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CURRENT AFFAIRS

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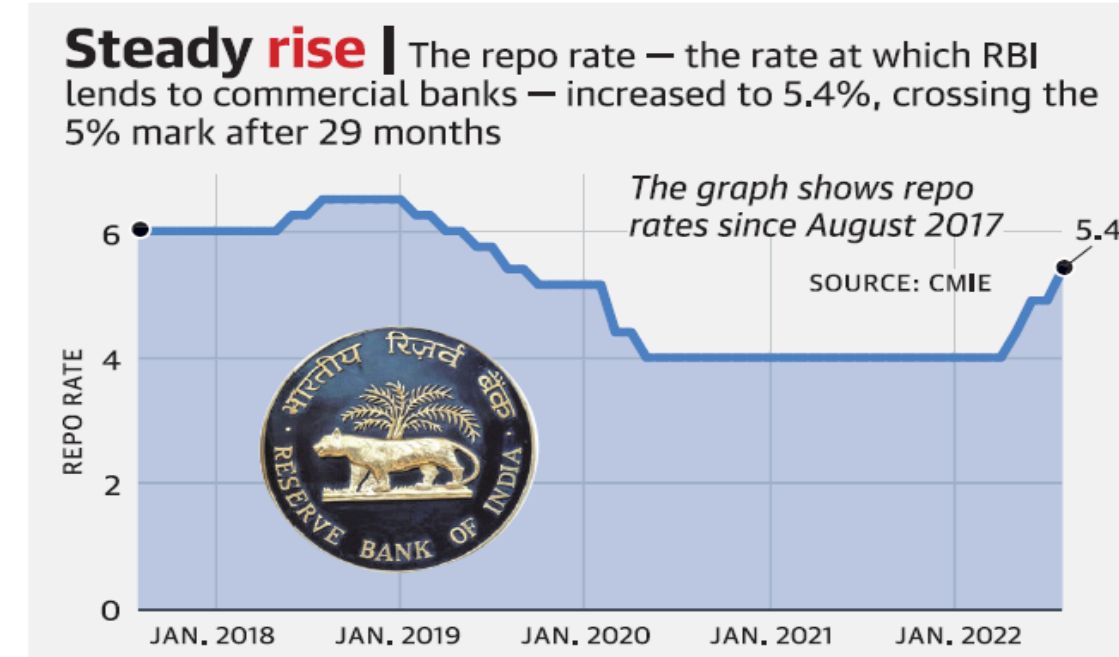
RBI raises rates, vows nimble policy

Policy repo rate raised by 50 basis points to 5.4%

SPECIAL CORRESPONDENT
MUMBAI

With inflation remaining at 'elevated levels', the Monetary Policy Committee (MPC) of the Reserve Bank of India unanimously decided to raise the policy repo rate by 50 basis points (bps) to 5.4%.

"Inflation is projected to remain above the upper tolerance level of 6% through the first three quarters of 2022-23, entailing the risk of destabilising inflation expectations and triggering second round effects," the MPC said in a statement, explaining the rationale for its decision on Friday. "Given the elevated level of inflation and resilience in domestic economic activity... further calibrated monetary policy action is needed to contain inflationary pressures, pull



back headline inflation within the tolerance band closer to the target, and keep inflation expectations anchored so as to ensure that growth is sustained," it added.

The MPC also said it would remain focused on

"withdrawal of accommodation" to ensure that inflation remains within the target, while supporting growth.

The RBI retained its inflation and GDP growth projections for the current fiscal year ending in March 2023 at 6.7% and 7.2%, respectively.

Addressing a press conference, Governor Shaktikanta Das said the RBI would use a "whatever-it-takes" approach to ensure a safe and soft landing for the economy despite the uncertainties.

The policy response to the unfolding economic situation would be "calibrated, measured and nimble", Mr. Das said.

'Rate hike may hit home sales'

Costlier loans, rising input costs to impact sales: Anarock

**SPECIAL CORRESPONDENT
MUMBAI**

The Reserve Bank of India's decision to raise interest rates will impact housing sales, according to top officials of real estate consulting firms and developers.

