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Global growth to slow in 2019, says World Bank

Sriram Lakshman
WASHINGTON DC, JUNE 05, 2019
THE HINDU

Forecasts for India through 2021 remain intact; prognosis for impact of U.S.-China trade tensions grim

The World Bank Group has downgraded global real GDP growth to 2.6% for 2019, down by 0.3% points from its previous forecast in January. Growth is expected to be increase marginally to 2.7% in 2020. India's growth forecasts are projected to be 7.5% per annum in 2019, 2020 and 2021 — not having been downgraded from their January estimates. A growth rate of 7.2% is estimated for 2018.

The multilateral development bank's June 2019 ***Global Economic Prospects*** (GEP) report, titled, 'Heightened Tensions, Subdued Investment' says the global economy "has continued to soften and momentum remains weak" and investment, sluggish.

The downside risks to global growth, as per the report, include rising trade barriers, a build-up of government debt and slowdowns that were deeper than expected in several major economies.

The sluggishness of investment in EMDEs (Emerging Markets Developing Economies) is part of a protracted (barring the 2016-2018 recovery) slowdown following the global financial crisis, as per the report. Weak global growth, limited potential for public investment due to elevated debt levels and the presence of structural constrains are expected to dampen investment growth.

"Stronger economic growth is essential to reducing poverty and improving living standards," said World Bank Group President David Malpass, via a statement. "Current economic momentum remains weak, while heightened debt levels and subdued investment growth in developing economies are holding countries back from achieving their potential. It's urgent that countries make significant structural reforms that improve the business climate and attract investment. They also need to make debt management and transparency a high priority so that new debt adds to growth and investment."

The world's poorest countries face "the most aunting challenges", due to entrenched poverty, fragility and geographic isolation, World Bank Group Vice President for Equitable Growth, Finance and Institutions, Ceyla Pazarbasioglu, said.

"Unless they can get onto a faster growth trajectory, the goal of lowering extreme poverty under 3% by 2030 will remain unreachable."

Slowdown in U.S. and advanced economies

Advanced economies as a group are expected to slow down in 2019, particularly the Euro Area, due to weaker investments and exports. U.S. growth is expected to slow to 2.5% this year, down from an estimated 2.9% in 2018, and then down to 1.7% and 1.6% in 2020 and 2021 respectively. Softness in trade and domestic demand is expected to put Euro Area growth at 1.4% in 2020-21, despite monetary policy support continuing for that economy.

India and South Asia

South Asia's growth remained "robust" in the face of global economic headwinds and weakening trade and manufacturing, as per the report. In India, where growth was 7.2% in FY2018/2019, investment — both, private and in public infrastructure - offset a slowdown in government consumption. Soft agricultural prices dampened rural consumption but urban consumption was bolstered by credit growth. With regard to production — robust growth was broad-based the report says, with the industrial sector accelerating on the back of manufacturing and construction, and agriculture and services sectors moderating, due to a "subdued harvest" and slowing trade, hotel, communications and transport sector, respectively.

Economic activity slowed in the last quarter of 2018 — and this spilled over into the first quarter of 2019.

India's growth at a projected 7.5% is supported by credit growth and an accommodative monetary policy. "Support from delays in planned fiscal consolidation at the central level should partially offset the effects of political uncertainty around elections," the report says.

"The continuing weakness in corporate and financial sector balance sheets remain a constraint for growth despite recent improvements in the Ease of Doing Business in India," Ayhan Kose, Director of the World Bank's Prospects Group said to ***The Hindu,*** during a conference call with reporters to discuss the forecasts.

U.S.-China trade tensions could hurt global growth in 2020

The report's prognosis for the impact of U.S.-China trade tensions is grim. "While some countries could benefit from trade diversion in the short run, adverse effects from weakening growth and rising policy uncertainties involving the world's two largest economies would have predominantly negative repercussions," it says. `

U.S. policy uncertainty is expected to "significantly erode" growth and investment across EMDEs, as protectionist measures impact a wide range of downstream industries and trading partners due to the existence of global value chains, the GEP says.

