

# THE \$UPPLY

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## WIDESPREAD LOSS OF MANUFACTURING JOBS

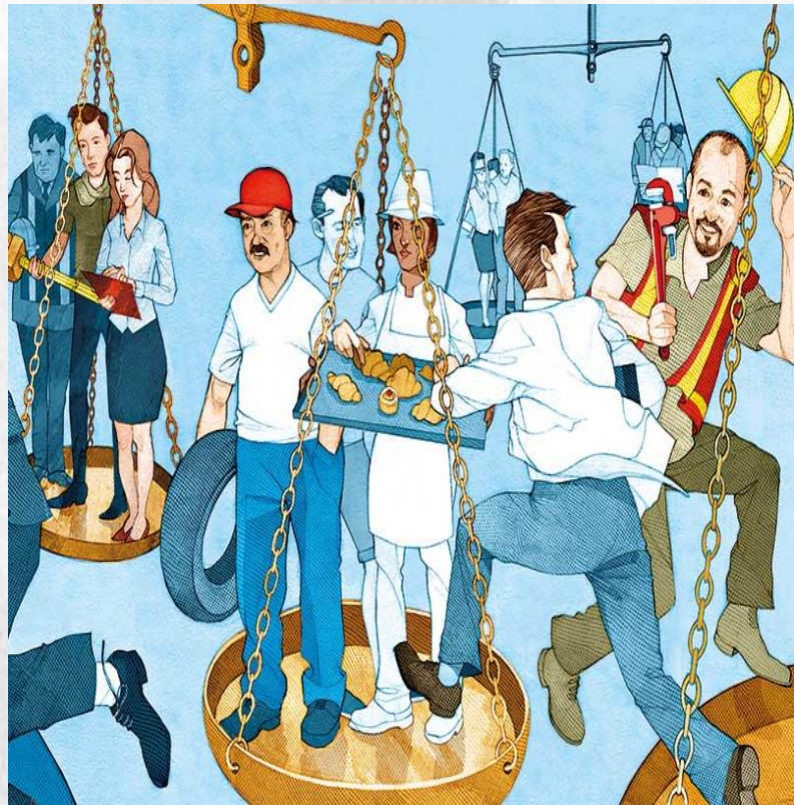
While the employment scenario in the country has turned bleaker of late due to the pandemic after a brief spell of moderate recovery from the fathoms hit in May 2020, manufacturing, which has ostensibly received a lot of policy attention, has been losing out to other sectors and the most to agriculture as job creator over the past few years. According to an analysis by the Centre for Economic Data and Analysis (CEDA) based on the CMIE monthly time-series of employment by industry, manufacturing employment in 2020-21 was nearly half of what it was five years ago. The decline was particularly sharper in 2020-21 owing to the pandemic – on a year-on-year basis, the sector employed 32% fewer people in 2020-21 over 2019-20. Real estate & construction also saw big fall in its share in employment in 2020-21 (see chart) and a secular decline over the five-years to 2020-21. While there has been a secular decline in manufacturing employment across all sub-sectors, except chemical industries, all sub-sectors registered a longer-term decline.



## DEATH OF DEVELOPMENT IN UP & BIHAR

Some of the most shocking and defining visuals of the Covid-19 pandemic in India would be the corpses floating down the river Ganga and piled up alongside its banks across the states of Uttar Pradesh and Bihar. In a sense, these morbid scenes are analogous to the decaying development stories of this region. The economic and social outcomes of the two states are comparable or even worse than sub-Saharan African nations – the least developed part of the world.

The per capita GDP of Uttar Pradesh in PPP terms (\$2252) is comparable to that of Mali(\$2246), for instance, but the state's incidence of infant mortality (64 per 100 births) is worse than the African nation (60 per 100) births. Meanwhile, Bihar's per capita GDP (\$1376) is comparable to that of Mozambique (\$1283), but the state's under-five mortality is higher (58 vs 54.8). It is crucial to highlight here that Mali and Mozambique are the 34<sup>th</sup> and 47<sup>th</sup> richest economies in Africa out of a total of 54 countries.







