

2020

**Volume 11**

# APAS MONTHLY

## THIS MONTH

### Season's greetings!

In this issue, Mr. Sunil Mehta, Chief Executive, Indian Banks' Association has presented his thoughts on 'Trends in Banking industry: Shape of things to come'. We thank Mr. Mehta for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Indian banking and financial services sector under the pandemic'

The economic indicators showed mixed performance. Manufacturing PMI rose to a 13-year high of 58.9 in October from 56.8 in September. India's annual infrastructure output in October contracted by 2.5%. India's Index of Industrial Production (IIP) witnessed a growth of 0.2% in September. PMI services rose to 54.1 in October from 49.8 in September, while composite PMI rose to 58 in October from 54.6 in September. CPI inflation surged to a 77-month high of 7.61% in October from 7.27% in September. WPI inflation rose to an 8-month high of 1.48% in October from 1.32% in September.

The Gross Domestic Product (GDP) growth rate for the second quarter (July-September) of 2020-21 contracted 7.5%.

The Reserve Bank of India (RBI) released (1) Monetary Policy Statement (2) Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private

Sector Banks (3) Measures for Digital Payment Transactions – Streamlining QR Code infrastructure  
(4) Model for Co-Lending by Banks and NBFCs to Priority Sector.

The Insurance Regulatory Development Authority of India (IRDAI) announced Insurance Regulatory and Development Authority of India (Minimum Information Required for Investigation and Inspection) Regulations, 2020. IRDAI announced directives on unclaimed Amounts of Policyholders.

Cabinet announced extension of Emergency Credit Line Guarantee Scheme through ECLGS 2.0 for the 26 sectors identified by the Kamath Committee and the healthcare sector. IFSC Authority approved the International Financial Services Centres Authority (Banking) Regulations, 2020. Finance Minister announced measures on AatmaNirbhar Bharat 3.0.

Securities and Exchange Board of India (SEBI) released guidelines on (1) Introduction of Unified Payments Interface (UPI) mechanism and Application through Online interface and Streamlining the process of Public issues of securities (2) Introduction of “Flexi Cap fund” as a new category under equity schemes (3) Limited Purpose Clearing Corporation (LPCC) (4) Investor Grievance Redressal Mechanism (5) Enhancement of Overseas Investment limits for Mutual Funds (6) Rights issue of units by an unlisted Infrastructure Investment Trust (InvIT).

Our newsletter is focused on tracking the performance of the economy and the regulations and laws governing the Banking and Financial Services companies. We hope that this APAS Monthly is insightful.

We welcome your inputs and thoughts and encourage you to share them with us.

*Ashwin parekh*

## On the cover



## GUEST COLUMN

*Trends in Banking industry: Shape of things to come*

*Mr. Sunil Mehta  
Chief Executive  
Indian Banks' Association*



## APAS COLUMN

*Indian banking and financial services sector under the pandemic*



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## BANKING



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## INSURANCE



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- [IFSC Authority approves the International Financial Services Centres Authority \(Banking\) Regulations, 2020](#)
- [Finance Minister announces measures on AatmaNirbhar Bharat 3.0](#)



## CAPITAL MARKETS

- Introduction of Unified Payments Interface (UPI) mechanism and Application through Online interface and Streamlining the process of Public issues of securities
- Introduction of "Flexi Cap fund" as a new category under equity schemes
- Limited Purpose Clearing Corporation (LPCC)
- Investor Grievance Redressal Mechanism
- Enhancement of Overseas Investment limits for Mutual Funds
- Guidelines for rights issue of units by an unlisted Infrastructure Investment Trust (InvIT)

## CAPITAL MARKETS SNAPSHOT

- CNX Nifty, BSE Sensex, India VIX, \$/₹, GIND 10Y

Countries	GDP			CPI		Current Account Balance % of GDP, 2016*	Budget Balance % of GDP, 2016*	Interest Rates (10YGov), Latest
	Latest	2016*	2017*	Latest	2016*			
Brazil	-2.9Q3	-3.4	0.9	7.0 Nov	8.3	-1.1	-6.4	11.8
Russia	-0.4Q3	-0.5	1.2	5.8 Nov	7.0	2.4	-3.7	8.60
India	7.3 Q3	7.2	7.5	3.6 Nov	4.9	-0.9	-3.8	6.51
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10 <sup>A</sup>
S Africa	0.7 Q3	0.4	1.3	6.6 Nov	6.3	-4.0	-3.4	9.00
USA	1.6 Q3	1.6	2.2	1.7 Nov	1.3	-2.6	-3.2	2.56
Canada	1.3 Q3	1.2	1.9	1.5 Oct	1.5	-3.5	-2.5	1.78
Mexico	2.0 Q3	2.1	1.9	3.3 Nov	2.8	-2.8	-3.0	7.31
Euro Area	1.7 Q3	1.6	1.3	0.6 Nov	0.2	3.2	-1.8	0.25
Germany	1.7 Q3	1.8	1.4	0.8 Nov	0.4	8.8	1.0	0.25
Britain	2.3 Q3	2.0	1.1	1.2 Nov	0.6	-5.7	-3.7	1.55
Australia	1.8 Q3	2.9	2.8	1.3 Q3	1.3	-3.5	-2.1	2.86
Indonesia	5.0 Q3	5.0	5.2	3.6 Nov	3.5	-2.1	-2.6	7.93
Malaysia	4.3 Q3	4.3	4.6	1.4 Oct	1.9	1.8	-3.4	4.31
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
S Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

Japan	1.9 Q3	2.5	1.9	1.2 Nov	0.8	3.5	-8.9	3.15
Philippines	1.7 Q3	2.3	2.0	-0.1 Oct	-0.8	11.2	11.2	3.48
Thailand	1.1 Q3	1.7	1.8	1.1 Oct	1.3	1.2	1.2	3.15
Indonesia	1.1 Q3	1.2	1.5	1.1 Oct	1.7	1.2	1.2	3.15
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49

## ECONOMIC DATA SNAPSHOT

- Global GDP, CPI, Current account balance, budget balance, Interest rates



## Trends in banking industry: Shape of things to come

*Mr. Sunil Mehta  
Chief Executive  
Indian Banks' Association*

During the lockdown induced by the COVID pandemic, service industry was unduly affected. Essentially, service entails human contact and interactions. However, banks being the life line of finance for the Indian economy, even during the lock down they were the “front line warriors” of the financial world. Banking operations continued without much fuss. No disruption of banking services was heard and all the government welfare benefits were distributed to the needy through the banks with the help of Direct Benefit Transfer (DBT) mechanism. All these were possible with the help of technology. Although in the banking sector adoption of technology has started decades back, further push to digitalization was helped by adjustments needed during the lock down. In the financial sector, Digital Banking, Fintech, less cash society, Big Techs etc are quite commonly used in today’s context. One positive thing coming out of the “physical distancing” is the realisation of several options to adopt technology in various segments of banking. It can be an internal decision-making processes, product offering, and delivery of services or end to end digitalisation from origination to service delivery. The changes we have adopted as a transitional measure, actually opened up a new world for us. To my mind, this pandemic would act as catalyst to accelerate digital transformation in the financial sector.

Already in the operational side, we are seeing digital transformation. Customers also have realized that it is not necessary to be physically present to do routine banking transactions. Further, stability in the availability of banking services have created confidence in customers in using digital platforms offered by banks. We have also reached a level where the customer is fully satisfied with the services which are offered digitally. Taking advantage of the situation, banks could continue investing in efficient and robust digital frameworks so that they remain agile to changes post covid. A combination of right mix of good processes, people and technologies will remain a success “mantra” for good as well as bad times. Going forward, organisations are assessed by their robust technology framework and how they respond to issues and challenges in managing crises.