"If there is an improvement in the dispute we have seen over the past year and especially over the past five weeks…this will of course help improve confidence, this will reduce uncertainty and this will probably put a floor on the slowdown we have seen so far," Mr. Kose said during Tuesday's conference call.

“If these trade tensions escalate and we see much higher tariffs put on varied [sic], large segments of global trade, if that happens, it is very likely that we will see a deeper slowdown, and this slowdown will take place in major economies, will have a significant spillover through trade channels, through confidence channels, through commodities markets, and it will translate into much lower growth,” he said.

Growth in global trade is expected to from 4.1% in 2018 to 2.6% this year, a%age point below previous forecasts and the weakest since the financial crisis. Global trade growth is expect to settle at 3.2% in 2020-21 as “weakness in manufacturing abates.”

Brexit could impact financial stability

A no-deal Brexit, the report says, could have a “severe impact” on the U.K. and to a lower extent on its European trading partners in the event of disruptions and delays at the border. Financial stability could also be impacted.

“The United Kingdom accounts for a large share of cross-border lending to some EMDEs, which could be negatively impacted by a sudden retrenchment.”

‘India joblessness data not factored into World Bank growth estimates’

Sriram Lakshman
WASHINGTON DC, JUNE 05, 2019
THE HINDU

Investment figures, manufacturing weaker than expected

The new macroeconomic data released by the government last Friday, which showed joblessness for 2017/18 at 6.1%, a 45-year high was not factored into the World Bank Group’s June 2019 ***Global Economic Prospects*** (GEP) report, Ayhan Kose, Director of the Bank’s Global Prospects Group told ***The Hindu***, during a briefing call with reporters.

"This data is rather new. Obviously we have not [taken] it into account … our cutoff date for the data as we indicated in the report is May 23 [2019]. Having said that, India's GDP growth slowed to 5.8% in the first quarter [of 2019] from 6.6% in the previous quarter," Mr. Kose said. "Manufacturing activity and investment figures were weaker than expected." This, Mr. Kose, said, was attributable to uncertainty in the run up to the elections and was "somewhat expected".

India's growth forecasts are projected to be 7.5% per annum in 2019, 2020 and 2021 — not having been downgraded from their January estimates. A growth rate of 7.2% is estimated for 2018.

In its 2014-2019 term, the NDA government had faced criticism over its handling of data. For instance the unemployment data from the National Sample Survey Office (NSSO), leaked in January, was officially released last week, post-elections. In January, the Ministry of Statistics and Programme Implementation published revised GDP growth numbers for 2017, showing an increase of 1.1%, with growth pegged at 8.2%.

In March, 108 economists and social scientists from around the world, wrote an open letter "Economic Statistics in Shambles" to highlight the data credibility problem.

World Bank's representatives did not wish to comment on the data credibility issue on Tuesday's briefing call.

"We are of course relying on data coming from government officials, and we have no comment at the moment," Mr. Kose said.

Congress seeks white paper on rising bank fraud

SPECIAL CORRESPONDENT NEW DELHI, JUNE 04, 2019
THE HINDU

"Through an RTI query, it has been revealed that the the bank fraud cases rose in last one year to 6,800 to the tune of Rs.71,500

crore," Congress spokesperson Jaiveer Shergil said at a press conference at the party headquarters

The Congress on June 4 demanded a white paper on the rising incidence of bank frauds and cited a report by the Reserve Bank of India (RBI) to press its demand.

"Through an RTI query, it has been revealed that the the bank fraud cases rose in last one year to 6,800 to the tune of Rs.71,500 crore," Congress spokesperson Jaiveer Shergil said at a press conference at the party headquarters.

In 2017-18, the total number of bank fraud cases stood at 5,916, amounting to Rs.41,460 crore, Mr. Shergil added.

Criticising the BJP government for not disclosing the names of willful defaulters, he said, "The Supreme Court in 2015 directed the RBI and the government to disclose the names of the willful defaulters. But the names have not been disclosed yet. Why is the BJP hiding these names?"

