

Covid toll on Indian economy deepens, jobs crisis to worsen

REUTERS, Bengaluru

India's economic outlook has weakened again, albeit slightly, with worst-case scenario forecasts suggesting the toll from the coronavirus pandemic could be much deeper, stoking fears the job crisis may worsen over the coming year, a Reuters poll found.

Renewed restrictions to curb the current coronavirus wave have stalled economic activity, leaving many millions out of work and pushing economists - who have broadly been bullish - to downgrade their views for the second time since early April.

The May 20-27 poll showed the outlook for the current quarter was lowered to 21.6 per cent

annually, and to 9.8 per cent on average for this fiscal year, down from 23.0 per cent and 10.4 per cent respectively a month ago. The economy was then forecast to grow 6.7 per cent next fiscal year, compared to 6.5 per cent predicted previously.

While the consensus pointed to healthy growth figures later this year, all 29 economists, in response to an additional question, warned the outlook was either "weak and prone to further downgrades" or "fragile, with a limited downside".

None expected a "strong recovery, followed by an upgrade".

"Recovery in India was strong in the months before the second wave. This leads us to believe the recovery can rebound quickly after the number of new infections have come down.

But vaccination implementation needs to pick up pace in order to have an effect this year," said Wouter van Eijkelenburg, an economist at Rabobank.

"Therefore new surges of the virus hang above recovery like the sword of Damocles. Until a large share of the population is vaccinated there remains this downside risk of new waves and subsequent lockdowns hampering the recovery."

Underscoring concerns that a slow vaccine rollout may make a bigger dent in the economy, the consensus showed in a worst-case scenario the economy would average just 6.8 per cent growth this fiscal year after its deepest ever recession last year.

"Let's hope (the situation) doesn't go there. If it does and we do have another wave ... after this one, maybe the government will learn some lessons - that it is better to lock down the economy sooner, rather than later," said Gareth Leather, senior Asia economist at Capital Economics.

"The threat of further waves will hang over the economic outlook so long as India's vaccination progress remains lackluster." India's unemployment rate soared to a near one-year-high of 14.73 per cent in the week ending May 23, according to the Center for Monitoring Indian Economy (CMIE), reflecting the impact of the economic slowdown.

When asked if there was a risk that India's unemployment situation could worsen over the coming year, more than 85 per cent, or 25 of 29 respondents, said it was high, including four who said very high. The remaining four said the risk was low.

"There is going to be a significant demand shock to the economy, some of that could be permanent demand destruction, thereby pushing more out of the jobs market and keeping the unemployment rate elevated over the coming year," said Prakash Sakpal, senior Asia economist at ING.



A view shows empty roads during a 14-hour long curfew to limit the spreading of coronavirus disease in the country, in Ahmedabad, India on March 22, 2020.

US blocks imports from Chinese fishing firm Dalian Ocean

AFP, Washington

The US customs agency announced Friday it would block imports of products from China's Dalian Ocean Fishing Co for alleged use of forced labor and abuse of workers on its tuna vessels.

The Customs and Border Protection issued a "withhold release order" on any products from Dalian Ocean shipped to the United States, meaning importers cannot take possession of them. "Companies that exploit their workers have no place doing business in the United States," said Homeland Security Secretary Alejandro Mayorkas.

"Products made from forced labor not only exploit workers, but hurt American businesses and expose consumers to unethical purchases."

"CBP said it had evidence of forced labor, withholding of wages, and abusive working and living conditions aboard Dalian's vessels. The withhold release order is applied to any seafood from the company, which operates 33 longline

tuna vessels. CBP has in the past issued similar import blocks on specific Chinese fishing boats, but never before on an entire company's fleet.

Dalian Ocean has been accused several times of abuse by human rights and environmental groups. South Korea-based Advocates for Public Law and the Environmental Justice Foundation said last year that one of Dalian Ocean's vessels, the Long Xing 629, had refused medical care for four crewmen suffering from unspecified ailments.

Three died aboard the ship and their bodies were dumped overboard, while a fourth died after returning home to South Korea. Indonesian workers aboard the vessel said they worked 18 hours a day, were paid only a fraction of the promised \$300 a month salary, saw wages withheld, didn't dock in a port for more than a year, and were given salty water to drink.

