India's economic contraction slows as vaccines boost recovery hopes

REUTERS, *New Delhi*

The contraction of the Indian economy eased off in the three months to September amid signs of a pick up in manufacturing, and economists expect a steady recovery next year if progress on coronavirus vaccines feeds consumer demand.

Prime Minister Narendra Modi, whose party won elections this month in the eastern state of Bihar, expects the recent easing of farm and labour laws, along with tax incentives, to bolster manufacturing and lure more foreign investment.

India's gross domestic product in July-September quarter contracted 7.5 per cent on year, data released by the National Statistical Office on Friday showed, compared to a decline of 23.9 per cent in the previous three months.

Analysts in a Reuters poll had forecast an 8.8 per cent contraction in the latest period.

Annual growth of 3.4 per cent in farm sector and 0.6 per cent in manufacturing during September quarter raised hopes of an early recovery as the government gears up to distribute coronavirus vaccines to a country with about 1.4 billion people.

"The Q2 GDP numbers are encouraging," said Krishnamurthy Subramanian, chief economic adviser at the ministry of finance, after the release of the data.

Citing growth in manufacturing and farm sectors, he said there were signs of a "V" shaped recovery helped by a pick up in demand for consumer and investment goods.

"Overall, while the recovery provides optimism, caution on the pandemic and therefore on the economy is still warranted."

Consumer spending - the main driver of the economy - dropped 11.3 per cent year-on-year in July-September compared to a revised 26.7 per cent fall in the previous quarter, data showed, while capital investments were down 7.3 per cent compared to a 47.1 per cent fall in the previous quarter.

The Reserve Bank of India, which has slashed its benchmark repo rate by a total of 115 basis points since March to cushion the shock from the crisis, is expected to keep rates on hold at its policy review meeting next week due to growing concerns about inflation.

India - the world's fastest-growing major economy until a few years ago - now looks to be headed for its first full-year contraction this fiscal year since 1979, according to a Reuters poll which predicted gross domestic product would take over a year to return to pre-COVID-19 levels.

Private economists, who have marginally raised growth forecasts this month, said the recovery would depend on the wider distribution of vaccines amid risks of a second wave of infections spreading to remote areas limiting the broader gains.

Businesses fear new restrictions imposed by some states this week could delay a recovery while consumer demand could slowdown after the festivals.

India's tally of COVID-19 infections crossed 9.3 million to stand as the world's second highest after the United States, with 135,715 deaths in the south Asian nation.

"The resurgence of COVID cases in many geographies poses a risk to economic revival in the coming quarters," said Anagha Deodhar, economist at ICICI Securities, Mumbai.

Deodhar like many other economists expected growth to remain negative in the December quarter and post a small positive growth in March quarter.

REUTERS/FILE

A man walks past a graffiti amid the spread of the coronavirus disease in Mumbai, India.

Covid-19 vaccine adoption rates are 'wildcard' for US stock rally

REUTERS, *New York*

News this month of three promising coronavirus vaccines has helped push the Dow Jones Industrial Average over 30,000, but some investors worry that slow vaccination rates may weaken next year's expected economic recovery.

Overall, 58 per cent of Americans said in a Gallup poll here that ended Nov. 1 that they would get vaccinated, up from 50 per cent who were willing in a September poll. Forty-two percent said they would be unwilling to get a vaccine, citing reasons such as the rushed development timeline and concerns about safety.

Delays in vaccine distribution or widespread refusal to be vaccinated would allow the virus to continue to circulate longer and delay the development of herd immunity, which occurs when enough people in a population have some form of protection that prevents the easy spread of a disease.

"To be certain that the world will be back to normal by mid-next year because a vaccine is available is an aggressive assumption," said David Albrycht, chief investment officer at Newfleet Asset Management.

"There's a light at the end of the tunnel but we're not sure how long that the tunnel is going to be," he said, citing uncertainties including whether a vaccine will be free or covered by insurance plans, its rollout and its public acceptance rate.

Citi Research wrote in a note on Monday that herd immunity would not form until late 2021, boosting global Gross Domestic Product growth by only 0.7 per cent next year compared with an estimated 3 per cent gain in 2022 as vaccination rates rise.

