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Business

MUMBAI: Indian passengers wait by the Jet Airways ticketing counter at Chattrapati Shivaji International Airport in Mumbai. — AFP

SpiceJet offers to hire some Jet staff

Lenders led by SBI hopeful of successful bidding process amid staff desertions

MUMBAI: India's SpiceJet Ltd said it will prioritize hiring employees of Jet Airways Ltd who are losing their jobs after the crisis-hit Indian airline halted all flight operations indefinitely this week.

"We have already provided jobs to more than 100 pilots, more than 200 cabin crew and more than 200 technical and airport staff," said Ajay Singh, chairman and managing director of SpiceJet. "We will do more." Hundreds of Jet Airways employees protested in Delhi and Mumbai on Thursday to push its management for answers about their future after the airline shut down all flight operations on Wednesday having failed to secure new funding from its lenders.

Jet Airways has lost many employees as the crisis unfolded. About 400 pilots have moved to other airlines, leaving Jet with about 1,300 pilots, a senior Jet pilot told Reuters. About 40 engineers have also left, a senior engineer said. Lenders, led by State Bank Of India, say they are hopeful of a successful bidding process for Jet. The carrier is saddled with about $1.2 billion in debt.

Low cost carrier SpiceJet, which pledged to add 27 planes over the next two weeks to help to fill in the slots left vacant by Jet's grounding, said that it is making all possible efforts to minimize passenger inconvenience. The government plans to form a committee to temporarily allocate takeoff and landing slots left vacant by the grounding of Jet's flights, a senior official said on Thursday. Local airlines including InterGlobe Aviation Ltd and state-run Air India are likely to benefit.

Air India on Thursday offered special fares to passengers stranded in international routes due to Jet's grounding.

The Indian government plans to form a committee to temporarily allocate takeoff and landing slots left vacant by the grounding of Jet Airways flights, a senior official said, a day after the indebted carrier was forced to stop operations.

The vacant slots will be allocated to other airlines, said Pradeep Singh Kharola, India's aviation secretary, at a press conference in New Delhi. At least 280 slots were vacant in Mumbai and 160 in Delhi, he said, after Jet Airways - once India's largest private carrier - ended all operations failing to secure further loans from lenders.

Airlines are in touch with lenders to lease grounded Jet Airways planes, which are likely to be taken up by local airlines including state-run Air India, which is also in talks with lenders, Kharola said.

A bidding process is underway for a stake of up to 75 percent in Jet Airways, which is saddled with roughly $1.2 billion of bank debt. Kharola said there is "keen interest" from bidders. Top bosses of airlines have assured they will keep fares at reasonable levels, he added. Jet Airways shares plunged more than 32 percent on Thursday, hours after the Indian carrier's final flight landed following a decision to ground its entire fleet.

Jet's stock fell more than 32 percent to 162.15 rupees on the Bombay Stock Exchange Thursday. It was worth more than four times that a year ago.

The lenders that control the airline said Thursday they were focusing on finding a buyer for Jet, which was until recently India's second-biggest carrier by market share. — Agencies

Venezuela skirts US sanctions by funneling oil sales via Russia

MEXICO CITY: President Nicolas Maduro is funneling cashflow from Venezuelan oil sales through Russian state energy giant Rosneft as he seeks to evade US sanctions designed to oust him from power, according to sources and documents reviewed by Reuters. The sales are the latest sign of the growing dependence of Venezuela's cash-strapped government on Russia as the United States tightens a financial noose around Maduro, who it describes as a dictator.

With its economy reeling from years of recession and a sharp decline in oil production, Venezuela was already struggling to finance imports and government spending before Washington imposed tough restrictions on state oil company PDVSA in January. Oil accounts for more than 90 percent of exports from the OPEC nation and the lion's share of government revenues. Maduro has accused US President Donald Trump of waging economic war against Venezuela. Since January, Maduro's administration has been in talks with allies in Moscow about ways to circumvent a ban on clients paying PDVSA in dollars, the sources said. Russia has publicly said the US sanctions are illegal and it would work with Venezuela to weather them.

Under the scheme uncovered by Reuters, Venezuelan state oil company PDVSA has started passing invoices from its oil sales to Rosneft. The Russian energy giant pays PDVSA immediately at a discount to the sale price - avoiding the usual 30-to-90 day timeframe for completing oil transactions - and collects the full amount later from the buyer, according to the documents and sources. "PDVSA is delivering its accounts receivable to Rosneft," said a source at the Venezuelan state firm with knowledge of the deals, who spoke on condition of anonymity for fear of retaliation.

