India plans $4.6b in incentives for battery makers in electric vehicle push

Reuters, *New Delhi*

India plans to offer $4.6 billion in incentives to companies setting up advanced battery manufacturing facilities as it seeks to promote the use of electric vehicles and cut down its dependence on oil, according to a government proposal seen by Reuters.

A proposal drafted by NITI Aayog, a federal think tank chaired by Prime Minister Narendra Modi, said India could slash its oil import bills by as much as $40 billion by 2030 if electric vehicles were widely adopted.

The proposal is likely to be reviewed by Modi's cabinet in the coming weeks, said a senior government official, who was not authorised to comment on the matter and declined to be identified. NITI Aayog and the Indian government did not respond to requests for comment.

The think tank recommended incentives of $4.6 billion by 2030 for companies manufacturing advanced batteries, starting with cash and infrastructure incentives of 9 billion rupees ($122 million) in the next financial year which would then be ratcheted up annually.

"Currently, the battery energy storage industry is at a very nascent stage in India with investors being a little apprehensive to invest in a sunrise industry," the proposal said.

India plans to retain its import tax rate of 5 per cent for certain types of batteries, including batteries for electric vehicles, until 2022, but will increase it to 15 per cent thereafter to promote local manufacturing, the document said.

Though keen to reduce its oil dependence and cut down on pollution, India's efforts to promote electric vehicles have been stymied by a lack of investment in manufacturing and infrastructure such as charging stations. Just 3,400 electric cars were sold in the world's second-most populous nation during the last business year, compared to sales of 1.7 million conventional passenger cars.

The policy could benefit battery makers such as South Korea's LG Chem and Japan's Panasonic Corp as well as automakers which have started building EVs in India such as Tata Motors and Mahindra & Mahindra.

While China accounts for 80 per cent of the world's lithium-ion cell production, India has introduced stricter investment rules for Chinese companies. It has also slowed down the approval processs for some proposals after a deadly border clash between the two countries in June.

The draft proposal said annual domestic demand for battery storage and market size - currently less than 50 gigawatt hours and worth just over to $2 billion - could grow to 230 gigawatt hours and more than $14 billion in ten years time.

It did not offer an estimate of how many electric cars it expected to be on the road by 2030.

The proposal estimates it would cost firms some $6 billion over five years to set up manufacturing facilities with the support of government subsidies.

NITI Aayog has been the driver of several key India government policies including the planned privatisations of a swathe of state-owned companies.

REUTERS/FILE

Tata Motors' electric sport-utility vehicle Nexon EV is displayed during its launch in Mumbai, India.

ByteDance applies for tech export licence in China amid TikTok deal talks

Reuters, *Shanghai*

ByteDance has applied for a tech export licence in China as it races to seal a deal with Oracle Corp and Walmart Inc that it hopes will end US government plans to ban its TikTok video-streaming app on security grounds.

The Beijing-based firm submitted the application to Beijing's municipal commerce bureau and is awaiting a decision, it said on its Toutiao online news platform on Thursday, without referring to ongoing talks over its US operations.

The application comes about a month after China revised its list of technologies subject to export bans or restrictions for the first time in 12 years, in a manner which experts said gave the government a say over any TikTok deal. It can take up to 30 days to obtain preliminary approval to export such technology.

Chinese commerce ministry spokesman Gao Feng told reporters on Thursday that the application has been received and would be handled in accordance with relevant regulations and procedures.

ByteDance has said its deal with Oracle and Walmart will see the creation of a standalone US company and does not involve any transfer of technology, though Oracle will be able to inspect TikTok US source code.

It has also said the deal needs approval from both China and the United States.

However, the companies have issued conflicting statements over the terms of the agreement they reached with the White House.

ByteDance said it will establish a US subsidiary called TikTok Global of which it will own 80 per cent.

Oracle and WalMart, however, said majority ownership of TikTok Global would be in American hands, complying with an Aug. 14 executive order by US President Donald Trump that ByteDance relinquish ownership of TikTok within 90 days.

Chinese state media outlets China Daily and the Global Times this week said they see no reason for China to approve the deal that Oracle and Walmart said they have struck with ByteDance, calling it based on "bullying and extortion".

TikTok's experience is "a textbook example of the United States' modern-day piracy and tech bullying," Chinese state news agency Xinhua said in an English-language commentary on Thursday, adding that national security concerns that Washington has expressed over TikTok are "nothing but a fig leaf".

