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DAILY NEWS DIGEST BY BFSI BOARD

05 December 2024

ECONOMY

India's growth to average 6.8% over next three years on strong investment and infra spend: OECD: India will continue to grow at near 7 percent growth rates over the next two years, as strong investment and recovery in farm output help sustain the momentum, Organisation for Economic Co-operation and Development (OECD) said on December 4 at the launch of its new economic outlook. “Strong investment is the main driver of this robust performance, with accelerating public infrastructure outlays. Vigorous credit growth is supporting private investment. Farm output is recovering as an above-normal monsoon is lifting rural incomes, and will soon ease food prices and inflation. Export growth is projected to pick up slightly, but could be weaker, given ongoing global tensions,” OECD said in a report on December 4. The report, which likely does not take into account the recent GDP growth data released by the government, increased India’s growth forecast to 6.8 percent, compared with 6.7 percent in the September version of the report. The 38-member grouping of developed economies noted that the Indian economy was strong and would average 6.8 percent growth over the next three years.
(Moneycontrol)

‘China Plus 1’ benefited Vietnam, Thailand more, not India: Niti Aayog: India has seen limited success so far in capturing the ‘China Plus One’ strategy, while Vietnam, Thailand, Cambodia, and Malaysia have emerged as larger beneficiaries, according to a Niti Aayog report on trade.Nonetheless, US President-elect Donald Trump’s increased tariffs, announced on China, Mexico and Canada, spell more opportunities for the country, as they will lead to huge trade diversion, and it is up to India to see what it can make of it, according to Niti Aayog CEO BVR Subrahmanyam. “Whatever Trump has announced so far targets three countries. There are opportunities for India. The ball is coming our way. Whether we are going to catch it or drop the catch is for us to see...I think you will see some steps in the next few months,” BVR Subrahmanyam said on Wednesday at the launch of the ‘Trade Watch Quarterly’ report.
(Business Line)

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Services PMI in November almost flat, job creation fastest since 2005: Despite inflationary pressure, the services sector performed well in November, a private survey report released on Wednesday showed. The survey result, known as the Purchasing Managers' Index (PMI), came in at 58.4 in the said month. Meanwhile, service providers signalled an unprecedented rise in employment. Services has a 53 per cent share in Gross Value Added (GVA), a parameter to measure supply in the economy. "During November, services sector employment notably grew at the fastest pace since this survey began in 2005. The hiring surge reflected the sector's improving business confidence, growing new orders, and vigorous international demand," Pranjul Bhandari, Chief India Economist at HSBC, said. PMI is prepared based on survey results derived from the response of purchasing executives of 400 companies. An index above 50 reflects expansion, while below 50 means contraction.
(Business Line)

Banking system liquidity surplus touches Rs 1 trn, shows RBI data: The net liquidity surplus of the banking system rose to touch Rs 1 trillion on Tuesday on the back of government spending, according to the data released by the Reserve Bank of India. Analysts, however, said that the liquidity is expected to fall into deficit mode soon on the back of tax outflows. On Monday, liquidity surplus stood at Rs 89,450 crore.
(Business Standard)

BANKING & FINANCE

RBI increases UPI Lite transaction limits to Rs 1000, total wallet limit hiked to Rs 5000: RBI has approved an increase in the transaction limit for UPI Lite to Rs 1,000 per transaction, with a total limit of Rs 5,000. The central bank stated that for UPI Lite, the maximum transaction limit has been raised to Rs 1,000 per transaction from Rs 500, with a total limit of Rs 5,000 from previous cap of Rs 2,000. The RBI specified that replenishment of the used limit will only be permitted in online mode with Additional Factor Authentication (AFA). "For UPI Lite, the enhanced limits shall be Rs 1,000 per transaction with Rs 5,000 being the total limit. Replenishment of used limit shall be allowed only in online mode with AFA," said the central bank in a statement. Following the MPC meeting on October 9, 2024, the central bank has revealed adjustments to the transaction limits for UPI 123Pay and UPI Lite. The per-transaction limit for UPI 123Pay was enhanced to Rs 10,000 from Rs 5,000, and the limit for UPI Lite wallet was raised to Rs 5,000 from Rs 2,000.
(Business Today)

