

## RBI's Monetary Policy Report: India's growth outlook hit hard by COVID-19

The RBI's Monetary Policy Report<sup>1</sup> released last Friday highlights a very grim outlook ahead for the global and domestic economy. A rapid surge in COVID-19 cases outside China beginning February 2020, followed by travel restrictions, factory shutdowns and country-wide lockdowns, has made a global recession in 2020 fairly eminent, notwithstanding swift policy actions taken by governments and central banks across the world. While economic indicators like GDP and trade would take longer to reflect the real impact of COVID-19, financial markets (equity, bond, commodities and currencies) started giving indications of its severity from February 2020. Global risk-off has resulted in a flight of capital to safe havens, leading to a rally in gold/dollar/sovereign bond yields of developed markets. India got hit as well, with March 2020 witnessing the highest ever monthly outflows by FIIs.

With cases in India also surging, the Government imposed a 21-day nation-wide lockdown beginning March 25<sup>th</sup>. This, along with a sharp slowdown in global trade, is expected to cause a severe demand and supply shock to the economy, estimating which is *hazardous* and challenging at this point as cited by the RBI. Nevertheless, the RBI's scenario analysis indicates a hit of 180/80bps to India's FY21 growth owing to a 3pp/1.5pp drop in 2020 global growth as compared to 2019. The outlook on inflation also remains highly uncertain, with the RBI's tentative projections pointing to a sub-3% print by Q3FY21. Even as the actual outturn is contingent on the speed at which outbreak is contained and normalcy returns, significant monetary and fiscal measures (Click [here](#) to read our report on India's policy response to COVID-19) taken thus far are expected to mitigate the adverse impact to some extent.

- **Several multilateral institutions expect a global recession in 2020:** A rapid surge in infections outside China in the latter part of February was followed by travel bans, factory shutdowns and nation-wide lockdowns in several countries. This has led to significant supply and demand disruptions. Even as central banks and Governments across the globe are taking extreme measures to deal with the contagion (Figure 25), estimates by global multilateral institutions point to a recession in 2020, indications of which are already evident in several high frequency indicators such as Purchasing Managers Index (PMI), jobless claims in the US, trade volumes, commodity prices, among others. World Trade Organisation expects trade volumes to fall by 13% (optimistic scenario) to 32% or more (worst case) in 2020.
- **Domestic growth outlook also drastically altered by COVID-19 pandemic:** Weak demand conditions in FY20 were worsened by contraction in investments and moderation in government expenditure in the second half, leading to further widening of output gap. The recent outbreak of COVID-19 and the subsequent 21-day nationwide lockdown has further pulled down an already weak growth trajectory. The Q4FY20 GDP growth is now expected to significantly undershoot the implied 4.7% growth based on the CSO's 2<sup>nd</sup> Advance Estimate.

While the RBI has refrained from providing growth forecasts, citing highly uncertain and fluid circumstances prevalent currently, it has assessed the possible impact of global slowdown on India's growth outlook which may happen largely through the following channels: a) lower exports, b) lower crude oil and other commodity prices and c) heightened global financial market volatility feeding into domestic financial markets. If the global growth outlook falls by 3 percentage points (pp)/1.5pp, India's growth due to global factors could be lower by 180bps/80bps. Even as the actual outturn is contingent on the speed of outbreak containment and return to normalcy, significant monetary and fiscal measures taken thus far are expected to mitigate the adverse impact on domestic demand.

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*Several multilateral institutions (OECD/World Bank/Asian Development Bank) expect a recession in 2020.*

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*Decline in global growth by 3pp/1.5pp is likely to result in India's growth falling by 180bps/80bps.*

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*Inflation is expected to fall to sub-3% by Q3FY21, ceteris paribus.*

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<sup>1</sup> It is RBI's bi-annual publication released on a bi-annual basis alongside the Monetary Policy Review Statement that provides a detailed overview of macroeconomic and monetary developments and outlook going forward.

- **Inflation expected to fall to sub-3% by Q3FY21, ceteris paribus:** While inflation is expected to have peaked out given the ebbing vegetable prices, the future outlook remains highly unclear and is contingent on depth, spread and duration of COVID-19 and the severity of consequent supply and demand shock in the economy. A possible softening of food prices amid the record foodgrains/horticulture production and a sharp fall in crude oil prices (RBI's forecasts assume crude oil at US\$35/bbl in FY21) may partly get offset by price rise in non-food items owing to supply disruptions. Considering current situation, RBI has tentatively projected CPI inflation to ease from 6.7% in Q4FY20 to 4.8%/4.4%/2.7%/2.4% in Q1/Q2/Q3/Q4FY21. The RBI has also highlighted that the compilation of CPI inflation may be challenging given the lockdown. For FY22, the RBI expects inflation to hover in the range of 3.6-3.8% assuming a normal monsoon and no major policy shocks.
- **Sensitivity of GDP/inflation estimates to INR/crude:** The RBI's GDP and inflation estimates in the baseline scenario assumes an average USDINR rate of 75/USD and the Indian basket of crude oil price at US\$35/bbl during FY21. It is still early days to ascertain the extent of economic shock caused by COVID-19 pandemic. As such, there are significant upside and downside risks to the baseline assumptions and outlook. A 5% depreciation/appreciation in the INR from the baseline assumptions may lead to a 20bps increase/decrease in RBI's inflation estimates and 15bps increase/decrease in growth estimates. Similarly, a 10% increase/decrease in the Indian crude oil prices could lead to inflation rising/falling by 20bps and growth falling/rising by 15bps.
- **Widening spreads signalling further tightening of domestic financial conditions:** The uncertain domestic growth outlook, coupled with heightened global turbulence and flight of capital to safe havens (rally in gold/gilts/US dollar), is increasingly getting reflected in widening corporate/G-sec spreads over the policy rate in the recent past. Despite a slew of measures taken by the RBI, including a steep 75bps cut in the repo rate and Rs 3.74trn liquidity boost, spreads have shot up. While a part of this is attributed to panic selling by FPIs, domestic risk appetite has also come off sharply. Moreover, increasing redemption pressures from investors have forced mutual funds to liquidate their positions. Expectations of a heavy supply of paper by centre as well as states in the wake of fiscal expansion to support growth have also significantly hurt market sentiments. Notably, net market borrowings by states surpassed that of Centre's in FY20. The 10-year G-sec yield has risen by 35bps in April thus far (as of April 9<sup>th</sup>).
- **Sharp decline in small savings rates augers well for monetary transmission:** Interest rates on small savings schemes are linked to market yields on G-secs and are adjusted on a quarterly basis at a 0-100bps spread to G-sec yields of comparable maturities. Despite a 135bps cut in policy rates in 2019, interest rates on these instruments remained largely steady, leading to spreads between some of the small savings instruments and comparable maturity G-sec rising to as high as ~220bps. This hindered monetary transmission in the credit market. Notably, the ratio of incremental investments in small savings schemes to incremental deposits surged to a 15-year high of ~28% in FY20 (based on revised budget estimates). On March 31, 2020, the Government slashed interest rates on all small saving schemes (excluding saving deposit) by 70-140 bps. This has now aligned interest rate on these instruments with the prescribed formula, which in turn augurs well for monetary transmission.