"It is time that other countries saw through the outrageous farce of the TikTok drama, knew what is really at stake, and joined hands to oppose such blatant robberies and maintain a fair global business environment," it said.

TikTok asked a US judge on Wednesday to block an order from Trump's administration that would require Apple Inc and Alphabet Inc's Google to remove its short video-sharing app for new downloads from Sunday.

In response to a question on TikTok's request, Chinese foreign ministry spokesman Wang Wenbin on Thursday said China supports companies' use of relevant legal weapons to uphold their rights.

Consumer electronics companies predict grim outlook for 2020

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However, despite all the promotional offers such as cash backs and discounts on offer, consumer electronics could not even achieve its minimum sales target during this year's Eid-ul-Fitr and Eid-ul-Azha.

Saikat Azad, deputy general manager of marketing at Transcom Digital, which retails the products of leading international brands like Samsung, Panasonic and Philips, said his company is maintaining an equally grim outlook.

Azad fears that there might be a negative growth in sales this year due to the lasting effects of the coronavirus. He also assumes that Transcom's sales target will be stuck at 60 to 70 per cent this year.

And although the sale of washing machines and kitchen electronics has increased significantly, the share of revenue these products account for is negligible.

Despite having reopened all their outlets across the country, sales are still quite low compared to the previous year, he added.

Md Manzurul Karim, general manager of Esquire Electronics, the sole local distributor of Japanese electronic brands General and Sharp, said sales of consumer electronics started to pick back up in June but not significantly.

According to the general manager, consumers are not purchasing such products unless it is absolutely necessary because of the current situation.

So, it is a tough task for the market to return to normalcy by the end of the year.

Using his company's market analysis as an example, Karim said sales in the sector will decline by 50 per cent in comparison to last year.

Manufacturers and retailers traditionally make 50 per cent of their projected revenue for the year during the two Eid festivals but this year was different because of the pandemic.

Now, the sector's main aim is simply to survive and adjust to the 'new normal', making the current scenario a stark contrast to that of the previous year, when consumers were less concerned over the Covid-19 impact, he added.

Golam Morshed, additional managing director at Walton High-tech Industries, said over the past six months, the company has sold just 10 lakh refrigerators while the number was 15 lakhs units in the corresponding period the year before.

During the same period, Walton sold around 2 lakh television sets while it was 3 lakh units in 2019.

Besides, the company sold 42,000 air conditioners in the last six months while it sold 54,000 units last year.

However, although domestic sales have dropped, export orders are about 10 time higher than what it was in the pre-pandemic era, Morshed said.

The additional managing director hopes that the situation will soon return to normal and sales in the post-pandemic era will be adequate.

China's slow consumption recovery upset by wary low-income households

Reuters, *Beijing*

Months after China brought its coronavirus epidemic under control, its consumers are slowly opening their wallets again - but the hard days of lockdowns still weigh on many shellshocked lower-income households, who prefer to hold on to their cash.

While China's recovery here from a record first quarter contraction is well ahead of most other countries, it has been uneven. Lingering weakness in consumption could complicate President Xi Jinping's push to curb the country's dependence on volatile overseas markets.

Factories rebounded relatively quickly from paralysing lockdowns, but consumer confidence has picked up only gradually in the world's second-largest economy.

It took until August before retail sales finally returned to growth, rising 0.5 per cent on-year. Sales for the first eight months were 8.6 per cent lower than the same period last year.

But while spending on luxury goods like Prada bags 1913.HK quickly shook off the virus shock, consumption of daily necessities and services is recovering more slowly. Extra caution from lower-income households is a key reason why, say analysts.

"We live on savings but it's difficult, we tried to buy only the necessities," said Zhou Ran, a self-employed decorator in central Henan's Xinxiang city who couldn't work for four months earlier this year amid lockdowns.

Sales of clothing and shoes remain down 15 per cent over the first eight months, while fuel and other petroleum product sales are down 17.3 per cent. Incomes from food and beverage sales fell over 26 per cent in this period.

Analysts will be closely watching data and company sales reports from China's "Golden Week" holidays on Oct. 1-8 to gauge how quickly consumers' mood is improving.

Though Zhou returned to work in May, business was hard to find. "Many people prefer to keep cash for now so they delay renovations," he said.

