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DAILY NEWS DIGEST BY BFSI BOARD

21 October 2024

ECONOMY

Net formal job creation under EPFO up at 1.85 million in August: Payroll data: Net formal job creation through the Employees' Provident Fund Organisation (EPFO) reached 1.85 million in August, marking a 9.07% increase compared to the 1.69 million jobs added in August 2023, according to the most recent government data. Net new subscribers added to EPFO stood at 1.41 million in April, 1.51 million in May and 1.67 million in June this year. The provisional data, released by the Ministry of Labour and Employment on Sunday, indicates a month-on-month decrease of 7.03% from the record-breaking 1.99 million net formal jobs created in July this year. This July figure was the highest ever addition to EPFO since data computation began in 2018. The ministry statement said: "As per the data, around 0.93 million new members enrolled during August 2024, which is an increase of 0.48% when compared to August 2023.
(Business Today)

Govt bond yields seen hardening after RBI governor ruled out a rate cut: Government bond yields are expected to rise on Monday as the market sentiment dampened after Reserve Bank of India (RBI) Governor Shaktikanta Das cautioned that an interest rate cut at this stage could be "very premature" and "risky", citing significant inflation risks. The RBI has projected inflation at 4.5 per cent for the current financial year (FY25), based on the assumption of a normal monsoon and stable supply conditions. However, retail inflation surged to a nine-month high of 5.49 per cent in September.
(Business Standard)

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BANKING & FINANCE

HDFC Bank Q2 Results: Net profit rises 5.3% to ₹16,821 crore, NII up 10% YoY; Asset quality declines: HDFC Bank announced its July-September quarter results for fiscal 2024-25 (Q2FY25) on Saturday, October 19, reporting a rise of 5.3 per cent in standalone net profit at ₹16,821 crore, compared to ₹15,976 crore in the corresponding period last year. Net interest income (NII) rose 10 per cent to ₹30,110 crore compared to ₹27,390 crore in the year-ago period. The September quarter will be the first time HDFC's YoY numbers will be comparable after its merger with its parent Housing Development Finance Corp (HDFC) was completed in July 2023. In the merger, HDFC Bank added a large volume of loans to its portfolio but a smaller amount of deposits, putting it under pressure to increase the pace at which it raises deposits or to slow loan growth in the current quarters. HDFC Bank's asset quality witnessed slight deterioration, with gross NPAs rising to 1.36 per cent of the gross loans by the end of September 2024 from 1.33 per cent in the preceding June quarter. Similarly, net NPAs or bad loans rose to 0.41 per cent from 0.39 per cent in the June quarter.
(Mint)

HDFC Bank aims to reduce CD ratio, plans slower loan growth in FY25: The country's largest private sector lender HDFC Bank on Saturday said it will grow its loan book slower than the industry in the current financial year (FY25). The move comes as the lender looks to bring down its elevated credit – deposit (CD) ratio to pre-merger levels. "We will bring down the CD ratio faster than what we had anticipated. In FY26, we may be at or around the system growth rate, and in FY27, we should be faster", said Sashidhar Jagdishan, managing director and chief executive officer, HDFC Bank, in a call with analysts following the bank's September quarter (Q2) earnings.
(Business Standard)

Irdai asks insurers to check vulnerabilities in IT systems, take measures: Following data leaks from insurance, the Insurance Regulatory and Development Authority of India (Irdai) has issued an advisory to all insurance companies asking them to check their Information Technology (IT) systems for vulnerabilities and take steps to protect policyholders' data. The insurance regulator said in a statement, "There have been reports of data leaks from two insurers recently. At the outset, it is stated that the Irdai considers data security as very important and takes data breach, cyber-attacks on IT systems of insurance companies, etc very seriously." Recently, there was a data breach at Star

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Health & Allied Insurance's servers and reportedly sensitive data of 31 million customers were put up for sale on the messaging platform Telegram amounting to an estimated 7.24 terabytes.
(Business Standard)

Finmin considers proposal to raise posts of Chief General Managers in PSBs: The finance ministry is considering a proposal to raise the posts of Chief General Managers in public sector banks in view of their increasing business and profitability. As per existing government guidelines, there can be one Chief General Manager (CGM) for four General Managers in a public sector bank (PSB). The CGM post was created in 2019, after the merger of 10 nationalised banks to four large lenders. CGMs act as an administrative and functional layer between the General Manager and the Executive Director. Besides, PSBs have also requested the Department of Financial Services that boards should be allowed to decide on the number of posts, as per their business needs.The existing ratio of GM/DGM/AGM is 1:3:9, which is based on 2016 position, and needs to be reviewed for better functional control," a senior executive of a nationalised bank said, adding this will help in improving retention of senior officers.
(Business Standard)

