

Govt Must Step up Spending Before it's Too Late: Mehta

HUL chairman wants interest rates to be slashed given signs of urban distress

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Mumbai: Hindustan Unilever Ltd (HUL) chairman Sanjiv Mehta said India needs to be "aggressive with spending" before it's too late and called for interest rates to be slashed given the signs of urban distress that have emerged in the wake of the Covid-19 pandemic.

"There is a curve of cost of doing and the cost of not doing," Mehta said in a web interaction with Ficci president Sangita Reddy on Monday. "When the cost of not doing exceeds the cost of doing, then it would be a very unfortunate situation for the country. We should not let that happen — we should definitely take the risk of being aggressive with spending. Because, if we don't do it now, then it might become a bit too late."

Mehta said the government had been circumspect on spending but it's time to prime the pump, even at the risk of higher inflation.

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bigger risk is the economy going into a tailspin. So there should be an aggressiveness with which we reduce the interest rates, clearly with the risk that there could be more inflation coming."

He said the country's biggest consumer company is pinning its hopes on the festive season.

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'Eco Activities Near Pre-lockdown Levels'



Economic activities improved further in the week ended September 20, climbing almost to the pre-lockdown levels, the Nomura India Business Resumption Index shows. >>> 9

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This together with a possible stimulus can boost consumer confidence and consequently demand, Mehta said. Most independent economists expect the economy to shrink by 10% or more in FY21, following the 23.9% contraction in the June quarter.

The government has been focussing on the ruraleconomy. Apart from higher minimum support prices for farmers, the government's economic relief package has increased allocation under the Mahatma Gandhi National Rural Employment Guarantee Act by an additional ₹40,000 crore over the earlier allocation of ₹61,000 crore to enhance employment in villages.

"The government should look at what we need to do for the urban consumers," Mehta said. "There is very clear anecdotal evidence of growth rates in the staples in urban India slowing down, which could be a very clear pointer that the urban poor are feeling the stress."

Job losses in the informal and service sectors such as hospitality and retail have hit urban incomes. An estimated 6.6 million white collar professional jobs were lost between May and August, bringing employment to the lowest level since 2016, according to the Centre for Monitoring Indian Economy.

While there is no official data available on the number of micro, small and medium enterprises that have faced closure during the lockdown period, the HUL chairman said the government has goods and services tax and provident fund records that could be used to track them and transfer funds.

"The first focus should be poor people, then the MSMEs and then stressed sectors," he said. "This is a time when you are given the moratorium and the economy has not yet kickstarted. When the moratorium ends and the time comes for payment, that is when you will feel the stress. So, it would be in the nation's interest to keep them afloat, to let them survive."

India's FMCG sector is expected to register flat sales in 2020, according to market research firm Nielsen India. HUL's performance is considered a proxy for broader consumer sentiment in India and gets nearly 60% of its sales from urban markets. The company's revenues declined 7% last quarter, excluding its integration with GSK Consumer.