

## Business

# From small businesses to farmers, middle India is driving demand

## Carmaker Maruti Suzuki's rural sales up 10% in July-Sept

**NEW DELHI/MUMBAI:** Manish Mehra, owner of Washex Hospitality, an industrial laundry service, recently flew from Delhi to Jodhpur, a city in north-western India, to win a contract to service a large, government-run hospital - a move essential to kickstarting his business.

"For a new relationship it is essential to know each other before you can establish the trust and confidence to work online and that need is higher in case of government departments," said Mehra, who had to stay for a week in a Jodhpur hotel. Increased demand for air travel and hotel stays by small business owners like Mehra, accompanied by a rise in rural incomes and spending after two good monsoons, is helping the pandemic-hit Indian economy slowly recover. Government data released on Friday showed the economy shrank 7.5 percent in the July-September quarter, performing better than analysts' expectation of an 8.8 percent contraction as lockdowns were eased and some pent-up demand was met. In the April-June period, the economy shrank 23.9 percent.

Annual growth of 3.4 percent in farm sector and 0.6 percent in manufacturing during the September quarter has raised hopes of an early recovery and some service sectors such as trade, hotels and transport contracted at a much slower pace compared with the April-June period. Farmers, benefiting from a bumper crop, are lapping up tractors while demand for personal vehicles, due to a lack of public transport and the need for safer travel options, has boosted sales of cars and motorcycles.

There has also been an uptick in goods and services, tax collections and higher energy consumption.

A recovery is taking shape and it has been led

by the manufacturing sector which has moved from near annihilation in the July quarter to rebound mode, said Yuvika Singhal, an economist at QuantEco Research. "Until there is a stronger recovery in high contact service sectors, which make up 60 percent of the GDP, agriculture and manufacturing are expected to carry the growth," said Singhal, adding that India is still growing on a lower GDP base and it will take more than a year to recover lost output.

### Slow start for hotels, airlines

A string of Marriot hotels in industrial towns like Sriperumbudur, Visakhapatnam and Nasik are operating at 50 percent to 60 percent occupancy with the bulk of guests working with domestic manufacturing companies, said Ashish Jakhanwala, CEO of hospitality firm SAMHI which owns the properties. Meanwhile SAMHI's hotel in the tech-city of Bengaluru, that mainly depends on large corporates, is filling only 20 percent to 30 percent of rooms.

"Demand from large corporates and international travel will take longer to recover. Hotels catering to public sector and infrastructure companies are doing better," said Jakhanwala.

Since the end of May, when the government lifted a ban on flights, monthly domestic passenger traffic has more than doubled from 2 million in June to over 5 million in October. But that is still down from about 12 million a year ago.

India's biggest carrier IndiGo and rival Vistara are seeing an uptick in business travel but to a much smaller extent than before. "Much of it is from small and medium enterprises (SMEs) or small business owners who cannot afford to sit at home," said Vinod Kannan, chief commercial officer at Vistara, a joint venture between Singapore

after the Moroccan intervention.

Western Sahara, a vast swathe of desert on Africa's Atlantic coast, is a disputed former Spanish colony. Morocco controls around three-quarters of the territory, including its phosphate deposits and its fishing waters.

### Gateway to Africa

Rabat has extended a 2,700 kilometer (1,700-mile) defensive sand wall in the territory to secure the road to the border and has consolidated the last section of the route - little more than a sandy track.

Moroccan Prime Minister Saad-Eddine El Othmani visited Guerguerat on Friday for the first time. The military operation was carried out "in the interest of Africa, Morocco" and Europe, he said. El Fekir Khattat, a local council official, proudly described the area as "Morocco's gateway to Africa".

"The border post carries important economic weight and generates sizeable revenues," he said.

The army's intervention "will bolster its economic attractiveness", he said. Khattat said he was counting on the construction of two industrial zones "to develop commercial activity" along the highway and create jobs in the sparsely-populated area. Rabat has already undertaken several large infrastructure projects in the Western Sahara. In 2017, the year Morocco officially rejoined the

weddings or other gatherings. "Where are people going? They're not going anywhere."