"The answer is not the vaccine; it's vaccinations. The vaccine needs to be widely adopted and accepted for it to work," said Ernesto Ramos, head of equities at BMO Global Asset Management.

The US Food and Drug Administration will likely grant approval in mid-December for distribution of the vaccine developed by Pfizer Inc and German partner BioNTech and some healthcare workers could start getting shots a day or two later, Dr. Moncef Slaoui, chief scientific adviser for the US government's Operation Warp Speed, said on Sunday.

Some 70 per cent of the US population of 330 million would need to be inoculated to achieve herd immunity, which is possible by May, he said. Ramos said those estimates may be overly optimistic and the economic benefits of vaccinations will not be apparent until the second half of next year, increasing chances that the recent US economic slowdown could worsen.

Investors will get the latest US economic snapshot with data next week, including the monthly employment report. Economists polled by Reuters expect the Dec. 4 jobs report to show unemployment dipped to 6.8 per cent from 6.9 per cent, still well above the 4.5 per cent rate in March, before much of the US economy went into lockdown.

Targeted vaccinations could revive the economy even with delays in widespread adoption, said Jonathan Golub, chief US equity strategist at Credit Suisse Securities.

"The successful vaccination of seniors and front-line workers could expedite the renormalization process well before herd immunity is achieved," he said. The S&P 500 may reach 4,050 by the end of 2021, up about 13 per cent from its current level, he estimated.

While vaccine adoption rates are a "wildcard," their availability removes the risk of another widespread economic lockdown, said John Buckingham, portfolio manager at Kovitz Investment Group.

He remains bullish on companies that will benefit from an economic recovery, including JPMorgan Chase & Co, Foot Locker Inc and Whirlpool Corp, even if the US economy remains bumpy over the next few months and coronavirus cases keep rising.

Indonesia palm oil deforestation exposing firms to $10b of risks: study

REUTERS, *Singapore*

Forest-related risks could cost companies that trade in or use Indonesian palm oil as much as $10 billion this year, according to a study of more than 100 firms published by a global environmental group.

The non-profit CDP said it surveyed 125 firms that are producing, sourcing or using Indonesian palm oil, and respondents collectively reported as much as $10 billion in potential financial impacts from reputational and market risks.

Indonesia is the world's largest producer of palm oil, a versatile edible oil found consumer goods from food to cosmetics. It is also home to the biggest forests outside of the Amazon and Congo. Environmental groups have blamed palm oil cultivation for widespread deforestation and the killing of endangered animals.

"Brand damage is the greatest financial risk, with a potential financial impact totaling $4.2 billion," CDP, formerly known as the Carbon Disclosure Project, said in the study released late Wednesday.

"Given that less than half of companies provided financial information, this is likely to be an underestimate of the true potential financial impact," it added.

Other risks included reduced demand, production capacity and disruption in sales.

The cost of risk had doubled from 2019 to 2020, with more firms disclosing information and rising awareness of deforestation among consumers and companies, it said.

Indonesia in June said that it had scaled back protection of tropical forests ahead of the worst fires season because of budget cuts due to the coronavirus pandemic.

Deforestation for palm oil has led countries to restrict imports of the edible oil, while labour concerns has seen the US block some Malaysian palm oil products.

Indonesia's Palm Oil Association on Thursday questioned the CDP findings and said firms had adhered to domestic industry standards.

"We have never heard complaints ... that the use of palm oil materials causes greater financial risk," a spokesman said. "It doesn't make sense because palm oil is a competitive product in terms of price."

Pandemic fears, online deals thin US Black Friday crowds

REUTERS, *New York*

Masked shoppers turned up in smaller numbers at major US retailers including Macy's Inc, Walmart Inc and Best Buy Co Inc on Black Friday as early online deals and worry about the spike in COVID-19 cases dulled enthusiasm for trips to the mall.