In addition, the groups say the vessel was involved in illegal, large-scale harvesting of sharks for their fins.



Indonesian maritime workers protest in front of the Chinese embassy in Jakarta against the treatment of Indonesian crew on Chinese fishing boats.

US airlines refunded \$12.8b to travellers in 2020: trade group

REUTERS, Washington

Eleven US airlines issued \$12.84 billion in cash refunds to customers in 2020 as the coronavirus pandemic upended the travel industry, the head of industry trade group Airlines for America (A4A) said in a letter to lawmakers on Friday.

Airlines have faced a backlash from passengers and some lawmakers over their handling of redemptions for flights canceled during the pandemic.

Earlier this month, Senators Edward Markey and Richard Blumenthal called on carriers to issue cash refunds whether flights were canceled by the airline or traveler.

Nicholas Calio, A4A chief executive, acknowledged that many carriers encouraged customers to accept vouchers for future travel instead of cash, but said it was not done with "ill intent" but rather to prevent potential bankruptcy declarations.

"The facts clearly show that US airlines

have maintained a steadfast commitment to the traveling public over the course of the pandemic and routinely issued refunds in accordance with all federal laws and regulations," Calio wrote in a letter to the two senators.

Calio said the cash refunds, which accounted for about 20 per cent of airline revenues last year, came on top of billions of dollars of travel credits that are now being used "at a rapid clip" to book fresh flights.

The redemption of vouchers currently accounts for 10 per cent to 15 per cent of carriers' monthly ticket sales and is expected to increase in coming months as the pandemic winds down and markets and venues re-open, Calio said in the letter, seen by Reuters.

A forecast surge in summer leisure travel as more Americans become vaccinated against the coronavirus is expected to help airlines return to positive cash flow after record losses last year.



A Delta Connection Embraer ERJ-175LR plane lands as a United Express Embraer ERJ-175LR plane waits to take off at LAX airport in Los Angeles, California on January 10, 2018.

India's Mahindra expects car sales to take two years to rebound after Covid shock

REUTERS, New Delhi

India's Mahindra & Mahindra expects it will take at least another two years for car sales to return to their pre-pandemic peaks, but a slow pace of vaccinations could hurt recovery prospects, its chief told Reuters in an interview.

Battered by the pandemic in 2020 and an economic slowdown in 2019, passenger vehicle sales in India fell to 2.7 million units in the last fiscal year - their lowest level in six years and well below the peak of 3.4 million units in fiscal year 2019.

Mahindra Chief Executive Officer Anish Shah said sales would rebound by fiscal year 2023 if a majority of the country's population is inoculated and new Covid-19 cases ease, helping the economy recover.

"Getting back to full normal is going to depend on vaccinations ... (else) we will always have the fear of the next wave coming in and disrupting things again," Shah

The world's second-most populous country has recorded 28 million cases so far, second only to the United States. Infections have surged in recent weeks, and in May India recorded its highest monthly Covid-19 death toll since the pandemic began.

Yet, only about 3 per cent of India's 1.3 billion people have been fully vaccinated, the lowest rate among the 10 countries with the most cases.

Car sales had started to pick up in the January-March period but a second, more deadly wave of infections forced lockdowns again. This time consumer sentiment has taken a hit and discretionary spending is likely to take longer to recover.

The virus is also spreading to rural India, which was relatively protected during the first wave and had offset the low demand automakers saw in urban centres.

Mahindra, which has 6 per cent share of India's passenger vehicles market and is the country's biggest tractor maker, saw robust growth in its farm sector revenues last year but sales in the hinterlands have dipped in May, Shah said.

This time, urban and rural buyers are holding back until the crisis passes.

"This year we have seen our customers also worry about putting up money and buying

anything, saying what happens in case someone (in the family) gets Covid," he said.

Shah expects the pace of vaccinations in India to pick up in June but said if that does not happen it would be concerning.

"It is about reaching a certain point where we don't have to get into lockdowns once more," he said.

"If that happens, we will continue to be in this phase of two steps ahead and one step back."



A Mahindra and Mahindra sign at one of the carmaker's showrooms in Mumbai, India.