Pace of credit card additions falls 50% in October: Rising incidents of skipped payments and higher risk weighting mandated by the regulator have hit credit card additions at Indian lenders even through the festive season, with analysts anticipating a circumspect approach from banks as pockets of the consumption economy show signs of a demand fatigue. Latest Reserve Bank of India (RBI) data published recently showed credit card additions fell almost 50% year-on-year in October, taking the total card base to about 107 million.
(Economic Times)

Foreign Banks expect liquidity easing measures by MPC on Friday: Foreign banks expect the Reserve Bank of India (RBI) to go in for a likely Cash Reserve Ratio (CRR) cut on Friday (December 6) to boost domestic liquidity even while keeping repo rate unchanged. “We expect two repo rate cuts of 25bp over February and April, taking the repo rate to 6 per cent. Our real rate maths suggests that this will be a shallow rate cutting cycle of 50basis points.” “But even before that, the RBI may infuse domestic liquidity, via a possible 50 bp CRR cut on 6 December –and over the next few months also bring out a host of other instruments to infuse the necessary liquidity. It’s time to act, strategically,” Pranjul Bhandari, Chief Economist India and Indonesia, HSBC Global Research said in a research note titled “India: RBI Watch—An economy at the crossroads”.
(Business Line)

Banks stick to certificates of deposits to keep lending: Banks are continuing to raise funds by selling certificates of deposit (CD) to finance demand for credit, as mobilising traditional deposits remains a challenge. Funds raised by issuing these typically short-term financial instruments grew 57% till November 15 this fiscal year to more than ₹6 lakh crore, compared with around ₹3.9 lakh crore a year earlier, according to Reserve Bank of India data. Outstanding CDs at the end of November 15 totalled ₹4.89 lakh crore. In the first 15 days of November, banks issued CDs worth ₹46,552 crore. "This increase is to meet banks' funding requirements to manage the gap between the credit offtake and deposit growth," said Saurabh Bhalerao, associate director-BFSI research at CARE Ratings
(Economic Times)

INDUSTRY OUTLOOK

MFs help keep NBFC counters open as banks turn cautious: Mutual Funds’ (MF) resources support to non bank financial companies (NBFCs) has gone up by 47 percent in October compared to 6 percent growth in bank lending to them, an indication that MFs have also stepped in to support NBFCs as banks have gone slow due to regulatory restrictions on banks. Mutual Fund (MF) debt

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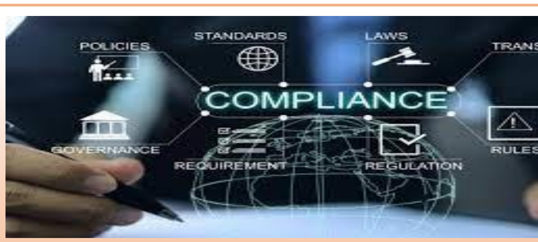
exposure to NBFCs, which includes their subscriptions to Commercial Papers (CPs) and corporate debt has hovered over Rs 2 lakh crore for more than six months. Their outstanding debt exposure touched Rs 2.33 lakh crore in October 2024, a year on year (y-o-y) increase of 47.1 percent. Though the break-up of iexposure to CPs and bonds Is not available , experts say that NBFCs have seen a higher growth in resources raised through bonds than CPs. NBFCs reduced issuances due to concerns on the sustainability of high growth in their loan portfolio, according to Care Edge Ratings.
(Economic Times)

RBI's directors cut: NBFCs told to oust PE, VC observers: Private equity and venture capital funds can no longer enjoy 'power without responsibility' in non-banking finance companies (NBFCs) where they own equity stakes. These institutional investors often place 'observers' in NBFCs where they acquire stakes instead of nominating 'directors' on the boards of the investee companies. This is primarily to avoid civil or even criminal liabilities that such board members could be exposed to in the event of frauds, fund diversion, and serious governance lapses. This is unacceptable to the RBI, a senior industry source told ET. The regulator is learnt to have put across its views to multiple NBFCs. "The companies would now have to ask the 'observers' to resign, following which they could be considered for appointment as directors,"you can take to other places."
(Economic Times)