Before covid, end to end digital offerings was predominantly in retail banking space. SMEs and corporate lending was more of “phygital” – a combination of digital and physical banking. This space will see further traction in digital transformation. Traditional concept of relationship building through meetings with clients may would need a relook. Technology evolution in banking with the integration of Enterprise Resource Planning (ERP) systems through Application Programming Interface (APIs) have redefined corporate banking experiences, bringing them at par with retail banking. Now we have several fintechs that can offer innovative solutions to banks incorporate digitalisation in all these areas. This also calls for a relook into the business processes and align them with digital processes so that cost of services could be reduced.



Another area where we can see some changes is in the human resource management of the banks. Concept of employee engagement will need a relook post covid as many of the employees have adapted to “Work from Home” models. Sudden shift in working models has created some challenges to the banks. However, the adaptability of the work force to changes has helped the management to tide over this difficult situation. While short term challenges are managed, the thoughts on future of HR management are quite critical. Organisation will have to evaluate employee engagement, productivity, the operational costs, etc. These evaluation processes will deviate from the traditional methods. Since employees are working remotely, emotional connect among them will be affected. Here, regular communication from the management on various aspects of company’s growth and prospects, employee engagement, employee wellbeing, etc would help in keeping the employees together with the feeling of “belonging”.

An interesting research I came across recently from Accenture on “Global banking consumer study 2020” on making digital banking more human. As we all know, banking heavily depends on trust and relationships which are built over the years through human interactions. If banking is predominantly digital what would be the impact on trust factor? According to the report the threat of digitalisation is the commoditisation of banking services and everything will finally revolve around the price. One way of addressing this would be to distinguish between the shift in consumer behavior to short term and long term, means those that are unlikely to change. Injecting humanity and personal touch in digital offerings which have more positive impact would help to maintain the “feel good” factor among the customers. We may see innovations in this space in the post covid era.

Lastly, along with digitalization, the cyber risk landscape is evolving. Bank leaders face the difficult task of balancing the traditional method to risk management with the need to respond quickly to a crisis that has created massive changes to their operating environment. Criminal cyber activity, including fraud and phishing attacks, has increased as more employees work remotely. This space will see more traction in the coming days.

In nutshell, banking is transforming from phygital to virtual with human face.

\*Views are personal. Neither APAS nor any of its employees endorse any view, products or services mentioned in the article.



## APAS Article: Indian banking and financial services sector under the pandemic

COVID-19 has challenged the regulators and banking sector across the world. The RBI started introducing measures such as reduction in monetary policy rates, introduction of moratorium for loans, targeted long-term repo operations for grass root level lending through NBFCs, open market operations, etc. at the very beginning of the lockdown. As the banking sector is gliding through the curves of recovery, a lot of active interventions are being made by the bankers and regulator alike to reinforce normality amidst disruptions in transmission of credit. We discuss the impact of such interventions on state of lending, deposit mobilization and overall capital adequacy of the banking sector.

The gross bank credit as on October 2020 remained INR 92.1 lakh crore. The incremental growth from March to October 2020 remained -0.5%, over same period last year for gross bank credit. The YoY growth in aggregate deposits has been observed to be 10.5% and 10.9% in September and August 2020 respectively and YTD growth rate of 4.5%. The monetary policy transmission has also been notable in the period from March to September 2020. While the repo rate was reduced by 115 bps, the reduction in median term deposit rates was 125 bps and in 1-year median MCLR was 80 bps. Credit to the NBFC sector decelerated to 17.1 per cent in August 2020 from 38.8 per cent a year ago. In the personal loan segment, growth in vehicle loans accelerated from 3.7 per cent in August 2019 to 8.4 per cent in August 2020; during the same period, growth in housing loans decelerated from 16.6 per cent to 11.1 per cent. As per Microfinance institutions network (MFIN), the loan disbursements by MFIs had dropped by 96% to INR 570 crore in the Q1FY21.

In order to expedite the restructuring process for NPAs during the COVID-19, an RBI committee under veteran banker Mr K.V. Kamath reported sector specific key financial parameters including leverage and debt servicing metrics to be gauged by lenders for restructured accounts. As per guidelines, borrowers that were classified as standard or SMA-0 (less than 30 days default) with the lending institution as on March 1, 2020, would be eligible for resolution. Such stricter norms for restructuring, coupled with limiting the maximum restructuring tenure at two years for the residual tenure, would ensure only eligible businesses get restructured. RBI also permitted borrowers moratorium period on loans from March 2020 to August 2020. During this period, NPA levels stayed broadly flat on account of standstill asset classification norms. Initial moratorium at industry level was seen above 50%. However, gradual unlocking and lenders effort led moratorium to reduce to ~25% in June 2020. The overall restructuring within the industry is seen at an average of 6-7%, whereas private banks performing slightly better at 2-5%. NBFCs, HFCs are expected to restructure around <10% of book. The overall restructuring amount including loans under moratorium for entire period, for the industry is being seen as to be around INR 5-6 lakh crore by market analysts. The PSU banks are expected to bear greater share



in this. Prior to the moratorium period, the capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks (SCBs) edged down to 14.8 per cent in March 2020 from 15.0 per cent in September 2019 while their gross non-performing asset (GNPA) ratio declined to 8.5 per cent from 9.3 per cent and the provision coverage ratio (PCR) improved to 65.4 per cent from 61.6 per cent over this period. As per Financial Stability Report (FSR), under baseline stress scenario the capital adequacy ratio may fall from 133 bps to 13.3% by March 2021 against March 2020 due to difficulty in raising capital. Asset quality post COVID-19 is uncertain due to reinforcement of asset classification norms.

With IBC process at standstill till 24th December 2020, the recovery process and thereby normalization for the banks has just been delayed. The GNPA ratio for Q1FY21 stood around 9.6% from 9.1% in the previous quarter, NNPA ratio stood at 3.2% vs. 3.1% for these periods (COVID-related provisioning not included). On account of such standstill, the incremental stress may start mounting and contribute to ageing NPAs leading to keeping credit costs elevated in the long-term. Once the period for reporting stressed assets as per the Kamath committee's recommendations is over, the actual performance of the banks shall be clear.

Considering the dire need of capital in banking system, the regulator is exploring all possible avenues. RBI has released a report by its internal working group, which envisages measures such as inviting corporate entities as majority shareholders of banks, relaxation in norms for conversion of payment banks to Small finance banks, conversion of well-run NBFCs into universal banks, enhancing minimum initial capital requirements for all entities, etc. These measures may be seen as an attempt to open up avenues for capital infusion/ownership while sustaining corporate governance of banks.

Further due to pandemic, the banking sector faced an important challenge of overnight digitisation of its processes and educating all the stakeholders of such facilities. The banking sector, in the long-term may see digitization and cyber security as important operational requirements. Going forward, the major challenges for the banking sector would include pandemic-proofing large sections of society, especially those that tend to get excluded in formal financial intermediation.

The banking sector reflects the overall performance of the economy, which may continue to perform sub-optimally for quite some time now. The measures introduced by the regulator and the government have reinforced the much-needed timely relief, however major contributing factors shall remain credit uptake on account of eventual recovery of the economy. Until now, the NPA levels are seen in line with last year's performance, this may not be sustainable going forward. Recognizing the stressed assets due to COVID-19 was made much easier for the banks owing to the K V Kamath committee's recommendations. Going forward these structurally strong assets may see a faster recovery. The regulatory reforms on ownership structure may be seen as Alternate Avenue for capital source and ownership. Implementation and compliance, however, may be the key for these to be successful.

**-APAS**



## ECONOMY

### **IIP (Index of Industrial Production) – September**

Index of Industrial Production (IIP) or factory output for the month of September 2020 witnessed a growth of 0.2%, compared to a contraction of 8% in August 2020 and 4.6% in September 2019.

The General Index for the month of September 2020 stands at 123.2, which is 0.2% lower as compared to September 2019.

The manufacturing sector, which constitutes 77.63% of the index, declined by 0.6% in September, to 125.3.

