with a huge market of 2.7 billion which has a huge potential. In the last five years, China's imports from India have increased by 15 per cent," he said.

"China does not deliberately pursue a trade surplus with India. We can expand our cooperation in investment, production capacity and tourism in order to create a bigger pie for sustainable and balanced development," he said.

Responding to a question on whether India's withdrawal will dent the RCEP, Geng said: "China is willing to work with all parties to resolve the outstanding issues, following the principles of mutual understanding and accommodation. We welcome India joining the RCEP at an early date."

Further, he said: "All parties believe that conclusion of the negotiations on RCEP sends out a positive message in favour of multilateralism and free trade. It will tap into the potential of this region and bring more benefits to the people of the region."

Chinese President Xi Jinping also referred to the RCEP deal in his address Tuesday in Shanghai while inaugurating the China International Import Expo. "I am happy to note that yesterday 15 countries taking part in RCEP concluded text-based negotiations and I hope the agreement will be signed and entered into force at an early date," he said.

Xi said China will be happy to conclude free trade agreements with more countries and speed up negotiations on China-EU investment agreements and similar agreements between China and the Gulf Cooperation Council. "We will stay actively engaged within the United Nations, G20, APAC and BRICS, to move economic globalization forward," he said.

In his speech, Xi made a pitch for removing impediments to economic globalism. "Let us join hands with each other, instead of letting go and tear down walls instead of erecting walls and continually bring down trade barriers," he said.

"China will continue to open up its market. It has a population of 1.4 billion, and its middle-income population is the biggest in the world. The huge Chinese market points to a potential that is simply unlimited. The Chinese people often say the world is a big place and I want to see more of it. What I want to say today is that the Chinese market is a such a big one that you should all come and see what it has to offer," he said.

Referring to the recently concluded fourth plenum of the 19th party congress of the Communist Party of China, he said the decisions "included a host of significant measures to deepen reform and... opening up to promote reform, development and innovation".

More than 150 countries are participating in the second CIIE in Shanghai with 64 countries, including India, setting up country exhibitions.

BEIJING REACHES OUT

■ A statement said: "China does not deliberately pursue a trade surplus with India. We can expand our cooperation in investment, production capacity and tourism in order to create a bigger pie for sustainable and balanced development"

■ Chinese Ministry of Foreign Affairs spokesperson Geng Shuang said signing and implementation (of RCEP) by India would have been conducive for more Indian goods to enter China and other participating countries

Gold demand declines 32% in Q3 2019 on high prices, slowdown: WGC

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 5

AS GOLD prices touched their highest levels following geopolitical tensions and concerns around economic slowdown, the demand for the precious metal in India fell nearly one-third in the quarter ended September 30, 2019. Releasing the data for gold demand in the last quarter, World Gold Council on Tuesday said that India's gold demand may fall to its lowest level in three years in 2019.

According to the data released by WGC, India's gold demand for the September quarter stood at 123.9 tonnes, a 32 per cent decline in demand over the corresponding quarter of last year. Somasundaram PR, MD of WGC's Indian operations, said gold demand in 2019 could drop 8 per cent from a year ago to around 700 tonnes, the lowest since 2016.

"Along with higher prices, gold demand is getting affected by weak rural sentiment," said Somasundaram.

While India is a big consumer of gold in the form of jewellery, data shows that Indian jewellery demand declined by almost one-third to 101.6 tonnes.

"Jewellery demand suffered as consumer confidence fell further over concerns around the slowing economy. Several indicators – such as lower sales volumes reported by large fast-moving consumer goods (FMCG) companies and domestic car/two-wheeler sales – pointed towards a slowdown in both urban and rural demand. Weak sentiment due to a liquidity crunch, excessive monsoon rains in some states, and the absence of any festivals, also influenced demand in the quarter," said WGC in its statement.

Since January 1, 2019 price of pure gold in Delhi has jumped 21.5 per cent. However, as India is the second largest market for the precious metal, a sharp decline in its consumption of the precious metal could result into a softening in the gold prices.

While high gold prices have dented the demand, WGC said that the demand also been impacted by a 2.5 per cent rise in custom duty on gold from 10 per cent to 12.5 per cent. In the Budget announcement in July 2019, the finance minister had announced a hike in customs duty on gold import. The council said that this higher duty hit sentiment amongst both the gold trade and consumers, and fresh jewellery purchases suffered as a result.

The sharp decline in India's gold demand came in sharp contrast to the global demand for gold that witnessed a notable rise.

The worldwide demand for gold grew from 964.3 tonnes in Q3 last year to 1,107.9 tonnes in the quarter ended September 2019. WGC said that a surge in ETF inflows led to a rise in global demand. The holding sin gold-backed ETFs grew by 258.2 tonnes to hit an all time high of 2,855.3 tonnes during the quarter.

