CRUDE WATCH

OPEC, ALLIES MAY DEEPEN OIL CUTS: IRAQ

Baghdad: The Organization of the Petroleum Exporting Countries (OPEC) and allied oil producers will consider deepening their existing oil output cuts by about 400,000 barrels per day (bpd) to 1.6 million bpd, Iraq's oil minister Thamer Ghadhban said on Sunday. **REUTERS**

CENTRAL BANK HAS CUT RATES BY 135 BPS IN 2019 SO FAR

RBI likely to cut rates by 25 bps as growth, credit offtake decline

GEORGE MATHEW
MUMBAI, DECEMBER 1

THE RESERVE Bank of India (RBI) is expected to cut rates further by 25 basis points, after the 135-basis-point cut in its policy rate, at this week's monetary policy review in the backdrop of the deepening slowdown and projections of a sub-5 per cent growth this fiscal year.

The central bank, which cut the real GDP growth for 2019-20 to 6.1 per cent in October from 6.9 per cent in forecast in August, reflecting the ongoing slowdown in the economy, is set to slash the growth estimate further. The sharp fall in GDP growth to 4.5 per cent in the September quarter from 5 per cent previously provides enough reason for the RBI to cut the rate, analysts said.

Though the RBI has cut rates by 135 bps in 2019, banks have passed on only 29 per cent to customers and growth in credit offtake has declined, indicating that the RBI's strategy to push up demand has not worked so far. Credit offtake increased by a meagre 0.8 per cent (Rs 75,794 crore) in January-November 8 of FY20, compared to 5.6 per cent (Rs 4.86 lakh crore) in the same period of last year. In the current fiscal year so far, credit growth continued to decline to 8.1 per cent as compared to last year growth of 14.9 per cent, on high base effect, said Soumya Kanti Ghosh, group chief economic adviser, SBI.

"A deeper analysis of the data indicates that though till the end of August 2019, credit growth was declining, the trend has reversed since September and credit growth has jumped by Rs 1.67 lakh crore," he said.

With the liquidity crunch and defaults rocking the financial sector, NBFC sanctions fell 34 per cent to Rs 1,95,205 crore in the September quarter from Rs 2,93,957 crore in the same period of last year, according to Finance Industry Development Council (FIDC). Banks, on the other hand, have turned very choosy about credit sanctioning and disbursals, fearing fresh loan slippages.

The sectoral data for October 2019, which accounts for about 85 per cent of the bank credit deployed by 39 banks, indicates that credit to industry and services has declined incrementally by Rs 1.62 lakh crore, while credit to agri and allied and personal loans increased by Rs 1.92 lakh crore, Ghosh said. Within industry, credit to paper and paper products, all engineering and infrastructure has increased in October 2019 and credit to all other sectors has declined.

Sreejith Balasubramanian, economist-fund management, IDFC AMC, said, "manufacturing growth contracted, while both private consumption and investment stayed weak. Given this, and with the just-released index of eight core industries falling 5.8 per cent in October, bottoming-out of growth could be further down the road and recovery is unlikely to be V-shaped as consumer demand, credit supply and risk appetite remains lacklustre."

"This and the falling core-CPI (consumer price inflation) should allow the RBI focus more on growth," he said.

All the indicators ranging from IIP (index for industrial production), electricity consumption to core inflation rate were pointing towards the fact that the economy has not entered the revival path. "The slowdown in consumption is indeed worrying, as its revival is important for investment to pick up. The Private Final Consumption Expenditure (PFCE) declined to 5 per cent compared to 9.7 per cent. With growth slipping to 4.5 per cent, it is expected that RBI will go for the next round of rate cut in December," said Deepthi Mary Mathew, economist at Geojit Financial Services.

PFCE is defined as the expenditure incurred on final consumption of goods and services by the resident households and non-profit institutions serving households.

According to Arun Kumar, head of research at FundsIndia.com, the tepid domestic growth has been led by weak investment activity, moderate consumption growth and slow global growth environment. "While further policy support can be expected from both the government and the RBI, we expect the recovery to be more gradual than a V shaped sharp recovery," he said.

