

RESERVE BANK OF INDIA'S MONETARY POLICY REVIEW

RBI lowers GDP forecast to 6.9% from 7%; points to ‘weakening of demand conditions’

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 7

ACKNOWLEDGING THE slowdown in the economy, the Reserve Bank of India (RBI) has slashed the real GDP growth for 2019-20 from 7 per cent projected in the June policy to 6.9 per cent. The growth is likely to be in the range of 5.8-6.6 per cent for the first half of 2019-20 and 7.3-7.5 per cent for the second half of the year with risks somewhat tilted to the downside.

GDP growth for the first quarter of 2020-21 is projected at 7.4 per cent, the RBI said. The base effects will turn favourable in the second half of 2019-20.

“Various high frequency indicators suggest weakening of both domestic and external demand conditions,” it said. The Business Expectations Index of the Reserve Bank’s industrial outlook survey shows muted expansion in demand conditions in Q2, although a decline in input costs augurs well for growth.

In the RBI’s June resolution, real GDP growth for 2019-20 was projected at 7.0 per cent — in the range of 6.4-6.7 per cent for the first half of 2019-20 and 7.2-7.5 per cent for H2 — with risks evenly balanced. However, many sectors like auto are now facing a slowdown.

“The impact of monetary policy easing since February 2019 is also expected to support economic activity, going forward,” Das said.

SBI lowers lending rates by 15 bps from Aug 10

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STATE BANK of India (SBI), the country’s largest lender, on Wednesday announced a 15-basis-point (bps) cut in its marginal cost of fund based lending rate (MCLR) across all tenors soon after the Reserve Bank of India (RBI) cut its repo rate by 35 basis points (bps) on Wednesday.

With the fourth consecutive rate cut by the bank in the current fiscal year, the one year MCLR would come down to 8.25 per cent per annum from 8.40 per cent per annum with effect from August 10, 2019, while the MCLR for three year would come down to 8.45 per cent per annum, 8.35 per cent for two year, 8.10 per cent for six month, 7.95 per cent for three month and 7.90 per cent for one month and overnight lending.

With this MCLR cut, home loans would become cheaper by 35 bps since April 10, 2019. In addition, SBI is offering a Repo Linked Home Loan Product from July 1, 2019.

With the recent cut in the policy rate, SBI’s effective Repo Linked Lending Rate (RLLR) for cash credit (CC) and overdraft (OD) customers will stand revised to 7.65 per cent effective from. September 01, 2019. **FE**

Oil slumps 4% to 7-month low on trade tensions, US stock build

REUTERS
HOUSTON, AUGUST 7

OIL PRICES tumbled up to 5 per cent on Wednesday to a fresh seven-month low, extending recent heavy losses following an unexpected build in US crude stockpiles and fears of lower crude demand due to deepening US-China trade tensions.

Brent crude futures were down \$2.52, or 4.3 per cent, at \$56.42 a barrel by 1657 GMT, setting a seven-month low. Prices have lost more than 20 per cent since their 2019 peak in April.

US West Texas Intermediate (WTI) crude futures were down \$2.36, or 4.4 per cent, at \$51.25.

Oil extended losses after gov-



Reserve Bank of India Governor Shaktikanta Das (centre) along with RBI Deputy Governors in Mumbai on Wednesday. *Prashant Nadkar*

Last week, HDFC chairman Deepak Parekh said there has been a distinct slowdown in the economy and the problem was compounded by the tight liquidity situation in the non-banking finance companies and housing finance companies and the reluctance of banks to lend funds. L&T chairman AM Naik had said “we should feel ‘lucky’ even if GDP clips at 6.5 per cent”.

On inflation, the central bank projected the path of CPI inflation at 3.1 per cent for Q2 of 2019-20 and 3.5-3.7 per cent for the second half of 2019-20, with risks evenly balanced. In the second bi-monthly monetary policy resolution of June 2019,

CPI inflation was projected at 3.0-3.1 per cent for H1 of 2019-20 and 3.4-3.7 per cent for H2 of 2019-20. “The actual headline inflation outcome for Q1 of 2019-20 at 3.1 per cent was in alignment with these projections,” it said.

According to the RBI, the baseline inflation trajectory for the next four quarters will be shaped by several factors. First, the uptick in food inflation may be sustained by price pressures in vegetables and pulses as more recent data suggest, it said. It has projected CPI inflation for Q1 of 2020-21 at 3.6 per cent.

Uneven spatial and tempo-

ral distribution of monsoon could exert some upward pressure on food items, though this risk is likely to be mitigated by the recent catch up in rainfall. Second, despite excess supply conditions, crude oil prices may likely remain volatile due to geo-political tensions in the Middle-East, it said.

Third, the outlook for CPI inflation excluding food and fuel remains soft.

Manufacturing firms participating in the industrial outlook survey expect output prices to ease in Q2. Fourth, one year ahead, inflation expectations of households polled by the Reserve Bank have moderated.

