

15 ECONOMY

BANKING WATCH

MEGA MERGER OF PSBs FROM APR 1

Mumbai: The schemes for the merger of ten state-run banks into four lenders are coming into force from April 1, the Reserve Bank of India said. In separate releases, the RBI said the branches of merging banks will operate as of the banks in which these have been merged. **PTI**

DESPITE SIGNIFICANTLY LOW GLOBAL CRUDE PRICES, FALLING IMPORT BILL

Forex reserves fall \$12 bn as FPIs pull out funds on virus-driven uncertainty

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 28

EVEN AS global crude oil prices continue to trade significantly low and imports have also gone down following the coronavirus outbreak, a sharp outflow of funds by foreign portfolio investors (FPIs), looking for safer havens amidst the current global uncertainty, pulled India's foreign exchange reserves sharply down by \$12 billion in the week ended March 20. The reserves were down to \$469.9 billion, from \$481.9 billion a week back on March 13.

While the foreign exchange reserves had hit an all-time high of \$487.23 billion on March 6, they fell sharply by \$17.3 billion over the next two weeks. The decline has been primarily driven by outflow of funds by FPIs as they pulled out over \$15 billion in March till date. The outflow has also led to a steep fall in the stock markets, as the Sensex at the BSE has fallen by 8,482 points, or 22.1 per cent, this month.

According to data released by the Reserve Bank of India (RBI), while the forex reserves fell by \$12 billion in the reporting week ended March 20, the decline in reserves was mainly on account of

EXPLAINED

FPI outflow from emerging markets likely to continue

WITH THE coronavirus threat looming large on global growth and countries facing risk, FPIs are likely to continue their outflow from emerging economies, such as India, and that may keep the foreign exchange reserves under pressure. Low crude oil prices and decline in imports may, however, provide it some support.

decrease in foreign currency assets that fell \$10.2 billion to \$437.1 billion from a high of \$451.13 billion on March 6, 2020.

The global spread of coronavirus over the last couple of months — which has so far claimed over 27,000 lives — has not only roiled stock markets but is threatening to pull global growth significantly down as economic activity has been hit badly. It has, thereby, pushed investors to seek refuge in safer investment destinations and instruments, leading to outflow of funds.

Indian foreign exchange reserves had a smooth run over the last six months as they rose week-on-week for nearly six months.

While FPIs invested a net of Rs 58,337 crore, or nearly \$8 billion, between September 2019 and February 2020, a relatively low crude oil price also helped the rise in foreign exchange reserves.

Since September 20, 2019, when Finance Minister Nirmala Sitharaman announced a cut in corporate tax rates, the forex reserves have been rising week-on-week and shot up to an all-time high of \$487.23 billion in the week ended March 6, 2020. A sharp decline in global crude oil prices, meanwhile, were a blessing in disguise for India during this period.

As crude oil amounts for almost 20 per cent of the country's import bill, crude prices trading at

levels of around \$26 per barrel (down from \$52 per barrel a month ago) provides India a lot of comfort on the current account front. It has also given central government the headroom to raise the duty on petrol and diesel prices by Rs 3 per litre.

On March 23, the government raised the cap on special additional excise duty on petrol and diesel to Rs 18 and Rs 12 per litre, respectively, as per the amendments in the Finance Bill passed in the Parliament Monday. The change in the cap will enable the government to raise duties on petrol and diesel by another Rs 8 per litre each.

It is important to note that, while there was a sudden spike in global crude oil prices in January, following the geopolitical tensions between United States and Iran and it hit a 8-month high of \$70.25 per barrel on January 6, 2020, the prices fell sharply following the de-escalation of tensions, until the outbreak of coronavirus in China.

Analysts believe that the decline in crude oil prices following the outbreak of coronavirus will help India as it will reduce India's annual import bill and also provide the government with a window to raise some additional resources.