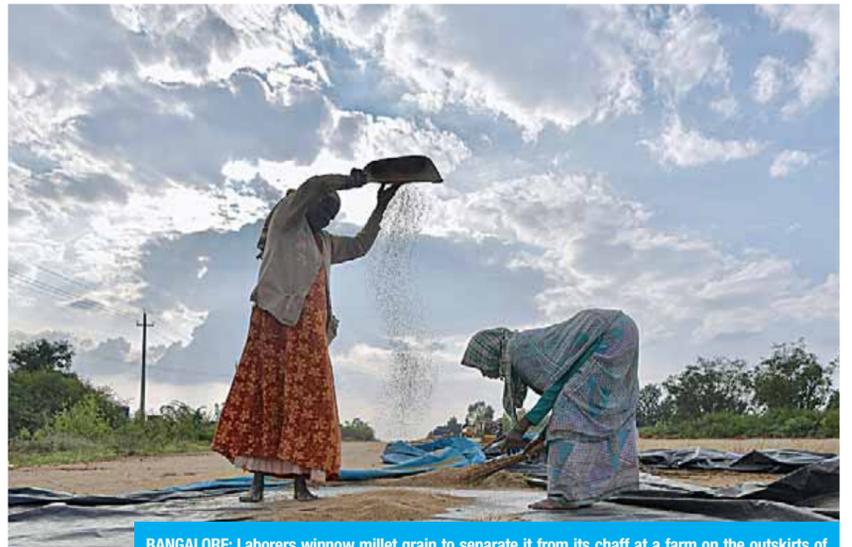
At least three businesses on Davis' block have shuttered as she turns to personal savings and grant funds to stay afloat. Between March 1 and August 31, 163,735 businesses on Yelp closed across the US, with about 60 percent permanently shut, the website said in September. Non-white businesses have been hit harder. An August Federal Reserve of New York paper said the number of Black small businesses fell by 41 percent compared with a 17 percent drop in white-owned businesses. Factors behind this difference include the more severe health toll of coronavirus among communities of color and weaker banking relationships that positioned Black companies unfavorably for federal small business supports, according to the Fed paper.

"COVID-19 has exacerbated these issues and businesses in the hardest hit communities have witnessed huge disparities in access to federal relief funds and a higher rate of business closures," said Claire Kramer Mills, assistant vice president at the New York Fed. Pinning down the total number of Los Angeles casualties is difficult, because some companies have relocated or scaled back to bare bones, said Joe Rouzan III, chief executive of the non-profit Vermont Slauson Economic Development

stability mandates," Haldane said in a speech to a University College London webinar on Saturday.

Haldane has consistently sounded more upbeat than his fellow interest-rate setters about the prospects for an economic recovery in Britain after the record 25 percent slump triggered by the first coronavirus lockdown in the spring. The BoE's nine-member Monetary Policy Committee has stressed that it will not be in a hurry to tighten monetary policy by saying it first wanted to see clear evidence of "significant progress" to hitting its 2 percent inflation target sustainably.

Haldane said recent news of progress with the development of COVID-19 vaccines "offers some economic light at the end of the long, dark tunnel of this year" and there could be a rapid economic recovery in



**BANGALORE:** Laborers winnow millet grain to separate it from its chaff at a farm on the outskirts of Bangalore on Saturday. —AFP

Airlines and Tata Group.

SMEs have contributed to a 35 percent to 40 percent recovery in hotel bookings compared with pre-COVID times and between 27 percent and 32 percent recovery in flights, according to online travel agency MakeMyTrip.

### Rural revival robust

In the hinterlands, the impact of COVID-19 has not been as severe as in the big cities and farmers have benefited from good rainfall for two consecutive years leading to a bumper harvest and adequate conditions for winter-sown crops. This is driving up sales for tractor makers

like Mahindra & Mahindra.

Lack of adequate and safe public transport in small towns and villages has also pushed up demand for cars and motorcycles. Maruti Suzuki, India's biggest carmaker, had a 10 percent growth in rural sales between July and September versus a 4 percent rise overall, led by small, entry-level models, said Shashank Srivastava, executive director, marketing and sales.

"While Bharat (rural India) is leading India in terms of a recovery, it cannot carry India," he said, adding that steady, long-term demand will depend on improving economic factors, growing incomes and a rebound in urban markets. —Reuters

## Desolate WSahara truck stop doubles as 'gateway to Africa'

**RABAT:** It might be a dusty frontier truck stop in the far south of the disputed Western Sahara, but locals call Guerguerat Morocco's "gateway to Africa". On the border with Mauritania, the remote outpost consists of three motels, three cafes, three grocery stores, two gas stations and a hairdresser.

"There is nothing else here," says Aziz Bouldiane, a Moroccan who runs one of the grocery stores.

Bouldiane has set up tables outside his shop to serve coffee to truck drivers and passing travellers, as Moroccan customs officials check heavy goods vehicles nearby. The border crossing in the rocky arid area has become a source of friction.

Rabat on November 13 launched a military operation in a UN-patrolled buffer zone along the border after it said the pro-independence Polisario Front had been blocking road passage for around three weeks. The Polisario, which says the border road was built in violation of a 1991 UN-sponsored ceasefire deal, declared the truce null and void

## COVID dampens cheer for Black small businesses

**LOS ANGELES:** It's been a rough year for Black-owned small businesses in the United States, and the latest surge in coronavirus cases suggests a festive season without much celebration. "Black Friday" normally kicks off the holiday shopping season the morning after Thanksgiving. But rising coronavirus cases have prompted fresh restrictions in Los Angeles and elsewhere.

The new rules mean Hotville Chicken, a south Los Angeles restaurant specializing in "Nashville-style" spicy dishes, will have to shut its outdoor eating space after already closing the dining room. "It's going to hurt," said owner Kim Prince, who expects the business should pull through with pickup and delivery.

