ECONOMY

GOLD	RUPEE	OIL	SILVER
₹41,705	₹76.34	$26.15	₹38,100

Note: Spot gold markets shut due to lockdown in major states. *Indian basket as on March 19, 2020

SENSEX: 29,893.96 ▼ 173.25 NIFTY: 8,748.75 ▼ 43.45 NIKKEI: 19,353.24 ▲ 403.06 HANG SENG: 23,970.37 ▼ 282.92 FTSE: 5,637.06 ▼ 67.39 DAX: 10,269.71 ▼ 86.99

*International market data till 1900 IST

COVID-19 EFFECT
DATA COLLECTION

For March, retail inflation to be based on data for 18-20 days

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 8

Statistical officers have used simulation and imputation to compute the March inflation rate based on Consumer Price Index (Combined)

WITH THE countrywide 21-day lockdown to counter the impact of COVID-19 outbreak resulting in minimal transactions and data collection issues, India's retail inflation print for March would be based on data available for 18-20 days instead of 30-31 days.

The government's statistical officers have used simulation and imputation to compute the March inflation rate based on Consumer Price Index (Combined), details of which would be made available on the day of the data release on Monday.

Index of Industrial Production (IIP) won't be affected given that the data is for February, the pre-lockdown phase, officials said. The IIP data for February is scheduled to be released on Thursday.

Officials said there's no data for transactions during the lockdown phase, especially for non-essential items, due to which they have resorted to the use of imputation. Imputation is a statistical process of replacing missing data with substituted values, which in this case are likely to be prices from the previous month. "There's no data since data collection stopped after March 18. For some other items, we have details till 20th. We are using simulation to see how we can work upon it," a senior government official told *The Indian Express*.

It is learnt that field investigators were asked to collect some data for food and other essential items from whichever shop they could access instead of the designated shops usually surveyed by them. Experts are of the view that the accuracy in this case may be questionable.

"They don't have a choice since field investigators should not be put under threat (of COVID-19). Data collection from shops other than the designated ones, however, could result in slightly different results. If the shop is in a different village or district than the designated one, then it may get the effect of difference in trade and transport margin, which varies with every region," former Chief Statistician of India Pronab Sen said.

For non-essential items, however, they are likely to rely on imputation and use data from the previous month, resulting in a flat index value.

In the CPI basket, essential items such as food and beverages, health and fuel and light and education comprise about 63 per cent of the total weightage. The rest would be the non-essential items, for which the imputation method is going to be adopted primarily.

Officials said their statistics contemporaries are facing a similar situation globally and are adopting imputation. "Some imputation is being done. Globally they are doing it similarly. India is not the only country facing this situation," one of the officials said.

SPILLOVER EFFECTS OF COVID-19 DAMPENS SENTIMENT

India, US in talks for dollar swap line to strengthen macro outlook

SUNNY VERMA & GEORGE MATHEW
NEW DELHI/MUMBAI, APRIL 8

E. EXPLAINED — Tool for RBI to deal with volatile currency markets

AMID THE COVID-19 impact on financial markets, presence of a currency swap facility with the United States will add to the RBI's arsenal in managing external account and excessive volatility in currency markets. Though some economists believe foreign exchange reserves are sufficient at this juncture for macroeconomic management, forex market analysts argue that this will provide comfort in case of further outflows from the Indian markets.

INDIA IS working with the United States to secure a dollar swap line that would help in providing an additional comfort in an event of any abrupt outflow of funds, according to a senior government official and banking industry executives familiar with the matter. Foreign institutional investors have been large sellers in the Indian equity and debt markets in March and April so far, as concerns on the economic effects of COVID-19 hit investor sentiment. "We have been discussing with the US for a dollar swap line, on the lines of a similar facility that India has with other central banks. We expect positive progress on that front," the official said.

