Can't compare GDP data with consumer spend report: Panel

SOMESH JHA
New Delhi, 6 December

The findings of the National Statistical Office (NSO)'s consumer expenditure report of 2017-18 can't be compared with the consumption data derived from gross domestic product (GDP), said a panel.

The committee, set up by the Union government to review the survey, gave explanations for a decline in expenditure witnessed across various food and non-food items, especially in rural areas, which may find a place in the survey report of 2017-18, expected to be released within two months (*see chart*).

Business Standard reported last month that consumer spending fell for the first time in over four decades — by 3.7 per cent — between 2011-12 and 2017-18, driven by a slackening rural demand, according to the NSO's 'Key Indicators of Household Consumption Survey'. However, following the news report, the government decided to junk the survey, citing data quality issues.

National Statistical Commission Chairman Bimal Kumar Roy told *Business Standard* in an interview published on Thursday that the report will be released in two months with "certain caveats" as there are genuine reasons for a fall in household expenditure.

A fall in household spending is a signal that poverty may have increased, according to experts.

The committee, set up on the directions of Chief Statistician Pravin Srivastava in July to review the validation of the survey data, said the ratio of the household consumption expenditure and the private final consumption expenditure (PFCE), a component of GDP, was "so much different for different item groups in both years 2011-12 and 2017-18 that nothing could be concluded" by comparing the two.

The NSO's survey talks about spending, in terms of monetary value, by households on various food and non-food items.

Headed by NSC member G C Manna, the committee noted that the gap between the NSO consumption expenditure data and the PFCE has widened between 2011-12 and 2017-18 "for almost all items".

It observed that since 1993-94, this gap has consistently widened, except for in 2011-12.

The panel said "it is not possible to arrive at a conclusion from the comparison" of administrative (GDP) and survey data as there was a "wide gap between production figures and the total household consumption expenditure... It is difficult to study the consumption of these commodities in industries, hotels, restaurants, meat shops and export part of these commodities, etc."

The findings of the committee are not in tune with the government's claim on data.

The statistics ministry, while announcing that it has junked the survey report of 2017-18, had said in a press release on November 15 that "there was a significant increase in the divergence in not only the levels in the consumption pattern but also the direction of the change when compared to the other administrative data sources like the actual production of goods and services".

The committee also ruled out a drop in reporting of consumption data by the relatively affluent section of people compared to the previous rounds of survey.

It recommended steps for improving the future surveys, including ways to capture the affluent sections in a better way and checking the data on a concurrent basis while conducting the survey.

WHAT THE COMMITTEE FOUND

Decline in household consumption in rural areas was mainly led by food products

Dip in food consumption was led by cereals, beverages and refreshments, vegetables, egg, fish and meats, spices, pulses, and edible oil

Decline in non-food consumption was largely due to medicines and betel leaves, tobacco, and intoxicants items

VEGETABLES	EDIBLE OILS	CEREALS	RICE & WHEAT	EGG, FISH & MEAT	HEALTH	TOBACCO, ALCOHOL & INTOXICANTS
Declined sharper by 10% in 2017-18 from 2011-12, compared to a 3% decline between 2009-10 and 2011-12	Contribution of refined oil has increased from 44% in 2011-12 to 49% in 2017-18, while prices of oil fell 15% in this period	Quantity of consumption has consistently fallen; people consuming more rice and wheat from PDS which is much cheaper	Quantity of consumption has declined and shift from non-PDS to PDS; and a reduction in unit price of PDS items	Increased consumption of relatively less pricey items (eggs and chicken) over meat	Significant increase in share of households receiving free or partially free medical services	Because of liquor prohibition in states, ban on smoking in public places, etc.

PDS: Public distribution system

CII calls for GST cut, expansionary policy

INDIVJAL DHASMANA
New Delhi, 6 December

CII delegation recommended widening the fiscal deficit by 0.5-0.75 percentage points

The Confederation of Indian Industry (CII) and Aditya Birla group Chairman Kumar Mangalam Birla on Friday pitched for an expansionary fiscal policy to pull the economy out of slowdown.

In a pre-Budget interaction with Revenue Secretary A B Pandey, a CII delegation recommended widening the fiscal deficit by 0.5-0.75 percentage points from the target, which will give the government additional fiscal space of about ₹1.1 trillion to ₹1.6 trillion.

