India rate setters to keep policy accommodative, but wary of inflation

Reuters, *Mumbai*

A second wave of Covid-19 remains a threat to the Indian economy and the central bank believes monetary policy needs to remain accommodative despite inflationary pressures, according to the minutes of the monetary policy committee's latest meeting, released on Friday.

The Reserve Bank of India left interest rates unchanged at that meeting two weeks ago, as expected.

Almost all members of the MPC said they see room for further easing, but a recent rise in price pressures would need to abate for them to use that space.

"This space needs to be used judiciously to support recovery in growth," Governor Shaktikanta Das wrote in his minutes.

Structural reforms to unlock growth are needed but may lack support with growth and employment depressed, Deputy Governor Michael Patra said.

"In the absence of intrinsic drivers, the recovery may last only until pent-up demand has been satiated and replenishment of inventories has been completed," Patra said. "Empirical evidence suggests that consumption-led recoveries are shallow and short-lived."

One of the new external members, Jayanth Varma, added a dissent note as part of his minutes. He agreed with the MPC's intention to keep policy accommodative during the current financial year and into the next financial year, he said, but he opposed using the word "decided".

"It appears to me that the steep yield curve reflects a lack of credibility of the MPC's existing accommodative guidance," he said, but the MPC was risking making a commitment it might not be able to keep as new data emerges or conditions change. He said he would have preferred to use the word "expected".

Varma pointed out the damage inflicted by high long-term interest rates on the economy as policy rates fail to feed through, causing a collapse in investments.

Governor Das said, however, guidance from the central bank would help translate policy rates into longer-term yields and bolster consumption and investment demand.

REUTERS/FILE

A man speaks on his mobile phone outside the Reserve Bank of India headquarters in Mumbai.

Airbus moves to speed output, but keeps one foot on brake

Reuters, *Paris*

The world's largest planemaker Airbus has taken the industry by surprise by asking suppliers to prepare for a sharp increase in production after the coronavirus crisis - yet at the same time it quietly delayed its timetable for recovery.

Airbus said on Thursday it had asked suppliers to be ready to support an 18 per cent increase in output of its best-selling A320 jet in the second half of 2021, partially reversing cuts when the virus provoked a global slump in travel.

That pushed the European company's shares up 6 per cent, but also risks upsetting unions facing job cuts and governments being asked to dig into their coffers for crisis support.

It divided analysts over whether airlines, many facing reduced furlough schemes, are ready for more jets.

"It is very unlikely that there will be any demand for up to 47 Airbus single-aisle aircraft a month in second half 2021. Very few airlines want more capacity at the moment and this will continue for a while," said Bertrand Grabowski, an aviation banker turned independent adviser.

Airbus, which must garner political and union support for 15,000 job cuts, has for weeks been giving mixed signals.

Barely a month ago its operations chief said the recovery was worse than expected, yet deliveries to airlines sped up in September.

The picture inside an operation running 12,000 suppliers points to a more nuanced calculation, with a previously undisclosed interim step illustrating Airbus' cautious thinking.

Even while preparing the groundwork for production increases, the planemaker's most recent move was in fact to apply the brakes, two people familiar with the talks said.

REUTERS/FILE

An Airbus A350-1000 performs during the 53rd International Paris Air Show at Le Bourget Airport near Paris, France.

When the pandemic paralysed travel in April, Airbus cut output of its A320 - which has a list price of $111 million though generally sells for much less - by a third to 40 a month.

It then resisted pressure to cut production even further and asked suppliers to start planning for a partial rebound to 45 a month from March 2021, the sources said.

Now, as the second coronavirus wave hits Europe, it has pushed that potential increase back by three months. The new plan unveiled on Thursday is to ask the supply chain to support 47 jets a month, but delayed to second half of next year.

Airbus is effectively telling suppliers to hurry - but a bit later than previously planned.

Debate continues over whether 47 is the right number and Airbus has not yet decided whether to go ahead.