FOREX RESERVES

Week ended	Reserves*
Sept 20	428.6
Sept 27	433.6
Oct 4	437.8
Oct 11	439.7
Oct 18	440.8
Oct 25	442.5
Nov 1	446.1
Nov 8	447.8
Nov 15	448.2
Nov 22	448.5
Nov 29	451.1
Dec 6	453.4
Dec 13	454.5
Dec 20	454.9
Dec 27	457.5
Jan 3	461.2
Jan 10	461.2
Jan 17	462.2
Jan 24	466.7
Jan 31	471.3
Feb 7	473
Feb 14	476.1
Feb 21	476.1
Feb 28	481.5
Mar 6	487.2
Mar 13	481.9
Mar 20	469.9

*in \$ billion; Source: RBI

AIMS TO BOOST AIR TRANSPORT CAPACITY DURING VIRUS CRISIS

To ensure timely movement of essential commodities, govt sets up air cargo management group

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 28

TO TACKLE with the sudden shortfall in air transport capacity, the government has instituted an air cargo management group for COVID-19 to ensure that essential commodities can be ferried across the country in a timely manner.

In addition to freighter aircraft already being allowed to transport without restrictions, the Centre has also allowed private airlines to operate passenger planes only with cargo.

"An Air cargo management group for COVID-19 has been created with a dedicated team for smooth movement of cargo. Ministry is adopting a hub & spoke approach to move essential commodities across the country. Resident Commissioners of States/UTs are part of the group," the Ministry of Civil Aviation said.

Notably, cargo carried in underbelly of passenger aircraft accounts for nearly 60 per cent of the total air cargo transported across India. "Private airlines/freighters have been co-opted to link the request of States/UTs for smooth movement of essential items. Additionally, ATRs of Alliance Air have been kept on standby at Delhi, Kolkata, Mumbai, Bengaluru and Hyderabad," the Ministry

PRIVATE AIRLINES TO FLY PLANES WITH CARGO

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Moreover, Air India planes are being chartered by the government at concessional rates for cases needing large aircraft, especially to move ICMR items to North East and other states

added. Alliance Air operates a fleet of ATR turboprop aircraft.

On Friday, budget carrier SpiceJet operated a special charter flight from Delhi to Coimbatore carrying a Hazmat suit to help local authorities there replicate and start local manufacturing.

"We are already flying food, medicines and medical equipment for government every day. We would love to alleviate the suffering of these migrant workers, especially those from Bihar by flying some flights between Delhi/Mumbai and Patna," Ajay Singh, CMD, SpiceJet, said.

Vadia Group airline GoAir, too, has offered the government to fly migrant workers to their native places.

In addition, Air India planes are being chartered by the govern-

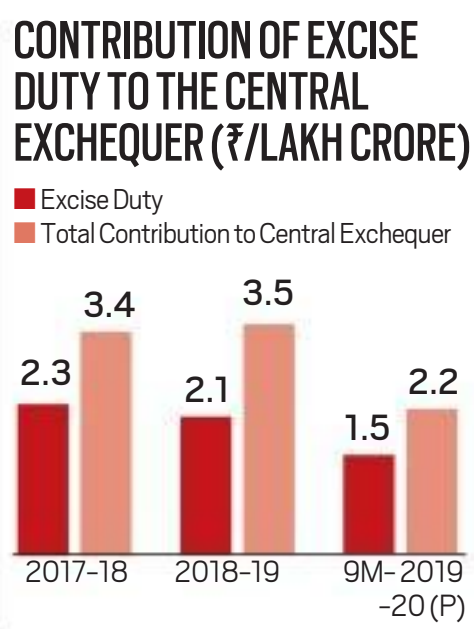
ment at concessional rates for cases needing large aircraft, especially to move Indian Council of Medical Research (ICMR) items to North East and other states. "Helicopters are ready in NE for intra-region movements. Support is being given to private agencies interested in aiding efforts," the Civil Aviation Ministry said.

"Accordingly, essential items especially medicine & ICMR kits were transported from Delhi to Aizawl, Dibrugarh, Kolkata & Hyderabad on 27th March. The second flight of the day transported essential items from Mumbai to Pune, Bengaluru & Trivandrum," it further said, adding that the third batch of air cargo transported essential items from Delhi to Pune and ICMR kits from Pune to Patna.