"With the hike of 50 bps in policy rates, home loan lending rates would now edge further into the red zone," said Anuj Puri, chairman, Anarock Group.

"This whammy comes along with the inflationary trends of primary raw materials, including cement, steel, labour that have recently led to a rise in property prices. Together, these factors will impact residential sales," he added.

"For the real estate sector specifically, the third subsequent rate rise will



mean a deterioration of affordability and may impact homebuyers' sentiments," said Shishir Baijal, CMD, Knight Frank India.

Shrinking affordability

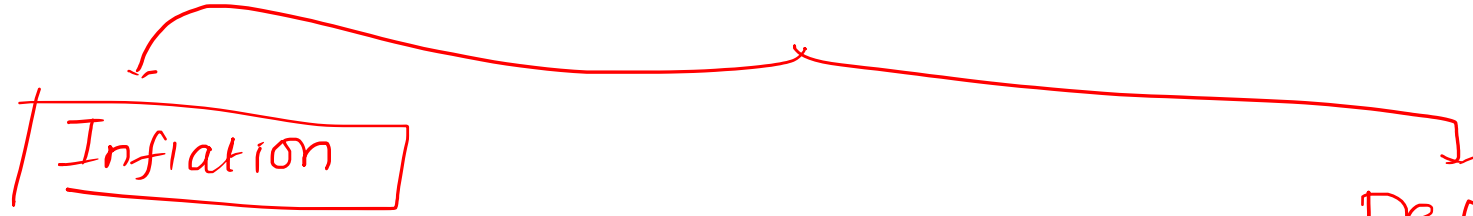
"With the cumulative rate hikes until today, assuming complete transmission, a prospective homebuyer's affordability shrinks by around 11% (i.e. the ability to purchase a house of ₹1 crore value shrinks to ₹89

lakh now)," he added. Developers were likely to undertake mitigating measures to soften the blow on homebuyer affordability.

"There has been an increase in appetite for home ownership post the pandemic, and with the upcoming festive season, it might generally withstand the marginal changes in loan rates," said Anshuman Magazine, chairman and CEO - India, South East Asia, Middle East & Africa, CBRE.

"Sales in the real estate sector are mainly funded through retail financial institutions and we expect that marginal changes will have a minimal impact on buying decisions," said M. Murali, CMD, Shriram Properties Ltd.