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*RBI's baseline estimates assumes USDINR at 75 and Indian crude oil basket price at US\$35/bbl.*

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*Credit and sovereign spreads to the policy rate have significantly widened reflecting tight financial conditions and demand-supply imbalance.*

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*Interest rates on small savings cut by 70-140bps—bodes well for monetary transmission.*

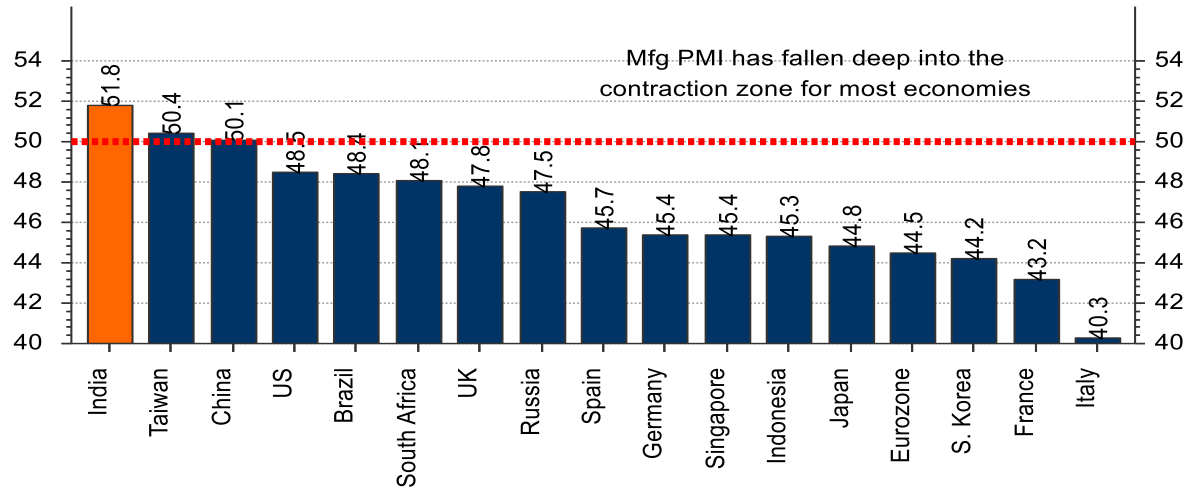
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## Initial economic signals of an impending global recession

**Figure 1: Global manufacturing PMI pointing a contraction across economies**

Except for India, Taiwan and China, latest Manufacturing PMI readings across developed and emerging economies have fallen in the contraction zone.

**Manufacturing PMI across countries**

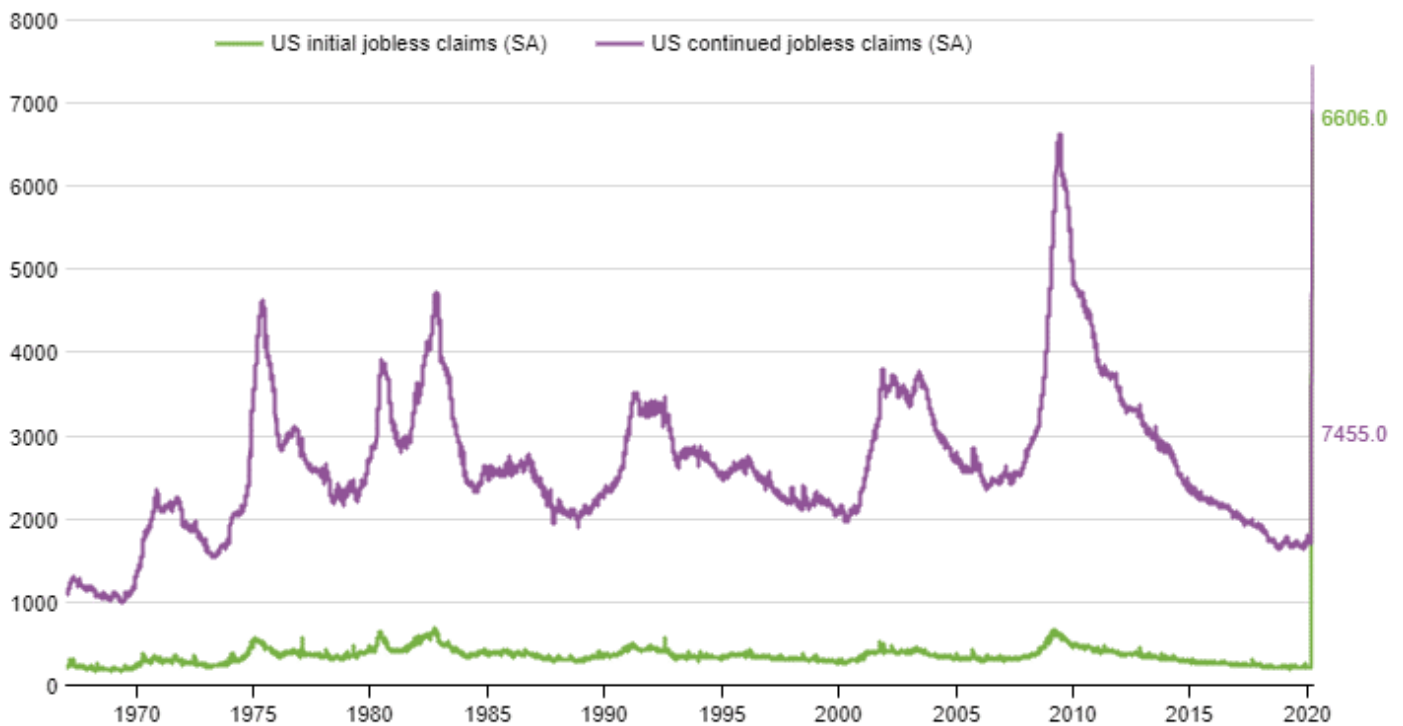


Source: Refinitiv Datasream, NSE.