INDUSTRY OUTLOOK

Retail group AICPDF calls for CCI probe into Blinkit, Swiggy, Zepto over alleged predatory pricing: India's largest group of retail distributors, the All India Consumer Products Distributors Federation (AICPDF), has urged the Competition Commission of India (CCI) to investigate three prominent quick commerce companies—Zomato's Blinkit, Swiggy, and Zepto—for alleged predatory pricing practices. According to a report by Reuters citing a letter dated October 18, the AICPDF claims these companies are offering deep discounts and selling products below cost to attract customers, undermining traditional retail operations. Quick commerce has emerged as a significant trend in India, with companies promising delivery of goods ranging from groceries to electronics within a mere 10 minutes. This rapid service model is reshaping consumer shopping habits and posing challenges to established e-commerce giants like Amazon, the report added.
(Moneycontrol)

Automobile exports increase 14% YoY in H1FY25 buoyed by PVs, two-wheeler demand: Automobile exports from India increased by 14 percent year-on-year (YoY) in the first six months of the current fiscal year, driven by strong demand for passenger vehicles and two-wheelers. According

to data from the Society of Indian Automobile Manufacturers (Siam), total exports during the April-September period reached 2,528,248 units, compared to 2,211,457 units in the same period last year. In FY24, automobile exports declined by 5.5 percent due to monetary crises in various overseas markets, with total exports falling to 4,500,492 units from 4,761,299 units in FY23. Passenger vehicle shipments rose by 12 percent year-on-year to 376,679 units in the first half of the current fiscal year, up from 336,754 units in the same quarter last year.
(Business Today)

BSE, NSE to conduct one-hour Diwali 'Muhurat Trading' on Nov 1: Leading stock exchangesBSE and NSE will conduct a one-hour special 'Muhurat Trading' session on the occasion of Diwali on November 1, marking the start of the new Samvat 2081. The symbolic trading session will be held between 6 PM and 7 PM, the stock exchanges said in separate circulars. The session also marks the beginning of a new Samvat — the Hindu calendar year that starts on Diwali — and it is believed that trading during the 'Muhurat' or auspicious hour brings prosperity and financial growth for the stakeholders. The market will remain closed for regular trading on Diwali, but a special trading window will be open for one hour in the evening. The exchanges announced that the pre-opening session will take place from 5:45 PM to 6:00 PM. Market analysts said that Diwali is considered to be the ideal time to start anything new.
(Business Line)

REGULATION & DEVELOPMENT

Banks prepare for higher outflow rates on retail deposits ahead of revised liquidity coverage ratio rules: Commercial banks have started applying higher outflow rates on retail deposits in preparation for the upcoming revisions to the liquidity coverage ratio (LCR) rules, which require them to purchase more high-quality liquid assets. The banking regulator is set to issue revised LCR rules to mitigate the risk emanating from mass withdrawals of deposits-an event that triggered the collapse of Silicon Valley Bank in the US. Although the Reserve Bank of India has not yet issued the final guidelines for the revised LCR regulations, banks said that they are likely to be effective April 1 next year. The proposed rules direct banks to deploy more funds in high-quality liquid assets to prepare them for a mass withdrawal by depositors. These assets, mostly government securities, could be quickly liquidated in a hypothetical stress episode where lenders offering internet and mobile banking facilities face quick fund withdrawals or transfers.
(Economic Times)

PM launches 'Karmayogi Saptah' - National Learning Week: Prime Minister Shri Narendra Modi launched the 'Karmayogi Saptah' - National Learning Week at Dr Ambedkar International Centre in New Delhi today. Addressing the gathering, the Prime Minister said that through Mission Karmayogi our goal is to create human resources that would become the driving force of our country's development. Expressing his satisfaction at the progress made, the Prime Minister added that if we keep working with this passion, no one can stop the country from progressing. He underlined that the new learnings and experiences during the National Learning Week will provide strength and help in improving working systems which will help us achieve our goal of Viksit Bharat by 2047. Mission Karmayogi was launched in September 2020 envisioning a future-ready civil service rooted in Indian ethos, with a global perspective. National Learning Week (NLW) will provide fresh impetus towards individual and organisational capacity development for Civil Servants creating a "One Government" message and aligning everyone with national goals and promoting lifelong learning.
(PiB)

FINANCIAL TERMINOLOGY

MERCANTILISM

- ❖Mercantilism was an economic system of trade that spanned the 16th century to the 18th century. Mercantilism was based on the principle that the world's wealth was static, and consequently, governments had to regulate trade to build their wealth and national power. Many European nations attempted to accumulate the largest possible share of that wealth by maximizing their exports and limiting their imports via tariffs.
- ❖Mercantilism was a form of economic nationalism that sought to increase the prosperity and power of a nation through restrictive trade practices. Its goal was to increase the supply of a state's gold and silver with exports rather than to deplete it through imports. It also sought to support domestic employment.
- ❖On the other hand, Capitalism provides several advantages over mercantilism for individuals, businesses, and nations. With capitalism's free-trade system, individuals benefit from a greater choice of affordable goods. On the other hand, mercantilism restricts imports and reduces the choices available to consumers. Fewer imports mean less competition and higher prices.

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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 : 84.0710
INR / 1 GBP : 109.8018
INR / 1 EUR : 91.1716
INR /100 JPY: 56.0600

EQUITY MARKET

Sensex: 81224.75 (+218.14)
NIFTY: 24854.05 (+104.20)
Bnk NIFTY: 52094.20 (+805.40)

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