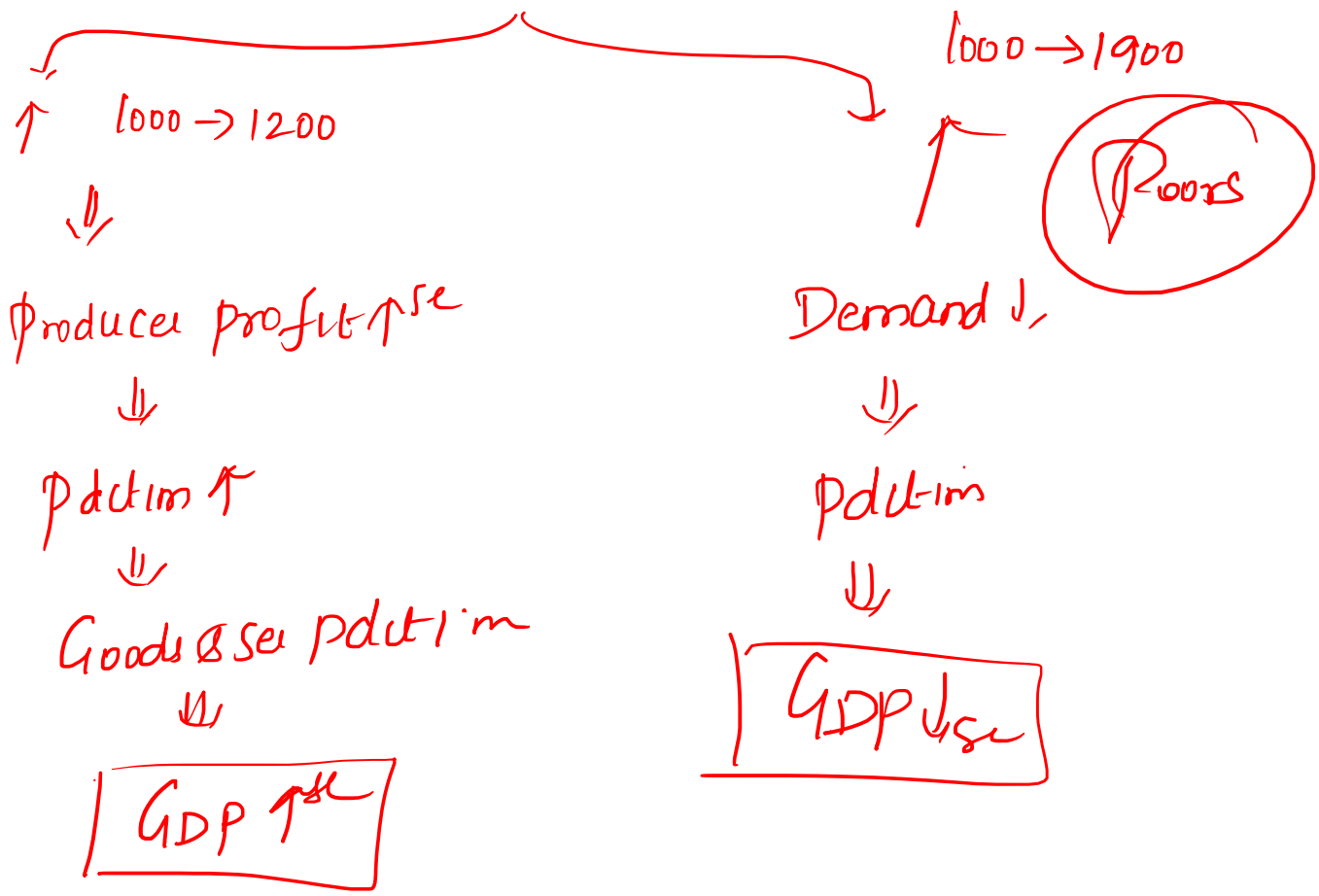




Inflation

General Price Rise

Deflation
General price ~~Rise~~ Reduce.



1000 → 800

Profit ↓

Production ↓

Supply ↓

✓ Inflation ↑
X Deflation ↓

Central Bank (RBI): $4 \pm 2\%$ = Monetary Policy.

$2 \text{ to } 6$

\checkmark MS \uparrow \Rightarrow demand \uparrow \Rightarrow Price \uparrow \Rightarrow Inf / MS \downarrow \checkmark
 \checkmark \downarrow \Rightarrow \downarrow \Rightarrow \downarrow \Rightarrow def / MS \uparrow

Repo rate

Loan
 RBI \rightarrow Bank \rightarrow Customers
 Short term IR \pm
 Interest rate RR \pm f
 RR

RR \uparrow \Rightarrow IR \uparrow \Rightarrow Loan \downarrow \Rightarrow MS \downarrow

TOPIC:RBI,BANKING

Banks cannot always rely on RBI to fund credit offtake: Das

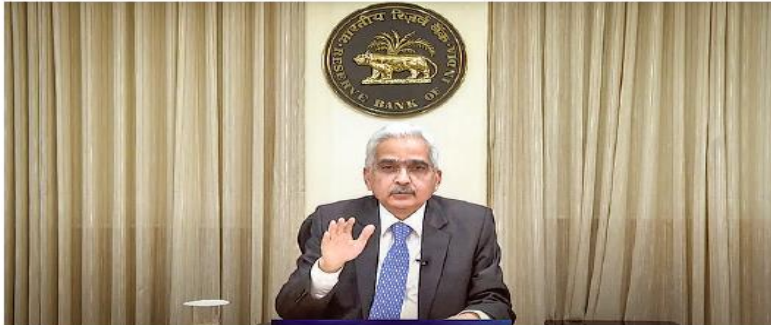
Lenders need to mobilise more deposits to aid credit growth, says RBI Governor

PRESS TRUST OF INDIA
MUMBAI

RBI Governor Shaktikanta Das on Friday said banks could not perennially rely on the central bank's money to support credit offtake and needed to mobilise more deposits to aid credit growth.

