

## Daily Economic News Summary: 4 June 2019

### 1. Government Bank Earnings Provide Some Good News On Bad Loans

Source: Livemint ([Link](#))

Aggregate bad loans of state-run banks declined 12% to ₹7.17 trillion in the year ended 31 March as the rate at which loans turned bad slowed and lenders accelerated a long-running clean-up by writing off soured assets. For private sector banks, the reduction in gross non-performing assets (NPAs) was 1.3% during the same period, according to data collated by Capitaline. The data was compiled from 18 public sector banks and 17 that were outside state control. Fiscal year (FY) 2018-19 marked the first year of improvement in impaired loan ratios, giving comfort that Indian banks are on a path to recovery in terms of asset quality, Kotak Institutional Equities said in a note.

### 2. RBI Revises Norms On Banks' Exposure To Large Borrowers

Source: Livemint ([Link](#))

The Reserve Bank of India (RBI) on 3 June revised its guidelines on banks' exposure to large borrowers which had taken effect on 1 April this year. RBI had introduced the large borrower framework three years ago to reduce concentration risk in a banking industry laden with bad loans. The guidelines had capped every bank's exposure to a group of connected firms at 25% of its core capital, and to an individual company at 20%. In a notification on Monday, the central bank said that it has excluded all entities connected with the sovereign from the definition of group of connected companies. For instance, exposures where the principal and interest are fully guaranteed by the government or exposures to central and state governments will be excluded from counter-party exposure.

### 3. RBI's June Monetary Policy Meet Begins Today; These Factors May Shape Rate Cut Decision

Source: Livemint ([Link](#))

The second bi-monthly monetary policy committee (MPC) meeting of the RBI began on 3 June amid expectations that another rate cut may be in the offing, even as banks didn't fully pass the benefits of the previous cut to the customers. The meet holds significance as it comes at a time of

-muted GDP growth and slowdown in the economy. Even as the central bank cut rates by 50 bps since February, the MCLR rates have only dipped marginally by 5 bps. The RBI may not slash rates on account of concerns around monsoon, oil prices, firming wholesale and retail prices, incomplete transmission by the banks among others, said Goldman Sachs in a report released last week ahead of announcement of the Q4FY19 GDP data.

#### **4. Government To Offer Extra Subsidised Foodgrain**

**Source: The Economic Times ([Link](#))**

Government is planning to provide one kg of sugar to an additional 16.3 crore families through public distribution system (PDS) at a subsidised rate that will cost the exchequer Rs 4,727 crore and is also mulling offering additional foodgrains from buffer stock to clear storage ahead of monsoon. According to sources, the food ministry's proposal to extend scheme of providing sugar at a subsidised rate was discussed during the first Cabinet meeting of the new government held last week but no decision was taken. Instead, the cabinet asked the ministry to rework the proposal and consider distribution of additional foodgrains (wheat or rice) under the PDS, they added.

#### **5. Commerce Ministry To Hold Meet With Stakeholders On June 6 To Discuss Ways To Boost Exports**

**Source: Financial Express ([Link](#))**

Representatives of central and state governments, industry and exporters will meet on June 6 to discuss ways to boost exports amidst growing protectionism globally, an official said. Members of the Council for Trade Development and Promotion and the Board of Trade will be meeting to deliberate upon all issues related to the country's trade, the official said. Meanwhile, Minister of State for Commerce and Industry Som Parkash said the meeting will be headed by Commerce and Industry Minister Piyush Goyal and discuss various issues related to the industry. He was speaking with reporters at Phagwara in Punjab.

#### **6. Vistara To Launch International Flights In Second Half Of 2019**

**Source: The Economic Times ([Link](#))**

Full service carrier Vistara, which has been serving the Indian skies for more than four years, plans to launch international services in the second half of this year. A joint venture between Tata and Singapore Airlines, Vistara might also look at starting medium and long-haul flights, depending on approvals, amid the grounding of Jet Airways. Currently, Vistara has more than 22

planes and operates around 850 flights every week. Last month, the carrier announced it would take on lease four Boeing 737-800 NG aircraft and two A320 neo planes.

#### **7. Air India Sets Up Nodal Cell In Delhi To Facilitate Interaction Among Advisors For Disinvestment**

**Source: Firstpost ([Link](#))**

Air India has constituted a nodal cell at its headquarters in New Delhi to facilitate interaction between various advisors, which have been appointed to assist the airline in its disinvestment process, said an official document. The Civil Aviation Ministry had told Air India on 6 May that it should prepare 2018-19 financials for itself and its subsidiaries by end of June as the Prime Minister's Office (PMO) has decided to speed up the disinvestment process of three of its wings. During last year's disinvestment process, which did not succeed, the national carrier had appointed EY as its transaction advisor and Cyril Amarchand Mangaldas as its legal advisor. It is not clear if the same set of advisors would be assisting the airline in its disinvestment process this year.

#### **8. Shunned At Home, India's Shadow Banks Are Paying More For Foreign Funds**

**Source: Business Standard ([Link](#))**

India's shadow banks are being forced to go overseas more for money as local lenders balk at extending funds, flagging strains in a key industry for an economy that's already sputtering. The country's non-banking financial companies have raised more than \$2 billion of overseas bonds and loans in 2019, a record compared with the same period in previous years, according to data compiled by Bloomberg. The lifeline is welcome, even as it underscores a scramble after a string of defaults by peer IL&FS Group last year made investors wary. The development comes at a trying time for India's shadow banks, which lend to everyone from poor entrepreneurs getting micro loans for food delivery businesses to property tycoons looking to roll over debt. The economy expanded at its slowest pace in

#### **9. GST Council Likely To Tweak Textiles Rates In Line With Global Markets**

**Source: Business Standard ([Link](#))**

The Goods and Services Tax (GST) Council, which is likely to meet for the first time after elections in the first half of this month, is likely to take up rationalisation of rates in the textile sector in line with the global markets. "Removal of anomalies in tax rates in the sector is one of several issues that needs immediate attention," said a government source. Differential rates of

textile items are causing hardships, especially on refund to exporters, he said. The government is concerned about the issue, he said. At present, there are three rates — 5, 12 and 18 per cent — for various items under the textile sector. While other countries, such as Thailand (10 per cent), China (16 per cent), and Indonesia (7 per cent) have a single rate regime. This makes them more lucrative and competitive.

#### **10. India To Become 5th Largest Economy Globally This Year; 2nd In APAC Region By 2025**

**Source: Money Control ([Link](#))**

India is forecast to overtake the UK to become the world's fifth largest economy this year and projected to surpass Japan to feature at the second position in the Asia-Pacific region by 2025, IHS Markit said. In a report on Prime Minister Narendra Modi and his BJP party's victory in the national elections, it said the economic outlook "looks positive" for the second term of Modi government, with GDP growth forecast to average around 7 per cent per year over the 2019-2023 period. As India continues to ascend in the rankings of the world's largest economies, its contribution to global GDP growth momentum will also increase. India will also play an increasingly important role as one of the Asia-Pacific region's major economic growth engines, helping to drive Asian regional trade and investment flows.