Many stores like "One of a Kind Hats" are still open, but struggling. "It's really slow," said owner Meeka Robinson Davis, who estimates sales of her custom-made hats are down about 70 percent because her cliental no longer needs items for church,

## BoE's Haldane sees inflation risks as economies rebound

**LONDON:** Bank of England Chief Economist Andy Haldane said inflation could rise by more than expected as progress on COVID-19 vaccines and huge amounts of stimulus raised the chances of a swift economic bounce-back. "As the economic recovery gathers pace next year, it will be important central banks remain squarely focussed on their core medium-term price



**RABAT:** Workers unload goods from trucks near the border in Guerguerat located in the Western Sahara after the intervention of the royal Moroccan armed forces in the area. —AFP

African Union, King Mohammed VI released some \$8 billion for investments to transform the region into an "economic hub".

But the Polisario Front says its people's natural resources in the Western Sahara are being "pilaged". One of the projects, worth around \$1 billion, was to develop the "National 1" north-south highway that runs through the territory. Another is to turn the port of Dakhla into a "regional maritime hub" to serve Morocco and West Africa, along with Spain's Canary Islands. —AFP



**LOS ANGELES:** Customer Tamara Jenkins tries on a hat with Meeka Robinson Davis, owner of One-Of-A-Kind Hats, as Davis' daughter Christiana Davis looks on, at the store in the Windsor Hills neighborhood of Los Angeles, California. It's been a rough year for Black-owned small businesses, and the latest surge in coronavirus cases suggests a festive season without much celebration. —AFP

Corporation (VSEDC) in Los Angeles. "Not until the dust settles with Covid will we see the full effect, but we know there's going to be some serious damage," he said. "When you look at Covid, we haven't even peaked yet." —AFP

Britain and globally. "Taken together with the huge amounts of policy stimulus provided this year, this in my view leave risks to the economic outlook more evenly balanced than for some time, including risks to inflation over the medium term," he said.

Britain's most recent consumer price index showed inflation at 0.7 percent. Haldane focused most of his speech on central bank independence and said the blurring of the distinction in some people's minds between governments and central banks had been reflected partly in a fall in public trust in central banks. "These developments underscore the crucial importance of efforts to improve public understanding of the economy, financial system and build trust in central banks' role in supporting both," he said. —Reuters

## Global stocks bull run to race on, spurred by cheap cash, vaccine hopes

**LONDON/BENGALURU:** The blistering rally in global stock markets is set to continue for at least six months, albeit at a shallower pace, amid hopes more cheap cash and a COVID-19 vaccine allow economies to heal and corporate earnings to recover, a Reuters poll found. With the coronavirus pandemic sweeping across the globe, economic activity ground to a halt as governments forced citizens to stay home and businesses to close, disrupting supply chains.

That collapse led to unprecedented levels of fiscal and monetary stimulus and with that cheap money supply set to continue, around 75% of respondents to an additional question said the bull run would last at least six months. Over half of those respondents in the Nov 12-24 poll said at least a year. "The rebound in equities from March to October was the initial 'hope'-driven phase of a new bull market, led mainly by valuation expansion as profits collapsed, while we are now moving into the longer 'growth' phase as profits start to recover," noted analysts at Goldman Sachs.

"Negative real interest rates should continue to support the bull market in 2021." While around 1.4 million people have died globally from COVID-19 and the Northern hemisphere is experiencing a second wave, expectations were pinned on effective vaccine developments, and around 80% of respondents said their forecasts were based on the progress.

The tough lockdowns imposed by governments put a big dent in company profits but hopes a vaccine will allow some return to normality led around two-thirds of respondents to say corporate earnings would return to pre-COVID-19 levels within a year. So while nine of the 17 indexes Reuters polled around 170 strategists on were expected to end this year down from 2019 closes, most were predicted to end 2021 above pre-pandemic levels - with some significantly higher.

The range of forecasts suggests a higher proportion of strategists expect the indexes polled to rise from here by mid and end-2021. "Equities are set to rise further. They increased already appreciably since March notwithstanding the second wave of new COVID-10 cases thanks to huge policy support, both fiscal and monetary," said Michele Morganti at Generali Investments.

### Run on

The S&P 500 has staged a 60 percent recovery roughly from March lows and will rise over 9 percent between now and the end of 2021, finishing next year at 3,900. US stocks were nervous ahead of the presidential election this month but investors were upbeat about Democrat Joe Biden's win, a feeling likely to linger if a divided Congress means limited regulatory changes and Biden's Cabinet picks are market-friendly.

North of the border, Canada's main stock index is also set to extend its rally over the coming year, as the likely vaccine rollouts bolster prospects for the economically-sensitive financial and resource stocks that dominate the index. European stocks were forecast to flirt near record highs next year, driven by expectations of a strong bounce in corporate confidence and profitability as the European Central Bank looks set to keep stimulus flowing. —Reuters