
BANKING AND FINANCIAL AWARENESS

MARCH 2020: WEEK II

INDIA'S FOREX RESERVED JUMPED TO ALL-TIME HIGH OF \$481.5 BILLION

- On 20th September 2019, the country's forex reserves stood at \$428.5 billion, and have grown by \$53 billion to a lifetime high of \$481.5 billion on 28th Feb 2020.
- The fall in global crude prices has played an important role as a \$20 drop saves India \$30 billion per annum.
- Due to the coronavirus outbreak, there is a sharp decline in Brent crude oil prices, currently trading at around \$45.2 per barrel, the lowest since June 2017.

MOODY SLASHED INDIA'S GDP TO 5.3% FOR 2020

- Moody's had reduced India's growth projection for the calendar year 2020 to 5.4% from 6.6% on 17th February 2020.
- In less than a month's time, it has again slashed the growth projection from 5.4% to 5.3% for 2020 in its latest "Global Macro Outlook 2020-2021".
- The major cause of the downward projection is an extensive and prolonged slump as a result of COVID-19 outbreak.
- The agency has said that the global spread of the coronavirus is resulting in simultaneous supply and demand shocks.

SENSEX BIGGEST SINGLE DAY LOSS

- Sensex and Nifty declined to clock their biggest single-day losses (in terms of points) ever on 9th March 2020.
- While Sensex declined to 1,941 points, Nifty declined to 538 points on the same day.
- The sharpest fall was registered in banking, consumer durables, metal and oil and gas stocks.
- The previous biggest fall for Sensex was on 24th August 2015 when the index closed 1,624 points lower at 25,741.

SBI REDUCED FD RATES FOR 2ND TIME

- State Bank of India (SBI), has cut interest rates on fixed deposits (FDs) for the second time in a month on 10th March 2020.
- Now the FDs maturing between 7 days to 45 days will offer an interest rate of 4% as against 4.50 % earlier.
- Interest rates on FDs maturing in one-year and above have been reduced by 10 basis points.
- An interest rate of 5.90% against 6 % earlier, will be applicable on FD with One-year to less than two-year tenor.

2018-19 RECORDED HIGHEST FDI INFLOW

- Commerce and Industry Minister Piyush Goyal, in a written reply to a question in the Lok Sabha said that the FDI inflow stood at the highest ever for the fiscal year 2018-19.
- In 2018-19, the foreign direct investment (FDI) inflow stood at a record 62 billion US dollars.
- FDI is when a company takes controlling ownership in a business entity in another country.

INDIA'S CURRENT ACCOUNT DEFICIT

- According to data released by Reserve Bank of India (RBI) on 12th March 2020, India's current account deficit (CAD) stands just at \$1.4 billion in the October- December quarter of the 2019-20 fiscal year.
- The data showed that the CAD eased to 0.2% of GDP in the December quarter (3rd quarter) from 0.9% of GDP in the September quarter.
- The CAD accounted for 2.7% of the GDP in the year-ago period.
- As per the RBI data, the net foreign direct investment was at \$10 billion in the third quarter while external commercial borrowing-related inflows stood at \$3.2 billion.

RBI ANNOUNCED US DOLLAR SELL/BUY SWAP

- The Reserve Bank of India has announced a six month US dollar sell/buy swap in a statement issued on 12th March 2020.
- The US dollar sell/buy swap is announced by RBI observing the mismatch in the US dollar liquidity across the world.
- Due to COVID 19 outbreak, a slump in international crude prices and a decline in bond yields in advanced economies, financial markets worldwide are facing intense selling pressures on extreme risk aversion.