



ICMAI
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DAILY NEWS DIGEST BY BFSI BOARD

24 August 2024



ECONOMY

Fed Chairman Jerome Powell signals interest rate cut at Jackson Hole: 'Time has come', inflation risk has shifted: United States Federal Reserve Chairman Jerome Powell on August 23 indicated an easing of monetary policy and a cut in interest rate, as the risk has shifted from inflation to employment, probably necessitating the Fed to look at supporting the labour market. "The time has come for policy to adjust," said Powell in his keynote address at the keenly-watched annual Jackson Hole retreat . "The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks," Powell added.

(Moneycontrol)

Goldman Sachs cuts India's 2024 and 2025 GDP growth forecasts: Goldman Sachs Group Inc. has lowered India's growth forecast by 20 basis points each for this year and the next, citing a contraction in central government expenditure. The bank now expects the nation's economy to expand at 6.7% in calendar 2024, and 6.4% in 2025. The current year's downgrade factors a 35% year-on-year contraction in government expenditure during the April-June quarter that coincided with the weeks-long general election, the US bank's economist led by Santanu Sengupta wrote in a report Friday. India's growth next year will be hampered by the government's commitment in the budget to bring down the fiscal deficit to below 4.5% of gross domestic product. Expansion will also face headwinds from slower real consumption growth, driven by a slowdown in household credit due to the Reserve Bank of India's stricter rules to control unsecured lending by banks, the economists said. However, easier monetary policy may offset some of the drag on real GDP growth next year as Goldman Sachs expects the RBI "to start its easing cycle in December 2024."

(Moneycontrol)

US India's top trade partner again, pips China in H1 2024: The US re-claimed the slot of India's top trading partner in January-June period of this calendar year with a growth of 5.3% to \$ 62.5 billion but New Delhi's largest trade deficit in the period was with China, according to a report by



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Global Trade Research Initiative. In 2023-24 China had overtaken the US as the top trading partner by small margin. India's foreign trade hit a record \$849 billion in the first half of 2024, marking a 5.8% increase compared to the same period in 2023, driven by a 6.05% rise in exports.

(Financial Express)

BANKING & FINANCE



Deposit mobilisation not a challenge for bank: SBI chief Dinesh Khara: State Bank of India Chairman Dinesh Khara on Friday said that he does not foresee any challenges for the bank in deposit mobilisation, despite the intensified competition among banks to attract deposits by raising short-term deposit rates. Speaking on the sidelines of the 38th regional conference of Western India Regional Council, Khara said: "We are in a position to support our loan book growth well. So, I think so long as we can support the loan book growth well, I don't think we do have any challenge." In response to declining deposits, several Indian banks have introduced limited-period special fixed-deposit (FD) schemes with higher interest rates for specific tenures. HDFC Bank, India's largest private-sector lender, rolled out a special edition FD scheme, offering attractive interest rates for select tenures of 35 and 55 months. Customers can earn 7.35 per cent interest for a 35-month deposit and 7.4 per cent for a 55-month deposit, for amounts below Rs 3 crore.

(Business Standard)

Tata Power Solar Systems, ICICI Bank partner to finance solar units: Tata Power Solar Systems Ltd (TPSSL) has signed an agreement with ICICI Bank to provide financing for solar units to residential and corporate customers. As part of the agreement, the customers can avail themselves of loans up to Rs 90 lakh with collateral-free options and tenure extending up to 5 years. They can also get higher loans with collaterals with tenures of up to 20 years, said TPSSL, a wholly-owned subsidiary of Tata Power Renewable Energy Limited (TPREL). "TPSSL announces its strategic collaboration with ICICI Bank to provide loans to finance the purchase of solar panels/ units for residential and corporate customers," the company said in a statement.

(Business Standard)

Central bank digital currency won't serve any special purpose, says SS Mundra: Former Reserve Bank of India deputy governor SS Mundra is not optimistic about the success of the central



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bank digital currency (CBDC), or the electronic form of rupee, despite the RBI's efforts to popularise it. "If we talk about CBDC vis-a-vis UPI (united payments interface), usage of UPI is already prevalent and I don't see that CBDC serves any special purpose," Mundra said here on Friday. "It's good to have one (CBDC) though," he said at a programme to mark Bandhan Bank's ninth anniversary.

(Economic Times)

INDUSTRY OUTLOOK



Anil Ambani banned from security market for 5 yrs, fined Rs 25 cr by Sebi: The Securities and Exchange Board of India (Sebi) has imposed a significant blow to industrialist Anil Ambani and 24 other entities, including key former officials of Reliance Home Finance Ltd (RHFL), by banning them from the securities market for five years and imposing a penalty of Rs 25 crore on the industrialist. The decision follows a detailed investigation into allegations of fund diversion from RHFL, revealing a fraudulent scheme orchestrated by Ambani and his associates. In its 222-page order, Sebi outlined how Ambani leveraged his position as chairperson of the ADA Group and his indirect control over RHFL to collaborate with the company's key managerial personnel to misappropriate company funds. These funds were disguised as loans extended to entities linked to Ambani, which were often financially unviable and lacked sufficient assets or revenue.

