

RBI HAS ALREADY REDUCED REPO RATE BY 110 BPS IN 2019 TILL NOW

With inflation below 4% target, 'there's room for more rate cuts': RBI Governor

ENSECONOMICBUREAU
MUMBAI, SEPTEMBER 19

AFTER SLASHING the key policy rate — Repo rate — four times in a row this year to revive growth and investments, Reserve Bank Governor Shaktikanta Das on Thursday hinted that there could be more reduction in the policy rate in the near future in the wake of low inflation and the deepening slowdown in the economy.

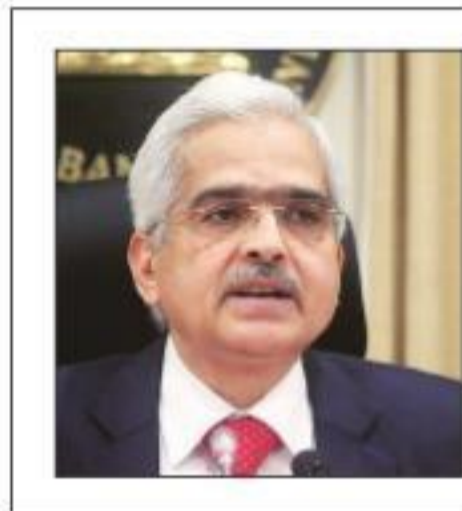
"When we see that the price stability is maintained and inflation is much below the 4-per cent mandate and is expected to be so in the next 12-month horizon, there's a room for more rate cuts especially when growth has slowed down," Das said at the India Economic Summit of Bloomberg. With inflation under control and growth rate declining, the central bank has reduced the Repo rate by 110 basis points to 5.40 per cent in calendar year 2019, with the last cut being the unconventional 35-basis point reduction on August 7.

The Governor's comments have come at a time when the first quarter GDP growth slowed to a 6-year low of 5 per cent and last month exports showed deceleration for the first time. Many sectors, including automobiles, have witnessed demand slowdown, prompting the Centre to step in with measures to tackle the deepening slowdown. Total advance tax collection in the first half stood at Rs 5.5 lakh crore compared to Rs 5.25 lakh crore in the same period last year, a growth of just 4.7

EXPLAINED

E. Monetary policy may lift growth as fiscal space limited

IN THE BACKDROP of stretched fiscal position of the Central government, the RBI indicated that the banking regulator could do the heavy lifting to push growth that has fallen to 25-quarter low of 5 per cent in April-June. Low inflation and stable prices could help the RBI in providing a monetary policy stimulus by sharply cutting rates, thereby invigorating consumption and investment activity.



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SHAKTIKANTA DAS,
GOVERNOR, RESERVE BANK OF INDIA

per cent against a target of 17.5 per cent. However, Das refused to give any estimate or forecast about the growth, saying, "our teams are analysing the data... wait till October 4 when the monetary policy will be announced."

Das said that the government's fiscal headroom is "very limited". "I think the fiscal space is itself very limited. Fiscal deficit at 3.3 per cent and borrowings by PSUs both put together there is very little space. But what is the internal position of

the government with regard to tax collection, how much expenditure is likely to be materialised, that is something the government has to view," he said.

"On the fiscal side the government has by and large remained prudent. They have not announced any counter cyclical measures in going for a fiscal expansion. They have taken some administrative and regulator measures with regard to auto sector, exports and banking," he said.

There is little fiscal space for the government to unveil any countercyclical measures to boost the sagging growth and the only way to revive the growth engine is to front-load the budgeted capital expenditure by the government, he said, hinting that an accommodative monetary policy can help salvage the situation.

"The government must front-load the budgeted spending as it has little fiscal space for any countercyclical measures to boost growth," he said.

When asked his view on the "grim" state of the economy, the RBI Governor said the mood of gloom and doom won't help fix the problems. "You mention the economy being grim enough... I don't want to enter into any adjective to describe the current state of the economy. There are challenges but one also has to look at the opportunities that are available. And the focus has to be on the measures to overcome the challenges. That should be the focus of every stakeholder in the economy," he said.

The Governor expressed the hope that the ongoing crisis in Saudi Arabia that has spiked crude prices to multi-year highs will have limited impact on inflation and fiscal numbers.

On the global scenario, Das said the international environment is clouded with challenging conditions.

