ECONOMY

GOLD	RUPEE	OIL	SILVER
₹38,486	₹70.83	$64.43	₹45,189

*Indian basket as on December 11, 2019

SENSEX: 41,009.71 ▲ 428.00 NIFTY: 12,086.70 ▲ 114.90 NIKKEI: 24,023.10 ▲ 598.29 HANG SENG: 27,687.76 ▲ 693.62 FTSE: 7,403.76 ▲ 130.29 DAX: 13,375.47 ▲ 153.83

*International market data till 1900 IST

US-China trade deal: Tariffs rolled back over farm purchase commitments

REUTERS
BEIJING/WASHINGTON, DEC 13

THE UNITED States and China cooled their trade war on Friday, announcing a "Phase one" agreement that reduces some US tariffs in exchange for increased Chinese purchases of American farm products and other goods.

Beijing has agreed to buy $32 billion in additional agricultural goods over the next two years, US officials said, from a baseline of $24 billion purchased in 2017, before the trade war started. China would also ramp-up purchases of US manufactured goods, energy, and services.

The United States would suspend tariffs on Chinese goods due to go into effect on Sunday, and reduce others, officials said. A deal is expected to be signed the first week of January in Washington by principal negotiators.

US President Donald Trump tweeted Friday morning "We have agreed to a very large Phase One Deal with China." Officials in China have "agreed to many structural changes and massive purchases of Agricultural Product, Energy, and Manufactured Goods, plus much more," he said. During a later news conference in the White House, Trump said he thought China would hit $50 billion in agricultural purchases.

In a press conference Friday night in Beijing, Chinese officials said the two countries have achieved major progress in their phase one trade negotiations, and agreed on the text of a deal, but offered no specific details on the amount of US goods Beijing had agreed to buy.

The agreement was announced as the US House Judiciary Committee voted in Washington to charge Trump with abuse of power and obstruction during an impeachment inquiry. Some US business groups hailed the deal as an end to uncertainty that's slowed global growth; critics questioned whether the trade war had been worth the job losses and drop in sales. China has agreed to aim to purchase $50 billion in farm products a year, Robert Lighthizer, the United States Trade Representative, told reporters at the White House on Friday.

To get there, Beijing has committed to buying $16 billion more a year in farm products over the next two years, he said.

Wang Shouwen, Vice Minister of Commerce and Deputy International Trade Representative at a press conference on the trade deal with the US in Beijing on Friday. *AP*

The United States has been pushing for the $50 billion figure after Trump said during an October 11 press conference that the two countries had agreed to a "Phase one" trade deal that included a "purchase of from $40 (billion) to $50 billion worth of agricultural products."

Beijing has since balked at committing to buy a specific amount of agricultural goods during a certain time frame, however. Chinese officials said they would like the discretion to buy based on market conditions.

China will import more US wheat, corn, and rice after the deal, China's vice agricultural minister said Friday, but did not elaborate. China has not been a major buyer of US corn, wheat or rice in the past - though in recent years it has been the No. 3 or 4 buyer of one particular variety of wheat, US spring wheat used for blending. China was a top 5 buyer of US corn from 2011 to 2014 but has not been a major buyer since.

Soybeans made up half of China's agricultural purchases in 2017. Asked specifically about Trump's $50 billion figure, officials in Beijing said Friday that details on value will be disclosed later.

Lighthizer didn't offer any details about Chinese commitments to import US energy or other products. The US has agreed to suspend tariffs on $160 billion in Chinese goods due to go into effect on Dec. 15, Trump said on twitter, and cut some existing tariffs to 7.5 per cent.

The December 15 tariffs, which would have hit nearly $160 billion worth of Chinese-made consumer goods, including cell phones, laptop computers, toys and clothing, were scheduled to go into effect at 12:01 a.m. on Sunday. The US Trade Representative's office would need to file a Federal Register notice to rescind them, US trade lawyers say.

A USTR statement Friday did not mention the December 15 tariffs, but said the US would leave in place 25 per cent tariffs on $250 billion of Chinese goods. The US administration will cut the tariff rate in half, to 7.5 per cent, on another $120 billion list of Chinese imports that was levied on Sept. 1, USTR said.

The products getting the lower tariff rate include flat-panel television sets, smart speakers, Bluetooth headphones and many types of footwear. The agreement Friday covers intellectual property, technology transfer, agriculture, financial services, currency, and foreign exchange, the United States Trade Representative said in a statement.