Fourth rate cut in 2019

The RBI’s MPC has cut repo rate for the fourth time in 2019 by 35 basis points stating that “benign inflation outlook provides headroom for policy action”

MPC VOTED FOR CUT: While MPC members Chetan Ghate and Pami Dua voted for 25 bps cut, Ravindra Dholakia, Michael Patra, BP Kanungo and Shaktikanta Das opted for 35 bps reduction in repo rate and retained accommodative policy stance.

INFLATION OUTLOOK: Uneven spatial and temporal distribution of monsoon could exert some upward pressure on food items, though this risk is likely to be mitigated by the recent catch up in rainfall. The outlook for CPI inflation excluding food and fuel remains soft.

RBI FOCUS: Addressing

REVISION IN POLICY RATES				
	Bank rate	Repo rate	Reverse repo	SLR
April 5, 2018	6.25	6.00	5.75	19.50
June 6, 2018	6.50	6.25	6.00	19.50
Aug 1, 2018	6.75	6.50	6.25	19.50
Oct 5, 2018	6.75	6.50	6.25	19.50
Dec 5, 2018	6.75	6.50	6.25	18.00*
Feb 7, 2019	6.50	6.25	6.00	18.00*
April 4, 2019	6.25	6.00	5.75	18.00*
June 6, 2019	6.00	5.75	5.50	18.00*
Aug 7, 2019	5.65	5.40	5.15	18.00*

*Over six quarters

growth concerns by boosting aggregate demand, especially private investment, assumes

the highest priority while remaining consistent with the inflation mandate.

IIFL Wealth may buy L&T Financial arm

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MUMBAI, AUGUST 7

IIFL WEALTH Management is in talks to buy wealth management arm of L&T Financial Services as the latter is exiting non-core businesses as part of a business strategy, market sources said.

IIFL Wealth is one of the fastest growing private wealth management firms in India

L&T Financial did not comment on the reported move. However, market sources said the deal could be worth around Rs 250-300 crore. L&T Fin’s wealth management AUM is around Rs 25,589 crore

with an asset under management (AUM) of \$24 billion (around Rs 168,000 crore) as of March 2019.

When contacted, L&T

Financial did not comment on the reported move. However,

market sources said the deal could be worth around Rs 250-300 crore. L&T Fin’s wealth

management AUM is around Rs 25,589 crore with over 9,000 customers. In October last year, IIFL Wealth bought Chennai-based Wealth Advisors India for Rs 235 crore. It also acquired Ashburton India Equity Opportunities for an undisclosed amount in December 2017.

L&T Finance Holdings shares declined 2.53 per cent to Rs 96.20 on the BSE on Wednesday.

PRANAV MUKUL
NEW DELHI, AUGUST 7

IN ADDITION to cockpit and cabin crew undergoing breath analyser tests to check the level of alcohol in their blood, airside ground personnel and air traffic controllers (ATCs) in India will also have to undergo the test soon, as per a new civil aviation requirement proposed by the Directorate General of Civil Aviation (DGCA).

The personnel, which the draft regulation proposes to cover, will include air traffic controllers, flight dispatchers, aircraft maintenance personnel, aerodrome operation personnel, fire and rescue personnel, vehicle drivers, ground equipment operators and ground handling staff.

“There are people working with sensitive parts of aircraft,

driving buses close to planes, managing air traffic — which if function after consuming alcohol can prove to be a threat to the safety of passengers and others working at an airport,” a senior DGCA official said, explaining the rationale behind the proposed norms.

While the draft regulations stipulate that all such personnel

Banks’ exposure limits, lending norms eased for stressed NBFCs

ENS ECONOMIC BUREAU
MUMBAI, AUGUST 7

THE RESERVE Bank of India (RBI) on Wednesday unveiled more measures to enhance credit flow to the cash-starved non-banking financial companies (NBFC) sector.

The central bank has decided to raise a bank’s exposure limit to a single NBFC to 20 per cent of Tier-I capital of the bank as a step towards harmonisation of the counterparty exposure limit to single non-banking financial company with that of the general limit.

The limit was 15 per cent earlier while other sectors enjoyed the 20 per cent limit. The hike will enable banks to increase the credit flow to big NBFCs.

In another measure, the Reserve Bank has decided to allow bank lending to registered non-banking financial companies (other than micro-finance institutions) for on-lending to agriculture (investment credit) up to Rs 10 lakh, micro and small enterprises up to Rs 20 lakh and housing up to Rs 20 lakh per borrower (up from Rs 10 lakh at present) to be classified as priority sector lending.

The Reserve Bank of India has also reduced risk weight for consumer credit (except credit card receivables), including personal loans, to 100 per cent as against a risk weight of 125 per cent or higher, if warranted by the external rating of the counterparty.

Last year, Infrastructure Leasing & Financial Services Limited (IL&FS) defaulted on repayment, sending the entire financial sector into a turmoil. Most of them suffered from asset-liability mismatches and used short-term money for long-term funding.

The Reserve Bank has al-

All-time high: Gold surges ₹1,113 to ₹37,920 per 10 gram

ENS ECONOMIC BUREAU
NEW DELHI, AUGUST 7

GOLD PRICES on Wednesday surged Rs 1,113 to hit an all-time high of Rs 37,920 per 10 gram in Delhi on sustained buying from jewellers amid strong trend overseas. Globally, investors rushed to safe havens, spooked by a host of uncertainties including US-China trade and a slowing global economy.