**Figure 2: US jobless claims surges to record high**

The number of people in the US seeking employment benefits has surged for the third week amid rising job losses owing to business and factory shutdowns. The US initial weekly jobless claims surged to 6.6mn in the week ending April 4<sup>th</sup>—the highest ever.

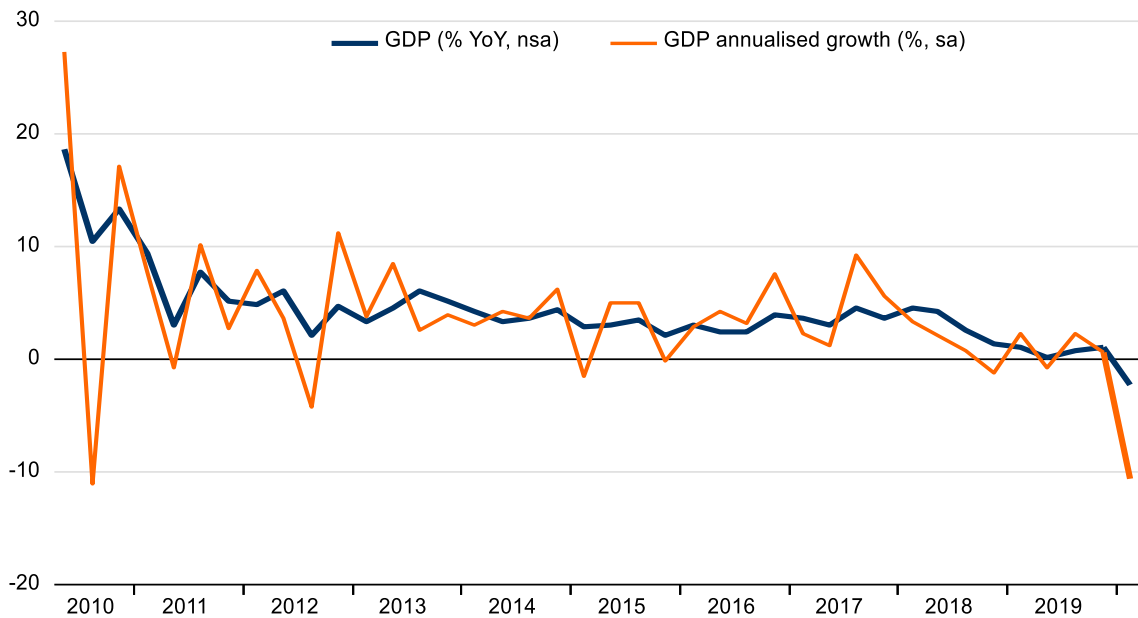
**US jobless claims ('000 persons)**



Source: Refinitiv Datasream, NSE.

**Figure 3: Singapore quarterly GDP growth trend**

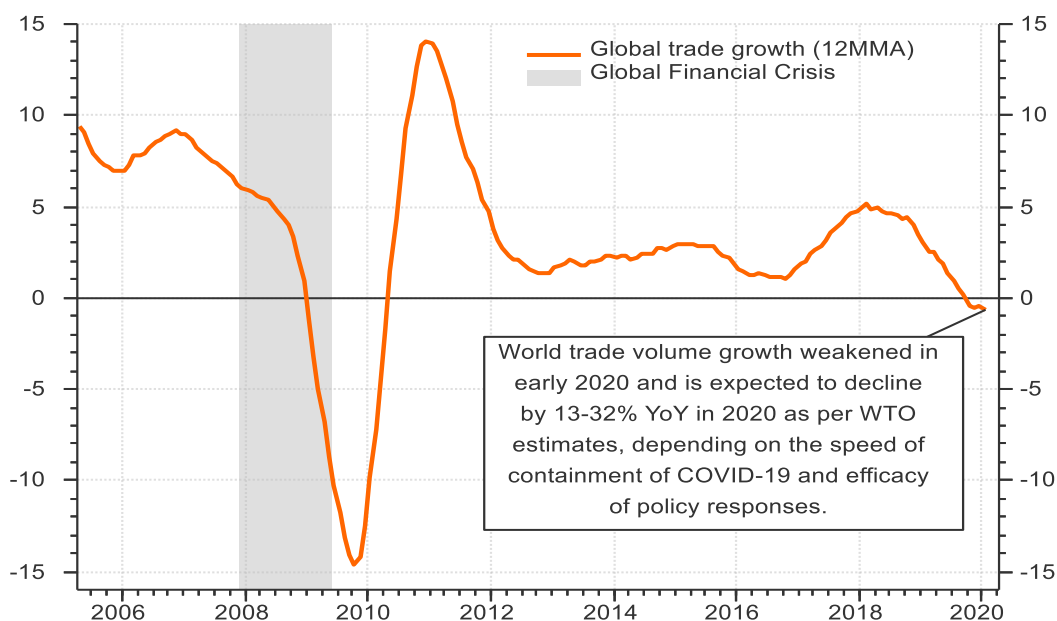
Singapore annualised GDP growth in Q1 expected to contract by 10.6% (advance estimates)—the lowest since the Global Financial Crisis

**Singapore quarterly GDP growth trend**


Source: Refinitiv Datasream, NSE.

**Figure 4: Global trade projected to fall sharply in 2020**

World trade volume growth weakened in early 2020, with the 12-month moving average pointing to -0.6% growth in January 2020. According to World Trade Organisation, global merchandise trade is expected to fall by 13% YoY in 2020 in the optimistic scenario and by 32% or more if the pandemic is not brought under control and policy response is not effective enough.