THE SCENARIO SO FAR

- Though the RBI has cut rates by 135 bps in 2019, banks have passed on only 29 per cent to customers and growth in credit offtake has also declined
- The central bank cut the real GDP growth forecast for 2019-20 to 6.1 per cent in October from 6.9 per cent in August
- With the liquidity crunch and defaults in the financial sector, NBFC sanctions fell 34 per cent to Rs 1,95,205 crore in the September quarter from Rs 2,93,957 crore in the year-ago period
- Banks have turned very choosy about credit sanctioning and disbursals, fearing fresh loan slippages

GST collection hits ₹1L cr-mark after three months on festive demand, better compliance

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 1

AFTER CONTRACTING for two months, the Goods and Services Tax (GST) collection in November (for October) rose by 6 per cent to Rs 1,03,492 crore from Rs 97,637 crore in the same month a year ago, marking the fourth instance of a level above Rs 1 lakh crore this fiscal year.

Most experts ascribed the rise in GST revenues to festive demand, with Diwali being celebrated in October and some improvement in compliance due to anti-evasion measures, but refrained from terming it as a reversal of slowing revenue trend.

The uptick in GST revenues was primarily driven from domestic sales, as GST collection on imports continued to stay in the negative territory — contracting by 13 per cent as against contraction of 20 per cent last month, a Finance Ministry release showed. The total number of GSTR 3B returns (summary returns) filed by GST taxpayers for October (up to November 30) showed improvement in compliance rate, rising to 77.83 lakh from 73.83 lakh in the previous month.

Indirect tax collections have been slowing over the past three months, reflecting the continued weakness in consumption demand. Along with the corporate tax rate cut announced by the government and flagging direct tax revenues, the Centre could face a steep challenge in meeting its fiscal deficit target for this financial year, if this uptick in GST collections does not sustain in the coming months.

"The gross GST revenue collected in November, 2019 is Rs 1,03,492 crore of which CGST is Rs 19,592 crore, SGST is Rs 27,144 crore, IGST is Rs 49,028 crore (including Rs 20,948 crore collected on imports) and Cess is Rs 7,727 crore (including Rs 869 crore collected on imports)," the Finance Ministry statement said.

Tax experts said while the pickup in GST revenues in November is encouraging, but not much can be read into it and the trend will have to sustain to help in meeting the government's Budget targets.

Pratik Jain, partner & leader, indirect tax, PwC said, "While increase in collection is encouraging, it's difficult to read too much into the collection for one month, particularly because October was also a month of festivals. We need to see what's the trend. The Centre has taken steps in the right direction by simplifying the compliances, going after tax evaders by more efficient use of technology/data analytics and not falling for the temptation of increasing the rates. These efforts, coupled with the introduction of e-invoicing from next year, should lead to a gradual increase in GST collections as well, though it would also depend upon overall economy."

Ramaratnam Muralidharan, senior director, Deloitte India, said, "It is too early to draw any conclusion whether the collections are on a growth path. The increase to some extent may be due to the additional spending in October due to Diwali ... We need to wait and see for the next 2-3 months if the impact of better tax compliance is able to result in consistent higher collections."

EXPLAINED

Good news, but sustainability remains key

GST COLLECTION has been slowing since the past three months and after contracting for previous two months, they recorded an increase of 6 per cent, rising above the Rs 1 lakh crore-mark in November (for sales in October).

Though the uptick is a positive, its sustainability over the next few months, along with the flagging direct tax revenue trend, would be crucial in determining whether or not the government will be able to meet its Budget targets for this fiscal year amid an overall slowdown in the economy.

BRIEFLY

Govt appoints Soma Roy Burman CGA

New Delhi: The government on Sunday said it has appointed Soma Roy Burman, a 1986-batch Indian Civil Accounts Service Officer, the new Controller General of Accounts (CGA). Burman is the 24th CGA and is the seventh woman to hold this position.

Plea against BMW India dismissed

New Delhi: The National Company Law Appellate Tribunal has dismissed a petition against BMW India, filed by one of its former dealers, alleging abuse of dominant position.