"(A swap facility) could be on the way as there's a possibility that India will liquidate its foreign currency assets like investment in US treasury etc. to stabilise the rupee which has been under pressure of late," said a forex market source.

India liquidated its forex assets to stabilise the rupee which recently fell below the 76 level against the dollar. India's foreign currency assets had declined by around $7.50 billion in two weeks to $439.66 billion as on March 27.

According to Reserve Bank of India (RBI) data, 63.7 per cent of India's foreign currency assets — or $256.17 billion — is invested in overseas securities, mainly in the US treasury. If countries like India and China resort to large scale liquidation of their investments, it could push up the yields and interest rates in the US, sources said, adding, "there's a case for India to get the swap facility from Fed as the economy is facing rough weather due to the coronavirus outbreak." The Finance Ministry and RBI did not reply to queries seeking comments for the story.

While India is expected to comfortably tide over any challenge posed by continued outflows of funds from the markets, given the adequacy of foreign exchange reserves, a swap line with the US Fed provides an additional comfort to the forex markets. "India has enough foreign exchange reserves now and external sector is not facing any problem. Current account is getting stronger and the oil prices have come down. India doesn't require a swap facility," said CARE Ratings chief economist Madan Sabnavis.

In a swap arrangement, the US Federal Reserve provides dollars to a foreign central bank. At the same time, the foreign central bank provides the equivalent amount of funds in its currency to the Fed, based on the market exchange rate at the time of the transaction.

The parties agree to swap back these quantities of their two currencies at a specified date in the future, which is the next day or as far ahead as three months, using the same exchange rate as in the first transaction. These swap operations carry no exchange rate or other market risks as transaction terms are set in advance.

On March 19, the US Fed added temporary swap arrangements with the Reserve Bank of Australia, the Banco Central do Brasil, Danmarks Nationalbank (Denmark), the Bank of Korea, the Banco de Mexico, the Reserve Bank of New Zealand, the Norges Bank (Norway), the Monetary Authority of Singapore and the Sveriges Riksbank (Sweden) to be in place for at least six months for a combined total of $450 billion.

The US Fed already has permanent swap arrangements with the Bank of Canada, the Bank of England, the European Central Bank, the Bank of Japan, and the Swiss National Bank.

LOCKDOWN SWITCH-OFF

After uptick in Jan-Feb, industry power demand comes down by a third

Household load (about 30 per cent of total demand) is holding up

ANIL SASI
NEW DELHI, APRIL 8

CRASH IN LOAD: ENERGY MET (IN MILLION UNITS)

Date	All India
20-Mar	3,565
22-Mar*	3,030
25-Mar**	2,777
6-April	2,757

*voluntary curfew
**National lockdown
Source: CEA

THE NATIONAL lockdown to check the spread of COVID-19 has cut India's power demand by up to a third since the third week of March. A bulk of the industrial, commercial and agricultural loads have switched off, and it is the domestic load that is predominantly holding up demand.

Records show that this crash comes after national power demand had seen a pick-up in January and February after four continuous months of decline at the end of calendar year 2019.

The impact of the ongoing collapse in industrial activity is mirrored in electricity demand charts which have sharply tapered off since March 22, and appear to show a more pronounced impact in the northern and western regions, with the south showing some impact as well.

Routinely, industrial and commercial load account for about 45-50 per cent of the country's total demand with agricultural consumption accounting for another 20 per cent. The rest is essentially domestic household load.

While demand patterns have become unpredictable ever since states started announcing restrictions and partial lockdowns since mid-March and the subsequent nationwide lockdown on March 24, power demand went down by 40,000-45,000 MW in the last fortnight, over a base load of 150,000 MW.

An analysis of consumption figures shows:

● March 22, when the Janata curfew was implemented, marks an inflection point in the all-India demand curve — it is from here that there's a steady decline in demand with little sign of any recovery.

● Despite rising temperatures in the north, the April electricity load trend in the country's northern heartland is largely constant and continues to be lower than that for the western region. Typically, around the first week of April, the northern demand is equal to that for the western region and higher than the southern region.