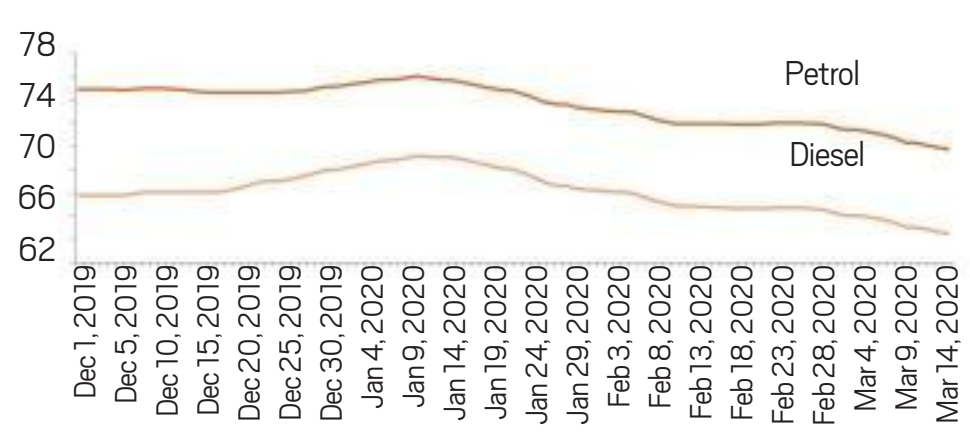
Tax hike on fuel unlikely to generate sizeable amount

The recent hike in duty on petrol and diesel by ₹3/litre each is aimed to shore up government coffers. However, the Centre is unlikely to collect a sizeable amount as excise duty revenue given the current slowdown and COVID-19 outbreak

FALL IN CONSUMPTION: The consumption of petrol and diesel, which has largely remained subdued, is expected to fall further with the travel restrictions imposed by the various state governments, according to CARE Ratings. Consumption of petrol and diesel has been around 8.2 per cent and 1.1 per cent (April-February) as compared with it being 8.1 per cent and 3.2 per cent in the corresponding period a year ago



DAILY PRICE OF PETROL AND DIESEL AT DELHI (₹/LTR)



Nearly 50% fall in oil prices: Global crude oil prices have decreased by a steep 48.9 per cent since from the start of the calendar year 2020 till date

Compiled by:
ENS Economic Bureau

Tata group commits ₹1,500 cr to fight COVID-19, to make ventilators locally

ENS ECONOMIC BUREAU
MUMBAI, MARCH 28

THE TATA group on Saturday said it has committed Rs 1,500 crore to fight the coronavirus (COVID-19) pandemic, as well as protect and empower all affected communities. The group also said it's gearing up to manufacture ventilators in India.

While Tata Trusts, the major shareholder of Tata Sons, have committed Rs 500 crore, Tata Sons announced an additional Rs 1,000 crore in support towards fighting the COVID-19 outbreak and related activities.

"In this exceptionally difficult period, I believe that urgent emergency resources need to be deployed to cope with the needs of fighting the COVID-19 crisis, which is one of the toughest challenges the human race will face," Tata Trusts chairman Ratan Tata said.

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RATAN TATA
CHAIRMAN, TATA TRUSTS

According to Tata, the money will be used for personal protective equipment for medical personnel on the frontlines, respiratory systems for treating increasing cases, testing kits to increase per capita testing, setting up modular treatment facilities for infected patients, and knowledge management and training of health workers and the general public.

Tata Sons chairman N Chandrasekaran said, "In addition to the initiatives articulated by

Tata Trusts, we are also bringing in the ventilators necessary and gearing up to also manufacture the same soon in India." The current situation in India and other parts of the world owing to the impact of COVID-19 is very worrisome and requires the group's very best action, he said.

"We will work together with the Tata Trusts and our Chairman Emeritus Tata and would be fully supporting their initiatives, and work in a collaborative manner to bring the full expertise of the group," Chandrasekaran added.

