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DAILY NEWS DIGEST BY BFSI BOARD

18 November 2024

ECONOMY

Exports of apparels surge despite global tensions, market challenges: Despite continuing wars and the Red Sea issue and India not taking any meaningful slice of the Bangladesh's market, India's garment exports are rising. Exporters attribute this to mainly to the depletion of stocks with the buyers and many economies doing better. India's garment exports hit a peak of $16.71 billion in 2017-18. In April-October 2024, these exports were $8.7 billion, 11.6 per cent higher than the corresponding period of last year, raising hopes that 2024-25 could better the 2017-18 high. Achieving record performance this year would have been a cinch if only India had had manufacturing capacities to take on jobs that would have normally gone to Bangladesh, which is in a socio-political wobble. India is playing catch-up with China and China-invested countries like Vietnam and Indonesia — the hope is that India will get a share of the Bangladesh's market, but that is for later.
(Business Line)

FPIs withdraw Rs 22,420 crore from Indian markets in November: Foreign Portfolio Investors (FPIs) have withdrawn Rs 22,420 crore from the Indian equity markets so far in November, citing high stock valuations, increased allocations to China, and the strengthening US dollar and Treasury yields as key reasons for the sell-off. According to a report by PTI, with this, FPIs have recorded a cumulative outflow of Rs 15,827 crore from Indian equities in 2024, marking a challenging year for foreign investments. Experts predict that liquidity constraints and macroeconomic pressures will likely keep FPI inflows subdued until early 2025, potentially impacting market sentiment further. The ongoing sell-off follows October's staggering net outflow of Rs 94,017 crore, the worst monthly exodus on record, the PTI report added.
(Moneycontrol)

No pause in FTA negotiations, break only for Peru pact: Dispelling the impression that there has been a pause in negotiations on free trade agreements, a senior official has said that all meetings are going according to schedule and only in the case of Peru it has been decided to initiate the next

round of talks after the finalisation of overall strategy and standard operating procedure. Talks with Peru on FTA resumed last year after a pause of four years. Since the start of negotiations seven rounds have been completed and for the eighth round the SOP is awaited. The lst round of talks were held in April this year. "No FTA has been paused. All our FTAs are progressing as per schedule," the official said without specifying any other reason for the pause in case of Peru. The SOP or FTA are expected to be finalised by the end of December. These SOPs will lay down the step wise procedure – right from identifying a country for the FTA to taking the negotiations to their conclusion.
(Financial Express)

BANKING & FINANCE

Sovereign gold bonds losing favour with government: It looks like curtains have come down for sovereign gold bonds (SGB) with the Finance Ministry being non-committal on the issuance of the first tranche for the paper gold during the current fiscal. "This is a very costly means of borrowing and the economic rationale does not permit this as of now," an official said. The second half borrowing calendar has no mention of SGB. This remark has been made at a time when the latest redeemed tranche (SGB 2016-17 Series III - Issue date November 17, 2016) gave a whopping gain of 159 per cent at maturity on November 16. According to a notification from the RBI issued on November 8, the redemption price was set at ₹7,788 per unit. This means that those who purchased this bond at the original issue price of ₹3,007 per gm in 2016 will realise a profit of ₹4,781 per gram upon redemption. "It is not a social security scheme. Any decision on fresh issuance will be based on the assumption that it should not just benefit the customer, but the government as well," the official maintained. Officials also said that because of it being a highly expensive tool, the number of issues has been coming down.
(Business Line)

Banks cautious on signing co-lending pacts on tech integration, underwriting concerns: Banks, especially private sector ones, are becoming increasingly cautious in signing multiple co-lending partnerships with non-banking finance companies (NBFCs) and fintechs on account of concerns related to technology integration and underwriting policies, senior bankers say. Yes Bank MD, CEO Prashant Kumar, said the lender has only a small number of co-lending partnerships and that he doesn't see co-lending partnerships moving in "right direction". "...On co-lending there has been a concern. There are issues on IT integration, credit underwriting procedure, so I think as an industry we have not seen significant progress on co-lending front...," he said in a post earnings call

last month. Yes Bank's advances were up 12 per cent year-on-year (y-o-y) at ₹2.35 lakh crore as on September 30. Most lenders do not share the amount of loans extended under co-lending partnership with partner NBFC and fintechs. However, rating agency Crisil had in April said that NBFCs' co-lending assets under management (AUM) were nearing ₹1 lakh crore after 5 years of the model coming into being.
(Business Line)

Kerala becomes battleground in banks' fight for NRI deposits: ompetition among banks to grab deposits of non-resident Indians is getting intense even as it becomes tougher for them to attract resident Indians who are increasingly looking for alternative investment ideas for higher returns. Indian banks are intensifying their efforts to attract deposits from non-resident Indians (NRIs), particularly in Kerala, a hub for NRI remittances. Banks are expanding their operations in the Gulf countries and offering specialized products and services to cater to the growing NRI customer base.
(Economic Times)