● Load in the North-Eastern region has been unaffected by the crash, primarily because there is very little industrial load there to begin with.

Power Ministry estimates showed that in February, base and peak power demand went up over 11 per cent and 9 per cent respectively on a year-on-year basis, largely due to a mild uptick in industrial activity.

The slide in March demand is reflected in the spot power market, with average market clearing price in the day-ahead market on the IEX — India's largest power exchange — being recorded at Rs 2.46 per unit in March 2020, a decline of 21 per cent over the price of Rs 3.12 per unit in March 2019, offering distribution utilities/discoms an avenue to reduce their financial burden.

But with the bulk of commercial and industrial units halting operations to control the spread of the pandemic, for power discoms, the crash is bad news as it's these segments that cross-subsidise domestic and agricultural tariffs.

'Fuel demand seen falling 40% in April'

Amid the lockdown, fuel demand is likely to decline to 40 per cent in April, impacting pricing and increasing borrowing cost for oil marketing companies, India Ratings said

20%: FALL IN OVERALL FUEL DEMAND IN MAR

50%: FALL IN CAPACITY UTILISATION LEVELS IN MAR

REASONS FOR FALL IN FUEL DEMAND:
■ Reluctance of people to move outside
■ Restricted air travel
■ Slow pickup in industrial and commercial activities due to manpower shortage
■ Slower pickup in freight movement

RISE IN OPERATING EXPENSES: Lower refinery utilisation rates can increase the operating expenses on a per barrel basis from the present $2-2.5 incurred at full utilisation, lending operations unviable

$1.3 A BARREL: Benchmark Singapore gross refining margins in March, falling from $1.7 in previous month

$4.9 A BARREL: Benchmark Singapore gross refining margins in FY19, from $7.2 in FY18

Source: India Ratings/PTI

Now, Irdai allows 3-month moratorium on term loans

GEORGE MATHEW
MUMBAI, APRIL 8

AFTER THE RBI's decision to allow banks to offer three-month moratorium on repayment of term loans, Insurance Regulatory and Development Authority of India (Irdai) Wednesday allowed insurance companies to offer a similar moratorium to their term loan customers hit by COVID-19.

The decision is likely to benefit several corporates, especially finance companies which had taken term loans from insurers. Irdai has allowed moratorium for three months from March 1 to May 31. "In respect of term loans, insurers are permitted to grant a moratorium of three months towards payment of installments falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans and also the residual tenure, will be shifted across the board by three months subsequent to the moratorium period," Irdai said in a circular to the CEOs of insurance companies.

It said interest will continue to accrue on the outstanding portion of the term loans during such moratorium period. "The asset classification of term loans which are granted relief should be determined on the basis of revised due dates and revised repayment schedule," it said. It also said the rescheduling of payments, including interest, will not qualify as a default for the purpose of reporting of NPAs.

'About 400 mn workers in India may sink into poverty'

PRESS TRUST OF INDIA
UNITED NATIONS, APRIL 8

ABOUT 400 million people working in the informal economy in India are at risk of falling deeper into poverty due to the coronavirus crisis which is having "catastrophic consequences", and is expected to wipe out 195 million full-time jobs or 6.7 per cent of working hours globally in the second quarter of this year, the UN's labour body has warned.

The International Labour Organization (ILO) in its report titled 'ILO Monitor 2nd edition: COVID-19 and the world of work', describes coronavirus pandemic as "the worst global crisis since World War II". "Workers and businesses are facing catastrophe, in both developed and developing economies. We have to move fast, decisively, and together. The right, urgent, measures, could make the difference between survival and collapse," ILO Director-General Guy Ryder said on Tuesday.

