

20 ECONOMY

STRONG FOREIGN DIRECT INVESTMENT, STABLE CRUDE PRICES KEY FACTORS

Forex reserves surge for 17th straight week; rise to record high of \$462 bn

ENSECONOMIC BUREAU
NEW DELHI, JANUARY 25

FOREIGN EXCHANGE reserves rose for the 17th straight week to hit an all-time high of \$462.15 billion for the week ended January 17. While the government will present its budget for 2020-21 on February 1, it will be keenly watched by foreign portfolio investors and global businesses as they make their calls for future investment and additional inflows to India.

Led by strong foreign direct investment, foreign portfolio investments and relatively stable global crude oil prices over the last year (except for temporary spikes), foreign exchange reserves in the country shot up \$33 billion since the week ended September 20, when Finance Minister Nirmala Sitharaman announced a sharp cut in corporate tax rates.

While a sudden spike in global crude oil price (earlier this month) following the growing geopolitical tension between the US and Iran posed a potential threat to rise in global crude oil prices, which could have in turn impacted the

EXPLAINED

Eye on Budget, fiscal road map to decide future

While forex reserves have been expanding, the forthcoming Budget 2020-21 will define its future trajectory.

At a time when the economy is undergoing a slowdown, the government's fiscal road map and growth trajectory will be instrumental in attracting foreign investments.

expansion of forex reserves in India going forward, a de-escalation in tension eased the prices within a week.

According to the weekly data released by the Reserve Bank of India, forex reserves rose by \$940 million in the week ended January 17, 2020. The reserves have grown sharply over the last four months. It has grown week after week over the past 17 weeks.

On September 20, the FM announced a cut in corporate tax rates — a move that was termed as one that would propel invest-

ments into the Indian economy.

While FPIs invested a net of \$19.4 billion into the Indian capital markets in 2019, the FDI equity inflows in the first nine months of the calendar 2019 amounted to \$36.97 billion.

This continued inflow of funds by foreign investors despite a slowdown in economic growth has fuelled the rise in forex reserves.

In the reporting week ended January 17, the rise in reserves was mainly on account of an increase in foreign currency assets, a ma-

RISING FOREX RESERVES	
Week ended	Forex (\$ bn)
Sep 20	428.57
Sep 27	433.59
Oct 4	437.8
Oct 11	439.7
Oct 18	440.75
Oct 25	442.5
Nov 1	446.09
Nov 8	447.8
Nov 15	448.2
Nov 22	448.5
Nov 29	451.08
Dec 6	453.4
Dec 13	454.49
Dec 20	454.9
Dec 27	457.46
Jan 3	461.15
Jan 10	461.21
Jan 17	462.15

Source: RBI

major component of the overall re-

serves, which surged by \$867 million to \$428.449 billion. During the week, gold reserves also increased by \$28.56 billion. In January to date, FPIs have invested a net of \$234 million into Indian capital markets.

While investor sentiment turned weak after the Budget announcement last July to impose higher surcharge, market participants say the government's decision to reverse its Budget decision relating to higher surcharge impact on FPIs, along with a cut in the corporate tax rate in September, played a significant role in turning the investor mood and drawing them to invest in the Indian economy and markets.

While stability in global crude oil prices has played an important role in keeping India's import bill under check, the Budget announcements next week may provide some clarity to FPIs on future investments in the country.

The rise in forex reserves over the last four months has also come as a breather for the country's rising external debt, which rose significantly over last couple of years from \$485 billion in June 2017 to \$557 billion in June 2019.

CRUDE WATCH

OIL DROPS MORE THAN 2%

New York: Crude prices fell more than 2 per cent on Friday and headed for a steep weekly decline over concerns that the coronavirus will spread farther in China, the world's second-largest oil consumer, curbing travel and oil demand. **REUTERS**

Q3 NET PROFIT AT ₹4,146 CRORE

Essar Steel resolution helps ICICI Bank net jump 158%

ENS ECONOMIC BUREAU
MUMBAI, JANUARY 25

PRIVATE SECTOR lender ICICI Bank has posted a 158 per cent jump in net profit to Rs 4,146 crore for the December quarter of 2019-20, as against Rs 1,605 crore in the year-ago period. The jump was mainly due to one-time gain from Essar Steel resolution, which led to lower provisions.

While the bank saw bad loan recoveries and upgrades worth Rs 4,088 crore during the third quarter, provisions declined 51 per cent to Rs 2,083 crore during the quarter as against Rs 4,244 crore during the same period last year.