Tourists scarce as travel bubbles fail to inflate

AFP, Wellington

Quarantine-free travel bubbles were hailed as tourism's "godsend" earlier this year, but cancellations and suspensions have deflated hopes they will herald a return to pre-pandemic normality.

Perhaps the world's most high-profile bubble opened between Australia and New Zealand on April 19, leading to emotional scenes as families split when borders closed almost 400 days earlier were reunited.

Since then, New Zealand has ordered partial shutdowns on four occasions due to virus scares in Australian states, the most serious of which forced Melbourne into a snap lockdown this week.

A spike of Covid-19 cases in Taiwan burst its bubble with the tiny Pacific nation of Palau last week, while Hong Kong and Singapore have been struggling to stand up a quarantine-free travel arrangement for six months.

Australian Prime Minister Scott Morrison will take advantage of the trans-Tasman bubble this weekend, when he travels to New Zealand for the first time since the pandemic hit for talks with Kiwi counterpart Jacinda Ardern.

The pair will meet in the South Island mountain resort of Queenstown, where Ardern has vowed to show him the sights, including adventure activities and glacier-fed lakes. Like tourist centres everywhere, the so-called "adrenaline capital of

the world" struggled without overseas travellers, and Queenstown restaurateur Alex Boyes said the trans-Tasman bubble had not proved a panacea.

Boyes had hoped the bubble would lift his business to about 70 per cent of its pre-pandemic level but that has not yet happened. "Any foreigners we see is something new to us at the moment but this is a time when Queenstown's traditionally been quite quiet," he told AFP. "So we haven't been swamped by Australians, so to speak, but future bookings through the winter are looking healthy."

"While strong domestic tourism figures in Australia and New Zealand show holidaymakers remain keen to take a break in troubled times, the data also shows many remain wary of using the international travel bubble."

Bookings to Australia from New Zealand in the six week from the bubble's announcement on April 6 to May 18 were less than a quarter of the numbers during the same period in 2019, data from travel analyst ForwardKeys showed.

ForwardKeys' Olivier Ponti said bookings the other way were stronger but still less than 60 per cent of what would be considered normal. "Since the two-way trans-Tasman bubble opened last month, bookings have generally been stronger out of Australia than New Zealand -- we're seeing that Kiwis need a bit of encouragement," a Qantas spokeswoman told AFP.

The reason for the caution became apparent this week when New Zealand suspended the bubble with Victoria state and officials in Wellington made it clear that Kiwis stranded in Melbourne's lockdown were on their own. "Hunker down and follow the rules," New Zealand's Covid-19 response minister Chris Hipkins advised.

"We acknowledge this as a difficult time. It's disruptive and it's probably expensive if

you're staying in paid accommodation -- that's one of the realities of travelling in the era of Covid."

"Tourism New Zealand acknowledged such a scare would cause temporary disruption and lead to a "wait-and-see" approach among potential passengers. But it said Australian market arrivals had recovered to 50 per cent, describing it as "a great result and strong contribution".



New Zealand's mountain resort of Queenstown is hoping to benefit from the country's travel bubble with Australia.

Posco International reviewing dividend payments on Myanmar gas project

REUTERS, Seoul

South Korea's Posco International said on Friday it is reviewing dividend payments on a gas project in Myanmar, in a move that could further constrain funding to the military junta, which seized control of the country in a February 1 coup.

The move follows a decision this week by Total and Chevron that suspended some payments from a similar gas joint venture that is also part-owned by the state-owned gas enterprise.

International firms doing business in the country have come under pressure from rights groups and Myanmar's deposed civilian government to review their operations since the coup and an ensuing bloody crackdown on protests in which hundreds have died. The oil and gas sector is one of the largest sources of foreign revenue for the country.

"We are reviewing what has been demanded for us to do from the international community, and that includes suspending dividend payout. This internal discussion is taking place from various angles, and its not an easy one when the contract involves many," a Posco International spokesman told Reuters by phone, when asked about its gas venture in Myanmar.

Posco International has a majority stake in Myanmar's Shwe gas project, which comprises three fields in the Bay of Bengal, alongside the Myanmar Oil and Gas Enterprise (MOGE), India's Oil and Natural Gas Corp (ONGC) and GAIL. It also has a stake in the pipeline that transports the gas to China.