On the other hand Central banks added 156.2 tonnes to their reserves in Q3 and this was 38 per cent lower than that added in the Q3 of 2018. Jewellery demand was also down 16 per cent to 460.9 tonnes in Q3.

On the supply side, gold supply rose 4 per cent in Q3 to 1,222.3 tonnes and the rise was driven by a 10 per cent increase in recycling as the ongoing price rally continued to encourage selling back by consumers.

EXPLAINED

Fall will arrest flight of capital

A SHARP decline in India's demand for gold, following the rise in prices, may come as a breather for the economy that imports much more than it exports. Over the last eight years, the net import of gold and precious stones amounted to about $245 billion. Many feel that a decline in gold imports will arrest flight of capital, narrow the current account deficit and strengthen the domestic currency.

'Sustained recovery of economy may take a few months'

High frequency data with respect to IIP, PMI, bank credit and exports indicate a continued economic slowdown in the second quarter of fiscal 2019-20, and though a seasonal upturn during the October-November period could be seen due to the festive season, a sustained recovery may have to wait for a few months, consultancy EY India said in its report 'Economy Watch: Monitoring India's macro-fiscal performance'

KEY FIGURES FOR INDIA

-1.1% Contraction in Index of Industrial Production (IIP) in August 2019, as against growth of 4.6 per cent in preceding month, on account of underlying weakness in all sub-industries; lowest level since November 2012, first contraction in 26 months

51.4 Headline manufacturing Purchasing Managers' Index (seasonally adjusted) at 51.4 in September; remaining unchanged from August and at its joint lowest reading since May 2018

4.0% Consumer price index (CPI)-based inflation for September, recording a 14-month high, which increased from 3.3 per cent in the preceding month; attributed to rising inflation in food and beverages

4.2% Growth in Centre's gross tax revenues in April-August period of FY20, as against 8.7 per cent recorded in corresponding year-ago period; lowest cumulated growth since FY10

9.8% Growth in total government expenditure during April-August FY20, compared to 12.7 per cent in corresponding period of FY19; due to subdued growth in capital expenditure

GLOBAL GDP FORECAST FIGURES FOR 2019

3% Expected growth in global gross domestic product (GDP); weakest since 2009, attributed to weak trade and subdued industrial production

2.4% Expected growth in US GDP; likely to moderate thereafter, reflecting an assumed shift in fiscal stance from expansionary to neutral

6.1% Expected growth in China GDP, with escalating tariffs and weakening external demand projected to accentuate slowdown

IndiGo, Etihad to announce strategic deal tomorrow

ENS ECONOMIC BUREAU
NEW DELHI, NOVEMBER 5

INDIGO AND Qatar Airways will make a strategic business announcement on November 7, the two companies said in a statement Tuesday. While it was not clear if the announcement is about a stake sale, codeshare pact or any other kind of partnership, sending shares of the budget carrier surged by around 2 per cent in late trade.

Qatar had shown interest in picking up stake in IndiGo earlier, but IndiGo, the country's biggest carrier, has been holding out.

The talk of a partnership comes at a time when IndiGo's two co-founders, Rahul Bhatia and Rakesh Gangwal, have been involved in a dispute over alleged corporate governance violations.

IndiGo, which has about 40 per cent share of the domestic Indian market, is planning an aggressive push into more international destinations. The airline's CEO Ronojoy Dutta and Qatar Airways CEO Al Baker will "talk about the vision and future for both the airlines", the airlines said in the statement.

IndiGo flies to over 50 international destinations, including Turkey, China, Vietnam, Myanmar and Saudi Arabia. The budget carrier had, last week, placed an order for 300 Airbus A320neo-family planes, including a long-range version of the single-aisle A320neo called the A321XLR.

Differences between the co-founders of the airline came into the open after Gangwal sought intervention of markets regulator Sebi to address alleged corporate governance lapses on July 8. While the allegations have been refuted by Bhatia's group — InterGlobe Enterprises, Sebi and Corporate Affairs Ministry are reportedly looking into the issue.

'New base year for GDP to be decided in few months'

PRESS TRUST OF INDIA
NEW DELHI, NOVEMBER 5

THE MINISTRY of Statistics and Programme Implementation will decide on a new base year for the GDP series in a few months, a senior official said on Tuesday.

The ministry is working to bring in a new series of national accounts which would result in change in the existing base year of 2011-12.

Though the ministry is considering 2017-18 as the new base year, no decision has been taken as the committees of experts are awaiting some more data before finalising their opinion.

"The decision to change the base year (of GDP) would be taken in next few months. We are waiting for Annual Survey of Industries and the Consumer Expenditure Survey. All the preparatory work is getting ready for that.

"Once the result is out, we will place it before the respective committees (to decide about the base year)," MoSPI Secretary Pravin Srivastava told reporters at a FICCI conference adding that the decision has to be taken considering global and national scenario as well.