Birla said at another event: "The best way to get out of it (slowdown) is only through a fiscal stimulus. If the GST (goods and services tax) rate is brought down to 15 per cent, that would be a huge stimulus We can't come out of this through a consumption story because as of now, people don't want to spend more (as) incomes are low. You have unemployment happening."

The fiscal deficit target for the year is 3.3 per cent.

This additional fiscal space should be used for investing in capex, particularly in infrastructure, the CII said.

There should be a glide path to return to the targets given by the fiscal responsibility and budget management (FRBM) panel over a period of two-three years, the CII said. Birla said fiscal prudence should be shown in business but a fiscal policy was required in the year of slowdown.

"I think we are nearing the bottom ... I don't see credit growth to large companies picking up anytime soon. Most are still getting large debts on their balance sheets, which I think they need to lop off. I also think there is a case for the government to stimulus to the economy. Anyway the FRBM Act provides half a per cent deviation," Birla said.

The Centre's fiscal deficit has crossed the Budget FY20 projection of ₹7.04 trillion by October itself.

The fiscal framework papers, laid along with the Budget, estimated the deficit at 3 per cent of GDP in FY21 and FY22.

The Reserve Bank of India (RBI) on Thursday cut the growth projection for the fiscal year to 5 per cent from 6.1 per cent earlier, on the back of weak domestic and external demand.

The government on September 20 had announced lowering the corporation tax rate to 22 per cent from 30 per cent for companies that did not seek exemption, and reduced the rate for some new manufacturing companies to 15 per cent from 25 per cent.

Including surcharges and cess (levies to raise funds for specific purposes), the effective corporate tax rate will drop by nearly 10 percentage points to 25.2 per cent.

The corporation tax rate cuts followed other measures by the government to prop up growth. These include efforts to reduce red tape and boost foreign direct investment (FDI), and consolidating state-owned banks.

"Tax cuts are always welcome. If the government decides to give us more tax breaks, that will be most welcome. They increase our cash flows; give us more elbow room to grow. The government has done a lot. I am not taking that away," Birla said.

He said some companies would like to use the package to repay debt and some would like to use it for capacity expansion.

Birla did not make much of the view that the push to consumer spending by way of cuts in income tax rates would help the economy.

Cross-party group set up on pollution

JYOTI MUKUL
New Delhi, 6 December

Javadekar says pollution a global problem, warns against 'fear psychosis'

Members of Parliament across political parties have committed to work towards tackling air pollution.

The MPs, including Jairam Ramesh, chairman of the Parliamentary committee on environment and forest, Jagadambika Pal of BJP; Ram Mohan Naidu of TDP, Kakoli Ghosh of TMC, T Sumathy of DMK, and K J Alphons of BJP, agreed to establish a new, cross-party Parliamentarian group for clean air.

The group agreed to meet again to discuss a private member's Bill proposing amendments to the Air (Prevention and Control of Pollution) Act, 1981, scheduled to be tabled by Gaurav Gogoi, MP from the Congress.

The announcement comes on a day Union environment minister Prakash Javadekar said, "Let us not create a fear psychosis among people because pollution problem is all over the globe."

In the Lok Sabha, Javadekar said: "The studies conducted in India have not shown a direct correlation of shortening of life because of pollution."

The roundtable was co-hosted by the office of Gogoi in partnership with the Energy Policy Institute (EPI) at the University of Chicago (EPIC India).

The roundtable facilitated discussions on health impacts of air pollution, innovations in environmental regulations, and ways to tackle it through legal and regulatory reforms, said a press statement from the EPI.

The amendment calls for establishing public health as a priority in abating pollution and realigning the law's priorities towards protecting human health. Additionally, the Bill revamps the composition of the pollution control boards, empowers boards to levy bank guarantees as a means of environmental compensation, and provides procedures for ensuring robust coordination and interaction between the central and state boards, alongside other provisions.

Onion prices shoot up to ₹165/kg

Showing no signs of cooling down, retail onion prices have continued to spiral, touching as high as ₹165/kg on Friday even as the government grapples to boost the supplies through imports.

