ECONOMIC GROWTH IN 2020 WILL BE HIGHER THAN IN 2019 BECAUSE STRUCTURAL REFORM WILL START PAYING OFF

Why is the GDP of 1.3 billion Indians less than 126 million Japanese, 83 million Germans and 40 million people in California? Why is India's GDP today 20 per cent of China's when they were equal in 1991? Why did the world's largest democracy — created on the infertile soil of the world's most hierarchical society — not create the world's largest economy?

Twenty years ago, a court denied the Reserve Bank of India's request for swift justice for banks against a large loan defaulter saying, "don't twist arms so hard that they break". But, last week's Rs 42,000 crore recovery from loan defaulter Essar Steel demonstrates the power of policy when the executive, legislature and courts together take on vested interests, precedence, and history. The 1,658 days that have elapsed since the IBC work began, the delay of 1,297 days since the IBC became law, and the 863 days since Essar was admitted into bankruptcy, symbolize the fixed costs for bold change in our democracy. But, it also symbolizes the upsides of policy boldness and persistence; Arcelor's takeover of Essar clears the judicial, legislative and commercial path for speedy bank recovery from the next 200 large defaulters. I believe that the current challenges faced by the Indian economy represent short-term pain for the long-term gain imposed by multiple structural changes. And, that economic growth in 2020 will be higher than in 2019 because structural reform will start paying off.

Economies are more like human bodies than machines. Doctors know that post-mortems have a certainty that prescriptions don't, they obsess about iatrogenic risks or unintended consequences of their treatment, and recognize that acute patients need an ICU. But chronic patients need rehabilitation. Poverty is not like cancer where every malignant cell must be eliminated, or it will come back. Instead, poverty is like being obese. The fight is hard and slow, victories are partial. Sometimes you regress. But, keeping up the fight by all necessary means can mitigate obesity. Eventually, diet and exercise will become a way of life, and a healthier body will yield tangible benefits.

India's economy in 2020 is not heading into the ICU but is heading out of a broad and deep rehab. Independent monetary policy and fiscal discipline have halved inflation. The GST has cut indirect tax categories from 100 to 5, and nearly doubled payers to 12 million. An awake RBI, the IBC and mergers of nationalized banks make bank accounting cleaner, bank balance sheets stronger and blunt crony capitalism. The Real Estate (Regulation and Development) Act makes business difficult for non-compliant real estate developers. But a more organized and end-user driven market is reducing inventory, returning growth to stamp duty collections of states, and raising middle class affordability ratios. Demonetization contributed to UPI digital transactions rising from one lakh to 110 crore a month. The rise in India's ease-of-doing business ranking to 63 from 139 is raising FDI, starting to attract China's factory refugees and is taking foreign exchange reserves to record highs. Aadhaar adoption has raised subsidy efficiency. The gross capital formation as a percentage of GDP is rising after bottoming in 2017. Food production growth is now substantially higher than population growth, making inflation decline structural (and yes, even onions; we produce 23 million tonnes and consume only 15 million). And, stock markets now largely offer valuation premiums to growth and governance.

The economic slowdown explanations must be mindful of what writer Chimamanda Adichie called "the dangers of a single story". A thoughtful paper by Arvind Subramanian and Josh Felman lists multiple stories — land and labour market constraints, income inequality, impact of agriculture on aggregate demand, demonetization and GST, monetary tightness and policy uncertainty. I disagree with their ICU conclusion; a sustained rehab of structural reforms, and monetary and fiscal intervention will work. The monetary policy's 135 basis point cut in 2019 brings the RBI's benchmark repo rate to its lowest since 2010. The fiscal response for 2019 delivered a corporate tax cut, accelerated capex, created a fund for stalled housing projects and for buying-out NBFC assets.

Arcelor's investment — an outcome of multiple court cases, multiple IBC amendments, and multiple RBI directives — will accelerate resolution of the 1,497 pending IBC cases, particularly of the 535 that have crossed the 270-day deadline. The best expression of gratitude and dues to the remarkable public servants in the Ministry of Finance, Ministry of Corporate Affairs, the Courts and the RBI for this accomplishment will be replicating their boldness and teamwork in five areas — labour law reform, rebooting civil service, redesigning the central government, public sector governance, and investment in data collection. Labour law reform will prevent our labour from being handicapped without capital and our capital from being handicapped without labour. Civil Service reform will improve the ease-of-doing business. Central government restructuring — reducing Delhi's 51 ministries, and over 100 departments with 250 secretary rank officials — will enable us to do more by doing less. Raising public sector governance will generate resources without damaging fiscal discipline; nationalized banks, embarrassingly, have lower risk weighted assets than two years ago, despite receiving over Rs 2 lakh crore. Raising our investment in data collection — the budget of the Central Statistical Organization is only Rs 51 crore – will amplify trust, enable action and demonstrate confidence.

Why is the GDP of 1.3 billion Indians less than 126 million Japanese, 83 million Germans and 40 million people in California? Why is India's GDP today 20 per cent of China's when they were equal in 1991? Why did the world's largest democracy — created on the infertile soil of the world's most hierarchical society — not create the world's largest economy? Only because of the low productivity of our government, cities, sectors, firms and people. My recent overseas investor roadshow suggests that structural reforms, the developments in China and negative interest rates make India attractive; the world wants us to succeed if we want to. The great new book Bridgital Nation by N Chandrasekaran and Roopa Purushothaman suggests that India is an antarlaapika, Sanskrit for a puzzle, in which the answer is hidden in the puzzle itself. Their observation that great entrepreneurship advice is only a traffic jam away in Bengaluru recognizes that our horrible traffic represents growth. May the rest of India have Bengaluru problems in 2020. A year that will be better for the economy, tough for loan defaulters, disruptive for incumbents and exciting for insurgents.