"Global growth is slowing down and central banks across the world are countering it by easing monetary policy. But, there is no recession yet," he said.

NBFC crisis: Banks may have to take larger haircut

ENSECONOMICBUREAU
MUMBAI, SEPTEMBER 19

RESERVE BANK Governor Shaktikanta Das has said banks may have to take a larger haircut in troubled non-banking financial companies (NBFCs) which are facing governance issues.

"The resolution will have to be market-based. In this, the banks and other lenders will have a major role to play. Because in NBFCs where there are major governance issues, in such cases they need to take a larger haircut," Das said at the India Economic Forum Summit of Bloomberg.

The RBI Governor said that the central bank will step in to take action on the NBFC problem only when it is required to.

"The first preference will be to a market mechanism to resolve the NBFC problem. Market mechanism would basically mean that the existing promoter go for stake sales, bring in new promoters or they bring new money in their set up. There has to be inflow of resources either by stake sale or going for securitisation of assets," he said.

Weak tax collection data, cloudy US Fed outlook pull Sensex down 470 points

ENSECONOMICBUREAU
MUMBAI, SEPTEMBER 19

STOCK MARKETS on Thursday plunged further as lukewarm tax collection data, hawkish commentary from the US Federal Reserve and incessant foreign fund outflows prompted investors to rush to the exit door.

After swinging 626 points, the 30-share BSE Sensex ended 470.41 points, or 1.29 per cent, lower at 36,093.47. Similarly, the broader NSE Nifty plunged 135.85 points, or 1.25 per cent, to settle at 10,704.80. The previous closing low for Nifty was 10,604.35 on February 19, 2019. With this, the Sensex has fallen around 1,300 points this week with the drone attacks on Saudi Arabian oil installations pulling down Sensex by over 900 points on Monday and Tuesday.

The Centre's direct tax mobilisation showed just 4.7 per cent growth till September 17, compared to a target of 17.5 per cent budgeted for the full year. Analysts said the tepid tax collection reflects deepening slump in demand and the overall growth.

Ajit Mishra, vice-president, research, Religare Broking, said, "Local cues dictated the market trend as the report on low tax collection and IMD's report on floods damaging crops dented the sentiment. And the news of rate cut by the US Fed also failed to provide any solace as it was largely on the expected lines. All the sectoral indices traded under pressure and ended with deep cuts."

"Markets are in bad shape and

FPIs SELL SHARES
WORTH NET OF ₹959 CR

Foreign portfolio investors sold shares worth a net of Rs 959.09 crore on Wednesday, while domestic institutional investors bought equities worth Rs 780.45 crore, according to provisional data

we feel the situation may deteriorate further in the absence of any major positive. The recent fall indicates prevailing uneasiness among the participants, who are hoping for some major announcements from the government to arrest the slowdown signals," Mishra said.

"Lower tax collection figures spooked markets today as FII continued selling in key pivots, dragging down indices. Exposure of many private sector banks towards commercial real estate further accentuated selling towards afternoon trade across these counters. Investors are getting jittery on PSU names as they keep losing market capitalisation rapidly," said S Ranganathan, head of research at LKP Securities. Sectorally, BSE energy, oil and gas, bank, metal, realty, auto, healthcare, tech and IT indices cracked up to 2 per cent. Telecom was the sole gainer, inching up 0.17 per cent. The broader BSE midcap and smallcap indices ended up to 1.48 per cent lower.

Although the US Federal Reserve slashed the policy rate by 25 basis points on Wednesday, it dimmed hopes for further rate cuts as it took a cautious approach to further reductions in borrowing costs. Yes Bank, the biggest loser in the Sensex pack, plunged 15.52 per cent after a Moody's report said Altico default may be credit negative for banks given its significant exposure to the real estate sector. IndusInd Bank, ICICI Bank and Axis Bank too fell up to 3.59 per cent. Tata Steel, Maruti, SBI, RIL, Tech Mahindra, ONGC, Vedanta, Bajaj Finance, Hero MotoCorp and TCS fell up to 3.66 per cent.

Foreign portfolio investors sold shares worth a net of Rs 959.09 crore on Wednesday, while domestic institutional investors bought equities worth Rs 780.45 crore, provisional data showed. Brent crude futures gained \$1.78 to \$65.38 a barrel by 12:19 GMT, while US West Texas Intermediate crude was up \$1.28 at \$59.39 a barrel. Meanwhile, the rupee fell 10 paise to close at 71.34 against the US dollar on Thursday as heavy selling in domestic equities, unabated foreign fund outflows and rising crude oil prices kept investors edgy.