Neither offered details.

Sensex jumps on Brexit certainty, trade deal; Wall Street muted

News of the US-China trade deal failed to impress Wall Street in early trade. As of 11:32 am ET, Dow Jones was down 78.19 points, or 0.28 per cent, at 28,053.86, and the S&P 500 was down 9.28 points, or 0.29 per cent, at 3,159.29

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 13

THE STOCK markets on Friday joined a global market rally on reports that a trade deal has been agreed in principle between the US and China and Boris Johnson's win in UK general elections will give more clarity to the Brexit plan of the UK. Despite the rise in inflation and contraction in the industrial growth, the Sensex soared 428 points to close above the 41,000-mark on across the board buying.

After hitting a high of 41,055.80 points, the 30-share BSE Sensex ended 428 points, or 1.05 per cent, higher at 41,009.71. Similarly, the broader NSE Nifty settled 114.90 points, or 0.96 per cent, higher at 12,086.70.

Analysts said markets shrugged off weak macroeconomic numbers released post market on Thursday and ended in the green on positive global cues. As per government data, rising food prices pushed the retail inflation in November to over three-year high of 5.54 per cent, while the industrial sector output shrank for third month in a row by 3.8 per cent in October.

Before the trade deal news came to light, share indices in Shanghai, Hong Kong, Seoul and Tokyo soared up to 2.57 per cent. Stocks in Europe also traded significantly higher.

Meanwhile, Wall Street fell in volatile trading on Friday, as investors remained confused about signs of progress on a US-China trade deal despite comments from both sides that they had arrived at an initial agreement.

All three major stock indices hit fresh record highs earlier in the session as Beijing said it had agreed on the context of a trade pact with Washington, but turned lower after comments that a deal had not yet been formally signed.

"At this point, I don't think we know what we know about the deal ... so markets are going to pause, and wait and see," said Randy Frederick, vice president of trading and derivatives for Charles Schwab in Austin, Texas.

US investors also missed out on a global rally fueled by a landslide victory for British Prime Minister Boris Johnson.

At 11:32 am ET the Dow Jones Industrial Average was down 78.19 points, or 0.28 per cent, at 28,053.86, the S&P 500 was down 9.28 points, or 0.29 per cent, at 3,159.29 and the Nasdaq Composite was down 9.94 points, or 0.11 per cent, at 8,707.38. The S&P index recorded 71 new 52-week highs and one new low, while the Nasdaq recorded 89 new highs and 34 new lows. WITH REUTERS

EXPLAINED E.

Indian markets factored in deal

INDIAN MARKETS have largely factored in the US-China deal. It's expected to neutralise the bad news on the domestic economic front in the near term. If the Brexit deal is also settled amicably, it will further boost Indian markets.

However, going forward, stocks will have to take into account the domestic macros.

'CLEARLY NOT AN ORDINARY SLOWDOWN'

Former CEA: It is India's Great Slowdown, economy seems headed for the ICU

EXPRESS NEWS SERVICE
NEW DELHI, DECEMBER 13

FORMER CHIEF Economic Adviser Arvind Subramanian has said that the Indian economy is currently experiencing a "second wave" of the Twin Balance Sheet (TBS) crisis, which is behind what he terms as a "Great Slowdown".

"Clearly, this is not an ordinary slowdown. It is India's Great Slowdown, where the economy seems headed for the intensive care unit," Subramanian has said in a draft working paper of the Harvard University's Centre for International Development.

Subramanian had flagged the TBS problem — of debts accumulated by private corporates becoming non-performing assets (NPA) of banks — back in December 2014, while he was CEA to the Narendra Modi government. In his new paper co-authored with the former head of the International Monetary Fund's India office Josh Felman, Subramanian, who now teaches at the Harvard Kennedy School, has made a distinction between the original TBS and "TBS-2".

TBS-1 was about bank loans made to steel, power and infrastructure sector companies during the investment boom of 2004-11 turning bad. TBS-2 is largely a post-demonetisation phenomenon involving non-banking financial companies (NBFCs) and real estate firms. After demonetisation, considerable amounts of cash made their way to banks, who on-lent a major part of that to NBFCs. The NBFCs, in turn, channeled this money to the real estate sector. By 2017-18, NBFCs were accounting for roughly half of the estimated Rs 5,00,000 crore of outstanding real estate loans.