## RBI'S TRANSFER TO THE CENTRE LIKELY TO IMPACT ECONOMY

Banking stocks that led the rally on May 21 would be in focus in the coming week as well after the Reserve Bank of India (RBI) said that it would transfer a surplus of Rs 99,122 crore to the government for the nine-month accounting period ended March 31. The S&P BSE Bankex which led the charge on May 21 rallied over 7 percent for the week ended on May 21 compared to a nearly 4 percent gain seen in the S&P BSE Sensex.

The bank also decided to maintain the contingency risk buffer at 5.5 percent. The decisions were taken at the 589th meeting of the Central Board of Directors of RBI held under the chairmanship of Governor Shaktikanta Das on May 21. The amount transferred is higher than market expectations, and any additional liquidity will cushion the fiscal deficit burden for the government. The global rating agency, Moody's in a report highlighted that it has estimated the general government debt burden to reach 90 percent of GDP in fiscal FY22, and 90.8 percent in FY23.

## BITCOIN DIVES AS CHINA CRACKS DOWN ON CRYPTO

The price of Bitcoin fell below \$34,000 (£24,030) for the first time in three months on Wednesday, after China imposed fresh curbs on crypto-currencies. Beijing banned banks and payment firms from providing services related to crypto-currency transactions. It also warned investors against speculative crypto trading on Tuesday. It follows falls in Bitcoin of more than 10% last week after Tesla said it would no longer accept the currency. On Wednesday afternoon, Bitcoin recovered some ground, although it was still down -10.4% at \$38,131. Meanwhile, other digital currencies such as Ether, which acts as the fuel for the Ethereum blockchain network, and Dogecoin lost as much as 22% and 24% respectively. Crypto-currency trading has been illegal in China since 2019 in order to curb money-laundering. But people are still able to trade in currencies such as Bitcoin online, which has concerned Beijing. On Tuesday, three state-backed organisations, including the National Internet Finance Association of China, the China Banking Association and the Payment and Clearing Association of China issued a warning on social media. They said consumers would have no protection if they were to incur any losses from crypto-currency investment transactions.





## KNOWLEDGE IS POWER



### UK'S TRADE DEAL OFFER TO AUSTRALIA

The UK has offered trade deal terms to Australia under which both countries would phase out taxes on imports over 15 years. The cabinet was reportedly split on what terms to propose, amid concerns UK beef and lamb farmers could be undercut by larger Australian producers. But the dispute was apparently resolved after Boris Johnson pushed for unity. International Trade Secretary Liz Truss formally made the UK offer to her Australian counterpart on Friday. If accepted, it would also lead to quotas - limits - on tax-free trade between the two countries to be phased out. The National Farmers' Union (NFU) has warned that freeing up the UK-Australian trade in meat will lead to hundreds of British cow and sheep breeders going out of business. Ministers are keen to strike as many trade deals as possible following Brexit, and Ms Truss wants one in place with Australia by the time the UK hosts the G7 summit - of leading economies - in June.

### COVID IMPACT ON RETAIL

Retailers are having continued growth in health and hygiene category products as well as in food, personal care and home care items, but discretionary categories like beauty and cosmetics, fashion and apparels have been affected adversely during the second wave of the pandemic.

Now, there is a renewed focus on healthy alternatives such as ayurvedic toothpaste and juices, while instant foods and ready-to-eat snacking items with nutritional offerings are also seeing larger penetration.

Moreover, value packs are doing well this time as smaller packs of Rs 5 and Rs 10 have witnessed a rise of up to 20 per cent across categories like biscuits, ketchup and jams, while the large and premium packs have been affected as people are cautious about their disposable income.