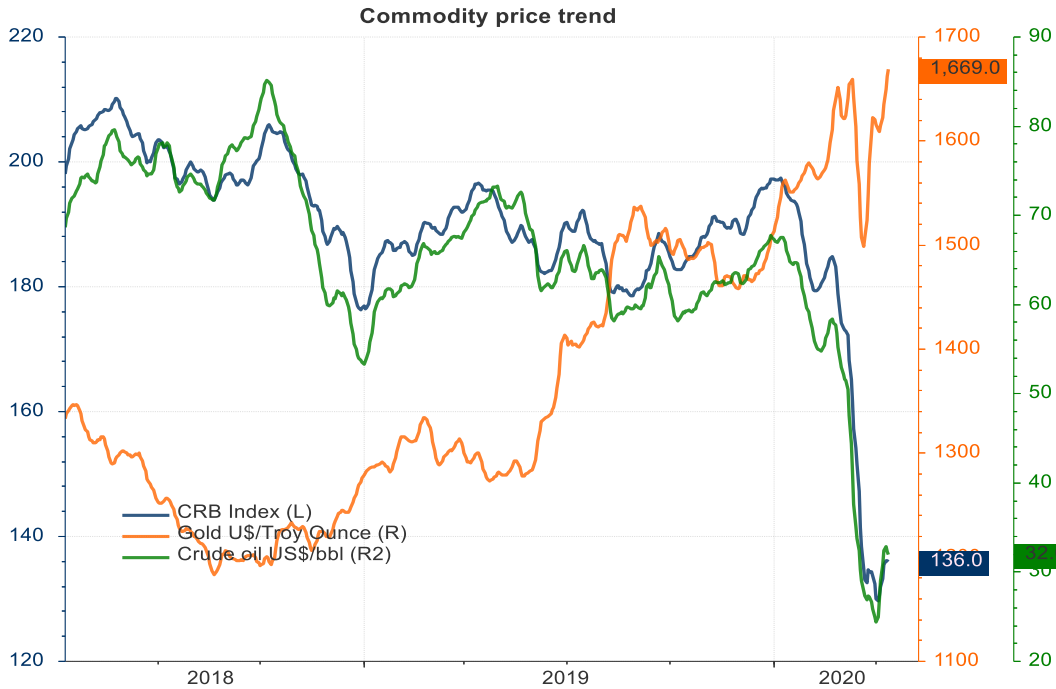
**Global trade growth (%YoY, 12MMA)**


Source: Refinitiv Datasream, NSE.

## Financial markets providing signals of a significant economic slowdown since early 2020

**Figure 5: Fall in crude and other commodities signal demand slowdown**

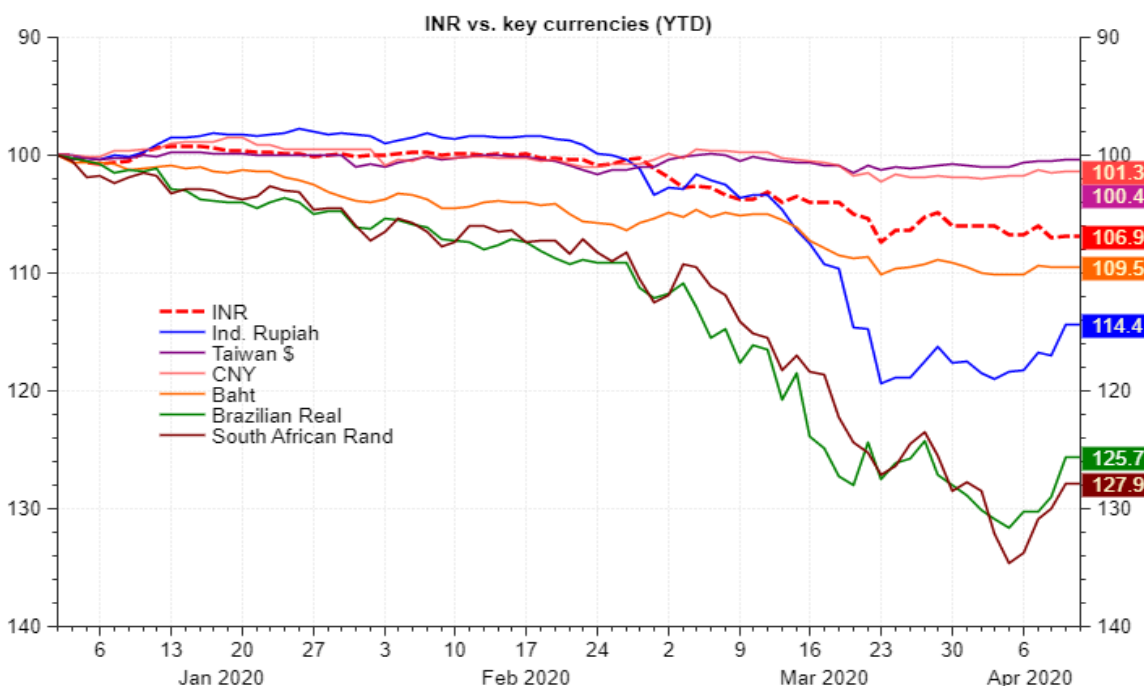
Gold has rallied this year on strengthened risk-off environment but crude and other commodities have fallen sharply owing to demand slowdown. The OPEC and its allies agreed for the biggest ever cut in output, effectively leading to a drop in global supply by 20%. Nevertheless, demand shock is expected to be worse, thereby keeping prices under check.



Source: Refinitiv Datasream, NSE.

