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NEW DELHI: Indian butchers organize meat as they wait for costumers at their shops at a meat market in the old quarters of New Delhi yesterday. —AFP

Modi govt doles out sops ahead of elections

India lost 11 million jobs in 2018; farmers grapple with low crop prices

NEW DELHI: Indian Prime Minister Narendra Modi's ruling party is in favor of an expansionary economic policy and does not consider the government's plan to keep the fiscal deficit to 3.3 percent of GDP as "sacrosanct", a party spokesman told Reuters.

Ahead of a general election that must be held by May and after a string of losses in recent state polls, the government run by Modi's Bharatiya Janata Party (BJP) has announced several stimulus measures for the countryside where millions of farmers are grappling with low crop prices. Other fiscal moves have been aimed at helping small businesses.

The measures are likely to be a drain on finances in Asia's third-biggest economy, though the Modi administration is expected to get the Reserve Bank of India to agree to transfer an interim dividend of 300-400 billion rupees (\$4.32 billion-\$5.8 billion) to the government by March, Reuters reported last week quoting sources.

Weak consumer spending and the fragile farm sector have already been a drag on economic growth, creating a headache for Modi as he struggles to meet ambitious job creation targets.

India lost 11 million jobs last year, with around 83 percent in rural areas, according to independent think-tank

the Centre for Monitoring Indian Economy, as operational costs surged for small businesses. Those costs were boosted by the launch of a national sales tax in 2017 and the economic impact of an earlier ban on high value currency notes.

"There's a demand, there's a debate - all my colleagues are saying what's the need of keeping the fiscal deficit in check when there is a distress in a particular sector," said Gopal Krishna Agarwal, the economic affairs spokesman for the Hindu nationalist BJP, referring to the farm sector.

"Even think-tanks associated with us are talking in this sense. Very few people domestically are talking about fiscal prudence. Only foreign think-tanks are talking fiscal prudence, fiscal prudence. I strongly believe an expansionary policy can benefit the party," he said in an interview on Tuesday night. India's 10-year benchmark bond yield rose 4 basis points to 7.53 percent after the news, its highest since Jan. 8 on worries about the fiscal deficit. The rupee also weakened to 71.23 to the dollar from its previous close of 71.03.

Agarwal, a chartered accountant who is a director at state-run Bank of Baroda and a member of a government committee on small and medium-sized businesses, said Modi was aware of his party colleagues' thinking but that

no final decision had been taken.

D S Malik, a spokesman for the Ministry of Finance, did not respond to calls and emails seeking comment. Finance Minister Arun Jaitley, who is in the United States for a medical check-up, said in a Facebook post on Tuesday that India's "fiscal discipline during the past five years has been amongst the best as compared to any preceding period".

Need to reach landless

Agarwal said the government understands that farmers are in distress and that directly transferring money to their bank accounts was an option to help them out. He said the government was, however, trying to figure out how to distribute funds to landless tillers to make sure any such transfer program was effective and didn't just benefit those with land.

The government is studying a program launched by the eastern state of Odisha under which farmers with landholdings of up to 5 acres would get cash assistance to buy seeds, pesticides, fertilizers and pay for labor. Sharecroppers, who cultivate rented land will also get the benefits, which include life insurance coverage.

Agarwal said Modi and many financial institutions

were not in favor of waiving farm loans, as done by states recently won by the main opposition Congress party, because doing so mainly helps banks and not so much farmers in duress. "There's definitely a suggestion to give interest-free loans to farmers. Banks won't have to pay, it has to be incorporated into the budget," he said.

"And what's the so sacrosanct issue about keeping the fiscal deficit at less than 3.5 percent? If you don't adopt an expansionary economic policy, then the government alone can't create demand by just spending on infrastructure. It has to come from both public and the private sector. The economy will grow only when demand will be created."

He said increasing the income tax exemption limit for individuals was also being considered for the interim budget to be presented on Feb 1 by Jaitley. William Foster, vice president at Moody's Investors Service, said that it expects the country's fiscal deficit to slip to 3.4 of GDP this fiscal year ending March 31 due to revenue shortfalls from goods and services tax, lower excise duty and below-target receipts from sale of government assets. "Increased expenditure on income transfers, farm loan waivers or other forms of subsidies would weigh further on government finances," Foster said. — Reuters

China's growth data may mask economic risks: Research group

BEIJING: China's GDP growth may be significantly slower than official estimates suggest and its economy more vulnerable to external shocks than widely believed, a global business think tank has warned. Data due next week is expected to show the world's number-two economy expanded around 6.5 percent last year, its slowest rate in almost three decades as a global slowdown and the US trade war bite.

But even that is well above the 4.1 percent the US-based Conference Board, which provides research to member-businesses and organizations worldwide, says its methodology indicates.

Economists in China and abroad have long suspected data is massaged upward,

often noting that full-year gross domestic product hits Beijing's pre-set targets with suspicious regularity.

The governor of northeastern Liaoning admitted in 2017 that the industrial province had falsified data for years. Even current Premier Li Keqiang said in 2007, when he was Liaoning's top political official, that results were often "man-made" and he used his own calculations to guide provincial policymaking, according to a confidential memo released by WikiLeaks.

The Conference Board, whose research is widely tracked by investors and policymakers, began making its alternative China figures public in 2014. David Hoffman, its senior vice president for the Asia-Pacific, said Chinese data reporting problems do not factor into the Board's calculations.

Heightened vulnerability

Its numbers differ mainly because it looks at industrial output and service-sector growth using different methodologies intended to reduce distortions in official pricing mechanisms.

Its data indicates growth in China, now a vital component of the world economy, may

have been more volatile and vulnerable to outside factors than official readings let on. For example, the National Bureau of Statistics (NBS) says growth dipped to 7.8 percent in 1998 during the Asian financial crisis, from 9.2 percent in 1997.

But The Conference Board's calculations show 1998 growth may actually have been 2.3 percent, half that of the previous year. Subsequent shocks may also have been smoothed over, most recently the 2014-2015 oil and commodity price deflation cycle. The Conference Board estimates 2015 growth fell to 3.8 percent, from 6.3 percent the previous year. Official numbers, however, show a relatively small dip to 6.9 percent, from 7.3 percent.

Economic growth is a sensitive topic for the Communist Party, which has based its ruling legitimacy largely on delivering constant expansion and rising living standards.

Hoffman said if the Board's numbers are correct, "it makes the case for substantive economic reforms (by China) all the more urgent, especially in the face of intensifying external factors such as trade conflict and slowing global demand".

Some believe China's growth may be even



BEIJING: A vendor prepares food to sell at a market in the center of Beijing yesterday. China's GDP growth may be significantly slower than official estimates suggest and the economy is more vulnerable to external shocks than widely believed, according to a global business think-tank. —AFP

lower. Xiang Songzuo, a finance professor at Beijing's Renmin University and former chief economist of China Agriculture Bank, said in a lecture last month that 2018 growth may

have been as low as 1.67 percent, or even contracted. Video of Xiang's lecture was widely circulated online until government censors moved to block it. —AFP