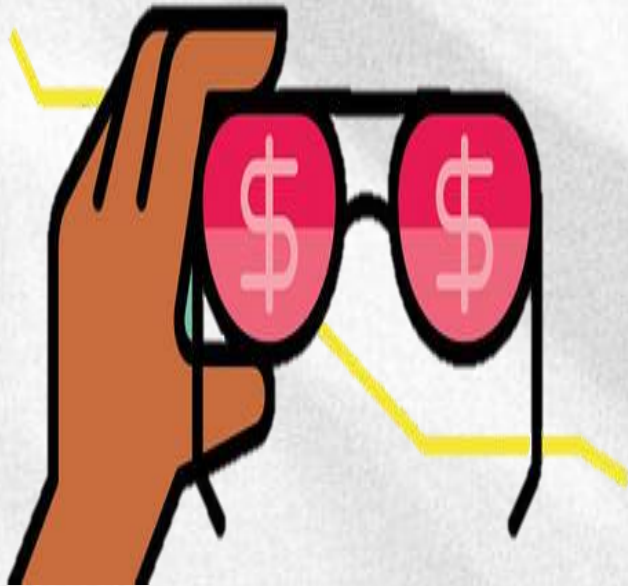
Besides, some retailers are also facing the issue of excess stocking in categories such as apparel, fashion and home care categories, as they had stocked up their inventory in March in anticipation of the upcoming season after having a good run rate in the January-March quarter.

"Spends have dropped in high price point and non-essential categories," METRO Cash & Carry India MD and CEO Arvind Mediratta told PTL.

Future Group, which operates big format stores such as Big Bazaar and has now shifted mostly to home delivery model, said sales in the non-essential category have gone down after the second wave restrictions.







## INDIA'S CONSUMER CONFIDENCE TAKES A HIT

The consumer confidence in India has further weakened in May amid the severe Covid crisis and the resultant lockdowns across states. The monthly Refinitiv-Ipsos Primary Consumer Sentiment Index (PCSI) for India, in May, has shown a sharp drop of 6.3 percentage points, over April 2021, amid Covid-19 fears. The monthly PCSI, which is driven by the aggregation of the four weighted sub-indices, has plunged across all sub-indices. The PCSI Employment Confidence Sub-Index is down by 4.7 percentage points, the PCSI Current Personal Financial Conditions Sub-Index has steeply fallen by 9.0 percentage points. Further, the PCSI Investment Climate Sub-Index has sharply declined by 8.4 percentage points and the PCSI Economic Expectations Sub Index, has decreased by 4.4 percentage points. Confidence around jobs and the economy too have taken a hit and right now, the government's focus is to contain the virus and save lives. And that is why we are seeing lockdowns and restrictions being imposed. But then it is also impacting livelihoods and earnings

## ENGINEERING GOODS EXPORT BOOSTS INDIAN ECONOMY

India's engineering goods exports to 23 key markets, including the US, China and Germany recorded positive year-on-year growth in April 2021, EEPC India said on Saturday. According to the council, overall merchandise trade from the country surged primarily on account of base effect. Last year's corresponding period had seen exports plummet as outbreak of coronavirus disrupted the supply chain globally. All the product groups other than 'ships, boats and floating structures' recorded positive growth during this period. The growth momentum has continued for the past few months despite Covid shadow. The high growth rate in outbound shipment is mainly due to the low base of FY21 but recovery is indeed impressive. It mirrors global trends. EEPC India's data showed that engineering goods exports in April soared 229.74 per cent in value terms to \$7.60 billion from \$2.31 billion in the corresponding month last year. Presently, engineering goods account for about one-fourth of the total merchandise exports from India and therefore it has significantly contributed to the recovery in the country's external trade. As per the data, among the top 25 export destinations for India's engineering goods, negative growth was seen only in the case of Malaysia and Singapore. Besides, the US continued to be the biggest market for India's engineering goods exporters followed by China.