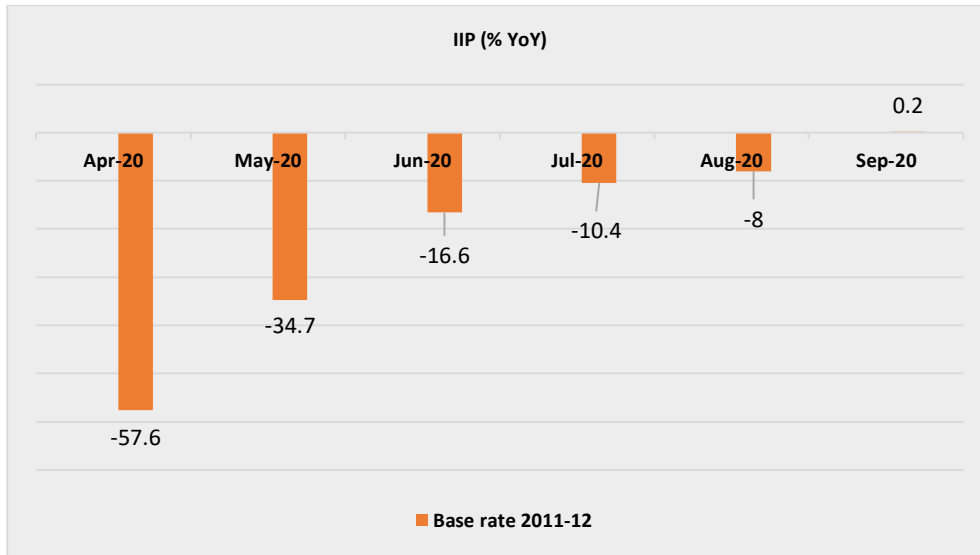
Mining sector output grew by 1.4% in September, to 87.6.

Power generation rose by 4.9% in September, to 166.4.

As per Use-based classification, the indices stand at 112.1 for primary goods, 88.4 for capital goods, 132.2 for intermediate goods and 128.5 for infrastructure/construction goods for September.

Further, the indices for consumer durables and consumer non-durables were at 125.9 and 149.9, respectively.

The IIP for April-September period has contracted by 21.1%. It had registered a growth of 1.3% during the same period last fiscal.



Source: APAS BRT, [www.mospi.gov.in](http://www.mospi.gov.in)

### **CPI (Consumer Price Index) – October**

India's consumer price index (CPI) or retail inflation surged to a 77-month high of 7.61% in October 2020, compared to 7.27% in September 2020 and 4.62% in October 2019.

The corresponding provisional inflation rates for rural and urban areas are 7.69% and 7.4% respectively.

The Consumer Food Price Index (CFPI) rose to 11.07% in October from 10.68% in September.

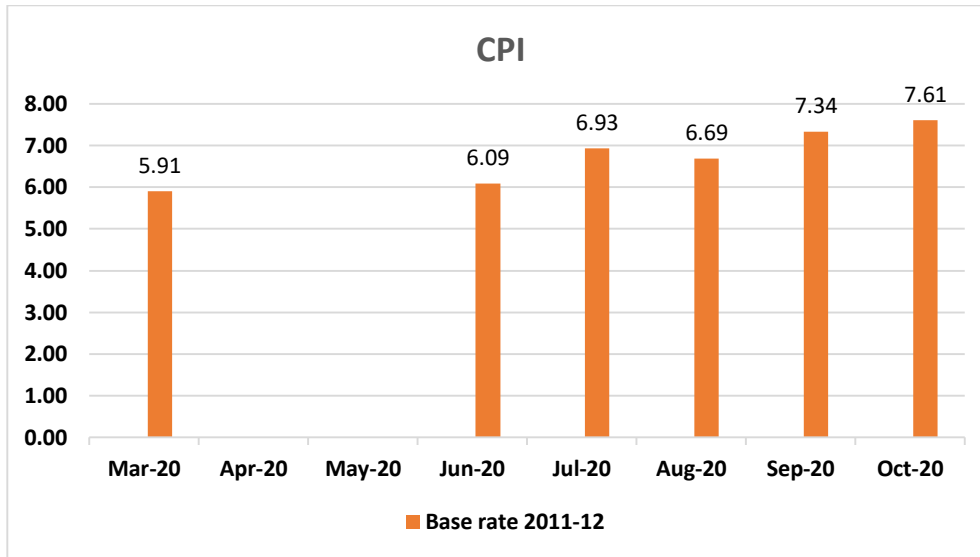
Among the CPI components, inflation for food and beverages was at 10.16% in October, while that for pan, tobacco and intoxicants was at 10.65%.

The growth in inflation was primarily due to a rise in vegetable prices that surged 22.51% in October. Apart from vegetables, eggs saw a rise of 21.81%, while meat and fish rose 18.7% and pulses and products prices gained 18.34%. Oils and fats also witnessed a rise of 15.17%.

Clothing and footwear category witnessed inflation rate of 3.17%.

Meanwhile, the inflation rates for housing and fuel and light categories stood at 3.27% and 2.28%, respectively.

Inflation from the miscellaneous category was at 6.88% in October.



Source: APAS BRT, [www.mospi.gov.in](http://www.mospi.gov.in)

### **WPI (Wholesale Price Index) – October**

India's wholesale price index (WPI) inflation rose to an 8-month high of 1.48% in October 2020, as compared to 1.32% in September 2020 and 0% in October 2019.

The rate of inflation based on WPI Food Index decreased to 5.78% in October 2020 from 6.92% in September 2020.

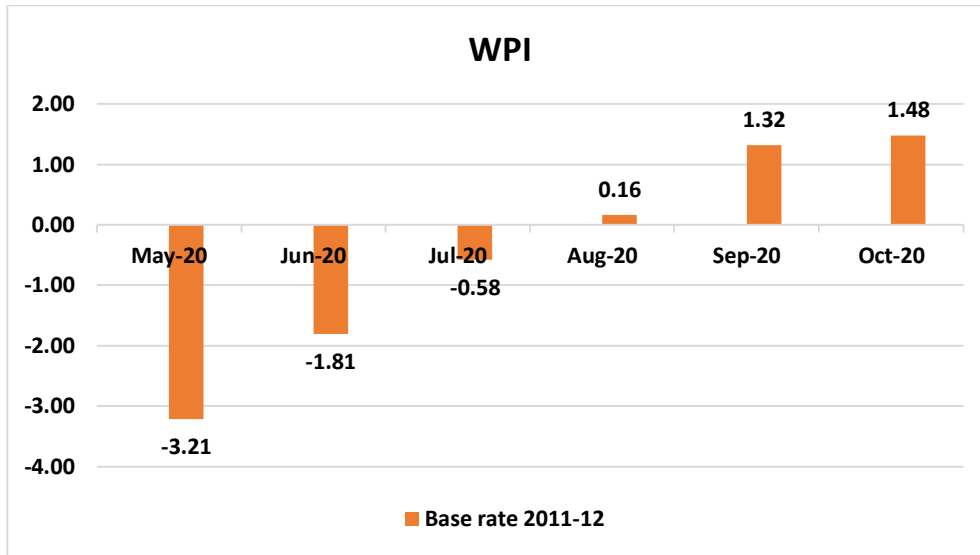
The index for primary articles increased by 1.4% from the previous month.

Prices increased for non-food articles (2.37%), food articles (1.37%) and minerals (0.66%). Prices remained unchanged for crude petroleum and natural gas.

The index for fuel and power increased by 0.11% from the previous month.

Prices increased for electricity (4.26%), prices declined for mineral oils (-1.93%), while prices of coal remained unchanged.

The index for manufactured products increased by 0.42% from the previous month.



Source: APAS BRT, [www.eaindustry.nic.in](http://www.eaindustry.nic.in)

### **Manufacturing PMI – October**

The Nikkei India Manufacturing Purchasing Managers’ Index (PMI) showed the strongest growth in 13 years in October amid robust sales growth, indicating economic recovery was gaining ground after the lifting of lockdown restrictions.

