

ಪತ್ರಿಕಾ ತುಣುಕುಗಳು
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ಪತ್ರಿಕೆಯ ಹೆಸರು : NAME OF THE NEWS PAPER: Indian Express ದಿನಾಂಕ : DATE: 23/5/2020

KEY POLICY RATES CUT

RBI slashes rate at which it lends money to banks, called repo rate, by 40 bps to 4%; also cuts rate at which banks park money with it - reverse repo - to 3.35%

WORKING CAPITAL SHIELD

Moratorium on working capital interest extended by three months. All interest accumulated for six-month moratorium period can be converted into a term loan

NEGATIVE GDP GROWTH

RBI governor admitted the impact of Covid-19 is more severe than anticipated and GDP growth during 2020-21 is likely to remain in the negative territory

Loan moratorium window gets bigger, EMIs set to dip

EXPRESS NEWS SERVICE

THE RBI on Friday confirmed that the current fiscal was no picnic as growth enters negative territory. If this happens, it'll be the first time since 1980 when real GDP registered a de-growth.

So, playing it by the ear, the central bank got its financial ducks in a row reducing key benchmark rates, extending loan moratorium by three months, deferring interest on working capital loans, besides throwing a small but additional credit line to the commercial sector.

Moratorium on all term loans, including housing and auto loans, has been extended till August 31 allowing borrowers to conserve cash amid employers' unkind salary cuts and layoffs.

Financial advisers, however, suggest timely repayments wherever possible to avoid an insane interest accumulation.



SBI Chairman Rajnish Kumar said only 20% of the bank's borrowers availed moratorium between March and May, though more could follow suit in round two.

The big cheese within the Friday fix includes extension of interest on working capital by three months till August 31.

Interest can be converted into a term loan for companies big and small, which can be repaid by March 2021. It means, borrowers get more than six months additional time and money as banks will convert accumulated interest on work-

ing capital into a funded interest term loan (FITL).

"We feel majority of MSMEs have opted for the same and possibly around half of corporates have opted for it. Further, with around 75% of such debt is A and above rated, we expect them to be able to pay the accumulated interest as scheduled or to the FITL," said Sowmya Kanti Ghosh, Group Chief Economic Adviser, SBI.

Meanwhile, repo rate was cut by 40 basis points to 4%, while reverse repo rate was slashed to 3.35%. Repo rate was cut by 115 bps in flat 60 days, which means interest rates will go down further, particularly home loans that will touch new historic levels.

Existing borrowers, whose loans are linked to MCLR, however, will have to wait until individual banks' technical advisory committees take a call on rate reduction, while loans linked to external benchmarks could see a quicker correction.

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RBI

'Biggest blow from private consumption'

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GOING by the high frequency indicators, RBI governor Shaktikanta Das said the biggest blow for the economy came from private consumption, which accounts for over 60 per cent of the GDP. Particularly, consumer durables production plunged 33 per cent in March and could go even lower given the lockdown, which commenced late March. There will be gradual revival of activity and demand by the second half of FY21, Das reasoned.

As for inflation, prices are likely to remain firm in the first half of 2020 - which is why RBI is maintaining its accommodative stance keeping the door wide open for further rate cuts - but could ease in subsequent months.

Food inflation, which blew hot and cold between January and March, has now surged to 8.6 per cent in April with prices of vegetables, oilseeds, and milk bursting at the seams. Though food inflation is currently under pressure, MPC was of the view that headline inflation in first half of 2020 will stay intact, but by Q3 and Q4 it may fall below the target of 4 per cent.

According to Das, a ray of hope emerges from the forecast of normal monsoons with agriculture and allied activities standing as a beacon of hope for the country.