**Figure 6: Movement in key emerging currencies in 2020 till date**

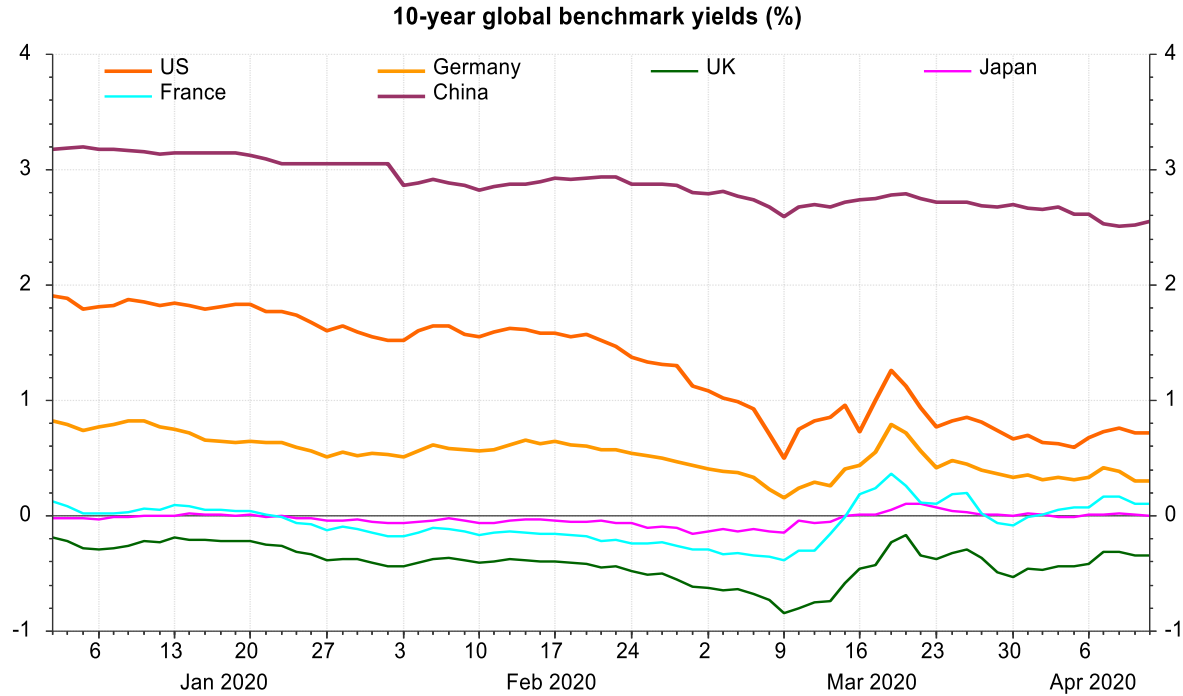
All major emerging market (EM) currencies have fallen against the US dollar in this year thus far, thanks to flight of capital from EMs to safe havens. Even as INR has depreciated by ~7% YTD, it is still better off than most EM currencies



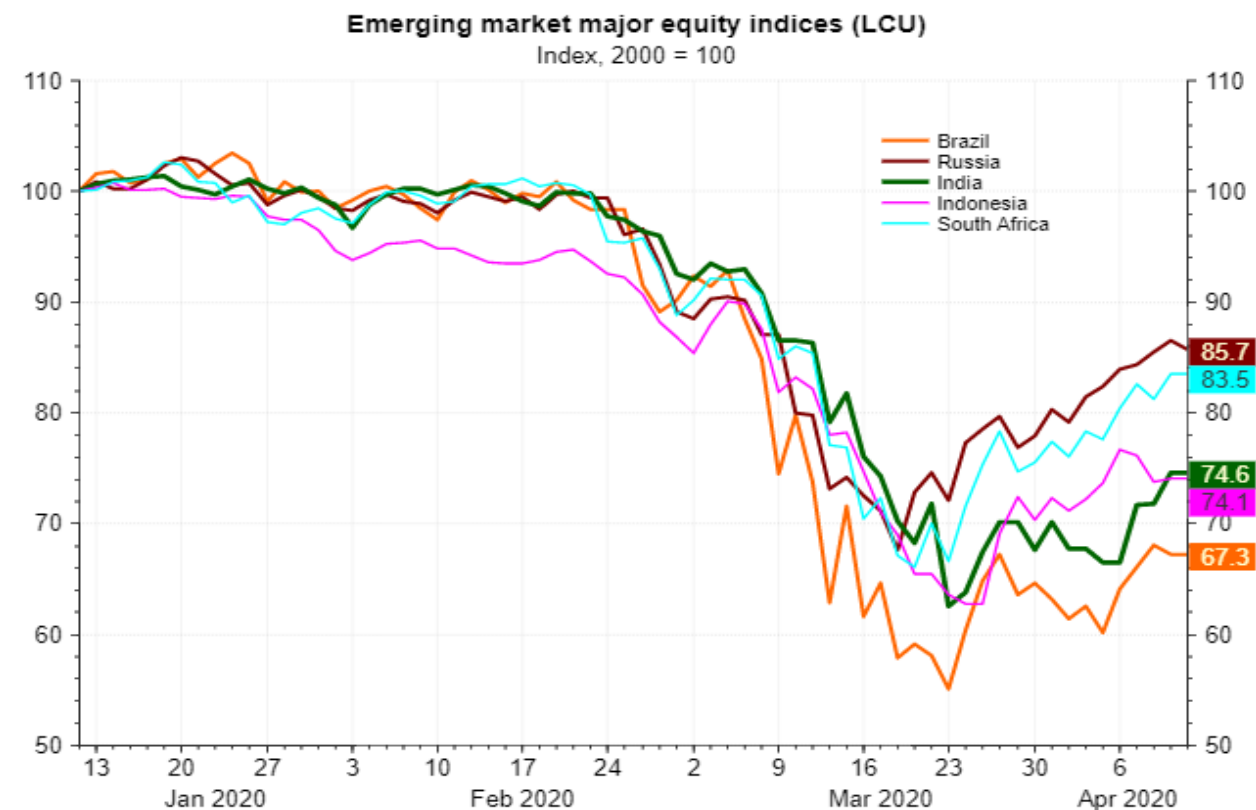
Source: Refinitiv Datasream, NSE.

**Figure 7: Movement in global bond yields**

Sovereign bond yields of developed markets have fallen sharply this year on increasing demand amid global risk-off, further supported by massive monetary stimulus announced by all these economies.



Source: Refinitiv Datasream, NSE.