Retailers overhauled the traditionally busy shopping day that comes the day after Thanksgiving. Walmart opened stores at 5 a.m. on Friday, directing shoppers to turn right upon entering and proceed along main aisles to shop deals before paying at registers surrounded by plastic barriers.

Best Buy opened at 5 a.m., employing workers in can't miss orange vests to serve as traffic cops. Others offered temperature checks and "grab-and-go" merchandise, including toys, bikes and kitchen appliances to discourage lingering in store aisles.

Bill Park, a partner at Deloitte & Touche LP, estimated traffic at the King of Prussia mall outside of Philadelphia was down about 20-30 per cent compared to last year.

"I'm surprised at the traffic. It's down a little bit but heavier than I thought," he said but noted shoppers were not loaded down with packages.

Elsewhere, shoppers with empty carts lined up a socially-distant six feet apart before the Walmart in LaGrange, Kentucky opened, but crowds appeared down overall. Stores selling popular computer game consoles had some of the longest lines as gamers tried to land Sony Corp's PlayStation 5.

Brothers-in-law Gabriel Rojas, 24 and Juan Cabrera, 24 were waiting in line at GameStop in New York's Bronx borough, since 2 a.m. on Friday, hopeful to snatch up a PS5. They were unsuccessful as there were some 20 people ahead of them and the retailer only had two left in stock, they said.

"We're bummed" said Rojas. "But that's ok."

Some had better luck.

Roger Mustafa, 37, walked out of a Manhattan GameStop with a PS5 in a plastic bag and a huge smile on his face. It cost him $544 and a lot of sleep.

"I've been waiting outside of GameStop for two days," said Bronx resident Mustafa. "Now I'm going to go home and get some sleep."

At Macy's New York flagship, Asuncion Peralta, 77, said she was not afraid to shop because she had COVID-19 antibodies.

"I've been waiting for this day for a long time to buy towels and sheets, everything else that I need," said Peralta. "These prices are not Black Friday prices. I came here two days ago and the deals were better."

During this pandemic-ridden year, retailers from Target Corp to Kohl's Corp and Walmart rolled out online winter holiday promotions in October to capture any holiday-related spending as early as possible.

Upscale department store operator Nordstrom, which has seen its sales tumble in the pandemic, offered customers a $15 gift card if they picked up packages curbside at their stores.

Overall, the National Retail Federation (NRF) forecasts US holiday retail sales will increase between 3.6 per cent and 5.2 per cent over 2019, for a total of $755.3 billion to $766.7 billion. That compares with an average annual increase of 2.5 per cent over the past five years.

On Nov. 19, the Center for Disease Control and Prevention (CDC) deemed "going shopping in crowded stores just before, on, or after Thanksgiving" as a high-risk activity.

Target employee Seth Schaffer, 22, from Lufkin, Texas, said shoppers in his store appeared less concerned about taking precautions to prevent the spread of COVID-19.

"Deep east Texas isn't the type of place where you'll see everyone respecting mask policies or avoiding close contact."

Adobe Analytics expects Black Friday and Cyber Monday 2020 to still become the two largest online sales days in history, with Black Friday online sales between $8.9 billion and $10.6 billion.

Melissa Bloss, who works at a bank in Rapid City, South Dakota, said she plans to do all her shopping online this year.

"Most companies have been having sales throughout the month. I really don't have a need to rush out when I can get the same deal a week later," she said.

REUTERS

People visit Macy's Herald Square during early opening for the Black Friday sales in Manhattan, New York on November 27.

Govt belt-tightening bears fruit as revenue expenditure drops

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The lion's share of this amount is not being spent as tours have been limited due to the pandemic, which prompted the suspension of global events and seminars and flight cancellations.

Under normal circumstances, ministers or top officials of different ministries or departments go abroad with large entourages to attend seminars or other programmes, which are all now taking place through digital platforms.

"The government prioritised sectors such as health and social safety and undertook some austerity measures so that revenue expenditure decreased this year," said an official of the finance ministry.

"Apart from the decrease in foreign tours, the lower spending is also owing to cancellation of many local seminars, which turned to webinars and that is too at meagre costs," he said.

The development expenditure fell 0.25 per cent during the first three months of the fiscal year as the government halted low-priority project financing.