Silver, in the national capital, rose by Rs 650 to Rs 43,670 per kg on increased offtake by industrial units and coin makers. Gold of 99.9 per cent purity surged Rs 1,113 to Rs 37,920, while that of 99.5 per cent climbed Rs 1,115 to Rs 37,750 per 10 gram on Wednesday. Sovereign gold also rose by Rs 200 to Rs 27,800 per eight gram.

Analysts said the rise in local demand, coupled with robust global trend, mainly led to the surge in gold prices.

“Bullion prices traded higher with international spot gold prices rallying on Wednesday. Gold prices witnessed safe

EXPLAINED Measures come at a time when NBFC lending is down

APART FROM lowering interest rates to spur credit demand, the Reserve Bank of India has announced two additional steps to improve bank lending to non-banking financial companies (NBFCs).

The measures are pertinent at a time when lending activity by many NBFCs have declined significantly, resulting in demand slowdown for a range of items including cars, tractors, white goods among others.

OTHER STEPS	
24X7 NEFT TRANSFER: The National Electronic Funds Transfer (NEFT) payment system which is now available for bank customers from 8 am to 7 pm on all working days of the week (except 2nd and 4th Saturdays of the month) will be available on a 24x7 basis from December 2019.	covers five segments — direct-to-home (DTH), electricity, gas, telecom and water bills.
BILL PAYMENT SYSTEM EXPANDED: In order to leverage the advantages of the Bharat Bill Payment System (BBPS), the RBI has decided to permit all categories of billers (except prepaid recharges) who provide for recurring bill payments to participate in BBPS on a voluntary basis. BBPS, an interoperable platform for repetitive bill payments, currently	ON TAP BILL PAYMENT: In order to benefit from diversification of risk as also to encourage innovation and competition, the RBI has decided to offer ‘on tap’ authorisation to entities desirous to function, operate or provide platforms for Bharat Bill Payment Operating Unit (BBPOU), Trade Receivables Discounting System (TReDS) and White Label ATMs (WLAs).
	DIGITAL FRAUD REGISTRY: The RBI has proposed to facilitate the creation of a Central Payment Fraud Registry that will track digital transaction frauds.

ready indicated that it would review the regulatory framework for the financial sector.

The government also an-

nounced temporary support to NBFCs and housing finance firms through public sector banks (PSBs).

Markets slump on cut in growth forecast by RBI

Mumbai: The BSE Sensex slumped 286 points on Wednesday after the RBI slashed the benchmark lending rate but also lowered the growth estimate for the current financial year, underscoring risks to economic revival amid multiple headwinds.

After swinging 494

points in choppy trade, the 30-share index settled 286.35 points or 0.77 per cent lower at 36,690.50.

The broader NSE Nifty also fell 92.75 points or 0.85 per cent to 10,855.50. Meanwhile, the rupee dropped 8 paise to finish at 70.89 against the US dollar on Wednesday. **PTI**

haveen buying due to global economic uncertainty on trade war escalation and weak investment sentiment.” HDFC Securities senior analyst (commodities) Tapan Patel was quoted by *PTI* as saying said.

“The trade war intensified with the United States labelling China as currency manipulator, while China ordered to suspend all agriculture import from US,” he said.

The worsening Sino-US trade talks may lead to further

rate cuts from US Federal Reserve to support lingering economy, he added.

Globally, gold soared more than 2 per cent on Wednesday to breach the \$1,500 ceiling for the first time in over six years. Spot gold gained 1.6 per cent at \$1,497.69 per ounce at 1419 GMT, having touched \$1,509.80, its highest since April 2013. US gold futures climbed 1.7 per cent to \$1,509.60, according to a *Reuters* report. **WITH AGENCIES**

Alcohol test for airside ground personnel, ATCs soon

analysar examination on a daily basis. “There have been many cases where ground personnel, maintenance staff and those involved in safety sensitive functions have been found to be under the influence of alcohol but lack of regulations around this meant they could not be apprehended,” the DGCA official said.

The proposed rules also follow those laid down for pilots and cabin crew when violations are found. In the case of a first violation, the licence of the concerned personnel will be suspended for three months. In the case of a second violation, the suspension will be for one year and for the third violation it will be for three years. If a fourth violation happens, then the licence shall be cancelled permanently.

It is also proposed to mandate the organisations to maintain the

relevant breath analyser result records of their personnel for at least a year.

Internationally, rules laid down by the global aviation regulator ICAO states that holders of licences “shall not exercise the privileges of their licences and related ratings while under the influence of any psychoactive substance which might render them unable to safely and properly exercise these privileges”. The US Federal Aviation Administration and the UK Civil Aviation Authority have also developed and published their policy for detection of consumption of psychoactive substance including alcohol by personnel engaged in safety sensitive functions.

The aviation safety regulator has sought comments from stakeholders on the proposed rules by September 5.