The government in Parliament informed that imported onions will arrive by January 20. In most cities, onion was quoting above ₹100/kg in the retail markets, while at Nashik in Maharashtra the rates were ruling at ₹75/kg on Friday, as per the data maintained by the Consumer Affairs Ministry. Retail onion prices were ruling high at ₹165/kg in Panaji (Goa), ₹160/kg in Mayabunder (Andaman) and ₹150/kg in Thiruvananthapuram, Kozhikode, Thrissure and Wayanad in Kerala. PTI

30 teams monitoring merger of Canara, Syndicate banks

DEBASIS MOHAPATRA
Bengaluru, 6 December

Around 30 committees are currently looking into various aspects of integration, including human resource (HR) and technology, as part of the merger process between Canara Bank and Syndicate Bank.

As part of this process, these banks have also appointed legal and financial consultants to conduct due diligence on valuation and swap ratio.

"The committees formed by both banks are looking into different areas. At the same time, various processes relating to HR and customer services are being studied, so that these can be harmonised," said Mrutyunjay Mahapatra, managing director and chief executive officer at Syndicate Bank.

He added, "We are also completing the promotion process for the next year before the due date of the merger."

Officials of both banks said as part of the HR integration process, the committee is looking into the service conditions, rules related to promotion, career progression, leave and transfer policies to ensure proper alignment before the merger.

ON THE AGENDA
- Legal & financial consultants on job to determine valuation, swap ratio
- Merged entity is likely to have 21 chief general managers
- Tech integration may take more time despite both lenders using same CBS

"While the human resource management system (HRMS) is part of technology integration, common ground on other aspects of HR norms will be arrived at after discussion," said Mahapatra.

After the merger, the combined entity will also see a higher number of chief general managers (CGMs). Under the current guidelines, any bank having ₹10 trillion of business can appoint one CGM for every four general managers (GMs).

Canara Bank meets this criterion and has 15 CGMs who are manning its various operations. Since Syndicate Bank has around 26 GMs, there will be six CGM posts after the merger.

"The merged entity will have a larger number of CGMs, which could be around 20-21," said Mahapatra.

As part of the consolidation of public sector banks, the central government in this August had announced mergers among these lenders. This will bring down the number of PSBs to 12 from earlier 27.

While United Bank of India and Oriental Bank of Commerce will be merged with Punjab National Bank, making the proposed entity the second largest PSB, Syndicate Bank will be merged with Canara Bank as part of this exercise.

Similarly, Allahabad Bank will be amalgamated with Indian Bank, while Andhra Bank and Corporation Bank will be merged with Union Bank of India.

Though technology platforms played a major role in deciding the merger plans, bank officials said that the complexity of the process could be higher despite the merged entities using the same core banking platforms.

For instance, though both Canara and Syndicate Bank use Oracle's i-Flex (which is now known as OFSS), but the version of the software are different. While Syndicate Bank is currently using the latest version (11.6), Canara Bank is using 10.2 version.

YES Bank crashes 10% after Moody's rating downgrade

NIDHI RAI
Mumbai, 6 December

Shares of private sector lender YES Bank tumbled around 10 per cent on Friday after global rating agency Moody's on Thursday downgraded the bank's long-term foreign currency rating from "Ba3" to "B2".

The scrip settled the day at ₹56 on the BSE, down 9.82 per cent. Moody's said the bank has potentially stressed assets and low loss-absorbing buffers which may add pressure to its funding and liquidity. This may create additional risks to its standalone credit profile.

The scrip settled the day at ₹56 on the Sensex after Moody's said the lender's funding and liquidity compares weakly to other rated private sector peers in India

It expects YES Bank's common equity tier-1 (CET1) ratio of 8.7 per cent at the end of September 2019 to come under significant pressure if the bank is not successful in raising fresh capital in the next few quarters. Moody's said the lender's funding and liquidity compares weakly to other rated private sector peers in India.

YES Bank has told the market that it has received offers from a number of financial investors to invest up to $2 billion through new equity capital into the bank. The board of the private bank is meeting on December 10 to finalise the capital infusion programme.

Last week, YES Bank increased the size of its equity capital offer to $2 billion from the earlier guidance of $1.2 billion on "strong interest" shown by NRI investors, including a $1.2 billion offer by Erwin Singh Braich and SPGP Holdings, and $500 million by Citax Holdings and Citax Investment Group.

Other prominent suitors are the Aditya Birla Family Office ($25 million), GMR Group and Associates ($50 million) and Rekha Jhunjhunwala ($25 million).

Besides, a top-tier US fund house has evinced interest in investing $120 million. Its name will be disclosed next week. Discovery Capital will take $50 million and Ward Ferry $30 million.