Banks' non-interest income gets a boost from listing gains: Strong listing gains of recent initial public offerings (IPOs) have not only provided retail investors with opportunities to make quick profits but have also contributed significantly to the banks' earnings. Many banks have aggressively invested in these IPOs, thereby boosting their non-interest income. Several major banks have reported an increase of 25-51% in non-interest income for the second quarter of the current financial year, coinciding with multiple IPOs that delivered over 60% returns on their listing day.
(Financial Express)

INDUSTRY OUTLOOK

Now, private firms to build and run student facilities at IITs, IIMs: The public private partnership (PPP) model, which has met with success in many areas including telecom, airports, seaports and metro rail, is now getting into the arena of social infrastructure. For the first time, the Centre is rolling out a PPP model for upgrading high-end educational infrastructure in the country. To start with, the model will see state-of-the-art student hostels being set up at marquee institutions like IITs and IIMs by pooling in investments and management skills from the private sector. There will be viability gap support from the government. According to official sources, earlier this month, the PPP model was approved for building and running multiple hostels in three top educational

institutions—IIT Madras, IIM Udaipur and IIIT Nagpur—which would set a template for more such projects.
(Financial Express)

Shiprocket, CSC to run e-commerce export hubs around Delhi: Logistics enabler for e-commerce Shiprocket and air cargo handling company Cargo Service Centre (CSC) have been selected by the government to run pilots on the setting up E-commerce Export Hubs (ECEH) in the country, a senior official said Thursday. The hubs will be set up in and around Delhi airport and will be rolled out in February next year, Director General of Foreign Trade Santosh Kumar Sarangi told reporters. “The hub will have facilities for expedited customs and security clearance in house.
(Financial Express)

Laptop import cut of 5% in works; govt wants no supply disruption: As the Union government explores ways to restrict import of laptops and other electronic devices starting with a 5 per cent reduction from the current level, it is working to ensure that there’s no supply disruption in India even if an import cap is introduced, it is learnt. The caveat assumes significance in the context of the government’s announcement of its plan in August 2023 to issue licences for import of select IT hardware products to reduce the country's dependence on China. However, due to resistance from companies, industry lobby groups and key trade partners including the United States (US).
(Business Standard)

REGULATION & DEVELOPMENT

Procurement via GeM portal above Rs 3 lakh crore so far this fiscal: India’s public procurement portal Government e-Marketplace (GeM) has facilitated sales of around Rs 3 trillion so far in the current financial year, which suggests that it will surpass last year’s performance by a wide margin. In 2023-24 the portal handled procurement of Rs 4 trillion by the government departments in both centre and states, and public sector enterprises. In last financial year the gross merchandise value of transactions on the portal had doubled on year. Since the start of operations in 2017-18 the GeM has enabled transactions of close to Rs 11 trillion, a senior official said.
(Financial Express)

PSBs set to launch MSME credit model this month, reveals document: Amid directions from the finance ministry, most public sector banks (PSBs) are ready to launch the credit risk

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assessment model for micro, small and medium enterprises (MSMEs), with a loan amount between Rs 25 lakh and Rs 5 crore to be assessed by the model for different banks, according to an internal government document reviewed by Business Standard.Bank of India, Punjab & Sind Bank, Canara Bank and Indian Bank are planning to launch this model on November 25.

(Business Standard)

FINANCIAL TERMINOLOGY

INDEX OF INDUSTRIAL PRODUCTION (IIP)

- The Index of Industrial Production (IIP) is a composite indicator that measures the short-term changes in the volume of production of a basket of industrial products during a given period with respect to that in a chosen base period. In India, the first official attempt to compute the Index of Industrial Production (IIP) was made much earlier than the first recommendation on the subject came at the international level. With the inception of the Central Statistical Organization (now known as National Statistics Office (NSO)) in 1951, the responsibility for compilation and publication of IIP was vested with it.
- In India, the eight core industries account for 40.27 per cent of the weighting of items included in the Index of Industrial Production (IIP). The 8 core industries includes; Electricity, Steel, Refinery products, Crude oil, Coal, Cement, Natural gas and Fertilizers.
- The Index is used by government agencies and departments such as the Finance Ministry and the RBI for policymaking. It is also used for estimating the Gross Value Added of the manufacturing sector quarterly. It is the only measure of the physical volume of production. It is also extremely useful for the projection of advance GDP estimates.

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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 : 84.4050
INR / 1 GBP : 107.1291
INR / 1 EUR : 89.0630
INR /100 JPY: 54.1500

EQUITY MARKET

Sensex: 77580.31 (-110.64)
NIFTY: 23532.70 (-26.35)
Bnk NIFTY: 50179.55 (+91.20)

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