'India's GDP growth to plunge to 1.6% in FY21; world faces recession'

ENS ECONOMIC BUREAU
MUMBAI, APRIL 8

GLOBAL BANKING group Goldman Sachs on Wednesday said India's real GDP growth is expected to plunge to 1.6 per cent in FY21, as against 3.3 per cent forecast previously and the world is set to face a recession in 2020.

It said over the last two weeks, with the escalation of the COVID-19 crisis, the Goldman Sachs global team is now forecasting the world to be in a recession in 2020, with risks remaining on the downside. "We have downgraded our global GDP forecast to -1.8 per cent in 2020, more than a 5 percentage point (PP) downward revision since early this year. For the US, we have downgraded our growth forecast to -6.2 per cent in 2020 (from -3.7 per cent earlier)," it said.

In India, the spread of the virus, announcements of a nationwide shutdown from March 25, social distancing measures, and fears among consumers and businesses have all escalated sharply over the past two weeks. "High frequency data, as well as anecdotal evidence, although still limited, suggest a significant contraction in economic activity," Goldman Sachs said.

The Reserve Bank of India had earlier forecast a 5 per cent GDP growth for FY20. However, Goldman Sachs said it expects a strong sequential recovery in the second half of the fiscal year, based on three assumptions.

According to the banking group, the three-week nationwide lockdown — expected to be removed only in a staggered fashion — and social distancing measures will reduce new infections over the next 4-6 weeks.

"Second, while the fiscal easing so far has been limited, our expectation is for further fiscal stimulus by the center and the states. Third, we expect the RBI to continue with its monetary easing policy, along with liquidity infusion measures," it said.

BRIEFLY

Rupee falls 70p against dollar

New Delhi: The rupee plunged by 70 paise to its life-time low of 76.34 against the US dollar on Wednesday.

Essar arm joins COVID fight

New Delhi: Essar Foundation, an arm of Essar Group, said it will provide 1.25 million meals to communities hit by COVID-19 and over 1 lakh medical supplies. **PTI**

IPE Hyderabad included in panel

New Delhi: Institute of Public Enterprise (IPE), Hyderabad has been nominated as member of the Committee on Public and Government Financial Management as a Special Invitee for the Institute of Chartered Accountants of India Council (ICAIC) year 2020-21. **ENS**

India Inc seeks economic package from Centre

PRESS TRUST OF INDIA
NEW DELHI, APRIL 8

Assocham has also sought a "stimulus package" of at least $200-$300 billion

INDIA INC has sought an economic package from the Centre to tide over the impact of the coronavirus outbreak and support small and medium businesses to keep their enterprises afloat while catering to the needs of the poor and informal sector workers.

The Confederation of Indian Industry (CII) has submitted recommendations to the government seeking an "economic package" entailing additional support to the lowest strata and the informal sector through cash transfers, amounting to Rs 2 lakh crore to Jan Dhan account holders.

Another industry chamber Assocham has also sought a "stimulus package" of at least $200-$300 billion "to thwart one of the deepest global recession expected in the world's history", its secretary general Deepak Sood said.

Cos can now hold EGMs via video conference

ENS ECONOMIC BUREAU
NEW DELHI, APRIL 8

COMPANIES WILL be able to conduct extraordinary general meetings (EGMs) online and take key business decisions requiring approval of shareholders through e-voting and till June 30 to take key decisions while complying with the lockdown and other restrictions amid COVID-19 outbreak.

The Corporate Affairs Ministry notified on Wednesday that listed companies and companies with over 1,000 shareholders which are already required to provide e-voting facility will be able to conduct EGMs through video conferencing or other audio visual means. Other companies will be able to allow members to vote via email.

The ministry said, in a press release, the move was "in furtherance of the Government's objective of facilitating corporate compliances during the current lockdown period and other restrictions ..." It had earlier said companies would be allowed to hold all board meetings, including those in which physical presence of board members is required, to be conducted via video conferencing till June 30.