The Manufacturing PMI rose to a 13-year high of 58.9 in October 2020 from 56.8 in September 2020. It stayed above the 50 level, that separates expansion from contraction, for the third straight month.

This is the highest reading since mid-2008.

Levels of new orders and output at Indian manufacturers continued to recover from the Covid-19 induced contractions seen earlier in the year, with PMI results for October highlighting historically sharp monthly rates of expansion.

Companies were convinced that the resurgence in sales will be sustained in coming months, as indicated by a strong upturn in input buying amid restocking efforts.

The ongoing relaxation of Covid-19 restrictions, better market conditions and improved demand helped manufacturers secure new work in October. In response to strong sales gains and softer containment measures, firms lifted production at the strongest pace recorded since late 2007. Consequently, quantities of purchases rose at the quickest pace in just under 9 years.

Export orders also picked up, recording a rise most pronounced in close to 6 years.

Although input costs increased at a quicker pace than in September, the overall rate of inflation was modest by historical standards. While a few firms increased output charges, most left prices unchanged over the previous month. As such, the overall rate of charge inflation was negligible.

Manufacturers recorded a further reduction in employment because of having to adhere to social distancing guidelines by the government. That was the seventh straight fall, albeit the weakest in this sequence.

Finally, hopes of an end to Covid-19 cases and reopening of other sectors in the economy underpinned positive sentiment towards the year ahead outlook for production. The level of confidence was at a 50-month high.



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

### **Services PMI – October**

The Indian services sector activity expanded for the first time since February in October 2020.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 54.1 in October 2020 from 49.8 in September 2020. The index rose above the neutral mark of 50, which separates expansion from contraction.

The service companies' performance improved on account of easing of the coronavirus-led restrictions, which helped them secure new work and lift business activity in the month.

Optimism towards the year ahead outlook for output also strengthened.

The companies have also reported an increase in new work intakes on account of successful marketing efforts and strengthening demand.

Data indicated that the domestic market was the key source of new business gains, as new orders from abroad fell further.



It is encouraging to see the Indian service sector joining its manufacturing counterpart and posting a recovery in economic conditions from the steep deteriorations caused by the Covid-19 pandemic earlier in the year.

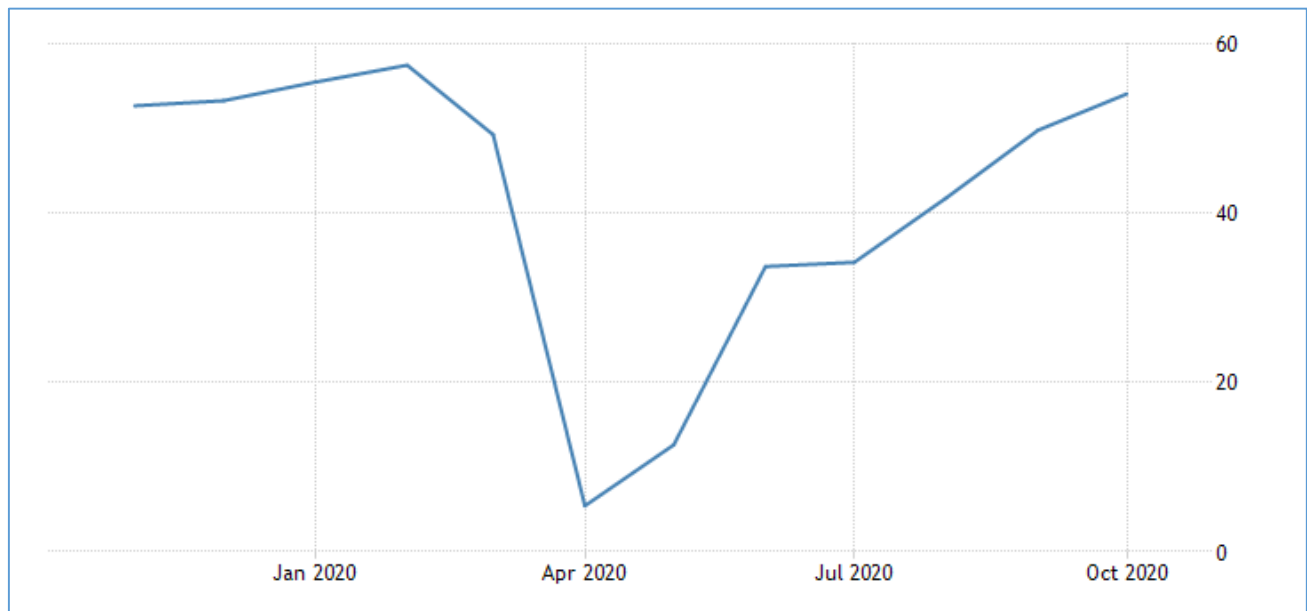
While a revival of the manufacturing industry began in August, only now the service sector started to heal.

A sub-index tracking overall demand showed it expanded for the first time since February, but new export business remained firmly in contraction territory as restrictions imposed across the world due to the Covid-19 pandemic hammered foreign demand.

That led firms to cut jobs for the eighth straight month, the longest streak on record. The fall in employment is attributed to workers on leave failing to return and difficulties in hiring staff due to the coronavirus pandemic. Workers on leave had not returned and the widespread fear of Covid-19 contamination continued to restrict staff supply.

As a result of falling employment and rising orders, backlogs of work increased.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to 58 in October from 54.6 in September, indicating the strongest increase in private sector output in around 9 years.



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

### **Core Sector Data – October**

Growth of eight infrastructure sectors contracted by 2.5% in October 2020, shrinking for the eighth straight month.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had declined by 0.1% in September 2020 and by 5.5% in October 2019.

While coal, fertiliser, cement and electricity recorded positive growth, crude oil, natural gas, refinery products and steel registered negative growth in October.

The output of crude oil, natural gas, refinery products and steel declined by 6.2%, 8.6%, 17% and 2.7%, respectively.

The growth rate in fertiliser production has declined to 6.3% in October from 11.8% last year.

On the other hand, the output of coal, cement and electricity sectors grew by 11.6%, 2.8% and 10.5%, respectively.

Cumulatively, the growth in the eight core sectors during April-October 2020-21 contracted by 13%, as against an expansion of 0.3% in the same period last financial year.



Source: APAS BRT, [www.eaindustry.nic.in](http://www.eaindustry.nic.in)

### **GDP – Quarter 2 – FY 2020-21**

The country's Gross Domestic Product (GDP) growth rate for the second quarter (July-September) of fiscal year 2020-21 contracted 7.5%.

This was a contraction for the second straight quarter, although at a slower pace, as restrictions to curb the spread of Covid-19 were eased and economic activity resumed.

The GDP growth rate in Q2 FY 2019-20 was 4.5% and in Q1 FY 2020-21 was -23.9%.

GDP at current prices was estimated at INR 47.22 lakh crore, showing a contraction of 4%.

In gross value added (GVA) terms, the economy contracted 7%, compared to a contraction of 22.8% last quarter.

Two straight quarters of GDP contraction mean that India has fallen into a technical recession, the first since India began releasing quarterly estimates of GDP in FY 98. Annual GDP has contracted on 4 previous occasions, with the last one in FY 80.

Private consumption, reflected in private final consumption expenditure, contracted 11.3% in Q2, compared to a drop of 26.7% in Q1.

Investments, as reflected by gross fixed capital formation, contracted 7.3%, compared to a fall of 47.1% in Q1.

Government final consumption expenditure contracted 22.2% in Q2 after growing 16.4% in Q1.

Agriculture grew at 3.4% in Q2, compared to 3.4% in Q1.

The mining sector contracted 9.1% in Q2, compared to a contraction of 23.3% in Q1.

Manufacturing grew 0.6% in Q2 after a fall of 39.3% in Q1.