Forex traders said investors also turned cautious after the US Federal Reserve dimmed hopes of further rate cuts. "Since the morning, rupee has been tracking the move in crude. Overnight drop in oil led rupee to appreciate. However, the escalating tensions in Middle East limited the gains in rupee," said Rahul Gupta, currency research head, Emkay Global Financial Services.

Airfield pavement management system in India for the first time

ABBINAYA
KUZHANTHAIVEL
NEW DELHI, SEPTEMBER 19

THE AIRPORTS Authority of India (AAI), along with the CSIR-Central Road Research Institute (CRRRI), is set to install airfield pavement management systems (APMS), in a first, at 10 airports across India.

Chennai, Surat, Kolkata, Gaggal, Imphal, Agartala, Vadodara, Rajahmundry, Khajuraho and Gaya are the shortlisted medium traffic airports to meet international standards as pavements have a significant impact on airport users' cost, safety, traffic delay, commercial performance and reputation. Keeping in view the above facts, initially, 10 airports across the country are set to have the APMS.

Satish Chandra, director at CRRRI (Council of Scientific & Industrial Research) said, "Around 10 airports in India will have APMS initially. (The) initiative... to tie up with the AAI for such an initiative (is happening) for the first time. We are planning to start once after the airport locations are confirmed."

"The AAI has decided to develop its maintenance plans. This will ensure the durability of the runways and ensure safe landing and take-offs," said Pradeep Kumar, senior principal scientist and head, pavement evaluation at CRRRI-CSIR. Kumar added that a state-of-the-art network survey vehicle system, equipped with laser sensors, pavement surface imaging tools, GPS and structural condition data based on FWD equipment, will be used for health monitoring of the runway pavement network. "Various parameters

like runway pavement surface distress, profile, friction, pavement classification number, along with some health indicators, will be used to get the rating score to decide the maintenance strategies scientifically. Some medium traffic airports were shortlisted," said Kumar.

Pathak added: "Airfield pavements comprise multiple layers of engineered materials, such as asphalt, concrete and granular materials, designed to carry aircraft loading. Pavements deteriorate with time under loading and from environmental variations. Maintenance and rehabilitation are required to maintain serviceability throughout the pavement asset's life."

The project fieldwork is expected to start in October and will continue for three years. The budget has been set at Rs 4.5 crore. Pathak further added that as per prevalent practice, the full length of the pavement would be resurfaced after a certain period or in case of deterioration and with APMS, the weak portion could be identified well in advance to take up necessary rehabilitation or repair measures for that particular area.

With American and European countries having their own pavement management systems, India is not too late to start to ensure safety management. Kumar added that the civil aviation ministry initiated the process. "The damages or faults in the pavements can be identified well in advance, which will help to avoid complete revamping of the pavement," said Kumar.

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'Realtors' rising cash-crunch poses more risks to banks

Default by real estate-focused non-banking financier Altico Capital indicates the rising cash crunch with developers, which is credit negative for banks given their exposure to realty sector, according to a Moody's report

POOR LIQUIDITY had last week forced Altico Capital to default on an under-Rs 20-crore scheduled interest payment on an ECB loan from Mashreq Bank of the UAE

OVER ₹4,500 CR: Altico owes to the credit market. Banks' exposure to the firm is fairly modest and accounts for less than 0.1% of total banking system loans

THE FIRMS default comes after Dewan Housing Finance, with significant exposure to real estate developers, defaulted on its loan obligations from June because of insufficient liquidity, raising questions about its solvency



BANKS ALSO have indirect exposure to the real estate sector through their lending to NBFCs and HFCs, which also lend to developers

6% of their total assets of NBFCs and HFCs

exposed to the real estate sector as of March 2019, according to the Reserve Bank data

IN RESPONSE to the tightening liquidity in the realty sector, the government on September 13 announced creation of an investment fund to provide soft loans to residential real estate developers unable to access new funding to complete their partially-constructed affordable housing projects

UNDER THE plan, the government will contribute Rs 10,000 crore to the fund and expects a similar amount from entities, including the LIC, banks and other development institutions

vulnerable to a slowdown in the sector, the report said

exposed to the real estate sector as of March 2019, according to the Reserve Bank data

HOWEVER, SOME NBFCs and HFCs are more exposed than others, making them

US, Chinese trade deputies to face off in Washington

REUTERS
WASHINGTON, SEPTEMBER 19

US AND Chinese deputy trade negotiators were set to resume face-to-face talks for the first time in nearly two months on Thursday, as the world's two largest economies try to bridge deep policy differences and find a way out of a bitter and protracted trade war.