At least 8 US firms, dozens of nations impacted by China's hacking: WH: A top White House official on Wednesday said at least eight US telecom firms and dozens of nations have been impacted by a Chinese hacking campaign. Deputy national security adviser Anne Neuberger offered the new details about the breadth of the sprawling Chinese hacking campaign that gave officials in Beijing access to private texts and phone conversations of an unknown number of Americans. Neuberger divulged the scope of the hack a day after the FBI and the Cybersecurity and Infrastructure Security Agency issued guidance intended to help root out the hackers and prevent similar cyberespionage in the future. White House officials cautioned that number of telecommunication firms and countries impacted could still grow.
(Business Standard)



REGULATION & DEVELOPMENT

Ministry of Finance meets PSBs, investigative agencies on bank frauds: The finance ministry on Wednesday held a meeting with public sector banks (PSBs), other ministries and investigating agencies, including Central Bureau of Investigation (CBI), for expeditious and effective

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investigation in bank fraud cases. In a statement the finance ministry noted that enhance inter-departmental cooperation among different departments, CBI and PSBs for expediting investigation will have salutary deterrent effect and is likely to further catalyse resolution of stressed banking assets. "All measures were discussed for expeditious investigation in bank fraud cases," it said noting that amendments made to Prevention of Corruption Act, 1988, to prevent investigation and prosecution of bankers for bonafide decisions has had a positive impact.

(Economic Times)

Over 168k pensioners' grievances redressed in last two years: MoS: More than 168 thousand pensioners' grievances have been redressed in the last two years, Union Minister Jitendra Singh said in the Lok Sabha on Wednesday. In a written reply, he said the Centralised Pension Grievance Redress and Monitoring System (CPENGRAMS) has reduced the backlog with no case pending for more than two years as on date. The CPENGRAMS is an online system for redressal of pension-related grievances."1,68,964 grievances have been resolved during last two years (from 01.11.2022 to 31.10.2024)," said Singh, the Minister of State for Personnel. For the redressal of grievances of family pensioners and super-senior pensioners, specific categorisation of such grievances, including the delay in the start of family pension and additional pension, has been done for better monitoring, the minister said.

(Business Standard)

Sebi issues rules for uniform nomination standards in securities markets: Markets regulator Sebi has notified rules on nomination allowing nominees to act on behalf of incapacitated investors. Additionally, it notified the rule mandating every participant to provide beneficial owners with the option to nominate a person to whom their securities will transfer upon their death. "Every participant shall provide an option to the beneficial owner to nominate, in the manner as may be specified, a person who shall be authorised to conduct transactions on behalf of the beneficial owner in the event of the incapacitation of the beneficial owner," Sebi said in a notification.

(Business Standard)

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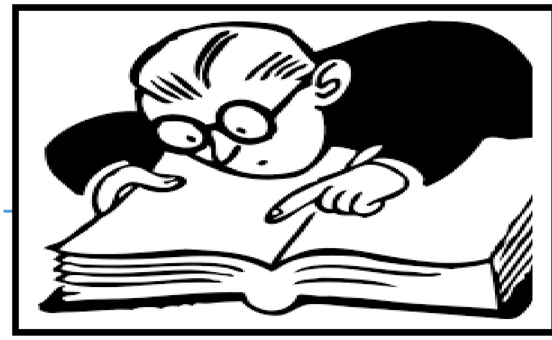

FINANCIAL TERMINOLOGY

CHANNEL STUFFING

- Channel stuffing is a deceptive business practice used by a company to inflate its sales and earnings figures by deliberately sending retailers along its distribution channel more products than they are able to sell to the public.
- Channel stuffing typically would take place immediately prior to a reporting period such as quarter-end or year-end, so that management, fearful of bad consequences to their compensation, can "make their numbers."
- Usually, distributors retain the right to return any unsold inventory which calls into question whether a final sale has actually occurred. “Stuffing” the distribution channel is frowned upon by the Securities and Exchange Commission (SEC) as a practice used by companies to accelerate revenue recognition to reach short-term revenue and earnings targets, and as such, misleading to investors.

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RBI KEY RATES

Repo Rate: 6.50%
SDF: 6.25%
MSF & Bank Rate: 6.75%
CRR: 4.50%
SLR: 18.00%
Fixed Reverse Repo: 3.35%

FOREX (FBIL 1.30 PM)

INR / 1 USD : 84.6885
INR / 1 GBP : 107.5143
INR / 1 EUR : 89.1098
INR /100 JPY: 56.4700

EQUITY MARKET

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