He said banks had already begun to pass on the increase in repo rates to depositors and that the trend was expected to continue.

"When there is a credit offtake, banks can sustain and support that credit offtake only if they have higher deposits," Mr. Das told reporters during the post-policy meeting. "They cannot be relying on the central bank money on a perennial basis



Ripple effect: Banks have already started to raise deposit rates and the trend is expected to continue, says Das ■PTI

to support credit offtake ... they have to mobilise their own resources and funds."

Third in a row

Friday's increase in the repo rate by 50 bps to 5.4% was the third increase in a row by

the RBI since May in its fight against inflation which has been hovering above the central bank's upper tolerance band of 4-6%. Retail inflation was 7.01% for June.

In May, RBI had raised the repo rate by 40 basis points

(bps) and increased it again by 50 bps in June.

RBI Deputy Governor Michael Patra said there had been very aggressive deposit mobilisation starting with bulk deposits. "We expect deposit mobilisation to catch up with the credit very quickly," he said.

In the fortnight ended July 15, bank credit grew 12.89% and deposits by 8.35%.

Asked whether there was concern about higher amounts of bad loans being written off by banks, compared with recoveries and upgradation, Deputy Governor M.K. Jain clarified that these were prudential write-offs without forgoing the right to recovery.

- **Credits off take** :Demand for loans is increasing. Recovery from recession.
- If increase in credit is for consumption purposes that implies inflation. If it is for productive purposes economic growth is outcome

↳ MSTA - d - p per

TOPIC: CLIMATE CHANGE

1992: Earth Summit

Sticking to commitments

India must set an example by balancing energy use and climate goals

At the head of the 27th Conference of the Parties of the UNFCCC (COP 27), in Sharm El-Sheikh, Egypt, in November, the Union Cabinet has approved India's Nationally Determined Contributions (NDC), a formal statement detailing its action plan to address climate change. The 2015 Paris Agreement requires countries to spell out a pathway to ensure the globe does not heat beyond 2°C, and endeavour to keep it below 1.5°C by 2100. The subsequent COPs are a quibbling arena where countries coax, cajole and make compromises on the cuts they can undertake over multi-decadal timelines with the least impact on their developmental priorities. While the end product of the COP is a joint agreement, signed by all member countries, the real business begins after, where countries must submit NDCs every five years, mapping what will be done post 2020 to stem fossil-fuel emissions. India's first NDC, in 2015, specified eight targets, the most salient of them being reducing the emissions intensity of GDP by 33%-35% (of 2005 levels) by 2030, having 40% of its installed electricity capacity sourced from renewable energy, and creating an additional carbon sink of 2.5-3 billion tonnes of CO₂ equivalent through forest and tree cover by 2030. Being a large, populous country, India has high net emissions but low per-capita emissions. It has also, by participating in COPs for decades, made the case that the existing climate crisis is largely due to industrialisation by the U.S. and developed European countries since 1850. However, years of negotiations, international pressure and clearer evidence of the multi-dimensional impact from climate change have seen India agree to move away from fossil fuels over time.

At COP 26 in Glasgow in 2021, Prime Minister Narendra Modi laid out five commitments, or 'Panchamrit', as the Government references it, which included India increasing its non-fossil energy capacity to 500 GW by 2030 and achieving "Net Zero" by 2070, or no net carbon dioxide emitted from energy sources. However, the press statement on the Cabinet decision was silent on whether India would cut emissions by a billion tons and on creating carbon sinks. While India is within its right to specify its emissions pathway, it should not – at any forum – promise more than what it can deliver as this undermines the moral authority that India brings to future negotiations. India has expressed its intent, via several legislations, to use energy efficiently and many of its biggest corporations have committed to shifting away from polluting energy sources. Going ahead, these should be grounds for India, at its pace, to be an exemplar for balancing energy use, development and meeting climate goals.