Demand for air travel has plummeted by two thirds since the pandemic began, forcing many cash-strapped airlines to postpone accepting new airplanes, though popular workhorses like the A320 have fared better than larger jets used on long-haul routes.

Airbus' arch-rival Boeing remains hobbled by the 18-month-old grounding of its 737 MAX following two crashes. It is not only the number of jets but the direction of change in plans that feeds into suppliers' confidence.

Insiders said Airbus aims to give suppliers a clear path forwards. Many are unhappy about being asked to take a risk on higher parts production without proof of demand, but Airbus is squeezing them to do more by using flexible contract clauses.

The move to put the supply chain under starters' orders is also seen as a coded warning to airlines that have delayed taking deliveries during the crisis: Airbus will soon be back in business and ready to supply many jets you have ordered.

That means it is time for airlines to pay deposits - bringing in cash - and secure their place in the queue. Any that do not may lose their place and face price hikes for inflation.

Critics say such tactics are part of a months-old game of bluff and risk further souring relations strained by the crisis.

"If you don't have money you don't have money. If you don't have traffic you don't have traffic," said one industry executive of Airbus' pressure for airlines to commit.

Global dirty money watchdog revamps rules to battle weapons financing

Reuters, *Washington*

A global dirty money watchdog on Friday agreed to revamp its standards to beef up monitoring of financing aimed at evading US and United Nations sanctions and proliferating weapons of mass destruction, the US Treasury Department said.

Endorsement of the new standards by the Financial Action Task Force (FATF) at its meeting this week would strengthen the global response aimed at curbing the proliferation of such weapons, Treasury said in a statement.

It said North Korea and Iran had established complex and elaborate networks, including front and shell companies incorporated in many FATF member countries, to evade US and UN sanctions and move funds to "further their dangerous purposes."

Washington began pushing for the changes when it headed the global watchdog in 2018-2019. Germany currently leads the body, which was set up in 1989 and currently includes 37 member jurisdictions and two regional organizations, the European Commission and the Gulf Cooperation Council.

"The collaboration of the FATF is vital to addressing global illicit financial activity, including fraud associated with the COVID-19 pandemic, proliferation financing risk, and other (anti-money laundering and counterterrorist) priorities," US Treasury Secretary Steven Mnuchin said in a statement.

The change requires countries and the private sector to assess and mitigate proliferation financing risks related to the "potential breach, non-implementation or evasion of UN financial sanctions."

Treasury said US financial institutions and other US businesses were generally already assessing and mitigating the risk of sanctions evasion, but it remained challenging to disrupt sophisticated networks set up by Iran and others.

It said the enhanced FATF standards would allow FATF members to arm their financial institutions and other entities with targeted information to crack down on shell companies and other individuals or entities acting on behalf of sanctioned persons.

US housing market heats up ahead of election but not all feel the glow

Reuters

The housing market has been one of the few bright spots since the coronavirus pandemic slammed the US economy, a boom that at a glance would appear to be aiding the financial wellbeing of American homeowners and ought to offer a tailwind to President Donald Trump heading into the homestretch of the election.

But as with so much else going on in the recovery, the benefits are far from evenly distributed - and sentiment heading into the election will vary based on how individual voters are faring, offering no clear lift to the incumbent Republican over his Democratic challenger, Joe Biden.

"I don't think there's any question that we've seen significant improvement," said Jim Baird, chief investment officer for Plante Moran Financial Advisors. "The question is 'is it enough?'"

The National Association of Realtors this week reported US existing home sales surged in September to levels not seen in more than 14 years. With so much of Americans' wealth tied up in the home they live in, that offers a welcome financial buffer in a decidedly uncertain economic moment.

It has also been a boon for builders, who are as confident as they've ever been, the National

REUTERS/FILE

Real estate signs advertise new homes for sale in multiple new developments in York County, South Carolina, US.