"The country is facing an unprecedented situation and crisis. All of us would have to do whatever it takes to alleviate and enhance the quality of lives of the communities we serve," he said.

"Tata Trusts and the Tata group's companies have in the past risen to the needs of the nation. At this moment, the need of the hour is greater than any other time," Tata said.

Irdai postpones reinsurance programme

ENS ECONOMIC BUREAU
MUMBAI, MARCH 28

THE INSURANCE Regulatory and Development Authority of India (Irdai) has relaxed the regulatory provision to file board approved final re-insurance programme of insurance companies from April 30 to May 31, 2020.

This is to be filed along with a synopsis of catastrophe modeling report, it said.

"In view of COVID-19 pandemic, it may be difficult for some insurers to adhere with above stipulated time lines. Thus, the insurers may comply with the above regulatory provisions on or before 31st May, 2020," Irdai said. Reinsurance is insurance that an insurance company purchases from another insurance company to insulate itself (at least in part) from the risk of a major claims event.

FIGHTING COVID-19

SFBs asked to provide risk-free simple services

Mumbai: The Reserve Bank of India on Saturday allowed Small Finance Banks (SFBs) to carry out simple financial activities without seeking a prior approval from it. His will be applicable to those SFBs who have completed three years of operations. To harmonise the instructions for existing SFBs — those to be licensed under Guidelines for on-tap Licensing, it has been decided to "exempt all existing SFBs from seeking prior approval of Reserve Bank for undertaking such non risk sharing simple financial service activities, which do not require any commitment of own fund, after three years of commencement of business of SFB. **PTI**

Japan PM vows unprecedented stimulus

Tokyo: Japan's Prime Minister Shinzo Abe on Saturday promised an unprecedented package of steps to cushion the world's third-biggest economy from the fast-spreading deadly coronavirus pandemic, saying that the country was close to a national emergency as infections surged. **REUTERS**

Nod to one-time exemption from compliance to enable MPLADS contribution

ENS ECONOMIC BUREAU
MUMBAI, MARCH 28

AFTER ALLOWING a one-time dispensation under the Members of Parliament Local Area Development Scheme (MPLADS) to allow MPs to recommend funds for purchase of medical testing and screening equipment for government hospitals and dispensaries in the wake of COVID-19, one-time exemptions have been granted to MPs to produce some certificates for release of the instalments only for FY21.

A Ministry of Statistics and Programme Implementation circular said for MPs who have decided to contribute for COVID-19,

one-time exemption would be made for furnishing for utilisation and audit certificates, applicable only for financial year 2020-21.

"The sitting Members of Parliament may recommend release of fund from the eligible instalment/s to be released by the MoSPI during 2020-21 to through such fund/central government pool (as may be decided by central government for managing COVID-19 in the country," it said.

Many MPs have announced contribution for COVID-19 from their MPLADS fund. Under the MPLADS scheme, each MP has the choice to suggest to the District Collector for works to the tune of Rs 5 crore per annum to be taken up in his/her constituency.

China readies stimulus measures

REUTERS
SHANGHAI, MARCH 28

CHINA PLANS stronger steps to revive an economy hit by coronavirus, as the nation on Saturday reported no new locally transmitted infections for the previous day. The ruling Communist Party's Politburo said Friday it would step up macroeconomic policy adjustments and pursue more proactive fiscal policy, state media reported. The world's second-biggest economy expected to shrink for the first time in four decades this quarter.

Discoms get 3 months for payment to gencos to ensure 24X7 power supply

ENSECONOMIC BUREAU
NEW DELHI, MARCH 28

TO ASSURE uninterrupted power supply in the middle of the countrywide lockdown to contain the coronavirus outbreak, the Union Power Ministry has relaxed payment norms for electricity distribution companies (discoms). The central government has asked the state-run power generating companies such as NTPC and Power Grid Corporation of India Ltd (PGCIL) to not curtail supply to the states even if the discoms do not clear payments to them on time. The lockdown is seen to take a

FM: Banks are certain they'll ensure customer service without disruption

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 28

AMID COUNTRY-WIDE lockdown to prevent the spread of coronavirus, Finance Minister Nirmala Sitharaman on Saturday asked state-owned and private sector banks to ensure there was "adequate liquidity" at the branch, ATM and banking correspondent level. Banking and financial services are exempt from the lockdown.

