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DAILY NEWS DIGEST BY BFSI BOARD

24 September 2024

ECONOMY

Unemployment rate unchanged at 3.2% in 2023-24 as female unemployment rises: India's unemployment rate remained unchanged at 3.2% in 2023-24 (July-June), as female unemployment rose to 3.2 percent from 2.9 percent in the previous year, according to the annual Periodic Labour Force Survey report released on September 23. The male unemployment rate for both rural and urban areas dipped to 3.2 percent compared with 3.3 percent. On the other hand, female labour force participation rose to its highest level of 41.7% in seven years compared with 37 percent in the previous year. 2023-24 also marks the first year when female labour force participation crossed 40 percent. However, it remains much below male labour force participation, which also rose to a seven-year high of 78.8 percent.
(Moneycontrol)

Govt working to reduce extent of GDP revisions: The statistics ministry is working on reducing "drastic revisions" in the GDP numbers, through making changes in the method of its computation, an official source told FE. The aim is to make tweaks in the computation method by 2026 – when the new GDP series will be officially introduced, the source said. "We want minimum revision. Currently revisions are of the range of 40-50 basis points, we want this to be reduced," the person said. In recent quarters, questions have been raised about the sharp changes in estimates of GDP and its various constituents, as well as high frequency indicators like index of industrial production. The national income data for the first and second quarters of last fiscal year, for instance, were revised upwards by 40 and 50 basis points respectively, from the first to second provisional estimates. Experts also have been critical of the incompatibility between the rates of growth of GDP and its main constituents like private consumption expenditure and the sharper-than-usual gap between the GDP and gross value added (GVA). Furthermore, nominal GDP estimates have been said to be not truly reflecting the inflation situation.
(Financial Express)

Govt envisages Rs 9.15 lakh crore investments in power transmission by 2032: The government is expecting investments to the tune of Rs 9.15 lakh crore in the central and state transmission systems by 2032, as part of the revised National Electricity Plan, Union Minister for Power Manohar Lal Khattar said on Monday. Highlighting the ministry's work in the last 100 days, he said that the NEP (2023-2032), to be released in the next 15 days, would aim at meeting peak demand of 458 GW by 2032, up from over 240 GW seen in 2023. Under the new plan, the government plans to expand the country's transmission network to 6.48 lakh circuit kilometers (ckm) in 2032 from 4.85 lakh circuit kilometers in 2024.
(Financial Express)

BANKING & FINANCE

RBI's proposed LCR norms will curtail banks' lending to NBFCs further: Reserve Bank of India's (RBI's) proposed draft guidelines on the liquidity coverage ratio (LCR) under Basel-III norms, if implemented in the current form, is likely to make it more difficult for low-rated non-banking financial companies (NBFCs) to obtain cheaper credit from banks, said sources. The draft guidelines, which will come into effect from April next year, are expected to skew bank lending towards NBFCs with AAA or AA ratings. "For smaller NBFCs, things will become more difficult. Already with tighter lending norms for NBFCs, credit from banks have come down. New LCR norms will just aggravate the situation further. We have given our feedback to the banking regulator," said an official at one of the smaller NBFCs. Under the new LCR norms, banks will be required to assign an additional 5% run-off factor for retail deposits enabled with internet and mobile banking facilities. For banks, this translates into higher requirements to buy high-quality liquid assets. As a result, banks will have fewer funds for lending. This has given rise to fear amongst NBFCs as funds will dry up for them and force them to borrow at higher rates, thereby squeezing their margins further.
(Financial Express)

Infra bond demand surges as default rates plummet: A sharp decline in default rates in the infrastructure sector has boosted investor confidence, driving strong demand for recent infrastructure bond issuances by banks. These bond issuances have received an overwhelming response from investors, with bids coming in several times higher than the issue size. According to data from the National Bank for Financing Infrastructure and Development (NaBFID), the default rate for investment-grade companies, which peaked at 4.5% in FY16, has steadily dropped to below 0.5% over the past three years.

(Financial Express)

Share of borrowers rated Prime+ on rise, shows TransUnion CIBIL data: Axis Finance, IDBI Bank & IDBI Trusteeship Services have withdrawn the n an indication that the credit culture is improving, the share of borrowers rated prime and above is on the rise, data provided by credit bureau TransUnion CIBIL showed. But at the same time, retail credit growth and the number of new borrowers climbed at a moderate pace. The share of prime and higher rated borrowers-those with credit score above 731-has increased from 51% in June 2022 to 55% in June 2024, while that of subprime borrowers with credit score between 300 and 681 has decreased from 0.22% to 21% in the same period, the data released by the bureau said. A recent report by the bureau indicated that self monitoring by individual borrowers rose more than 50% in FY24.

(Economic Times)

INDUSTRY OUTLOOK

SEBI study finds 93% of individual F&O traders made losses between FY22 and FY24: Individual traders in the futures and options (F&O) market suffered a staggering Rs 1.8 lakh crore in aggregate losses over the past three fiscal years, with nearly 93 percent of more than 1 crore investors, or nine out of 10 traders, incurring average losses of Rs 2 lakh each, according to a Securities and Exchange Board of India (SEBI) analysis. Notably, the top 3.5 percent of loss-makers -- about 4 lakh traders -- suffered an average loss of Rs 28 lakh each over the three years from FY22 to FY24, inclusive of transaction costs. Only one percent of the individual traders managed to earn profits exceeding Rs 1 lakh, after adjusting for transaction costs. This assumes significance as an earlier study published in January 2023 by the capital market watchdog showed that 89 percent of individual equity F&O traders lost money in FY22.