"It is difficult for everyone this year," said Zhou, whose wife takes care of their three children and doesn't have an income.

A quarterly report issued jointly by the research arm of Alibaba-backed Ant Group and Southwestern University of Finance and Economics showed the vulnerability of low income families to the epidemic.

REUTERS/FILE

People walk past a department store of the Wangfuijing Group in Beijing, China.

Most households with annual incomes below 100,000 yuan ($14,800) reported their wealth declined in the first and second quarters. Those with incomes above 300,000 yuan reported consistent gains.

"Higher-income households have probably built up savings, because of the forced reduction in consumption during lockdown, and could now be ready for a spending spree," said Wei He, an analyst at research firm Gavekal Dragonomics, in a note. "It is lower-income households that face a longer slog of normalizing their finances," he said.

JD.com data shows that consumption growth in lower-tier cities and low-income groups was weaker than in major cities and high-income groups in June, reversing the usual trend, according to Shen Jianguang, chief economist at JD Digits, the Chinese e-commerce giant's fintech arm.

This is likely because the small and medium-sized enterprises which employ many lower-income people were affected more by the epidemic, Shen said in an article published August.

The impact on consumption could be considerable. Some 600 million Chinese people earn a monthly income of barely 1,000 yuan, according to Premier Li Keqiang, speaking in May. That would be over 40 per cent of the country's population.

Beijing has issued a slew of policies to stabilize jobs and support spending over the last months. Local authorities and companies have, for instance, handed out billions of yuan in shopping vouchers.

To be sure, China's recovery, as imbalanced as it is, is still a bright spot in global consumption as other major economies battle a second wave of infections and in some cases impose fresh curbs on activity.

Many in China's vast export-oriented sector have turned to the domestic market as foreign orders dry up, with enthusiastic government support.

An app from Alibaba Holding Group Ltd which helps manufacturing suppliers sell directly to domestic consumers has seen 1.2 million companies sign up since its launch in March. Nearly half were export-focused previously, according to an Alibaba spokesperson.

Domestic orders now make up 40 per cent of total orders for Tu Xinye, the manager of a company that makes toothbrushes in southern Jiangsu province.

China's return to normalcy: a lesson for others

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The stimulus measures taken by the Chinese government certainly helped its businesses face the challenges as China focused on loosening credit facilities to assist enterprises in overcoming the crisis.

Experts termed China's economic revival as 'V shaped', meaning a sharp fall followed by a quick recovery. By this turnaround of their economy, China was able to avoid going into a technical recession, which is defined as two consecutive quarters of GDP contraction.

A recent report published by The Wall Street Journal says that China is catching up and closing the gap with the U.S. economy.

The article further added that before the pandemic emerged, Deutsche Bank estimated China's economy would grow by roughly 26 per cent between 2019 and 2023, versus 8.5 percent for the US over the same period.

Taking into account the pandemic's impact, the German multinational investment bank expects China's economic expansion to moderate slightly to 24 per cent between 2019 and 2023 while the US over that stretch will have grown by 3.9 percent, less than half of the original projection.

Homi Kharas, a renowned economist and analyst who works at Brookings Institution, said China would emerge as the world's number one economy in 2028 in absolute terms, using current dollars, two years faster than his pre-coronavirus estimate.

Obviously, the path is not going to be as smooth as it sounds. China will certainly face headwinds and already have to deal with ongoing trade conflicts with the US.

One fifth of China's export earnings depend on the US and China's stance on Hong Kong has not been appreciated by some of the countries who happen to be important trade partners.

The recent tension with India on the border issue might also lead to a trade conflict. There are already some instances which are the outcome of the ongoing tensions. The UK has joined the US in banning Huawei and its 5G rollout and India has already banned 59 Chinese apps, including the hugely popular TikTok.

According to IMF data, last year China accounted for 40 per cent of global economic growth, which is more than the combined contributions of the US, EU and Japan.

Therefore, this is indeed a very positive news for the world economy that China is getting back to normal since it has a profound impact on the economies of many countries.

For example, countries like Bangladesh are heavily depend on China for various economic activities. Our biggest export earner, the garments sector, sources key materials such as fabrics and accessories mostly from China. The world's most populous country is also our biggest trading partner.

The world can certainly learn from China on how to deal with the pandemic and apply those approaches to bounce back and beat the worst health crisis in human history.

The writer is chairman and managing director of BASF Bangladesh.