**Figure 8: Equity markets across major EMs have fallen sharply in 2020 thus far amid growth concerns and FII outflows**


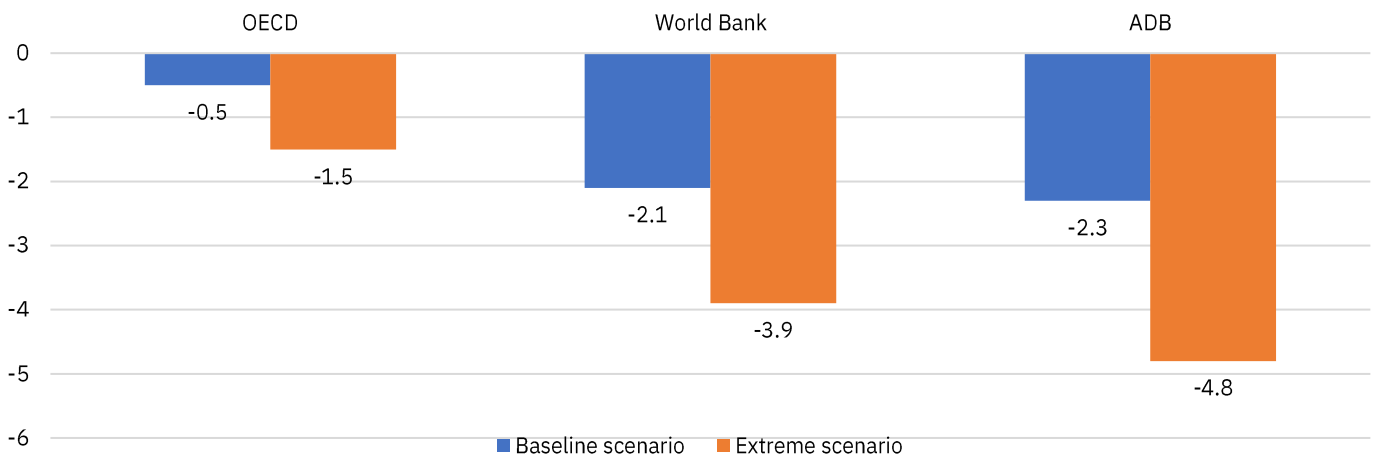
Source: Refinitiv Datasream, NSE.

## Estimates by global multilateral agencies point to a recession

**Figure 9: Multilateral institutions expect a global recession in 2020 due to COVID-19**

With COVID-19 having spread to nearly 210 countries and more than 1.8mn people across the world, taking more than 114,000 lives (as of April 13<sup>th</sup>), several multilateral institutions are now expecting the global economy to fall into recession in 2020. International Monetary Fund (IMF) expects the worst global economic fallout in 2020 since the Great Depression in the 1930s, with global growth likely to turn sharply negative. The Fund expects 170 countries to show negative per capital income growth in 2020.

**Multilateral Institutions' Estimate of Impact on Global Growth in 2020 due to COVID-19**



Source: OECD, World Bank, ADB.

Note: 1. Organisation for Economic Co-operation and Development (OECD) estimates of March considered baseline scenario of COVID-19 peaking in China in Q12020 and limited spread to other regions. Extreme scenario considered a longer-lasting and more intensive COVID-19 outbreak spreading to most regions. The estimated impact is in terms of percentage point of global GDP growth.

2. World Bank estimates considered baseline scenario of a global pandemic and extreme scenario of extreme global pandemic. The estimated impact is in terms of percent deviation from the benchmark from Envisage model.

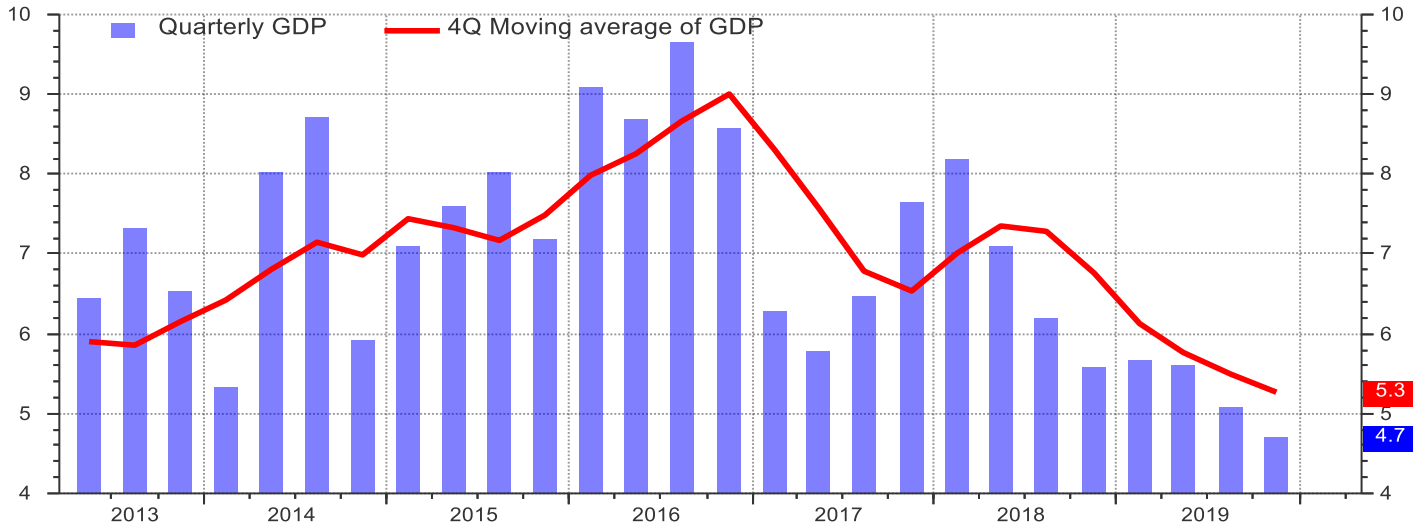
3. Asian Development Bank (ADB) estimates considered baseline scenario of shorter containment and smaller demand shocks; and an extreme scenario of longer containment and larger demand shocks. The estimated impact is in terms of % of GDP.