The Congress also appealed to Finance Minister Nirmala Sitharaman to take stock of the Finance Ministry and rescue the economy.

"The BJP needs to come out of their election celebration mode to rescue the sinking economy from the bank frauds and flying fraudsters," he said.

The remarks at the press conference notwithstanding, the Lok Sabha poll debacle seems to have put the principal Opposition party on the defensive. Despite focussing on jobs and economic growth during the election campaign, the Congress has so far only offered a muted reaction to the fourth-quarter GDP growth figure of 5.8%, the slowest pace in the last five years, as well as the release of the official data on unemployment.

Congress president Rahul Gandhi, who had raised the issue of jobs and the economy as the main campaign plank, didn't offer any comment even on social media platforms.

Chief spokesperson Randeep Surjewala, however, addressed a press conference on June 1 to criticise the increase in LPG cooking gas prices.

“Modi 2.0 government has given a return gift to the people after coming to power,” he said at the time. “The Congress demands immediate reversal of the hike in cooking gas,” he added.

With NPS’ exposure to IL&FS at Rs.1,270 cr, PFRDA speeds up recovery process

Dhuraivel Gunasekaran NARAYANAN V Chennai | June 04, 2019

THE HINDU BusinessLine

A major portion of the exposure is classified under ‘red’ category, says a PFRDA member

The National Pension System (NPS) has marked down almost 75 per cent of its Rs.1,000-plus crore exposure to debt-laden Infrastructure Leasing & Financial Services (IL&FS), a senior official of the Pension Fund Regulatory and Development Authority (PFRDA) told ***BusinessLine***.

“Of the total asset base of Rs.3,20,000 crore, our exposure to IL&FS is Rs.1,270 crore, out of which a major portion is classified under the ‘red’ category,” said Supratim Bandopadhyay, Whole-Time Member (Finance), PFRDA.

“But we are taking the recovery process very seriously,” he added.

Moving NCLT

As a regulatory body, PFRDA oversees the operation and functioning of NPS and Atal Pension Yojana (APY), which has a subscriber base of about 1.25 crore and 1.51 crore accounts, respectively, as on April, 2019.

“We have urged all our pension fund managers to submit a joint petition to the National Company Law Tribunal (NCLT) under the Insolvency and

Bankruptcy Code (IBC) saying priority be given to us since this is a retirement corpus," Bandopadhyay said.

He added that senior officials of PFRDA have raised this issue recently with Uday Kotak, Chairman, Kotak Mahindra Bank, who also heads the government-appointed board that oversees the resolution process of IL&FS.

Red category

On the possibility of any recovery during the current fiscal, Bandopadhyay said: "It is very difficult to say because most of our exposures are in the 'red' category, which from a cash flow perspective is in a very poor position."

According to the resolution framework, IL&FS group companies are classified under 'green', 'amber' and 'red' categories based on their ability to meet payment obligations over the next 12 months. Companies falling under the green category can meet all their payment obligations, amber category entities can meet only operational payment obligations to senior secured financial creditors. Companies classified under the 'red' category cannot meet any of their payment obligations.

Risk management process

However, Bandopadhyay said that PFRDA is confident of a recovery since NCLT has already began the process of selling some of the running businesses of IL&FS and have floated request for proposals (RFPs) to this effect.

Concurring that the risk management framework of PFRDA needs a re-look, Bandopadhyay said that the regulatory body is urging its officials to go beyond the rating process, focus more on the financials and closely follow news reports about the companies.

"We have also given the flexibility to sell off at the slightest event of default besides tightening our prudential exposure norms in a particular sector or company," Bandopadhyay said.

The curious case of Jan Dhan balances: they rise during polls and fall thereafter

G Naga Sridhar Hyderabad | June 04, 2019

THE HINDU BusinessLine

Repeats trend seen after Assembly polls in 2018

In 1926, economist George Taylor propounded a theory that hemlines of women's skirts rise when the economy is doing well and go down in a downturn. In what Taylor would no doubt have found to be a curious phenomenon, the amount of money in Pradhan Mantri Jan Dhan Yojana (PMJDY) accounts seems to rise during elections and ebb thereafter.