Debt MFs see ₹5k-cr outflow in Sept qtr

New Delhi: Mutual funds focussed on investing in fixed-income securities saw an outflow of over Rs 5,000 crore in July-September this year, after registering an infusion of Rs 19,700 crore in the preceding quarter, mainly on account of a massive pullout from liquid and credit risk categories. **PTI**

FPIs net buyers for 3rd month; invest ₹22,872 cr in Nov

Foreign portfolio investors (FPIs) remained net buyers in the capital market for the third straight month in November, putting in Rs 22,872 crore on net basis during the month, according to depositories data

FACTORS: Analysts said expectations of a trade deal between the US and China, and more relief measures as well as disinvestment drive by the government among other factors helped keep FPIs stuck on the capital markets

TOTAL INVESTMENT: A net sum of Rs 25,230 crore was flowed into equities by FPIs in November, the data showed. However, they pulled out Rs 2,358.2 crore from the debt segment, translating into a total net investment of Rs 22,871.8 crore by FPIs in November

PAST RECORD: FPIs invested a net sum of Rs 16,037.6 crore in October and Rs 6,557.8 crore in September

CONSISTENT NET BUYERS: FPIs have been consistent net buyers in November mainly due to expectations of a trade deal between US-China, relief measures along with disinvestment drive by the government, hopes for a scrappage policy and a few others, said Umesh Mehta, head of research at Samco Securities

IMPROVING RURAL consumption numbers along with expectations of better results by companies is aiding this inflow. The mid-cap space has a lot of attractive valuations at the moment, said an expert

Source: PTI

'China wants US tariffs rolled back in phase one trade deal'

REUTERS
BEIJING, DECEMBER 1

BEIJING'S PRIORITY in any phase one trade deal with the US is the removal of existing tariffs on Chinese goods, China's *Global Times* said Sunday, amid continued uncertainty on whether the sides can strike a deal.

"Sources with direct knowledge of the trade talks told the Global Times on Saturday that the US must remove existing tariffs, not planned tariffs, as part of the deal," said the report.

Global Times, published by the official People's Daily newspaper of China's ruling Communist Party, also cited another unidentified source close to the talks as saying US officials had been resisting such a demand because the tariffs were their only weapon in the trade war and giving up that weapon meant "surrender."

On Tuesday, US President Donald Trump said Washington was in the "final throes" of a deal aimed at defusing a 16-month trade war with China, a few days after Chinese President Xi Jinping had expressed his desire for a trade agreement.

No respite for carmakers, passenger vehicle sales decline in Nov again

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 1

AFTER A modest improvement in October, passenger vehicle sales fell by an estimated 4 per cent year-on-year (y-o-y) in November as the festive season got over and many manufacturers pulled out part of the discounts from the market. The fall in despatches in November also stems from the fact that this year the Diwali season, when about 40 per cent of the festive sales happen, fell in October. In 2018, Diwali was celebrated in November. The decline in volumes in November, however, was still less pronounced compared to the last 11 months when the sales witnessed a fall of over 20 per cent y-o-y.

Maruti Suzuki reported a 3.2 per cent y-o-y decline in volumes at 141,400 units in November, again falling into the negative territory. In October 2019, the country's largest car maker had posted a 2.5 per cent y-o-y increase in despatches to dealers, after 11 months of continued decline in volumes. Chairman RC Bhargava said usually the festive season sees highest monthly sales during the year and thereafter demand slows down. "During December, it is expected sales may improve as manufacturers offer year-end discounts to clear the old stock," Bhargava said.

While volumes of Hyundai grew by a marginal 2 per cent y-o-y at 44,600 units on account of sustained demand for new launches including compact SUV Venue and hatchback Grand i10, Mahindra & Mahindra and Tata Motors reported 10 per cent y-o-y and 39 per cent y-o-y dip in wholesales, respectively.

Vikas Jain, national sales head, Hyundai Motor India, said despite the market challenges, there was a demand for cars, including Venue, Creta and Grand i10. **FE**

The decline in volume in November, however, was still less pronounced compared to the last 11 months when the sales witnessed a fall of over 20 per cent y-o-y

'Govt does not want to hear any criticism of economy'

PRESS TRUST OF INDIA
NEW DELHI, DECEMBER 1

BIOCON CHAIRPERSON and Managing Director Kiran Mazumdar-Shaw on Sunday said the government did not want to hear any criticism on the economy while expressing hope that it reaches out to the India Inc to work out solutions to revive growth.