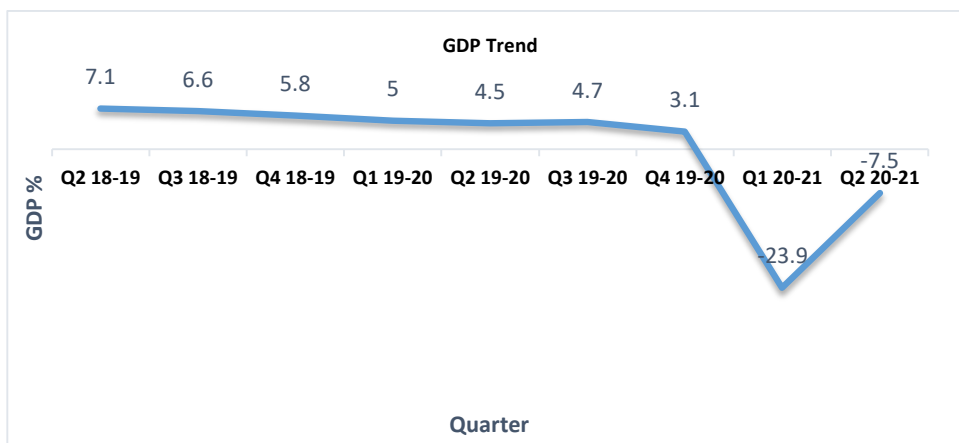
Electricity and other public utilities grew 4.4%, against a contraction of 7% in Q1.

Construction contracted 8.6% in Q2, compared to a drop of 50.3% in Q1.

Trade, hotels, transport, communication fell 15.6%, compared to a contraction of 47% in Q1.

The financial services sector contracted 8.1%, compared to a contraction of 5.3% in Q1.

The public administration segment, supported by government spending, contracted 12.2% in Q2, versus a fall of 10.3% in Q1.



Source: APAS BRT, [www.mospi.gov.in](http://www.mospi.gov.in)



## BANKING

### **Monetary Policy Statement, 2020-21 Resolution of the Monetary Policy Committee (MPC)**

On the basis of an assessment of the current and evolving macroeconomic situation, the [Monetary Policy Committee \(MPC\)](#) at its meeting decided to:

- Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

- The MPC also decided to continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. The main considerations underlying the decision are set out in the statement below.

#### **Assessment**

##### **Global Economy**

The outlook for Q4 (October-December) of 2020 is overcast with a surge in COVID-19 infections in a second wave across Europe, the US and major emerging market economies (EMEs), with accompanying lockdowns. Progress on vaccine candidates has, however, generated some offsetting optimism. World trade recorded a rebound in Q3 as lockdowns were eased, but it is likely to slow in Q4 as pent-up demand is exhausted, inventory restocking is completed, and trade-related uncertainty is rising with the second wave. CPI inflation has remained muted across major advanced economies (AEs) while it picked up in some EMEs on firming food prices and supply disruptions. Global financial markets remain buoyant, supported by highly accommodative monetary policies and positive news on the vaccine.

##### **Domestic Economy**

Domestic financial conditions remained easy in October-November and systemic liquidity continued to be in large surplus. Reserve money increased by 15.3 per cent (y-o-y) (as on November 27, 2020), driven by a surge in currency demand. Money supply (M3), on the other hand, grew by only 12.5 per cent as on November 20, 2020. A noteworthy development is that non-food credit growth accelerated and moved into positive territory for the first time in November 2020 on a financial year basis – hitherto, the large inflow of deposits into the banking system was being predominantly deployed in SLR investment. Corporate bond issuances stood at ₹4.4 lakh crore during April-October 2020 as against ₹3.5 lakh crore during the same period last year. India's foreign exchange reserves were US\$ 574.8 billion (as on November 27), up from US\$ 545.6 billion on October 2 at the time of the MPC's last resolution.

## **Outlook**

The outlook for inflation has turned adverse relative to expectations in the last two months. The substantial wedge between wholesale and retail inflation points to the supply-side bottlenecks and large margins being charged to the consumer. While 3 cereal prices may continue to soften with the bumper kharif harvest arrivals and vegetable prices may ease with the winter crop, other food prices are likely to persist at elevated levels. Crude oil prices have picked up on optimism of demand recovery, continuation of OPEC plus production cuts and are expected to remain volatile in the near-term. Cost-push pressures continue to impinge on core inflation, which has remained sticky and could firm up as economic activity normalizes and demand picks up. Taking into consideration all these factors, CPI inflation is projected at 6.8 per cent for Q3:2020-21, 5.8 per cent for Q4:2020-21; and 5.2 per cent to 4.6 per cent in H1:2021-22, with risks broadly balanced.

Turning to the growth outlook, the recovery in rural demand is expected to strengthen further, while urban demand is also gaining momentum as unlocking spurs activity and employment, especially of labour displaced by COVID-19. These positive impulses are, however, clouded by a possible rise in infections in some parts of the country, prompting some local containment measures. At the same time, the recovery rate has crossed 94 per cent and there is considerable optimism on successes in vaccine trials.

The MPC is of the view that inflation is likely to remain elevated, barring transient relief in the winter months from prices of perishables. This constrains monetary policy at the current juncture from using the space available to act in support of growth. At the same time, the signs of recovery are far from being broadbased and are dependent on sustained policy support. A small window is available for proactive supply management strategies to break the inflation spiral being fuelled by supply chain disruptions, excessive margins and indirect taxes. Further efforts are necessary to mitigate supply-side driven inflation pressures. Monetary policy will monitor closely all threats to price stability to anchor broader macroeconomic and financial stability. Accordingly, the MPC in its meeting today decided to maintain status quo on the policy rate and continue with the accommodative stance as long as necessary – at least during the current financial year and into the next financial year – to revive growth on a durable basis and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

## **RBI releases the Report of the Internal Working Group to Review Extant Ownership Guidelines and Corporate Structure for Indian Private Sector Banks**

The Reserve Bank of India had constituted an Internal Working Group (IWG) on June 12, 2020 to review extant ownership guidelines and corporate structure for Indian private sector banks. The Terms of Reference of the IWG inter alia included review of the eligibility criteria for individuals/ entities to apply for banking license; examination of preferred corporate structure for banks and harmonization of norms in this regard; and, review of norms for long-term shareholding in banks by the promoters and other shareholders.

The IWG has since submitted its [report](#). The key recommendations of the IWG are as follows:

1. The cap on promoters' stake in the long run (15 years) may be raised from the current level of 15 per cent to 26 per cent of the paid-up voting equity share capital of the bank.
2. As regards non-promoter shareholding, a uniform cap of 15 per cent of the paid-up voting equity share capital of the bank may be prescribed for all types of shareholders.
3. Large corporate/industrial houses may be allowed as promoters of banks only after necessary amendments to the Banking Regulation Act, 1949 (to prevent connected lending and exposures between the banks and other financial and non-financial group entities); and strengthening of the supervisory mechanism for large conglomerates, including consolidated supervision.
4. Well run large Non-banking Financial Companies (NBFCs), with an asset size of ₹50,000 crore and above, including those which are owned by a corporate house, may be considered for conversion into banks subject to completion of 10 years of operations and meeting due diligence criteria and compliance with additional conditions specified in this regard.
5. For Payments Banks intending to convert to a Small Finance Bank, track record of 3 years of experience as Payments Bank may be considered as sufficient.
6. Small Finance Banks and Payments Banks may be listed within '6 years from the date of reaching net worth equivalent to prevalent entry capital requirement prescribed for universal banks' or '10 years from the date of commencement of operations', whichever is earlier.
7. The minimum initial capital requirement for licensing new banks should be enhanced from ₹500 crore to ₹1000 crore for universal banks, and from ₹200 crore to ₹300 crore for small finance banks.
8. Non-operative Financial Holding Company (NOFHC) should continue to be the preferred structure for all new licenses to be issued for universal banks. However, it should be mandatory only in cases where the individual promoters / promoting entities/ converting entities have other group entities.
9. While banks licensed before 2013 may move to an NOFHC structure at their discretion, once the NOFHC structure attains a tax-neutral status, all banks licensed before 2013 shall move to the NOFHC structure within 5 years from announcement of tax-neutrality.
10. Till the NOFHC structure is made feasible and operational, the concerns with regard to banks undertaking different activities through subsidiaries/ Joint Ventures/ associates need to be addressed through suitable regulations.
11. Banks currently under NOFHC structure may be allowed to exit from such a structure if they do not have other group entities in their fold.
12. Reserve Bank may take steps to ensure harmonization and uniformity in different licensing guidelines, to the extent possible. Whenever new licensing guidelines are issued, if new rules are more relaxed,



benefit should be given to existing banks, and if new rules are tougher, legacy banks should also conform to new tighter regulations, but a non-disruptive transition path may be provided to affected banks.