Nationally determined contributions (NDCs) are at the heart of the Paris Agreement and the achievement of these long-term goals.

❖ The Paris Agreement (Article 4, paragraph 2) requires each Party to prepare, communicate and maintain successive nationally determined contributions (NDCs) that it intends to achieve..

❖ NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change.

❖ Parties shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions

Privilege of MPs does not extend to criminal cases, says Venkaiah

'Wrong notion about immunity from action by agencies when House session is on'

SPECIAL CORRESPONDENT
NEW DELHI

Rajya Sabha Chairman M. Venkaiah Naidu said on Friday that members have a wrong notion that they have a privilege from action by the investigating agencies while the session is on.

The Congress has been protesting against the alleged misuse of Central agencies such as the Enforcement Directorate (ED), the Central Bureau of Investigation (CBI) and the Income Tax Department by the government to "frame" political rivals.

The Congress members had on Thursday forced adjournments in the Upper House when Leader of the Opposition Mallikarjun Kharge said he had received summons from the ED to appear before the agency even while the House was in session. Priyanka Chaturvedi of the Shiv Sena too raised the issue of the arrest of Sanjay Raut by the ED saying that the Chairman should have

No member should avoid appearing before any investigating agency when she or he is called upon to do so by citing reason of House duty. As lawmakers, it is our bounden duty to respect the law and legal procedures

M. VENKAIAH NAIDU, Rajya Sabha Chairman



been apprised of the situation.

On Friday too, protests by the Congress members on the issue led to an adjournment by nearly 30 minutes.

As the House assembled, Mr. Naidu said, "Going by what has happened in the past few days, I want to clarify one thing that there is a wrong notion among the members that they have a privilege from action by agencies while the session is on."

He said he had examined all the precedents and under Article 105 of the Constitution, MPs enjoyed certain privileges so that they can

perform their parliamentary duties without any hindrance. "One of the privileges is that a Member of Parliament cannot be arrested in a civil case, 40 days before the commencement of the session or committee meeting and 40 days thereafter. This privilege is already incorporated under section 135A of the Civil Procedure Code.

However, in criminal matters, MPs are not on a different footing than a common citizen. "It means that an MP does not enjoy any immunity from being arrested in a criminal case during the session or otherwise," Mr. Naidu said.

He recounted a ruling given in 1966 by Dr. Zakir Husain that said, "Members of Parliament do enjoy certain privileges so that they can perform their duties. One such privilege is freedom from arrest when Parliament is in session. This privilege of freedom from arrest is limited only to civil cases and has not been allowed to interfere in the administration of criminal proceedings."

Mr. Naidu asked the members to recall an observation made earlier by him in which he said, "No member should avoid appearing before any investigating agency when she or he is called upon to do so by citing reason of House duty. As lawmakers, it is our bounden duty to respect the law and legal procedures. It applies to all, in all cases, because you can only inform that the House is in session, seeking further date, but you cannot avoid the enforcement agencies or their summons or notices."

▪ **Article 105:** Powers, privileges, etc of the Houses of Parliament and of the members and committees thereof

▪ (1) Subject to the provisions of this constitution and the rules and standing orders regulating the procedure of Parliament, there shall be freedom of speech in Parliament

▪ (2) No member of Parliament shall be liable to any proceedings in any court in respect of anything said or any vote given by him in Parliament or any committee thereof, and no person shall be so liable in respect of the publication by or under the authority of either House of Parliament of any report, paper, votes or proceedings

Aug 4
Aug 6
Weekly
Comp - Jan
Aug 1 - Aug

THANK YOU