Shaw's remarks came a day after veteran industrialist Rahul Bajaj said the people were afraid to criticise the government.

"Hope the govt reaches out to India Inc for working out solutions to revive consumption n growth. So far we are all pariahs n govt does not want to hear any criticism of our economy," Shaw said in a tweet.

Bajaj, at an award function on Saturday in Mumbai, said there was an "atmosphere of fear" and people were afraid to criticise the government and do not have the confidence that the government will appreciate any criticism.

The audience included Home Minister Amit Shah and Finance Minister Nirmala Sitharaman, among others.

Efforts on to address India's concerns over RCEP: Japan

PRESS TRUST OF INDIA
NEW DELHI, DECEMBER 1

JAPAN ON Sunday gave clear indications that efforts were on to make India join the ambitious Regional Comprehensive Economic Partnership (RCEP), saying all member countries of the grouping were committed to address New Delhi's concerns.

After years of negotiations, India last month pulled out of the proposed RCEP over unresolved "core concerns" at a summit meeting of the participating countries, saying the proposed pact in its current form would have adverse impact on lives and livelihood of all Indians.

A spokesperson of the Japanese government said Prime Minister Narendra Modi explained India's position on RCEP during a meeting with Japanese Foreign Minister Toshimitsu Motegi and Defence Minister Taro Kono on Saturday.

The Japanese ministers explained Tokyo's views on the matter, Deputy Press Secretary in Japan's Ministry of Foreign Affairs Atsushi Kaifu said while referring to a statement issued by RCEP nations in Bangkok on November 4.

WITH TOKYO OLYMPICS SEVEN MONTHS AWAY, THE MOVE IS CHALLENGING AS THE COUNTRY IS RAPIDLY AGEING WITH A POPULATION OF 126 MILLION

As Japan pushes cashless agenda, Paytm app cashes in

ANIL SASI
TOKYO, DECEMBER 1

IN JAPAN, where four out of every five purchases are still made with cash, PayPay — a barcode-based smartphone payment app — is cashing in on some unexpected success. Despite the general reluctance among the country's fast-ageing population to give up using wads of currency notes to make purchases, PayPay, launched by Noida-based One97 Communications and backed by SoftBank and Yahoo Japan, has managed to sign up 15 million customers within 10 months of its launch, a credible success story in a rapidly-ageing country with a population of 126 million.

With the Tokyo Olympics just over seven months away, a government-backed push to wean people away from cash by way of a point-based tax rebate system for customers using digital payments options could help PayPay build on its initial success in Japan and other similar app. These include LINE Pay, a digital payments arm of messaging app giant LINE (which has 79 million users in Japan), Rakuten Pay — the payment app of Japan's largest e-commerce platform — and others such as Origami Pay, D-barai, as well as Apple Pay and Google Pay.

Tokyo Governor Yuriko Koike, a big proponent of the cashless push in Japan's capital, said the city's metropolitan government is focused on improving the supporting infrastructure for enabling cashless transactions. This includes making available 8,297 buildings and 4,502 land lots for installing base stations for 5G high-speed wireless communication networks.

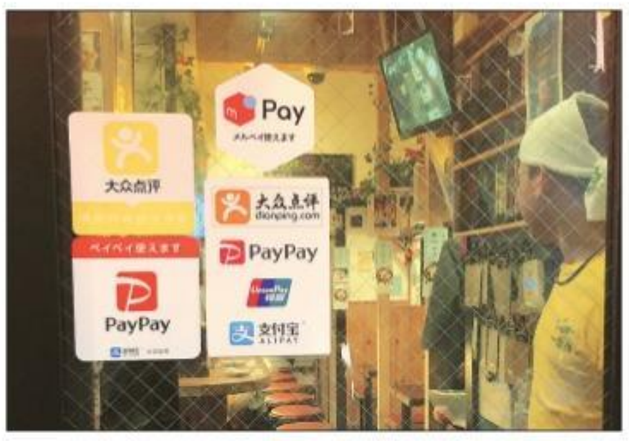
"In order to enhance cashless transactions, the TMG (Tokyo Metropolitan Government) is building these 5G (base) stations ... We aim for Tokyo's sustainable growth as a city with the world's most advanced internet infrastructure and promote Tokyo as a global financial city," Koike told visiting mediapersons.