'SECOND WAVE' OF TBS CRISIS

■ **The economy is currently experiencing a "second wave" of the Twin Balance Sheet crisis, former CEA Arvind Subramanian said in his new paper co-authored with the former head of the IMF's India office Josh Felman**

According to Subramanian, the collapse of IL&FS in September 2018 was a "seismic event" not only because of the Rs 90,000 crore-plus debts of the infrastructure-cum-lending behemoth, but also its "prompting markets to wake up and reassess the entire NBFC sector".

What the markets discovered was profoundly disturbing. A lot of NBFC lending in the recent period was concentrated in one particular industry — real estate — which itself was in a precarious situation. At the end of June 2019, the total number of unsold houses/flats in the top 8 cities was almost 10 lakh, valued at Rs 8 lakh crore or equivalent to about 4 years' of sales.

Once the extent of their exposure to real estate became known after IL&FS went belly-up, banks as well as mutual funds virtually stopped lending to NBFCs. "In some ways, this may have been India's version of the US housing bubble," Subramanian and Felman argue.

Worse, it has created a new wave of stress for banks, some of whose credit to NBFCs amount to 10-14 per cent of their loan books. With banks turning cautious — on top of fund-starved NBFCs that had emerged as a key source of lending for small businesses and consumer durable purchases in the post-demonetisation period — flow of commercial credit has collapsed from a peak of Rs 20 lakh crore in 2018-19 to "virtually nothing" in the first six months of this fiscal.

Subramanian and Felman say that India is now facing a situation of an unresolved legacy TBS problem along with a fresh TBS-2 crisis, both of which have pushed the economy into a downward spiral. "High rates and little credit are causing the economy to slow, thereby intensifying the stress on the corporate sector and on the financial system itself, "which then prompts the financial sector to become even more cautious."

The current slowdown, they note, is worrisome not just because GDP growth has slowed down to 4.5 per cent in the second quarter of 2019-20. Even more distressing is the disaggregated data. "The growth of consumer goods production has virtually ground to a halt; production of investment goods is falling. Indicators of exports, imports, and government revenues are all close to negative territory. These indicators suggest the economy's illness is severe…[this] slowdown seems closer to the 1991 balance of payments crisis,", they add.

Looking at the economy, intervening where it is needed, says Sitharaman

ENS ECONOMIC BUREAU
NEW DELHI, DECEMBER 13

THE GOVERNMENT is monitoring the economic situation and will take measures for the sectors that require intervention, Finance Minister Nirmala Sitharaman said Friday. She also said the Centre is aware of the pending GST compensation to states and will honour its commitment, adding that her team has not discussed any hike in GST rates yet.

Asked about by when does she expect the economy to revive, she said: "I'm not engaging in any prediction based thing. I am looking at the economy, where I need to intervene, I am intervening and I shall continue to address the problem of the industry as and when it rises." Sitharaman, while addressing a press conference on the state of the economy along with senior Finance Ministry and Corporate Affairs Ministry officials, declined to comment on the narrative of stagflation — slow growth, rising unemployment coupled with high inflation. "No comment on that. I have heard it. Stagflation is a narrative which is going on. I am hearing it," she said.

Finance Minister Nirmala Sitharaman and Revenue Secretary Ajay Bhushan Pandey at a press conference in New Delhi on Friday. *Anil Sharma*

On the talks of a hike in GST rates, Sitharaman said her team has not discussed it. "The buzz is everywhere other than my office. I don't know where this is coming from. I have not been to GST Council yet. So whether it's going to request them for a hike or ask them to review, nothing have I spoken among ourselves. We have not had any conversation yet. But it's good to see all this churning outside, it helps to clarify our thought processes," she said.

When asked if the option of rate hikes is not on the table, she said, "No, no, I am not even saying that. I am saying we as a team have not spoken yet on what we want to go to the GST Council with, so it's good that so much of thought is having its own churn outside, helps me to understand how the mindsets work, we have not taken a call, the buzz is everywhere else."

On the rising onion prices, the Finance Minister said prices in some places are coming down with imports of the commodity. With fresh crop coming in the market, the prices will further decline, she said, adding a Group of Ministers is regularly reviewing onion prices.

The Rs 25,000-crore fund being set up to kickstart stuck real estate projects has found traction from 13 domestic financial institutions including HDFC, State Bank of India and LIC, Chief Economic Adviser Krishnamurthy Subramanian said Friday. "Fund is fully operational and investment committee is completing due diligence on the first set of deals today," he said making a presentation titled Major Interventions to Boost the Economy. The fund has executed legal documentation for Rs 10,530 crore.