### **Digital Payment Transactions – Streamlining QR Code infrastructure**

Reserve Bank had constituted a Committee (Chairperson: Prof Deepak Phatak) to review the current system of Quick Response (QR) Codes in India and suggest measures for moving towards interoperable QR Codes. The [report](#) of the Committee containing various recommendations was placed on the Reserve Bank website for public comments and feedback.

After examining the recommendations and the feedback received, RBI has decided the following:

- I. The two interoperable QR codes in existence – UPI QR and Bharat QR – shall continue as at present.
- II. Payment System Operators (PSOs) that use proprietary QR codes shall shift to one or more interoperable QR codes; the process of migration shall be completed by March 31, 2022.
- III. No new proprietary QR codes shall henceforth be launched by any PSO for any payment transaction.
- IV. RBI shall continue a consultative process to standardize and improve interoperable QR codes, to enable beneficial features identified by the Phatak Committee.
- V. PSOs may take initiative to increase awareness about interoperable QR codes.

The above measures are expected to reinforce the acceptance infrastructure, provide better user convenience due to interoperability and enhance system efficiency.

### **Co-Lending by Banks and NBFCs to Priority Sector**

As per an earlier circular by RBI, on [co-origination of loans](#) by banks and NBFCs for lending to priority sector. The arrangement entailed joint contribution of credit at the facility level by both the lenders as also sharing of risks and rewards.

Based on the feedback received from the stakeholders and to better leverage the respective comparative advantages of the banks and NBFCs in a collaborative effort, RBI has decided to provide greater operational flexibility to the lending institutions, while requiring them to conform to the regulatory guidelines on outsourcing, KYC, etc. The primary focus of the revised scheme, rechristened as “Co-Lending Model” (CLM), is to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs. Detailed features of the CLM are furnished in the [Annex](#) to the report.

In terms of the CLM, banks are permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement. The co-lending banks will take their share of the individual loans on a back-to-back basis in

their books. However, NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans on their books.

The banks and NBFCs shall formulate Board approved policies for entering into the CLM and place the approved policies on their websites. Based on their Board approved policies, a Master Agreement may be entered into between the two partner institutions which shall inter-alia include, terms and conditions of the arrangement, the criteria for selection of partner institutions, the specific product lines and areas of operation, along with provisions related to segregation of responsibilities as well as customer interface and protection issues.

The Master Agreement may provide for the banks to either mandatorily take their share of the individual loans originated by the NBFCs in their books as per the terms of the agreement, or to retain the discretion to reject certain loans after their due diligence prior to taking in their books, subject to conditions prescribed.

The banks can claim priority sector status in respect of their share of credit while engaging in the CLM adhering to the specified conditions.

The CLM shall not be applicable to foreign banks (including WOS) with less than 20 branches.



## INSURANCE

### **Insurance Regulatory and Development Authority of India (Minimum Information Required for Investigation and Inspection) Regulations, 2020**

Objective: The objective of these regulations is to specify [minimum information](#) required to be maintained by insurer, intermediary or insurance intermediary, so as to enable the investigating officer to discharge satisfactorily his or her functions under section 33 of the Insurance Act, 1938.

Key provisions of these regulations include:

1. Provisions applicable to all insurers
2. Provisions applicable to intermediaries & insurance intermediaries
3. Common provisions applicable to insurers, intermediaries & insurance intermediaries

### **Unclaimed Amounts of Policyholders**

All insurers having [unclaimed amounts](#) of policyholders for a period of more than 10 years as on 30th September, every year have to transfer the same to the Senior Citizens' Welfare Fund (SCWF) on or before 1st March of the financial year. Insurers need to follow the accounting procedure as detailed in an earlier circular to transfer the unclaimed amounts to the designated account of the Government of India. Every financial year the process laid down in the SCWF Rules, 2016 shall be followed as regards transfer of the unclaimed amounts of policyholders.

The directions in the Master Circular are hereby being updated, more particularly, with regard to the monitoring, reporting and certification of unclaimed amounts. The Master Circular also provides for convergence in compliance taking into account various circulars issued by the Authority on the subject as well as the SCWF Act and the Rules notified thereunder.



## INFRASTRUCTURE & OTHER GOVT. INITIATIVES

### **Extension of Emergency Credit Line Guarantee Scheme through ECLGS 2.0 for the 26 sectors identified by the Kamath Committee and the healthcare sector**

The Government has extended Emergency Credit Line Guarantee Scheme (ECLGS) through [ECLGS 2.0](#) for the 26 sectors identified by the Kamath Committee and the healthcare sector. Under ECLGS 2.0 entities with outstanding credit above Rs. 50 crore and not exceeding Rs. 500 crore as on 29.2.2020, which were less than or equal to 30 days past due as on 29.2.2020 are eligible. These entities/borrower accounts shall be eligible for additional funding up to 20 per cent (which could be fund based or non-fund based or both) of their total outstanding credit (fund based only) as a collateral free Guaranteed Emergency Credit Line (GECL), which would be fully guaranteed by National Credit Guarantee Trustee Company Limited (NCGTC). The loans provided under ECLGS 2.0 will have a 5-year tenor, with a 12-month moratorium on repayment of principal.

In addition to ECLGS 2.0, where no annual turnover ceiling has been prescribed, the Government has also been decided to extend ECLGS 1.0 to entities under ECLGS which had a total credit outstanding (fund based only) of up to Rs.50 crore as on 29.02.2020, but were previously ineligible owing to their annual turnover exceeding Rs.250 crore. All other existing criteria/ terms and conditions remain unchanged.

The Scheme would be applicable to all loans sanctioned under ECLGS during the period from the date of issue of these guidelines by NCGTC to 31.03.2021 or till guarantees for an amount of Rs 3,00,000 crore is sanctioned under the ECLGS (taking into account both ECLGS 1.0 and 2.0), whichever is earlier.

The modified Scheme while providing an incentive to Member Lending Institutions (MLIs) to enable availability of additional funding facility to the eligible borrowers, both MSMEs/business enterprises and identified sectors that supports MSMEs, will go a long way in contributing to economic revival, protecting jobs, and create conducive environment for employment generation.

## **IFSC Authority approves the International Financial Services Centres Authority (Banking) Regulations, 2020**

The IFSC Authority, after detailed deliberations, approved the [International Financial Services Centres Authority \(Banking\) Regulations, 2020](#).

Banking constitutes one of the major focus areas of IFSC and is expected to drive and facilitate the other constituent operations in the IFSC in due course. A self-contained regulation laying down the major principles of banking operations at IFSCs is thus an important step in the IFSC reaching its desired potential.

The Authority approved the draft banking regulations at its meeting today, which paves the way for putting in place the rules for the various aspects of banking operations that would be permissible at the IFSC.