Blockchain can transform trading, says Sebi chief

ENS ECONOMIC BUREAU
MUMBAI, NOVEMBER 5

"Exchanges need to follow governance norms much better than what they preach to listed companies. While exchanges are for-profit commercial entities, they should refrain from using their oligopolistic position by putting out exorbitant fee structures"

AJAY TYAGI
CHAIRMAN, SECURITIES AND EXCHANGE BOARD OF INDIA

SEBI CHIEF Ajay Tyagi on Tuesday urged stock exchanges to follow governance norms better than what they preach to listed companies. He also said that exchanges should not use their oligopolistic position to charge exorbitant and unreasonable fees from investors.

The capital markets regulator chief was addressing an event commemorating the silver jubilee of the National Stock Exchange (NSE), which has become a market leader since its inception and controls two-thirds of volumes by disrupting the 144-year-old BSE back with its electronic screen-based trading terminals in 1994.

Technology has made possible algo trading, T+2 days settlements and holding securities in electronic format among many other things. And in future too, technology can continue to transform capital markets. The Sebi chief said that the blockchain technology had the potential to transform the trading, clearing & settlement process. He said: "The fund management industry, which has already taken the initial step with robo advisory services, could look very different in future with adoption of Artificial Intelligence & Machine Learning."

Alongside this, Tyagi also highlighted the role of exchanges in governance. "Exchanges need to follow governance norms much better than what they preach to listed companies. While exchanges are for-profit commercial entities, they should refrain from using their oligopolistic position by putting out exorbitant fee structures," said Tyagi.

Meanwhile, Finance Minister Nirmala Sitharaman on Tuesday said the Centre and the RBI are working to resolve the issues being faced by realty sector. Admitting that realty sector has been left out of the booster measures announced earlier, she said the sector has a spillover effect on many sectors, especially the core sector. **FE WITH PTI**

Xi launches import fair; 'need to bring down trade barriers'

REUTERS
SHANGHAI, NOVEMBER 4

GLOBAL TRADE barriers must be removed, and countries should uphold basic multilateral trade principles while standing firm against protectionism, Chinese President Xi Jinping said Tuesday.

Speaking at the opening of the November 5-10 China International Import Expo (CIIE), an annual import show in Shanghai, Xi said more must be done to boost global cooperation and remove barriers to innovation. He reiterated broad pledges to continue to open China's economy and markets, and strengthen protection of intellectual property rights. The remarks come as US and Chinese negotiators work to finalise a text of a "phase one" agreement for US President Donald Trump and Xi to sign this month to ease the nearly 16-month trade war that has dented the global economy.

"There is no single country that can resolve by itself the difficulties facing the development of the world's economy," Xi said in a speech. "We need to join hands with each other instead of letting go of each other's hands. We need to tear down walls, not to erect walls. We need to stand firm against protectionism and unilateralism," he said.

Chinese President Xi Jinping (*left*) and French President Emmanuel Macron at the China International Import Expo in Shanghai. *Reuters*

BEIJING'S NEGOTIATORS WANT WASHINGTON TO DROP 15% DUTIES ON $125-BN GOODS

China presses US for more tariff roll-backs in trade deal

REUTERS
WASHINGTON, NOVEMBER 5

CHINA IS pushing US President Donald Trump to remove more tariffs imposed in September as part of a "phase one" US-China trade deal, people familiar with the negotiations said on Monday.

The deal, which may be signed this month by Trump and Chinese President Xi Jinping at a yet-to-be determined location, is widely expected to include a US pledge to scrap tariffs scheduled for December 15 on about $156 billion worth of Chinese imports, including cell phones, laptop computers and toys.

A US official said the fate of the Dec. 15 tariffs is being considered as part of negotiations and a potential signing trip this month.

Another source briefed on the talks said Chinese negotiators want Washington to drop 15 per cent tariffs on about $125 billion worth of Chinese goods that went into effect on Sept. 1. They are also seeking relief from earlier 25 per cent tariffs on about $250 billion of imports from machinery and semiconductors to furniture.

A person familiar with China's negotiating position said it is continuing to press Washington to "remove all tariffs as soon as possible."

China's request to remove the Sept. 1 duties was earlier reported by *Politico*, citing sources. The *Financial Times* newspaper also reported the White House was considering whether to roll back the Sept. 1 tariffs, which cover some clothing items, flat-screen televisions, smart speakers and Bluetooth headphones.

Geng Shuang, a spokesman at the Chinese foreign ministry, said the two sides remained in touch.

"Trade consultations have made progress and are advancing in accordance to plan," Geng said.

WHAT THE AGREEMENT ENTAILS

■ The deal, which may be signed this month by Trump and Chinese President Xi Jinping at a yet-to-be determined location, is expected to include a US pledge to scrap tariffs scheduled for December 15 on about $156-billion Chinese imports

■ China is also seeking relief from earlier 25 per cent tariffs on about $250 billion of imports from machinery and semiconductors to furniture

■ A US official said the fate of the December 15 tariffs is being considered as part of negotiations