During the quarter, gross additions to NPAs were Rs 4,363 crore. Net non-performing assets (NPAs) decreased 36 per cent from Rs 16,252 crore for December 2018 to Rs 10,389 crore by December 2019. The net NPA ratio decreased from 2.58 per cent to 1.49 per cent as of December 2019. The provision coverage on non-performing loans, excluding cumulative technical write-offs, increased from 68.4 per cent at December 31, 2018 to 76.2 per cent as of December 2019.

As of December 2019, the

CORE NET INTEREST INCOME GROWS 24%

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■ Core net interest income grew 24 per cent to Rs 8,545 crore

fund-based and non-fund based outstanding to borrowers rated BB and below (excluding nonperforming assets) was Rs 17,403 crore, compared to Rs 17,525 crore on March 31, 2019 and Rs 16,074 crore in September 2019. The bank has classified an exposure to a telco as below investment grade, which led to the increase in the overall BB and below book to Rs 17,403 crore after two consecutive quarters of reduction.

Its core net interest income grew 24 per cent to Rs 8,545 crore on a 16 per cent domestic advances growth and a 0.37 per cent expansion in net interest margin to 3.77 per cent. Other income growth was 18.77 per cent to Rs 4,043 crore, with the core fee income increasing 17 per cent, the

bank said.

Net interest margin was at 3.77 per cent in Q3. Fee income grew by 17 per cent, it said.

As per the bank, the year-on-year growth in domestic advances was 16 per cent as of December 2019. "The bank has continued to leverage its strong retail franchise, resulting in a 19 per cent year-on-year growth in the retail loan portfolio as of December 2019," it said.

Including non-fund outstanding, retail was 52 per cent of the total portfolio as of December 2019. Growth in the performing domestic corporate portfolio was about 12 per cent year-on-year. Total advances increased by 13 per cent year-on-year to Rs 635,654 crore from Rs 564,308 crore a year ago.

BRIEFLY

Govt names Panda to SBI board

New Delhi: The government has nominated Debasish Panda, special secretary in the Ministry of Finance, on the board of State Bank of India. Panda has been appointed director in the central board of the public sector lender with immediate effect. SBI said in a regulatory filing on Saturday.

TVS Motor launches e-scooter

Bengaluru: TVS Motor Company on Saturday said it has forayed into electric segment with the launch of an e-scooter, priced at Rs 1.15 lakh (on-road in the city). Equipped with 4.4kw electric motor, the TVS iQube Electric can achieve a top speed of 78 kmph with a range of 75 kms in one full charge.

DCB Bank Q3 net up 12.3% at ₹96.70 cr

New Delhi: Private sector lender DCB Bank on Saturday reported an increase of 12.31 per cent in its net profit at Rs 96.70 crore for the third quarter ended December 2019. Its net profit was Rs 86.10 crore in the October-December period a year ago, DCB Bank said in a BSE filing. DCB Bank's total income was up 13.66 per cent at Rs 990.89 crore during the quarter under review. **PTI**

‘Indian smartphone market surpasses that of US in 2019’

Indian smartphone market surpassed the US for the first time on an annual level with shipment of 158 million units in 2019, according to Counterpoint Research

2nd With this, India has become the second largest smartphone market globally

7% Smartphone shipment grew 7 per cent in 2019 over the previous year

REASONS

■ Growth of the mid-tier segment where Chinese brands aggressively introduced many flagship-grade features and capabilities to capture demand coming from users looking to upgrade from their first or second smartphone

■ The online channels became the preferred selling platforms to



MARKET SHARE (%)
■ Xiaomi (28) ■ Samsung (21) ■ Vivo (16) ■ Realme (10) ■ Oppo (9)

introduce these products faster into the market

UNDERPENETRATED INDIAN MARKET
Although the rate of growth for the smartphone market

was only single digit for the first time on an annual basis, India is underpenetrated relative to many other markets; 4G penetration among subscribers being around 55 per cent

OUTLOOK

■ This demand is expected to grow further due to the ongoing transition from feature phones to smartphones and progressive diffusion of key smartphone features to the entry-level price tier as a result of hyper-competition among multiple players

■ Brands will have multi-tier strategies involving partnerships in the mobile ecosystem from hardware, software and services

APPLE WAS one of the fastest-growing brands in the fourth quarter, driven by multiple price cuts on its XR device, thanks to local manufacturing in India
Source: Counterpoint Research/PTI

US yields drop as new virus fears escalate

REUTERS
NEW YORK, JANUARY 25

USTREASURY prices advanced on Friday, pushing yields lower for a fourth straight session, as news of the latest coronavirus spreading outside China continued to undermine risk appetite and spur demand for safe-haven assets.