The salient aspects of the Banking Regulations include:

- Laying down the requirements for setting up IFSC Banking Units (IBUs)
- Permitting persons resident outside India (having net worth not less than USD 1 Million) to open foreign currency accounts in any freely convertible currency at IFSC Banking Units (IBUs)
- Permitting persons resident in India (having net worth not less than USD 1 Million) to open foreign currency accounts in any freely convertible currency at IFSC Banking Units (IBUs) to undertake any permissible current account or capital account transaction or any combination thereof under the Liberalised Remittance Scheme (LRS) of the Reserve Bank of India.
- Laying down the permissible activities of IBUs including credit enhancement, credit insurance, and sale, purchase of portfolios, engage in factoring and forfaiting of export receivables and undertake equipment leasing, including aircraft leasing
- Permitting the Authority to determine business that a Banking Unit may be permitted to conduct in INR with persons resident in India and persons resident outside India, subject to settlement of the financial transaction in relation to such business in freely convertible foreign currency.

### **Finance Minister announces measures on AatmaNirbhar Bharat 3.0**

The following are the 12 key announcements under [Aatma Nirbhar Bharat 3.0](#)-

- 1) AatmaNirbhar Bharat Rozgar Yojana
- 2) Emergency Credit Line Guarantee Scheme for MSMEs, businesses, MUDRA borrowers and individuals (loans for business purposes), has been extended till March 31, 2021.
- 3) Production Linked Incentive worth ₹ 1.46 Lakh Crore to 10 champion sectors.
- 4) ₹ 18,000 Crore Additional outlay of for PM Awaas Yojana - Urban
- 5) Support for Construction & Infrastructure – Relaxation of Earnest Deposit Money & Performance Security on Government Tenders
- 6) Income Tax relief for Developers & Home Buyers
- 7) Platform for Infra Debt Financing
- 8) Support for Agriculture: ₹65,000 Crore for subsidized fertilizers
- 9) Boost for Rural Employment:
- 10) Boost for Project Exports
- 11) Capital and Industrial Stimulus
- 12) R&D grant for COVID Vaccine





## CAPITAL MARKETS

### **Introduction of Unified Payments Interface (UPI) mechanism and Application through Online interface and Streamlining the process of Public issues of securities**

An earlier SEBI circular, lays down the process for payment for applications in public issue of debt securities through the facility of (Application supported by blocked amount) [ASBA](#).

SEBI has decided to introduce following to the same circular:

- I. Providing an option to investors to apply in public issues of debt securities through the app / web interface of Stock Exchange(s) with a facility to block funds through Unified Payments Interface (UPI) mechanism for application value up to INR 2 Lac;
- II. Permitting the UPI mechanism to block funds for application value up to INR 2 Lac submitted through intermediaries (Syndicate members, Registered Stock Brokers, Registrar and Transfer agent and Depository Participants).

The process flow for the same and other requirements have been described in the Annexure to the circular in the link above.

New entities / mechanisms which shall become a part of the public issue process using UPI are as follows:

1. National Payments Corporation of India (NPCI)
2. Unified Payments Interface (UPI):
3. Sponsor Bank: Sponsor Bank means a Banker to the Issue registered with SEBI which is appointed by the Issuer to act as a conduit between the Stock Exchanges and NPCI in order to push the mandate collect requests and / or payment instructions of the retail investors into the UPI.

### **Introduction of “Flexi Cap fund” as a new category under equity schemes**

In order to provide more flexibility to the mutual funds and taking into account the recommendations of Mutual fund advisory committee (MFAC), a new category named “[Flexi Cap Fund](#)” under equity schemes will be available with following characteristics:

Scheme characteristics – Minimum investment in equity and equity related instruments – 65% of total assets

Type of scheme – An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

### **Outsourcing of activities, Business Continuity Plan (BCP) and Disaster Recovery (DR) and Cyber Security and Cyber Resilience framework – Limited Purpose Clearing Corporation (LPCC)**

SEBI Board in its meeting, permitted setting up of a [Limited Purpose Clearing Corporation \(LPCC\)](#) for clearing and settling repo transactions in debt securities.

Further, the LPCC has been permitted to enter into outsourcing agreements with existing Clearing Corporations for the purpose of using their core and critical IT support infrastructure / activities for running the core activities (transaction process, clearing and settlement) of the LPCC and related operations.

For the purpose of execution of repo in corporate bonds, LPCC shall enter into necessary agreements with the Stock Exchanges where it proposes to offer clearing / settlement of repo transactions and their associated Clearing Corporations for continuity purposes.

Additionally, the LPCC has been permitted to have arrangements with any of the existing Clearing Corporations for the purposes of putting in place a BCP and DR mechanism, and Cyber Security.

The framework governing arrangements with existing Clearing Corporations for the purpose of BCP and DR, and Cyber Security is placed as an Annexure in link mentioned above.

### **Investor Grievance Redressal Mechanism**

SEBI issued guidelines on [investor grievance redressal](#) mechanism based on feedback received from market participants a working group constituted for the purpose.

The key constituents of the mechanism include following:

- A. Resolution of complaints by stock exchanges
  - a. Timeline
  - b. Service related complaints
  - c. Complaints to be referred to IGRC (Investor grievance redressal committee)
  - d. Handling of complaints by IGRC
  - e. Arbitration

### **Enhancement of Overseas Investment limits for Mutual Funds**

With regard enhancement of [overseas investment limits](#) for mutual funds, SEBI has decided the following:

1. Mutual Funds can make overseas investments subject to a maximum of US \$ 600 million per Mutual Fund, within the overall industry limit of US \$ 7 billion.
2. Mutual Funds can make investments in overseas Exchange Traded Fund (ETF(s)) subject to a maximum of US \$ 200 million per Mutual Fund, within the overall industry limit of US \$ 1 billion

The allocation methodology of the aforementioned limits shall be as follows:

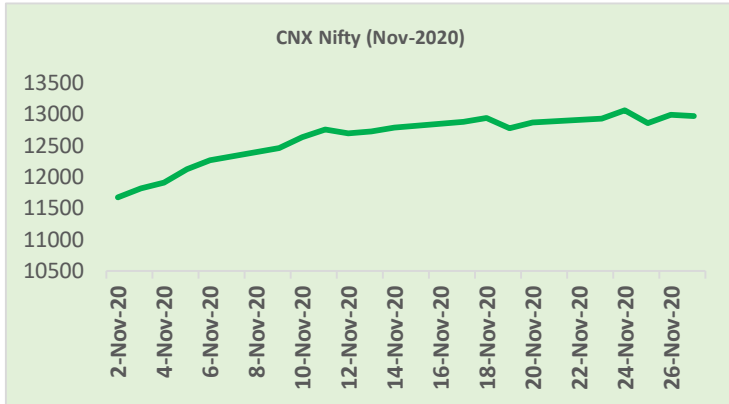
- a. In case of overseas investments, US \$ 50 million would be reserved for each Mutual Fund individually, within the overall industry limit of US \$ 7 billion.
- b. New Fund Offers (NFOs): Mutual Funds launching new schemes intending to invest in overseas securities / Overseas ETFs shall ensure that the scheme documents shall disclose the intended amount that they plan to invest in overseas securities / Overseas ETFs subject to maximum limits, as the case maybe. Such limits disclosed in scheme documents will be valid for a period of six months from the date of closure of NFO. Thereafter the unutilized limit, if any, shall not be available to the Mutual Fund for investment in overseas securities / Overseas ETFs and shall be available towards the unutilized industry wide limits. Further investments shall follow the norms for ongoing schemes.
- c. Ongoing Schemes: For all ongoing schemes that invest or are allowed to invest in Overseas securities / Overseas ETFs, an investment headroom of 20% of the average AUM in Overseas securities / Overseas ETFs of the previous three calendar months would be available to the Mutual Fund for that month to invest in Overseas securities / Overseas ETFs subject to maximum limits, as the case maybe