## Impact of COVID-19 on India

**Figure 10: India quarterly GDP growth trend: Implied 4.7% growth for Q4FY20 faces significant downside risk (%)**

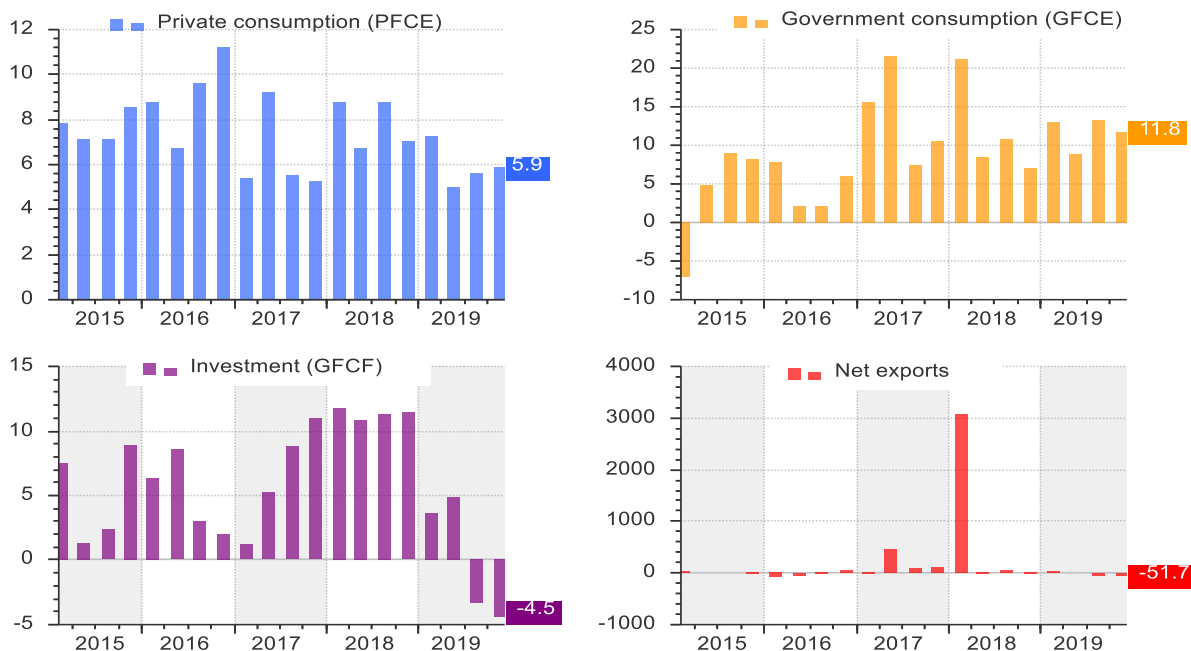
GDP growth at 4.7% in Q3FY20 was the weakest in last 27 quarters. The recent outbreak of COVID-19 and the subsequent 21-day nationwide lockdown has further pulled down an already weak growth trajectory. The Q4FY20 GDP growth is now expected to significantly undershoot the implied 4.7% growth based on the CSO's 2<sup>nd</sup> Advance Estimate.



Source: Refinitiv Datastream, NSE

**Figure 11: GDP sector quarterly growth (%YoY)**

Consumption that fell sharply in H1FY20 regained some ground in Q3FY20. Investments, on the other hand, remained a big drag on overall GDP growth, growing at a decadal low of 5.2% in Q3FY20, thereby marking the 2<sup>nd</sup> consecutive quarter of a YoY contraction—a consequence of muted demand environment, weak business confidence, low capacity utilisation and tight financial conditions. While consumption of non-essential items has taken a huge hit owing to COVID-19, factory/business shutdowns and travel restrictions have significantly affected production and investment activity in the economy. This, along with an impending global recession, is also expected to hit India's export bill.

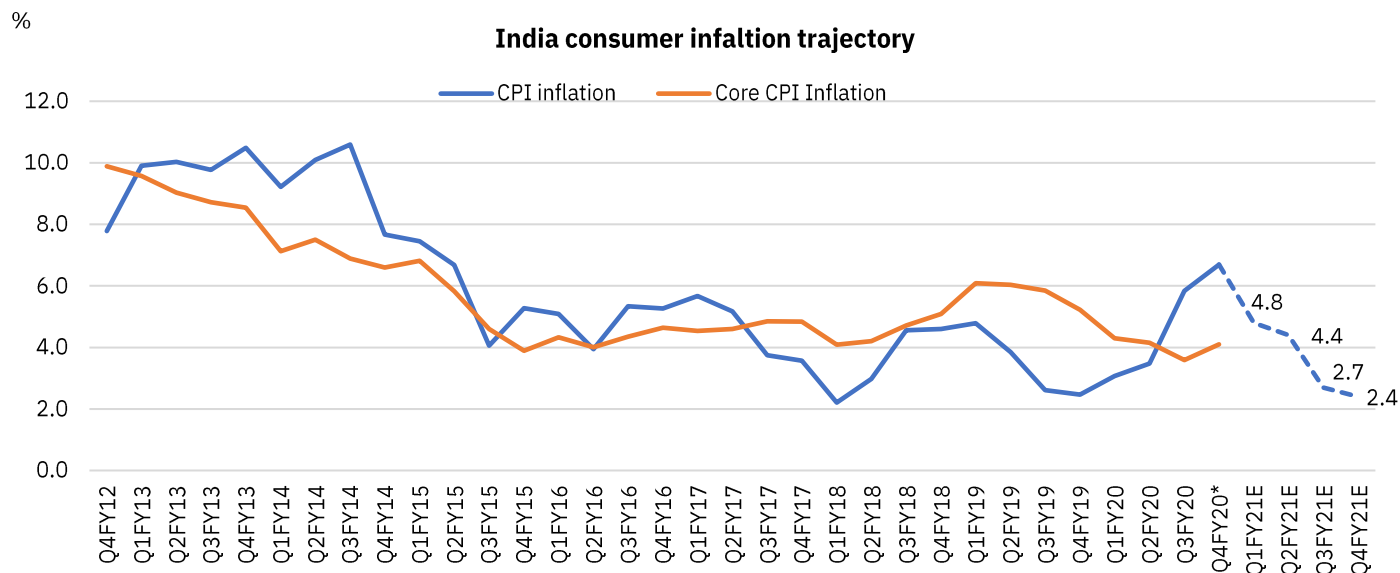


Source: Refinitiv Datastream, NSE.



**Figure 12: India's quarterly CPI inflation trajectory**

While inflation is expected to have peaked out given the ebbing vegetable prices, the future outlook remains highly unclear and is contingent on depth, spread and duration of COVID-19 and the severity of consequent supply and demand shock in the economy. Considering current situation, RBI has tentatively projected CPI inflation to ease from 6.7% in Q4FY20 to 4.8%/4.4%/2.7%/2.4% in Q1/Q2/Q3/Q4FY21. For FY22, the RBI expects inflation to hover in the range of 3.6-3.8% assuming a normal monsoon and no major policy shocks.



Source: CMIE Economic Outlook, RBI Monetary Policy Report, NSE. \*Q4FY20 average inflation is for January and February only.