The Reserve Bank of India (RBI) identified several lapses and regulatory breaches in various areas of the bank's functioning in fiscal 2018. Moody's assessment factors in the divergence in reported asset quality and profitability is based on the RBI's inspection.

The divergence includes higher non-performing loans and lower profitability as compared to the metrics disclosed by YES Bank in fiscal 2019.

This is the third year when the RBI identified a divergence in the bank's reported financials.

Safeguard duty takes a toll on solar generation target

SHREYA JAI & SUBHAYAN CHAKRABORTY
New Delhi, 6 December

The country's solar power project award took a back seat in the current year because of imposition of safeguard duty on imported solar panels last year.

With uncertainty looming over them, project developers held back purchase of solar panels, hurting the domestic industry even more.

Due to a slowdown in imports also, the targeted tendering capacity is likely to be missed this year.

For 2019-20, the tendering target set by the ministry of new and renewable energy was 30,000 Mw. The ongoing tenders, however, total up to 26,000 Mw and none have been closed yet. Officials said there is scarcity of bids as many project developers are shying away from tenders. "Only mega tenders have seen some interest. It has been a quiet year compared to the year before," he said.

With developers cutting down on projects, panel manufacturers are facing the heat. A senior executive of a leading solar manufacturing company said safeguard duty had a huge role to play in slowing down solar activity.

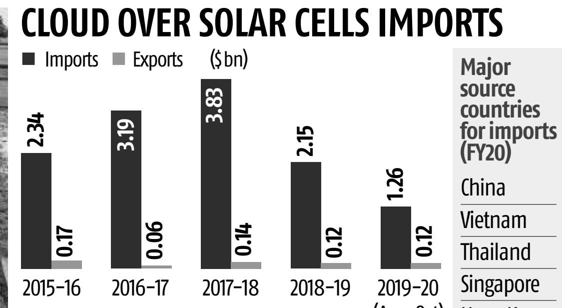
"Till June this year, no one purchased panels as they were fighting legal cases to pass through the higher cost due to the safeguard duty. Now, they are waiting for the safeguard duty to get over. The gap in procuring solar panels is showing on the overall target. There is a deficit of 5-10 Gw in the projects slotted for this year," said the executive.

In 2018, the central government announced imposition of safeguard duty on solar cells and modules for two years — 25 per cent in the first year, 20 per cent for six months and 15 per cent thereafter.

The industry, in a separate petition, asked the government to consider extending the duty beyond two years.

The duty specifically impacted exports from China,

CLOUD OVER SOLAR CELLS IMPORTS



Source : Commerce Department

as more than 85 per cent of India's solar capacity is built on Chinese panels. In the last one and half years, import of solar cells and modules have come down drastically. Import of cells, pegged at $2.15 billion in 2018-19, has gone down to $1.26 billion in the current financial year upto October. Cell imports had peaked at $3.83 billion in 2017-18.

"Imports are not going to stop. Any more duties will just further delay growth of the sector. Rather, India should open its manufacturing to global players," said the executive quoted above. At the same time, the decision to restrict imports has been driven by the government's desperation to bridge the trade deficit with China, which stood at a massive $53.5 billion in 2018-19.

However, New Delhi had managed to reduce this deficit from the even bigger $63 billion worth of trade mismatch registered in 2017-18. This involved raising customs duties on inbound goods from China as many as eight times over a year.

"Most of these duties were anti-dumping and safeguard in nature, to counter market distorting trade practices by Chinese firms. If similar duties are prescribed again, we will not oppose them," a senior commerce department official, said.

The commerce department is exploring ways to curtail imports of solar and wind equipment further. This is to push domestic manufacturers to produce more and substantially change the import cycle.

Latest official data shows that China still accounts for majority of the cells ($957 million in the current financial year).

Interestingly, while Malaysia used to be a dominant player earlier, imports from the nation have trickled to a bare $3 million in the first seven months of the current year. In its place, Vietnam has become the second-biggest country of origin, shipping $117 million worth of equipment during the period.

Trade officials revealed that investigations are on to find out if these shipments are originally from China and are being rerouted through Vietnam.

Electronic makers from China routinely take advantage of India's liberal trading arrangement with Vietnam, a Directorate General of Trade Remedies official said.

On the export front, shipments from India have seen a slow rise in the current year, after reducing slightly in 2018-19.

In the current year, 3,033 Mw has been commissioned out of the 7,500 Mw target.