Ups and downs

Jan Dhan account balance between March 6 and May 22, 2019 (in ₹ cr)

March 6	93,567
March 13	94,617
March 20	95,382
April 3	97,665
April 10	98,406
April 17	99,751
May 1	98,434
May 8	98,437
May 15	98,414
May 22	98,434

While the balance in these accounts had been rising steadily during the polling phase — and not because of any payouts connected to welfare schemes — it slowed down appreciably after the elections. .

Indeed, even as the final phase of polling was under way, the total balance in these no-frills accounts had begun to dwindle.

According to government data, the increase in total balance was only a nominal Rs.3-20 crore per week in May 2019.

In the previous months, the situation was different. For instance, in March and April, the increase was substantial. During that period, the balance increased by Rs.800 crore toRs.1,000 crore a week. In terms of total balance, PMJDY accounts hadRs.93,567 crore as on March 6. This peaked to a record high of Rs.99,751 crore on April 17. By May 22, it fell to Rs.98,434 crore.

No isolated trend

This cannot be dismissed as an isolated trend during the general elections, going by data. A similar trend also began in October 2018, shortly before elections to five State Assemblies.

Up to August-September 2018, the balance in the accounts was increasing at the rate of Rs.600-800 crore a month. In October 2018, before Assembly elections began, there was a Rs.4,474-crore jump. In November, however, there was a sudden dip.

From December again, there was a steep rise in the total balance, and it has since been steadily increasing. For instance, from December 2018 to January 2019, the balance went up by Rs.2,438 crore, followed by Rs.3,207 crore and Rs.3,476 crore in February and March, respectively.

Is it possible to see any correlation between changes in the balance and the funds being deposited in the PMJDY accounts as part of welfare schemes?

"Not entirely. Other than a few new schemes such as Kisan Samman, the amount of which could be ascertained, all others such as Atal Pension Yojana have regular payments. This rules out any possibility of sudden upsurge or high volatility," a top executive at a major state-owned bank told ***BusinessLine***.

“There have been internal enquires but given the scale of these accounts a macro and micro investigation of trends and funds flow could be of use,” he said on condition of anonymity.

From 13,000-word policy statements, RBI has become a lot clearer

Bloomberg Mumbai | June 04, 2019

THE HINDU BusinessLine

Long and complicated communication on the economy make it difficult for investors to understand the regulators position

The Reserve Bank of India has come a long way from the days when monetary policy statements would average 13,000 words.

That’s more than the average length of a Masters thesis in economics and was before the adoption of inflation targeting in 2016. Since then, the central bank has become briefer and less complex in its policy communication, according to a recent paper published by the Indira Gandhi Institute of Development Research in Mumbai.

RBI statements have averaged 3,084 words in the post-inflation targeting regime, still pretty high if compared to the Federal Reserves average of 500 words, the papers authors, Aakriti Mathur and Rajeswari Sengupta, say. The readability of the RBIs statements -- based on the number of one syllable words in the text -- has also improved.

The researchers matched the policy communication against financial market performance and found that longer and more complex statements were associated with greater volatility in stock market returns over the past 20 years. More specifically, a 1 per cent increase in the length of the RBIs policy statements, or roughly about 115 words, correlated with a 0.37 per cent increase in equity market volatility in the week after the statement.

If the statements are on average too long or too complex to comprehend, then the transmission to financial markets is likely to be weak, which is what we find in our empirical analysis, the authors say in the report.

Long and complicated communication on the economy makes it difficult for investors to understand the regulators position. This creates a wider degree of dispersion in participants' beliefs, which gets reflected in higher financial market volatility, they said.

With the introduction of inflation targeting, the RBI set up a six-member Monetary Policy Committee to decide interest rates every two months. The policy statement is followed shortly after by a press conference with the central bank governor and his deputies.