Last month, the Finance Minister announced the creation of a special window to provide last-mile funding for stressed housing projects. While the commitment of funds to be infused by the Centre in the affordable and middle-income group housing sector via the special window was set at Rs 10,000 crore, the fund had planned to seek matching contributions from banks and others to generate a corpus of about Rs 25,000 crore. Subramanian said the Fund is doing due diligence of projects in record time of six to eight weeks as against six to eight months usually.

Highlighting other measures, he said 32 Central Public Sector Enterprises have cleared more than 60 per cent of their dues worth Rs 61,000 crore in last two months in order to inject liquidity into the economy.

Of the 32 CPSEs, 21 have set up online bill tracking systems to reduce pendency in bill payment and reduce accounts payables of permanently, and presently only Rs 4,877 crore of their dues are pending, he said. Recounting steps taken in recent months, he said the government has also taken a series of measures to deepen and widen the corporate bond, government securities and equities market.

He said the government has infused Rs 60,314 crore of equity into public sector banks in the current year, enabling them to disburse Rs 4.9 lakh crore worth of loans.

EXPRESS IT AWARDS

AI applications will bring social impact: Ramadorai

ENS ECONOMIC BUREAU
MUMBAI, DECEMBER 13

THE EXCITING aspect of modern information technology is that it's being used for social good in areas of healthcare, education and agriculture, S Ramadorai, former vice chairman of Tata Consultancy Services, chief guest at the seventh Express IT Awards said on Friday. He added that solutions to mobility even for daily commute could use digitisation and new technologies, including artificial intelligence. These would be welcome disruptions, Ramadorai said.

"Artificial intelligence is being used to weigh newborn babies by scanning the volume of their bodies instead of putting them on the spring scale," he said, citing an example of social impact of new technologies.

While new technologies threaten conventional jobs and demand new skill sets suited for future jobs, Ramadorai said that the problem-solving skills are the most important for innovating solutions for the everyday problems.

He lamented the 'abysmally low' spend by the government and private sector on research and development (R&D), and said that the output of R&D exercises could be inputs of other businesses. Ramadorai said that sustainability of technologies was fundamental to an economy in the way material usage to wastage process is to be handled.

Earlier, during a panel discussion, Sharad Sharma, co-founder of iSPIRT Foundation, said that India needed to develop technological solutions tailored to its requirements as no other global template would work for the country.

The bankers on the panel — V Vaidyanathan of IDFC First Bank and Rajiv Anand of Axis Bank — agreed that democratisation of data had enabled them to target retail customers who could earlier use only local moneylenders for their capital needs. Use of Aadhaar, tablets and credit bureaus helped bankers underwrite small businesses and provide them the same quality of service as was available to more affluent customers earlier, Anand said.

Vaidyanathan allayed fears of traditional jobs becoming redundant due to proliferation of technologies. He said that while new services were being created through technologies, they aren't necessarily replacing old ones. FE

Winners with chief guest S Ramadorai at Express IT Awards in Mumbai on Friday. *Amit Chakravarty*

WINNERS LIST

LIFETIME ACHIEVEMENT AWARD
SANJEEV BIKHCHANDANI, founder and executive vice chairman Info Edge India

NEWSMAKER OF THE YEAR
HARSH JAIN, co-founder & CEO, Dream 11

IT INNOVATION - LARGE
Rank 1: Tata Consultancy Services
Rank 2: Infosys

IT INNOVATION - MSME
Rank 1: ePayLater
Rank 2: Halt Dos.com

CLOUD SOLUTIONS
Rank 1: Moglix - Mogli Labs India
Rank 2: OptiSol Business Solutions

DIGITAL SOLUTION OF THE YEAR
Rank 1: CR MNEXT (Acidaes Solutions)
Rank 2: Tech Mahindra

MOBILITY SOLUTIONS
Rank 1: RateGain
Rank 2: Truebil

FINTECH SOLUTIONS
Rank 1: ACKO General Insurance

START-UP OF THE YEAR
Rank 1: Bizongo

E-GOVERNANCE AWARD
Rank 1: ITE&C Department, Govt of Telangana
Rank 2: IRCTC

ANALYTICS SOLUTION
Rank 1: Cryon Data

SOFTWARE PRODUCT OF THE YEAR
Rank 1: Tricog Health Services