From July to September, the development expenditure stood at Tk 17,301 crore, down from Tk 17,344 crore during the same period last fiscal year.

It came as the government, during the initial periods of the pandemic, decided to ensure the best use of limited resources and make funds available for the priority sectors.

During that time, it decided to put a hold to the implementation of low-priority development projects involving Tk 40,000 crore.

In a palpable sign of an economic turnaround from the pandemic fallouts, the National Board of Revenue's collection in the first four months of this fiscal -- July to October -- grew 3.61 per cent to Tk 68,128 crore, which was Tk 65,754 crore during the same period last year.

The government's bank borrowing plunged 44.53 per cent to Tk 15,925 crore in the first three months of this fiscal year, down from Tk 28,710 crore of the same period last year.

The bank borrowing decreased because of an increase in government borrowing from saving instruments and reduced public expenditure, according to an official of the finance ministry.

Zahid Hussain, a former lead economist at the World Bank's Dhaka office, said the year-on-year reduction in operating expenditure in the first quarter presumably resulted from the implementation of the austerity measures announced at the beginning of the fiscal year.

"Expenditures of the ADP has been flat, hopefully reflecting restraint on fund release for low priority projects. The reduction in total expenditures has helped keep government bank borrowing in check despite anaemic growth in revenue collection," he said.

Hussain said the first quarter's outcomes augur well to face the pressures arising from the resurgence of the virus all over the world, including Bangladesh.

There will be a rise in demand for subsidies and transfers as businesses and employment struggle to recover from the economic fallout of the raging virus, he said.

Small businesses and workers in the informal sector have been hit very hard, and they were the ones who have remained largely excluded from the support packages due to difficulties in reaching them.

Better targeting of expenditures on social protection and grant financing from the budget for cottage, micro and small enterprises (CMSE) delivered through institutions that know how to reach them may help overcome the implementation deficiencies of the announced financial packages, said Hussain.

"Targeted fiscal stimulus will help keep the CMSEs afloat and protect the livelihoods of poor and vulnerable households. It will also stimulate the currently depressed aggregate demand and thus help restart the recovery."

The recovery may stumble as a result of the resurgence of the virus and the inability to deliver assistance to the vast majority of low-income families and informal enterprises, added Hussain.

Tesla could widen release of 'self-driving' software in two weeks

REUTERS

Tesla Inc Chief Executive Officer Elon Musk said on Friday there will probably be a wider roll out of a new "Full Self Driving" software update in two weeks.

In October, Tesla released a beta, or test version, of what it calls a "Full Self Driving" software upgrade to an undisclosed number of "expert, careful" drivers.

"Probably going to a wider beta in 2 weeks," Musk said on Twitter, in a reply to a user asking if the software would be available in Minnesota.

Musk had said earlier it was planned that the latest upgrade would be widely released by the end of this year, with the system becoming more robust as it collected more data.

Scammers fool Britons with investment firm clones, says trade body

REUTERS, *London*

More than 200 British retail investors have lost nearly 10 million pounds in total to sophisticated investment scams since a government lockdown in March to fight the COVID-19 pandemic, a trade body said on Saturday.

Fraudsters cloned genuine investment management firms' websites and documentation, and advertised fake products on sham price comparison websites and on social media, the Investment Association said.

Greater financial uncertainty and more time spent online have likely contributed to the increase in scams, industry sources say.

Losses amounted to 9.4 million pounds ($12.56 million) between March and mid-October, the IA said, based on information it got from member firms which had been cloned.

"In a year clouded in uncertainty, organised criminals have sought opportunity in misfortune by attempting to con investors out of their hard-earned savings," Chris Cummings, chief executive of the Investment Association said.

The investment management industry was working closely with police and regulators to stop the scams, he added.

Britain's Action Fraud warned earlier this month that total reported losses from all types of investment fraud came to 657 million pounds between September 2019 and September 2020, a rise of 28 per cent from a year ago. Reports spiked between May and September, following Britain's first national lockdown, the national fraud and cyber crime reporting centre added.