The RBI also releases minutes of each meeting within two weeks of the event, disclosing how each member voted and why.

Digital payments have still a long way to go, says RBI

Our Bureau Mumbai | June 04, 2019

THE HINDU BusinessLine

While India ranks as a 'leader' in regulation of costs of payments systems, number of ATMs deployed and availability of alternate payment systems, it is categorised as 'weak' when it comes to the share of cheque volume relative to all payment instruments, share of card payments, and digital payment of utility bills, according to the Reserve Bank of India's report on Benchmarking India's Payment Systems.

The benchmarking was undertaken by selecting a mix of 21 countries (including advanced economy countries, Asian economies and BRICS (Brazil, Russia, India, China and South Africa) nations. It has been done over a range of 21 areas and 41 indicators. Payment systems have been rated on the basis of categories — "leader": ranked 1st, 2nd or 3rd;

“strong”: in the top rungs of the countries other than the leaders (4th to 9th); “moderate”: ranked in the middle (10th to 15th); and, “weak”: in the lowest rungs (16th to 21st).

When it comes to costs of payment systems, where the country is a leader, the report said there exists a stipulation that the Merchant Discount Rate (MDR) should be borne by the merchant and not passed on to the customer.

To promote digital transactions, the Central Government has been reimbursing the MDR charges on transactions with values up to Rs.2,000 made through debit cards, BHIM UPI and Aadhaar-enabled payment system.

The Reserve Bank has also prescribed the maximum charges that can be levied by banks for transactions undertaken through National Electronic Funds Transfer (NEFT) system and the Real Time Gross Settlement (RTGS) system.

According to the report, India is next only to China in terms of the number of ATMs deployed and it also had a strong CAGR of 14 per cent during the period between 2012 and 2017. While this is good from customer service perspective, the report opined that it depicts a high demand for cash.

The report said India has developed a number of alternate payment channels. Although behind China, India has a decent 26 per cent of online transactions using e-money. It is far above other developed countries where cards, especially credit cards, are predominantly used.

Weak category

India’s share of cheque volume relative to all payment instruments was high at 7.3 per cent in the year 2017 keeping it at the bottom of the pile with respect to the countries benchmarked. However, the share reduced to 4.6 per cent in 2018-19.

Debit and credit card payments made up 29.9 per cent of payment systems volume in the year 2017. Based on the mix of the countries benchmarked, India is in the lower rung and ranks higher than only Germany and Indonesia. In terms of volume, however, India is moderate with a strong CAGR.

Only 3 per cent of the population in India used the internet to pay utility bills in the year 2017. There is scope for increased adoption in this sphere of activity, the report said.

India is ranked 'strong' vis-a-vis laws in place and scope of payment systems regulation, cash in circulation per capita and number of point-of-sale terminals (PoS) deployed.

The country is ranked 'moderate' vis-a-vis cash in circulation as a percentage of GDP; overall payment systems transactions volume and growth; debit and credit card usage at PoS terminals and online.

ATM upgrade: Banks use cash recyclers, wait for hike in interchange fee

Surabhi Mumbai | June 04, 2019

THE HINDU BusinessLine

Cash recyclers are becoming an alternative for banks as they struggle to upgrade ATMs in line with new norms and remain hopeful of an increase in the interchange fee.

"Interchange fee may be hiked by about Rs.2 per transaction from the current Rs.15. With the General Elections now over, it is expected that the Reserve Bank of India and the Finance Ministry will work on this issue," said a person familiar with the development, pointing out that with costs are running high and there has been muted growth in the number of ATMs in the last one year.

Higher operational costs

Interchange fee, which is paid by banks for use of ATMs by their customers at other banks, has been constant since 2012. Banks are keen on a hike in the fee toRs.18 for cash withdrawals and card-to-card fund transfer, and from Rs.5 to Rs.8 for other non-financial transaction. The National Payments Corporation of India is understood to have been looking into the issue.