Sitharaman held one-on-one interactions over the phone with heads of all government and leading private banks, who assured assured of customer services without disruption and keeping all branches open.

The minister said she will discuss with states and ensure there are no restrictions on the movement of cash, bankers, vendors or bank mitras.

"Had a detailed conversation with the chiefs of banks — public & private. Encouraging to know that they are doing their best, even during the lockdown. They are certain that they'll ensure customer service without disruption. Social distancing is being adhered to as well," Sitharaman said in a series of tweets on Saturday.

"Bank officials and staff have consistently been on the frontline in providing services to customers during this time of adversity, whether it is physically providing cash where it is needed or keeping branches

open no matter what," she said. According to Indian Banks' Association (IBA), 1,05,988 bank branches across the country were operational on Friday.

Meanwhile, the Department of Financial Services, which oversees the country's banking and insurance sector operations, has created a new handle @DFSFightsCorona to help customers raise complaints, queries and concerns on banking and insurance-related issues with regard to coronavirus related relief measures.

Sitharaman's interactions comes a day after the Reserve Bank of India (RBI) announced a series of measures to reduce interest rates and inject liquidity into the economy.

SBI raises \$100 mn via green bonds

ENSECONOMIC BUREAU
MUMBAI, MARCH 28

AT A time when the global financial markets are roiled by the coronavirus pandemic, State Bank of India (SBI) has priced its third overseas green bonds programme of \$100 million.

The bank raised \$100 million floating rate notes at a coupon rate of three months Libor plus 80 basis points during the week. The bonds will be issued through SBI's London Branch by March 31, 2020 and will be listed on Singapore SGX.

ONLINE FACILITY FOR ALL EPFO MEMBERS

Rules for relaxation in withdrawal criteria from EPF accounts notified

ENS ECONOMIC BUREAU
NEW DELHI, MARCH 28

THE LABOUR and Employment Ministry has notified amendments to the Employees' Provident Funds Scheme to bring into effect the relaxation in conditions to allow withdrawal not exceeding the basic wages and dearness allowances for three months or up to 75 per cent of the amount standing to a member's credit in the EPF account, whichever is less, in the wake of outbreak of epidemic or pandemic. The Employees' Provident Fund Organisation (EPFO) subscribers will be able to apply for the withdrawal online and the facility would be available to all members across the country, a senior EPFO official said.

"The Commissioner or, where so authorised by the Commissioner, any officer subordinate to him, may, on an application from any member of this Scheme employed in any establishment or factory located in an area declared as affected by outbreak of any epidemic or pandemic by the appropriate government, permit a non-refundable advance from the provident fund account of such member not exceeding the basic wages and dearness allowances of that member for three months or up to seventy-five per cent of the amount standing in his credit in the Fund, whichever is less," the Ministry's notification said.

In a communication to field offices, EPFO has said officers should be made aware about changes so that such claims are "processed promptly and relief reaches the worker and his family to help them fight with COVID-19". "Please note that the COVID-19 has been declared pandemic by appropriate government for the entire country and therefore the employees working in establishments and factories across entire India, who are members of the EPF Scheme, 1952, are eligible for the benefits of non-refundable advance ...," the communication said.

The EPFO has said officers should be made aware about the changes so that such claims are "processed promptly and relief reaches the worker and his family to help them fight with COVID-19"

On Thursday, Finance Minister Nirmala Sitharaman — as part of the government's financial package to counter the COVID-19 outbreak — had announced measures for a section of organised workers by bearing the outgo on contribution of 24 per cent for establishments having up to 100 workers with 90 per cent having income below Rs 15,000 and relaxing withdrawal conditions from EPF accounts.