(Moneycontrol)

Payment platform Mobikwik gets Sebi nod for Rs 700 crore IPO: Online payments firm One Mobikwik Systems Ltd on Monday received market regulator Sebi's approval to float its respective initial public offering (IPO). The company is looking to raise Rs 700 crore through its initial stake sale. According to draft IPO papers, the issue will entirely be a sale of fresh equity shares with a face value of Rs 2 each with no offer-for-sale (OFS) component. "The net proceeds from the issue will be

utilised towards funding growth in the financial services business; growth in the payment services business; investment in data, ML and AI and product and technology; capital expenditure for the payment devices business; and general corporate purposes," it stated.
(Business Today)

FPIs pump over Rs 87,000 cr into domestic equities in September quarter: Foreign portfolio investors (FPIs) have pumped over Rs 87,000 crore (over $10 billion) into domestic equities this quarter, the highest inflow since the three months ended June 2023. A combination of better growth prospects, increased weightage in global indices, and large initial public offerings (IPOs) have ensured a healthy influx of foreign money to the Indian markets, which remain pricey compared to global peers. FPI flows had slumped in the first two quarters (March and June) of calendar 2024 after pumping Rs 53,036 crore in the December 2023 quarter. In the March 2024 quarter, FPIs were net buyers of Rs 8,786 crore, while they turned net sellers to the tune of Rs 3,040 crore in the June 2024 quarter.
(Business Standard)

REGULATION & DEVELOPMENT

India attends first in-person IPEF Supply Chain Council and Crisis Response Network meeting at Washington DC: Indian delegation attended the first in-Person meeting of the Supply Chain Council of the Indo-Pacific Economic Forum (IPEF) for Prosperity held in Washington DC on 12 September 2024 followed by Crisis Response Network meeting on 13 September 2024. These formal meetings were preceded by Panel discussions on various topics related to supply chain resilience with special focus on the United States initiatives including the creation of dedicated Supply Chain Centre and development of the tool like SCALE. While the US is the Chair, India is the vice Chair of the Supply Chain Council. Substantial progress was made in this meeting. The Council adopted the one-year work plan detailing the action to be taken by the Council for the entire year. Apart from this, the major achievements were the establishment of three Action Plan Teams pertaining to three sectors, namely Semiconductor; Critical Minerals with a focus on batteries; and Chemicals. It was also principally agreed by the partner countries to establish another Action Plan Team related to Healthcare/Pharma sector, wherein the Action Plan Team will come into operation once the Chair for the same is finalised. These sectors were identified from the list of critical sectors and key goods notified by the Partner countries.

(PiB)

Fresh formal hirings increase in July by 2.5% to 1.05 million: EPFO data: The number of monthly fresh formal hirings increased in July, signalling a recovery in the formal labour market. In July, the number of new monthly subscribers under the Employees' Provident Fund (EPF) increased by 2.6 per cent to 1.05 million from 1.02 in June, according to the latest monthly payroll data released by the Employees' Provident Fund Organisation (EPFO) on Monday. The EPFO data is considered crucial as only the formal workforce enjoys social security benefits and is protected by labour laws. Of the total 1.05 million new EPF subscribers in July, the share of young people belonging to the 18-25 age group also slightly increased to 59.4 per cent (625,000) from June, when 59.1 per cent (606,000) of new subscribers were in this age group.

(Business Standard)

India overtakes China as top EM market, but China's achievements noteworthy: According to Morgan Stanley, India crossed China to become the largest market in the emerging markets (EM) universe at the end of August. This is based on India's weight in the MSCI All Countries World IMI (investible large, mid and small cap) index. This will soon be reflected in the MSCI Emerging Market indices as well. The MSCI All Countries World index is the primary measure of global stock market performance. Today, India ranks as the fifth-largest market in this global index, tied with France, with a weight of 2.35 per cent. The US has the highest weighting.

(Business Standard)

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FINANCIAL TERMINOLOGY

EMBARGO

- An embargo is a trade restriction, typically adopted by a government, a group of countries, or an international organization as an economic sanction. Embargoes can bar all trade, or may apply only to some of it—for example, to arms imports.
- They are designed to punish the targeted country for its actions, and to deny it the means to carry out objectionable policies.
- For example, U.S. embargoes bar trade with Cuba, North Korea, Iran, and Syria, and trade restrictions on Russia and Russian-occupied Ukraine have had a similar effect.
- Countries dependent on global trade or technology imports are especially vulnerable to embargoes. In contrast, determined authoritarian regimes have successfully resisted embargoes for decades, often at immense cost to living standards.

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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 : 83.5128
INR / 1 GBP : 111.2056
INR / 1 EUR : 93.2064
INR /100 JPY: 57.9400

EQUITY MARKET

Sensex: 84928.61 (+384.30)
NIFTY: 25939.05 (+148.10)
Bnk NIFTY: 54105.80 (+312.60)

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