"Operating an ATM earlier cost about Rs.40,000- Rs.50,000 per month (excluding the security guard's salary). With the new norms, costs have risen by 8-10 per cent," said a cash management logistics player, adding that the cassette swap provision could lead to at least a Rs.1,000 hike per month for each ATM.

Cash recycling machines

The RBI had directed banks and white-label ATM operators to implement anti-skimming and white-listing solutions by March 2019, and also upgrade all ATMs with supported versions of the operating system by June 2019. Meanwhile, the Ministry of Home Affairs had last year announced new security norms for loading and transportation of cash for ATMs.

Many banks are looking at options such as cash recycler machines, where the costs are much lower. "The interchange fee for recyclers is much lower. Many banks, especially large PSU banks, are replacing ATMs with these as they lead to efficiency in operations as well," said the cash logistics player.

State Bank of India had issued a request for proposal (RFP) recently for 5,000 such machines.

Radha Rama Dorai, Managing Director-ATM and Allied Services, FIS Payment Solutions and Services, said, "With the deadlines becoming past overdue, industry-wide efforts are on to upgrade the ATMs. Owing to the size of the country, the number of ATMs and the complexity of the upgrades, the activity is taking time and has become a huge operating overhead for banks and service providers."

She said wherever ATMs are required to be replaced, banks are showing an increasing preference for recyclers as banks can now also re-direct their branch cash deposits to these machines, thus saving on teller costs.

Muted growth

Significantly, the report of the Nandan Nilekani-led committee on deepening digital payments has also highlighted the muted growth in ATM infrastructure due to high costs. According to the RBI data, the total number of ATMs in the country as on April 2019 was 2.07 lakh as against 2.08 lakh in March 2017.

Looming crisis: Central banks poised to act as economic warnings flash

Bloomberg | June 5, 2019

THE FINANCIAL EXPRESS

The Fed has a current rate target range of 2.25% to 2.5%, which doesn't leave much room above zero given it cut by 500 basis points to fight the last downturn.

The World Bank lowered its 2019 growth forecast citing a slowdown in trade growth to the weakest since the financial crisis

Central banks are resuming their first-responder role as the world economy runs into trouble even if they lack the firepower they once had at their disposal.

With Australia cutting interest rates on Tuesday for the first time in three years and India likely to follow on Thursday, monetary policy makers are again seeking to shore up weak growth and inflation.

Federal Reserve Chairman Jerome Powell signaled an openness to loosening if necessary. Former Treasury Secretary Lawrence Summers wrote on Twitter that the Fed should cut by 50 basis points over coming months, if not more, to ward off recession risks.

And European Central Bank officials are poised on Thursday to at the very least agree on generous terms for new long-term loans for banks.

Stocks in Asia rose after Powell's signal while Treasuries steadied. Japan led the charge, with the Topix index up more than 1.5%

The upshot is global monetary policy is turning looser just months after the Fed and many of its counterparts seemed intent on spending 2019 shifting away from the emergency settings of the past decade. An index by the Council on Foreign Relations shows monetary policy now at its easiest since 2014, while JPMorgan Chase & Co. reckons the average benchmark rate of developed nations will end this year looser than now, led by two Fed cuts.

That’s the outlook finance ministers and central bankers from the Group of 20 industrial and emerging economies face when they gather this week in the Japanese city of Fukuoka.

“The mood regarding global growth is likely to be distinctly gloomier than at the last G-20 gathering,” said Matthew Goodman, a former White House official now at the Center for Strategic and International Studies. “This could put pressure on finance ministries and central banks in major economies to inject new stimulus.”

The World Bank lowered its 2019 growth forecast citing a slowdown in trade growth to the weakest since the financial crisis.

Worryingly, officials will convene in the knowledge that they have less ammunition and monetary policy is not as potent as it once was. Since the 2008 financial crisis, analysts at Bank of America calculate central banks cut rates more than 700 times and bought $12 trillion of financial assets.

The Fed has a current rate target range of 2.25% to 2.5%, which doesn’t leave much room above zero given it cut by 500 basis points to fight the last downturn.