### **Guidelines for rights issue of units by an unlisted Infrastructure Investment Trust (InvIT)**

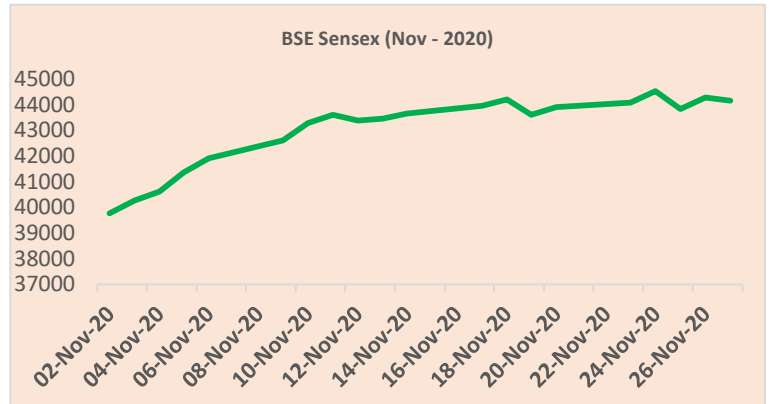
Chapter VIA of the of SEBI (Infrastructure Investment Trusts) Regulations, 2014 ([InvIT Regulations](#)) provides the framework for private placement of units by InvITs which are not eligible to be listed. In order to enable unlisted InvITs to raise further funds, SEBI has decided to provide a mechanism for raising of funds by unlisted InvITs through rights issue of units. For the purpose of this circular “rights issue” shall mean an offer of units by an unlisted InvIT to the unit holders of the InvIT as on the record date fixed for the said purpose. The guidelines in respect of a rights issue of units by an unlisted InvIT shall be in terms of items below:

1. Conditions for issuance
2. Underwriting
3. Letter of offer
4. Application
5. Pricing of units
6. Timelines
7. Manner of issuance of units
8. Allotment
9. Restriction on further capital issues

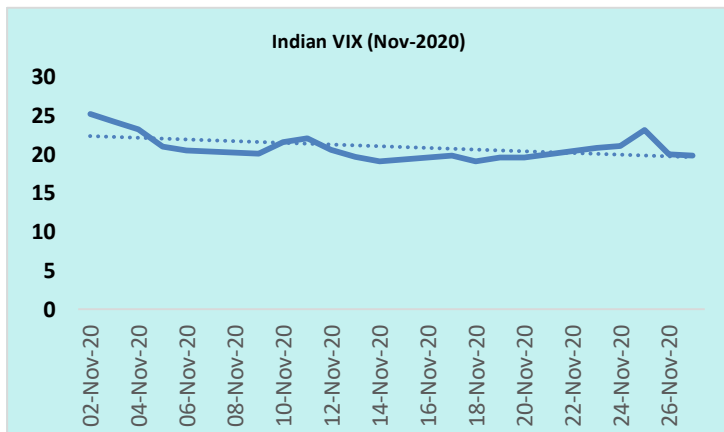
# CAPITAL MARKETS SNAPSHOT



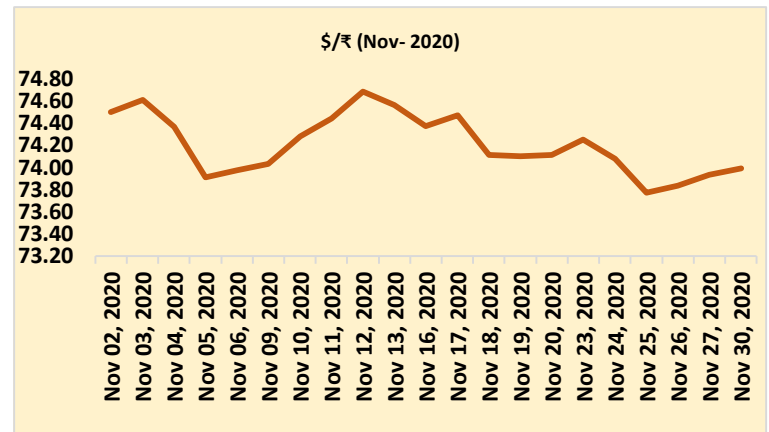
Source: National Stock Exchange



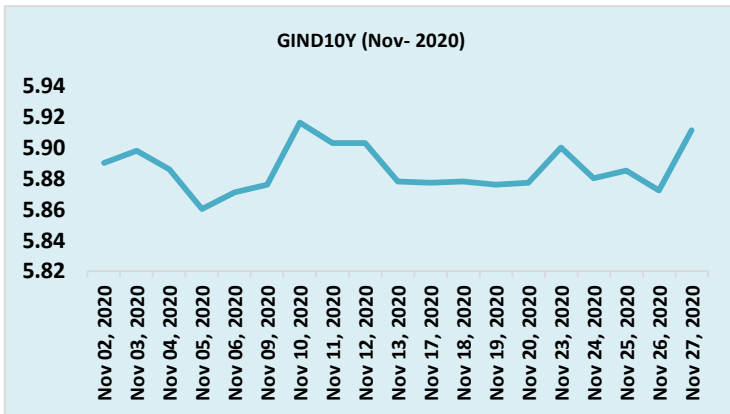
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Moody's Investors Service revised its expectation of contraction of India's gross domestic product (GDP) for fiscal 2021 to -10.6% from -11.5% earlier. It also revised upwards its expectation for GDP growth to 10.8% for fiscal 2022 from 10.6% earlier. The government asked rich state-owned firms to start paying dividends on a quarterly basis, even as it has demanded a higher share of profits from all its companies. The market rose following positive global cues, including reports of development of effective Covid-19 vaccines from both, Pfizer and Moderna.

## ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2020*	2021*	Latest	2020*	% of GDP, 2020*	% of GDP, 2020*	(10YGov), Latest
Brazil	-11.4 Q2	-5.2	3.0	3.9 Oct	3.1	-0.4	-15.9	1.96
Russia	-3.6 Q3	-4.4	2.8	4.0 Oct	3.3	1.7	-4.3	6.15
<b>India</b>	<b>-7.5 Q3</b>	<b>-9.8</b>	<b>6.9</b>	<b>7.6 Oct</b>	<b>6.5</b>	<b>0.7</b>	<b>-7.8</b>	<b>5.92</b>
China	4.9 Q3	1.8	7.3	1.7 Jul	2.9	1.7	-5.6	3.13 <sup>^</sup>
S Africa	-17.1 Q2	-7.7	1.8	3.3 Oct	3.1	-2.1	-16.0	9.02
USA	-2.9 Q3	-3.8	3.2	1.2 Oct	1.2	-2.3	-14.9	0.95
Canada	-5.2 Q3	-5.8	4.0	0.7 Oct	0.7	-2.1	-13.4	0.76
Mexico	-8.6 Q3	-9.0	3.3	4.1 Oct	3.5	1.7	-5.3	5.51
Euro Area	-4.4 Q3	-8.0	4.8	-0.3 Nov	0.3	2.2	-9.1	0.0
Germany	-4.0 Q3	-5.8	4.6	-0.3 Nov	0.5	5.5	-7.2	0.0
Britain	-9.6 Q3	-11.3	6.6	0.7 Oct	1.0	-1.5	-19.4	0.36
Australia	-3.8 Q3	-4.1	2.0	0.7 Q3	0.7	0.8	-7.9	0.98
Indonesia	-3.5 Q3	-2.2	3.3	1.6 Nov	2.0	-1.4	-7.1	6.16
Malaysia	-2.7 Q3	-5.3	4.5	-1.5 Oct	-1.1	4.8	-7.2	2.74
Singapore	-5.8 Q3	-6.0	3.9	-0.2 Oct	-0.4	18.0	-13.9	0.87
S Korea	-1.1 Q3	-1.2	2.8	0.6 Nov	0.5	3.8	-5.7	1.68

Sources: *The Economist*

\* *The Economist* poll or Economist Intelligence Unit estimate/forecast;

<sup>^</sup> 5-year yield

Quarter represents a three-month period of a financial year beginning 1st April

# ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

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