Major energy companies such as India's Reliance Industries Ltd - PDVSA's largest cash-paying client - have been asked to participate in the scheme by paying Rosneft for Venezuelan oil, the documents show. Rosneft, which has heavily invested in Venezuela under President Vladimir Putin, did not immediately respond to a request for comment.

Venezuela's oil ministry, its information ministry, which handles media for the government, and PDVSA did not respond to questions. Asked about the transactions, a spokesperson for Reliance said it had made payments to Russia and Chinese companies for Venezuelan oil. The spokesperson said the payments were deducted from money owed by Venezuela to those countries, but did not provide further details.

"We are in active dialogue with the US Department of State on our dealings on Venezuelan oil to remain compliant with US sanctions," the spokesperson said. — Reuters

Russia has publicly said the US sanctions are illegal and it would work with Venezuela to weather them. — Reuters

US homebuilding near two-year low; permits extend decline

WASHINGTON: US homebuilding dropped to a near two-year low in March, pulled down by persistent weakness in the single-family unit segment, suggesting the housing market continued to struggle despite falling mortgage rates.

The second straight monthly decline in homebuilding reported by the Commerce Department on Friday probably reflected in part massive flooding in the Midwest, with housing starts in the region plunging to levels last seen in early 2015.

The weak report bucked a recent tide of upbeat data, including retail sales, trade and construction spending, that indicated the economy regained speed late in the first quarter after appearing to stumble at the turn of the year.

"Waiting for construction activity to pick up after a sharp drop in mortgage rates is like waiting for Godot," said Chris Rupkey, chief economist at MUFG in New York. "It is hard to know what is ailing the home construction industry."

Housing starts fell 0.3 percent to a seasonally adjusted annual rate of 1.139 million units last month, the lowest level since May 2017. Data for February was revised down to show homebuilding tumbling to a pace of 1.142 million units instead of the previously reported 1.162 million-unit rate.

Housing starts in the Midwest, which was devastated by floods during the month, dropped 17.6 percent. Homebuilding also fell in the Northeast and South, but surged in the West.

Economists polled by Reuters had forecast housing starts increasing to a pace of 1.230 million units in March. The dollar was trading lower against a basket of currencies. US stock and bond markets were closed for the Good Friday holiday.

A sharp pickup in home construction appears unlikely. Building permits fell 1.7 percent to a rate of 1.269 million units in March, the lowest in five months. It was the third straight monthly decrease in permits. The prolonged weakness in homebuilding is likely the result of land and labor shortages, as well as expensive building materials. A survey on Tuesday showed that though builders reported strong demand for new homes, they continued to highlight "affordability concerns stemming from a chronic shortage of construction workers and buildable lots."

These factors are constraining builders' ability to construct homes in the lower price segment of the market, which continues to experience a shortage of homes for sale. The housing market hit a soft patch last year, with investment in homebuilding contracting 0.3 percent, the weakest performance since 2010.

Fundamentals improving

Despite the weakness in homebuilding, the fundamentals for the housing market are improving. The 30-year fixed mortgage rate has dropped from a peak of about 4.94 percent in November to around 4.12 percent, according to data from mortgage finance agency Freddie Mac. Wage growth is also strengthening.

Declining mortgage rates follow a recent decision by the Federal Reserve to suspend its three-year monetary policy tightening campaign. While housing continues to be soft, the other segments of the economy have rebounded from earlier weakness. Retail sales surged in March and trade, inventory and construction spending data have also been bullish, leading economists to upgrade their gross domestic product growth estimates for the first quarter.

Growth forecasts for the January-March quarter have been raised to as high as a 2.9 percent annualized rate. They were at one point as low as a 0.3 percent rate following a batch of weak economic reports at the turn of the year. The economy grew at a 2.2 percent pace in the fourth quarter.

"The March (housing starts) numbers show better economic conditions still are not bearing fruit for builders as the market turns toward the spring home shopping season," said Matthew Speakman, economic analyst at Zillow. Single-family homebuilding, which accounts for the largest share of the housing market, dropped 0.4 percent to a rate of 785,000 units in March, the lowest level since September 2016.

Permits to build single-family homes dropped 1.1 percent to a rate of 808,000 units in March, the lowest since August 2017. It was the fourth straight monthly decrease in single-family permits. — Reuters