The negotiations, on Thursday and Friday, are aimed at laying the groundwork for high-level talks in early October that will determine whether the two countries are working to-

ward a solution or headed for new and higher tariffs on each other's goods.

A delegation of about 30 Chinese officials, led by Vice Finance Minister Liao Min, arrived at the US Trade Representative's (USTR) office near the White House for the talks. Deputy US Trade Representative Jeffrey Gerrish also arrived to represent the US.

The discussions are likely to focus heavily on agriculture, including US demands that China substantially increase purchases of American soybeans and other farm commodities, a person with knowledge of the planned

discussions told Reuters.

Two negotiating sessions over the two days will cover agricultural issues, while just one will be devoted to the strengthening of China's intellectual property protections and the forced transfer of US technology to Chinese firms.

"Sessions on agriculture will get a disproportionate amount of air time," the source said, adding that one of these sessions also will include a focus on US President Donald Trump's demand that China cut off shipments of the synthetic opioid fentanyl to the United States.

The president is eager to pro-

vide export opportunities for US farmers, a key Trump political constituency that has been battered by China's retaliatory tariffs on US soybeans and other agricultural commodities.

US Commerce Secretary Wilbur Ross, in an interview on Fox Business Network on Thursday, said it remained unclear what China wanted and that "we will find out very, very shortly in the next couple of weeks."

"What we need is to correct the big imbalances, not just the current trade deficit," Ross said. "It's more complicated than just buying a few more soybeans."

THE APP AND IRREGULAR HEART RHYTHM NOTIFICATION FEATURE WILL HELP USERS IDENTIFY SIGNS OF AFIB

Apple brings ECG app to India, will be available on Watch Series 4 and 5

NANDAGOPAL RAJAN
NEW DELHI, SEPTEMBER 19

APPLE HAS finally received permission to launch its ECG app and irregular heart rhythm notification feature for Indian Apple Watch users. From Thursday night, the feature is live for users of Apple Watch Series 4 with a software update. The new Apple Watch Series 5, which starts selling from September 27, will ship with the features.

"The process was to work with the authorities to submit the appropriate certifications and clinical data to make sure we stick to the medically required standards, which we did," Sumbul Desai, Apple's vice-president of health, explained to indianexpress.com. She said the other part of the process was to ensure the users got an "amazing experience" when it was launched in India, and they were ready to answer any questions customers might have. "We wanted to make sure

we had all the pieces in place before we launched in India," she said, adding that the process of getting the permission was relatively smooth in India.

The ECG app and irregular heart rhythm notification (IRN) feature will help users identify signs of AFib, the most common form of irregular rhythm and the leading cause of strokes.

While the ECG is a user-initiated process on the Apple Watch, the irregular rhythm



Sumbul Desai, Apple's Vice-President of Health.

notification feature checks heart rhythms in the background and alerts users if an irregular heart rhythm is identified.

The ECG app classifies the reading as sinus rhythm or AFib and gives a full reading which can be shared with medical professionals if needed.

Apple is categorical that the Watch cannot alert of a possible heart attack. Reiterating this, Dr Desai said: "We would never want this to replace a physician. This is really meant

to be used as augmentation to supplement a physician."

She said given the prevalence of heart disease and AFib in India, the feature could have a "significant impact".

"And we really hope to be able to allow our customers to use it, and then share that information with the doctors. But hopefully they know something about their heart health sooner and can avoid any potential conditions."

The ECG feature was launched with the Apple Watch

Series 4, which started selling in 2018.

However, the feature, which had FDA clearance, was rolled out only in the United States then. Electrodes built into the back crystal and Digital Crown of the new Apple watches work together with the ECG app to enable customers to take an ECG. Users have to open the app on the watch and hold the crown and side of the watch together for 30 seconds to create a circuit and get the reading.