LOCKDOWN EFFECT

As labour participation hits all-time low, production of essential goods slows; retailer stocks dwindle

AASHISH AARYAN & PRANAV MUKUL
NEW DELHI, APRIL 8

ONLINE PLAYERS FACE SHORTAGE

■ **For retailers, the lockdown has resulted in unavailability of sufficient items to restock their supplies,**

■ **For online players too, a shortage in supply from bigger brands has meant higher reliance on private labels**

A FALL in the country's labour participation to an all-time low and a massive disruption in transportation system that has taken over 90 per cent of trucks off the roads has culminated into manufacturers of essential goods slowing down production with no sight of recovery — particularly with expectations of the lockdown being extended beyond April 14. For retailers, this has resulted in unavailability of sufficient items to restock their supplies, which have slowed down for some brands and completely halted for others.

Taking a note of the situation, the Ministry of Home Affairs has written to all states pointing out that in light of loss of production due to various factors, "the possibility of inventory building/hoarding and black marketing, profiteering, and speculative trading, and the resulting price rise of essential goods cannot be ruled out". Further, the Centre has even approached the states to seek facilitation of enough labour availability in factories, warehouses, and transportation operations of essential food and grocery items.

In a letter to chief secretaries of all states and union territories, Secretary, Department of Consumer Affairs Pawan Kumar Agarwal wrote: "I would also like to bring to your notice that several companies have reported difficulties in getting labour for their operations. Local administration may be advised to facilitate in ensuring availability of labour in factories, warehouses and transportation and distribution operations of essential food and groceries by appealing to house owners, societies and villagers to allow workers to go for work".

In a report released Tuesday, the Centre for Monitoring Indian Economy (CMIE) had noted that in March 2020, "the labour participation rate fell to an all-time low, the unemployment rate shot up sharply and the employment rate fell to its all-time low. The employment rate fell to an all-time low of 38.2 per cent in March 2020."

Among major FMCG companies, sources at Hindustan Unilever (HUL) said the company's production units were operating at nearly 60 per cent of their pre-shutdown capacity, they also maintain that it would be too early to tell if the supply chain would be back to normal if and when the lockdown measures are eased. Other large domestic FMCG companies maintained that the problems of procuring raw material and shipping finished products remained at most of their units.

"The supply chain for any single FMCG product typically consists of 20-30 components and their seamless movement is absolutely necessary to ensure continued production and uninterrupted supply of the final product to consumers. It's extremely important that the guidelines issued by the Centre are properly communicated to authorities across states and to local police as well," Shahrukh Khan, executive director—operations, Dabur India, said.

Dabur, which has ramped up production of essential hygiene products and medicines to meet the growing need, had earlier too said it was facing problems even with availability of raw material and packing material.

Kultaran Singh Atwal, president, All India Motor Transport Congress, told *The Indian Express* that as of Wednesday, only less than 10 per cent of 90 lakh trucks in India were plying on the roads.

At ITC, among the largest manufacturers of food and hygiene products in India, factories have been operating with restricted number of hours and reduced workforce in line with the approvals received. "The company has received approvals from a number of state authorities for manufacturing of essential commodities. Efforts are being made to ensure that supply chain functions smoothly across the country despite challenges of manpower shortages and availability of trucks," a spokesperson said.

The slowing down of gears at the manufacturing stage of FMCG goods has also impacted other downstream segments. A spokesperson for Metro Cash & Carry, one of India's largest B2B wholesalers, said: "There are some challenges in securing sufficient supplies due to production shortages from manufacturers or transportation of the products to our locations, but we are working closely with our suppliers and with local authorities to minimise and address these challenges."

For online players too, a shortage in supply from bigger brands has meant higher reliance on private labels. "We have our private label, too, where we have ramped up manufacturing significantly. With this, we are able to ensure that any shortage of supplies from large national brands is supplemented with our private labels," Bikram Singh Bedi, president—strategy and new initiatives at Grofers, said, during a CII webinar.