Paytm, the flagship brand of One97, partnered SoftBank and Yahoo Japan in October last year. PayPay's claimed user base of nearly 15 million users till October 2019, includes consumers of an existing wallet inherited by the Paytm app on launch.

At the time of the launch of the collaboration, Yahoo Japan had suspended its own wallet, giving PayPay direct access to all its wallet consumers. Chinese e-commerce major Alibaba-backed Paytm has a significant investment exposure from Softbank, which, in 2017, had made its biggest bet in the Indian startup ecosystem by investing $1.4 billion in the online firm.

In Japan, where a nationwide consumption tax was hiked to 10 per cent from 8 per cent this October, Prime Minister Shinzo Abe's government is pushing a digital rebate program to offset the impact of the levy and promote cashless payments at the same time.

The 280 billion yen government plan ($2.6 billion), which incentivises people who make purchases at small stores by way of a 2-5 per cent rebate for credit card, debit card or smartphone payments, is being widely advertised at shopfronts across the country's 'shotengai' (the traditional shopping streets) such as the Togoshi-Ginza Shopping Street in Shinagawa Ward, the Ueno Ameyoko Shotengai and Harajuku, where most shops display the PayPay code and those of the other apps at the counters. PayPay's initial success is being attributed to the high brand awareness following a reward promotion campaign it conducted in December 2018, two months after launch.



PayPay and other digital apps displayed on shopfronts in Tokyo's Harajuku and Ueno shopping districts

In downtown Tokyo though, the reason behind the cash spending spree is evident almost everywhere. ATMs, alongside vending machines hawking everything from drinks to hot meals, are ubiquitous and given the low crime rate, carrying wads of cash is not seen as a problem. The ageing population is averse to adopting new digital technology, another major impediment.

Japan is estimated to have more than 2,00,000 ATMs and most small shops and kiosks will only accept cash, citing high transaction costs charged by credit card companies and payment services firms. Another disincentive is the memory of a much-publicised hacking at retail giant Seven & I Holdings Co, which was hacked shortly after it launched its QR code-based payment system.

The government's cashless push comes amid a realisation that Japan is falling further behind its neighbours in adopting mobile app payments and electronic money, given that Tokyo wants to double the ratio of cashless settlements to 40 per cent by 2025. In comparison to Japan's 20 per cent, an overwhelming 96 per cent of transactions in South Korea and 65 per cent in China are cashless, according to data by industry lobby Payments Japan Association.

For a society with nearly 30 per cent of people aged 65 or over, the digital push, unlike in countries such as India, is proving to be the biggest hurdle. In India, about 72 per cent of consumer transactions take place in cash, a better cash transaction rate than Japan's 80 per cent, according to a March 2019 estimates issued by Credit Suisse Group AG.

"Cashless solutions is a big area for us, and we are trying to overcome the hurdles to this in Japan," Yoshinao Ogawa of the Tokyo Metropolitan Government said. According to Yano Research Institute's estimates, the mobile payment market size in Japan is expected to increase from $8 million in 2017 to $48 million by 2023.

The slow adoption of cashless solutions notwithstanding, Japanese technology has had a big impact for enabling digital adoption globally.

Hiroshi Nakaso of Fincity Tokyo, a fintech promotion body, said that while the cashless transformation in Nordic countries was inspiration, much of basic technologies that catalysed this transformation came from the island nation.

Japanese firm Denso Wave, in the 1990s, developed the first QR code, a key enabler in cashless payments in countries such as India. Sony microchip designed for commuters to use on public transport and commuter cards were issued in Tokyo and other cities for people to make purchases at vending machines and 'combinis' (or convenience stores) in the late nineties, while the first mobile wallet in history was launched in Japan by DOCOMO in 1999. NFC — near field communication — was launched by Sony and NXP Semiconductors in 2002.

The writer is in Tokyo on a trip organised by the Tokyo Metropolitan Government