(Business Standard)

Unemployment among women increased in first quarter, shows PLFS data: The jobless rate for women in urban areas worsened during the first quarter (April-June) this financial year, showing the increased barriers for women looking for work, an analysis of the latest quarterly Periodic Labour Force Survey (PLFS) showed. The data shows the women unemployment rate increased in urban areas to 9 per cent in April-June (Q1) from 8.5 per cent in the preceding quarter. The increase in the unemployment rate was accompanied by a fall in the female labour force to 25.2 per cent from 25.6 per cent during the quarter. This implies despite fewer women looking for work, labour markets were not able to create enough jobs for them.

(Business Standard)

Govt plans to review 6-decade-old sugar production, pricing norms: The food ministry plans to revamp the nearly six-decade-old regulation regarding production, storage and pricing of sugar to align it with technological advancements. In this regard, the Ministry of Consumer Affairs, Food and Public Distribution has issued the draft 'The Sugar (Control) Order, 2024'. The ministry



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proposes to review the Sugar (Control) Order of 1966 due to the technological advancements in the production process. "...there are multiple changes in the sugar sector which necessitates the revamping of existing the Sugar (Control) Order, 1966," said the ministry while issuing the draft. The draft order details power the government to regulate production of sugar as well as restrict its sale, storage and disposal by producers and dealers. The ministry has invited stakeholders' comments on the draft by September 23. On power to regulate price of sugar, the draft says: "The Central Government shall, at the time of issuing any order regarding price of sugar for sale...take into consideration the fair and remunerative price (FRP) of sugarcane, approximate and average conversion cost for production of sugar from sugarcane/beetroot, average revenue realisation from by-products generated in the process of sugar production".

(Business Standard)



REGULATION & DEVELOPMENT

RBI shares dates for premature redemption of 30 gold bonds. First date on October 11:

The Reserve Bank of India has announced the dates for premature redemption of Sovereign Gold Bonds issued between May 2017 and May 2020. The central bank is planning to redeem 30 SGBs from October 11 and February 7, 2025. The redemption price will be announced by the Reserve Bank of India (RBI) based on the average gold price on the last three days before maturity. The window for redemption requests will be open for a period of 20 days. Following the submission of a redemption request, the amount, along with interest, will be credited to the investor's account within 10 days. The first redemption period for Sovereign Gold Bonds (SGB), which were issued on May 12, 2017, is scheduled to take place from October 11, 2024, to November 2, 2024. The redemption amount will then be deposited into the investor's account on November 12. Although SGBs have a duration of 8 years, investors have the option to request early redemption after 5, 6, and 7 years.

(Business Today)

Market regulator Sebi asks auditors to tread with caution with SMEs: Whole-time member of the Securities and Exchange Board of India (Sebi) Ashwani Bhatia on Friday sounded a cautionary note on listings and fundraising by small and medium enterprises (SMEs), amid instances of manipulation and fraudulent practices. Speaking at a conference held by the Institute of Chartered Accountants of India (ICAI), Bhatia stressed that such cases could have been prevented with diligent



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auditing. His comments came after Sebi's recent actions against several SMEs for flouting norms, manipulating financials, and engaging in fraudulent activities. The regulator has also found instances of the use of mule accounts to inflate IPO subscriptions and pricing.

(Business Standard)



FINANCIAL TERMINOLOGY

LONG TAIL

- ❖ The long tail is a business strategy that allows companies to realize significant profits by selling low volumes of hard-to-find items to many customers, instead of only selling large volumes of a reduced number of popular items.
- ❖ Long-tail may also refer to a type of liability in the insurance industry or to tail risk found in investment portfolios. This definition deals with the business strategy use of the term.
- ❖ The long tail concept considers less popular goods that are in lower demand. These goods could actually increase in profitability because consumers are navigating away from mainstream markets. This theory is supported by the growing number of online marketplaces that alleviate the competition for shelf space and allow an unmeasurable number of products to be sold, specifically through the Internet.



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 : 83.8746
INR / 1 GBP : 110.0698
INR / 1 EUR : 93.3362
INR /100 JPY: 57.6800

EQUITY MARKET

Sensex: 81086.21 (+33.02)
NIFTY: 24823.15 (+11.65)
Bnk NIFTY: 50933.45 (-52.25)

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 - ❖ BFSI Chronicle (quarterly issue of BFSIB)
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