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CONSUMER DURABLES CLOCK GROWTH IN 2019; ECONOMIC SLOWDOWN A THREAT IN 2020

The consumer durables sector, estimated to be around Rs. 76,400 crore in FY 2019, logged a growth rate of about 10 per cent.

The consumer durables industry returned to a steady growth path in 2019 after almost two flat years but might not be able to repeat the feat in the coming year as broader market indicates economic slowdown. The consumer durables sector, estimated to be around Rs 76,400 crore in FY'19, logged a growth rate of about 10 per cent, largely helped by long and harsh summer, which lifted sales of compressor-based cooling products such as AC and refrigerators.

The industry, however, continued to face challenges in segments like TV panels and microwave, which failed to deliver a notable performance during 2019. The Consumer Electronics and Appliances Manufacturers Association (CEAMA), however, is hopeful that the demand of cooling products next year will be high as well. "Given current sentiments, 2020 may not register high growth but weather is expected to play a key level for growth. A hot elongated summer may drive growth for cooling products in the first half," CEAMA President Kamal Nandi told PTI.

The consumer durables industry, which received several incentives in 2019 from the government in form of reduction in customs duty on import of TV panels (open cells), among others, expects the ratio of localization and backward integration to increase and contribute more towards Make-in-India. "In the past 5 years, overall approximately Rs 7,500 crore investment has been made by manufacturers - mainly for capacity expansion and new capacity development. This trend will continue in future as well," said Nandi, who is also Godrej Appliances Business Head and Executive Vice President.

Echoing similar views, Panasonic India and South Asia President and CEO Manish Sharma said local production of the components used in assembling a final product is going to increase, helped by the new duty structures, which now make more sense to produce here. "The need of the hour is backward integration and starting component production in India. Those steps are happening now," he said adding that "we are working very closely with our suppliers and encouraging them to start local manufacturing in India. Definitely next year localization of components would definitely improve".

Presently, the appliances and consumer electronics have on an average 50 to 55 per localization. The import ratio depends on the kind of products such as it is higher in case of products such as TV panels and high-end ACs, where open cells and compressors are imported respectively. According to LG Electronics India Vice President (Home Appliances) Vijay Babu, the South Korean major is also expanding localization of its products manufactured here. The company has already achieved almost complete localization in products like ACs, microwave, front-load washing machines, barring some others. "Now LG is going to increase localization efforts in India," said Babu adding that "the company is focusing for 100 per cent localization".

Besides, the industry is also gearing up to accommodate consumer demands for more value-added features and augmented sizes in 2020 across product categories like inverter models in ACs, bigger screen sizes in TV panels, large capacity in refrigerators and washing machines along with Internet of Things (IoT) features in selected models, which not only provide a better value but also a higher margins.

Commenting on the performance of the industry, Nandi said: "2019 started off well with cooling products showing traction in the first half – however, the demand started tapering in the second half. The ACE (Appliances and Consumer Electronics) industry as a whole expects to end with around 9-10 per cent growth at the end of the year. Floods in various parts and low economic sentiments overall have affected 2019." Haier India President Eric Braganza said though the industry had a good run in the first half but failed to maintain the momentum in the second half. "What has happened that money circulation has come down. In the second half of this year, there has been a liquidity crunch and that is why because of a good H1 run, we ended the year reasonably well," Braganza said. In the first half of the year, ACs reported an over 30 per cent growth and refrigerator 15 per cent, according to CEAMA.

Voltas Managing Director and CEO Pradeep Bakshi said: "This year, Voltas recorded a 42 per cent growth in H1 FY20 by continuing to focus on increasing the reach in rural markets." Similarly, BSH Home Appliances, which operates in refrigerator, washing machine and Kitchen appliances, recorded a good growth and expects to continue the momentum by expanding its business. "FY 2019-20 has been a year full of fervour for us at BSH. In the last few years, we have experienced colossal success in India and today we are experiencing about 35 to 40 per cent Y-O-Y growth in the country," said BSH Home Appliances CEO and MD Neeraj Bhal.

According to Sharma, products such as ACs, washing machines and refrigerators have done well during the year, while TV panel failed to pick up momentum. "It was a reasonably challenging year and especially categories which are in commoditized zones as TV panels witnessed a shift in terms of customer preference and also momentum. We have noticed that a lot of entertainment appetite of customers are fulfilled by smaller screens as mobile phones and tablets. Because of this, there is impact on growth of TV," said Sharma. "The year was mixed for the consumer durables industry. Electronic category which is TV did not witness any growth and the white goods have a good year with a growth in double digits," he said adding "After having two years of almost flat or slow growth, the industry had a growth."

According to a recent joint report by CEAMA and research & consulting firm Frost & Sullivan, the appliances and consumer Electronics (ACE) industry size is expected to be double and have a total market size of Rs 1.48 lakh crore by FY 25.

The market is expected to see acceleration in growth ignited by surging rural consumption, reducing replacement cycles, increasing penetration of retail, a wide choice of brands and products at various price points, it added.

Source : http://www.businessworld.in/article/Consumer-Durables-Clock-Growth-In-2019-Economic-Slowdown-A-Threat-In-2020/23-12-2019-180941/