US 30-year yields declined to a nearly three-month low, while those on benchmark 10-year notes dropped to more than two-month troughs. US two-year notes also slid, dropping to a two-week low. US 10-year yields have lost nearly 15 basis points this week, their largest weekly drop in about 3-1/2 months. Thirty-year

US 30-YEAR YIELDS

3-month low

■ US 30-year yields declined to a nearly three-month low, while those on benchmark 10-year notes dropped to more than two-month troughs.

yields, meanwhile, have fallen roughly 16 basis points this week, the biggest weekly decline in four months.

As rates fell, the yield curve flattened again on Friday as market sentiment took a hit amid a host of unknowns about the Chinese coronavirus.

Mnuchin: Learnt lesson on dollar comments

REUTERS
LONDON, JANUARY 25

USTREASURY Secretary Steven Mnuchin said on Saturday he had learnt the hard way to be guarded in his comments on the dollar after roiling financial markets in 2018 by breaking from the usual language about the currency.

"I support a stable dollar but I'm not going to make more comments on that," he said at an event held at the Chatham House think tank in London.

Two years ago at the World Economic Forum in Davos, Mnuchin sent the US currency reeling when he said he welcomed a weak dollar.

"I'm very careful about my comments on the dollar because two years ago in Davos I sneezed and I said something that I thought was completely calm, and all of a sudden the markets went crazy"

STEVEN MNUCHIN
USTREASURY SECRETARY

"One of the things I've clearly learned as treasury secretary, I'm very careful about my comments on the dollar, because two years ago in Davos, I sneezed, and I said something that I thought was completely calm, and all of a sudden the markets went crazy," he told the audience.

THE REGULATOR AND BOEING HAVE BEEN AT ODDS SINCE END OF 2019 ABOUT THE TIMING OF THE PLANE'S RETURN

‘FAA could approve MAX return before mid-year’

REUTERS
WASHINGTON, JANUARY 25

FEDERAL AVIATION Administrator Steve Dickson called senior US airline officials on Friday and told them the agency could approve the grounded Boeing 737 MAX's return to service before mid-year — a faster time frame than the planemaker suggested this week, people briefed on the calls said.

Dickson's calls came as the FAA issued a statement on Friday voicing progress on the 737 MAX, in a shifting tone that helped push the planemaker's shares higher even as concerns grew that it may cut production of another aircraft, the 787 Dreamliner.

"While the FAA continues to

Boeing delays 777X first flight again due to bad weather

Seattle: Boeing has postponed again the first flight of its 777X long-haul jetliner that was scheduled to take place on Friday due to inclement weather.

follow a thorough, deliberate process, the agency is pleased with Boeing's progress in recent weeks toward achieving key milestones," the agency said in a statement.

A person briefed on one of Dickson's calls with the airlines said he told officials the Boeing mid-year timeline is "very conservative."

The FAA and Boeing Co had been at odds at the end of 2019 about the timing of the plane's return. The planemaker had forecast in November it would win FAA approval by December, which drew an unusual rebuke from the agency.

Boeing's new chief executive, Dave Calhoun, told reporters this week that the FAA "had a very dif-

ficult time" with Boeing's timeline in December.

Calhoun added Boeing's revised estimate included enough time so the FAA does not "feel so pressured that they explode like they did in December."

Dickson's calls come days after Boeing said it was pushing back its timeline for approval of the plane's return and "currently estimating that the ungrounding of the 737 MAX will begin during mid-2020."

Dickson has also spoken to senior Boeing executives since the company issued its new timetable, one of the persons briefed on Friday's calls to airlines said.

Boeing's best-selling plane has been grounded since March after two fatal crashes killed 346 peo-

ple. Boeing's stock erased losses on the news first reported by Reuters to close 1.7 per cent higher on the day at \$323.05.

The agency confirmed that Dickson made calls "to reiterate that the FAA has set no time frame for completion of certification work on the aircraft."

In recent weeks, several new concerns have drawn attention from Boeing and the FAA, including the location of wiring bundles on the MAX and a new software issue that emerged during recent testing involving a monitor. Calhoun said Wednesday he did not see those as "serious problems."

The FAA added Friday that "safety is the top priority, and the FAA continues to work with other safety regulators to ensure that

Boeing has addressed all known issues with the aircraft.

FAA approval before mid-year could happen only if Boeing continues to make complete and thorough submissions, an official told Reuters, and emphasised that unforeseen issues could always potentially delay approval.

American Airlines Group Inc, United Airlines Holdings Inc and Southwest Airlines Co have all pushed back the resumption of MAX flights until early June and indicated this week that the return could be delayed further if FAA approval does not happen until mid-year.

Airlines have said they will need at least 30 days after the FAA grants approval for pilot training, software updates and required maintenance.