Association of Home Builders reported this week, as they rush to meet the demands of a severely under-supplied housing market. Indeed, single-family housing starts are proceeding at the fastest clip in 13 years.

But the gains in home sales were concentrated in the higher end of the market, which is fine for people with stable jobs who have been able to snag houses, but first-time buyers or those looking for affordable homes may be priced out of the market.

"While this has helped push home prices higher and improved equity positions for existing homeowners, it has created a challenging market for buyers, especially those shopping in the more affordable end of the market," said Andy Walden, an economist and director of market research at Black Knight.

The median price of an existing home is nearly 15 per cent higher than last year. Sales in resort areas have been particularly strong, the NAR said this week.

That outsized gains for pricier homes is another sign the crisis is falling harder on lower-income households, Baird said.

Many current homeowners who lost jobs or had their pay cut significantly during the crisis are also struggling. Uncertainty over what will happen when existing forbearance protections expire in March may weigh on voters' minds on Nov. 3.

It is too soon to know if the 3 million homeowners in forbearance will be able to resume mortgage payments or if foreclosure moratoriums will be extended, Walden said.

More homeowners are keeping up with payments, for now. The number of seriously delinquent mortgages, or those at least 90 days late, declined in September for the first time since the pandemic started, according to Black Knight data released Thursday.

However, mortgage delinquencies could stay elevated throughout 2021 and into 2022 at the current pace of improvement, said Walden. "And that's without any re-emergence of broader economic impacts from the pandemic," he said.

US judge denies new government bid to remove China's WeChat from US app stores

Reuters

A US judge in San Francisco on Friday rejected a Justice Department request to reverse a decision that allowed Apple Inc and Alphabet Inc's Google to continue to offer Chinese-owned WeChat for download in US app stores.

US Magistrate Judge Laurel Beeler said the government's new evidence did not change her opinion about the Tencent app. As it has with Chinese video app TikTok, the Justice Department has argued WeChat threatens national security.

WeChat has an average of 19 million daily active users in the United States. It is popular among Chinese students, Americans living in China and some Americans who have personal or business relationships in China.

WeChat is an all-in-one mobile app that combines services similar to Facebook, WhatsApp, Instagram and Venmo. The app is an essential part of daily life for many in China and boasts more than 1 billion users.

The Justice Department has appealed Beeler's decision permitting the continued use of the Chinese mobile app to the Ninth Circuit US Court of Appeals, but no ruling is likely before December.

In a suit brought by WeChat users, Beeler last month blocked a US Commerce Department order set to take effect on Sept. 20 that would have required the app to be removed from US app stores.

The Commerce Department order would also bar other US transactions with WeChat, potentially making the app unusable in the United States.

"The record does not support the conclusion that the government has 'narrowly tailored' the prohibited transactions to protect its national-security interests," Beeler wrote on Friday.

She said the evidence "supports the conclusion that the restrictions 'burden substantially more speech than is necessary to further the government's legitimate interests.'"

WeChat users argued the government sought "an unprecedented ban of an entire medium of communication" and offered only "speculation" of harm from Americans' use of WeChat.

In a similar case, a US appeals court agreed to fast-track a government appeal of a ruling blocking the government from banning new downloads from US app stores of Chinese-owned short video-sharing app TikTok.

China says looking into unfair competition on e-commerce platforms

Reuters, *Shanghai*

China's market regulator and other government departments have launched an exercise focused on e-commerce, with plans to crack down on areas such as unfair competition and the illegal trading of counterfeits or wildlife, state news agency Xinhua said.

The operation will run until December and will also look into areas such as livestreaming, which has in the past two years become a popular sales channel in China, Xinhua said on Saturday, referring to a recently issued notice from the State Administration of Market Supervision and other departments. The exercise aims to ensure e-commerce platforms are fulfilling their responsibilities to protect the legitimate rights of consumers and operators as well as to maintain a fair and orderly market environment, it added.