And it, at least, has hiked — the ECB and Bank of Japan never got to reverse their crisis-era reductions and rates are stuck below zero.

But with below-target inflation and slowing growth, investors are betting on action, and see two quarter-point cuts in the U.S. by the end of 2019. JPMorgan this week pushed back its prediction for when central banks across Europe will start tightening, and ABN Amro sees QE being restarted in the euro region next year.

On Monday, St. Louis Fed President James Bullard said a "downward policy rate adjustment" could be needed soon. Powell said a day later that policy makers "will act as appropriate to sustain the expansion."

In South Africa, the policy bias is shifting, with two of five panel members voting for a cut last month. Still, even after the economy shrank the most in a decade in the first quarter, Governor Lesetja Kganyago is adamant it's not his job to boost growth, but control inflation.

"Price stability is a necessary condition for balanced and sustainable growth, but it is by no means a sufficient condition," Kganyago in an interview on Tuesday.

Behind the global concerns and market jitters are President Donald Trump's trade war with China and threats to expand it to include allies such as Mexico and the European Union. Morgan Stanley is warning that an escalation of the conflict between Beijing or Washington alone could tip the world into recession within nine months.

The trade war is not the only drag on demand. Cooling demand in China, tighter financial conditions and a dimming technology boom are also hurting. Manufacturing is now the weakest it's been since 2012, according to a monthly report from IHS Markit.

The slowdown may lead some to argue central banks should have been quicker to normalize policy so they were better positioned to deal with a downturn. But policy makers reject such a strategy, arguing too-fast tightening would risk generating the very economic slump they want to avoid.

Policy Review

However, another round of loosening will fan the debate over whether they have the right strategy. Fed officials are meeting in Chicago this week to discuss potential changes to how they manage monetary policy, with at least one delegate advocating a more flexible approach to targeting inflation. Adam Posen, a former Bank of England policy, last month advocated all major central banks unite to boost their targets.

That's all for the long term rather than the short term. The current situation may mean governments have to step up, though they are also constrained. Global debt is at $184 trillion, the equivalent of 225% of GDP, according to the IMF.

The dilemma is perhaps greatest in G-20 host Japan. Bank of Japan Governor Haruhiko Kuroda is again under pressure to act after exports fell for a fifth straight month and a planned sales-tax hike has drawn warnings it could cause a recession.

"As cyclical indicators have started to flash red, greater policy-coordination across the G-20 is urgently required to support demand," said Frederic Neumann, co-head of Asian economics research at HSBC Holdings Plc in Hong Kong. "And yet, officials also confront the growing reality that

India must encourage agriculture R&D and sustainable farming

The Financial Express | June 5, 2019

THE FINANCIAL EXPRESS

While India had insisted at Paris that it shouldn't be made to bear the costs—in terms of foregoing development—of anthropogenic climate change because it had contributed little, historically large polluters continue down a high-emission path

The University of Minnesota's Institute on Environment says the production of barley, cassava, maize, oil palm, rapeseed, rice, sorghum, soybean, sugarcane, and wheat has fallen globally due to climate change.

South Asia, along with Europe, and North and Central America, are the worst-affected. In India, where food security is already a concern, rice and wheat production fell by 2.1% and 0.7%, respectively, between 1978 and 2008 due to climate change.

Given these grains are both staples and important agri-export items—India exported 7% of its non-basmati rice and 0.3% of its wheat produced in 2017-18—these numbers are alarming. Falling production because of climate change will intensify rural agrarian distress and contribute to hunger. The costs that this imposes on the future get compounded since children are the group most vulnerable to poverty-induced hunger, chronic malnutrition, and micronutrient deficiency.

While India had insisted at Paris that it shouldn't be made to bear the costs—in terms of foregoing development—of anthropogenic climate change because it had contributed little, historically large polluters continue down a high-emission path.

So, even if India and a handful of other nations adopt climate-sensitive growth strategies, there is no avoiding the unfolding climate crisis. Against such a backdrop, the government must back agri R&D, apart from encouraging innovative and sustainable agricultural practices.

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