**Figure 13: RBI's outlook for growth and inflation**

Indicators	RBI projections/analysis
GDP growth	While refraining from providing growth forecasts at this point, RBI estimates impact of a 3pp/1.5pp dip in global growth to result in India's GDP growth falling, at its peak, by 180bps/90bps.
Inflation	<ol style="list-style-type: none"> <li>RBI tentatively projects CPI inflation to ease to 4.8% in Q1FY21, 4.4% in Q2FY21, 2.7% in Q3FY21 and 2.4% in Q4FY21, translating into an average of 3.6% for FY20.</li> <li>For FY21, inflation is expected to be in the range of 3.6-3.8% assuming a normal monsoon and no policy shocks.</li> <li>A 3pp/1.5pp drop in global growth may result in inflation falling by 40-100bps at its peak.</li> </ol>

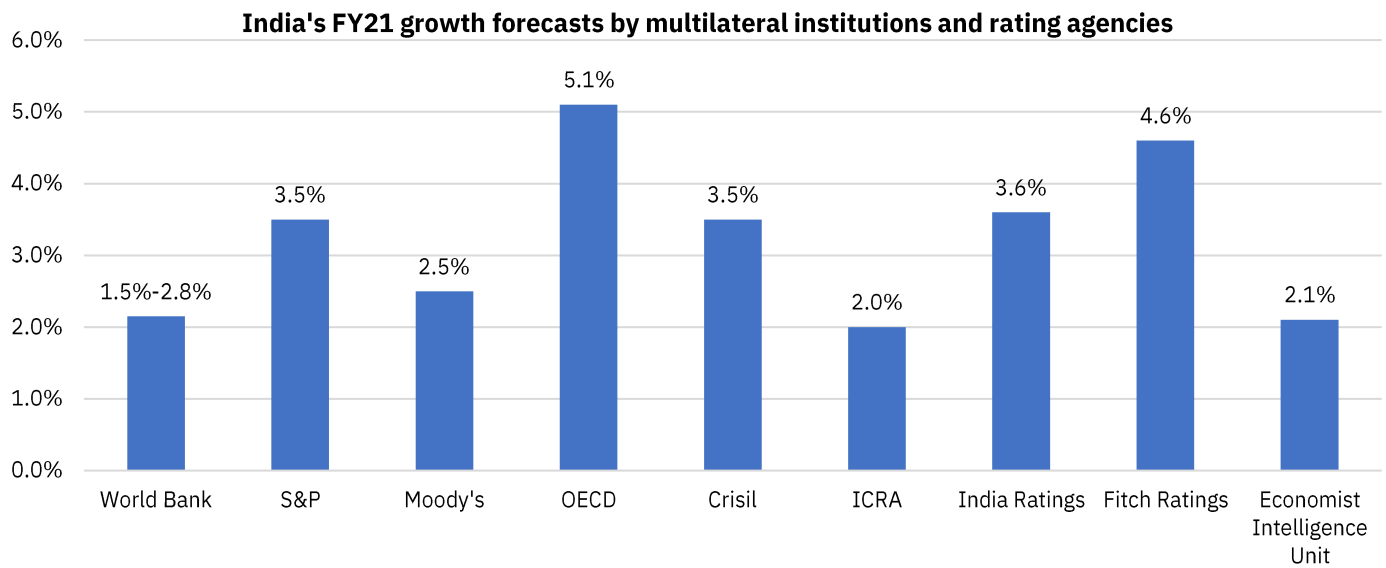
Source: RBI Monetary Policy Report

**Figure 14: RBI's baseline assumptions for projections**

Indicators	MPR October 2019	MPR April 2020
Crude oil (Indian basket)	US\$62.6/bbl during H2FY20	US\$35/bbl during FY21
Exchange rate	Rs 71.3/US\$	Rs 75/US\$
Monsoon	10% above long period average for 2019	Normal for 2020
Global growth	3.2% in 2019; 3.5% in 2020	Contraction in 2020
Fiscal deficit (% of GDP)	To remain within BE 2019-20	To remain within BE 2020-21
Domestic Policies	No major change	No major change

Source: RBI Monetary Policy Report

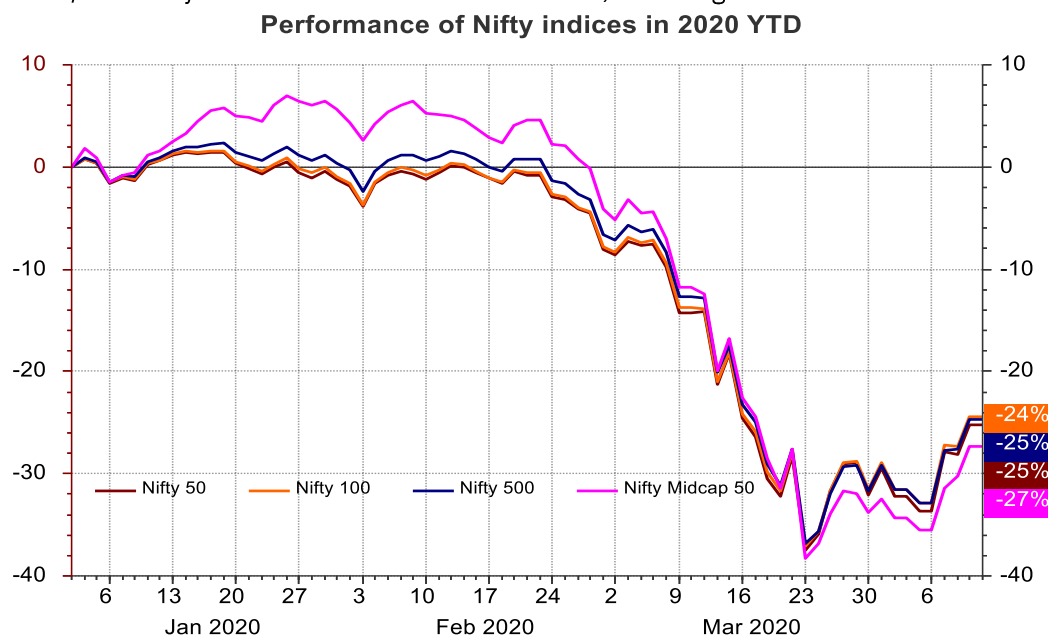
**Figure 15: India's GDP growth forecasts for FY21 by different multilateral institutions and rating agencies**



Source: Media reports, NSE.

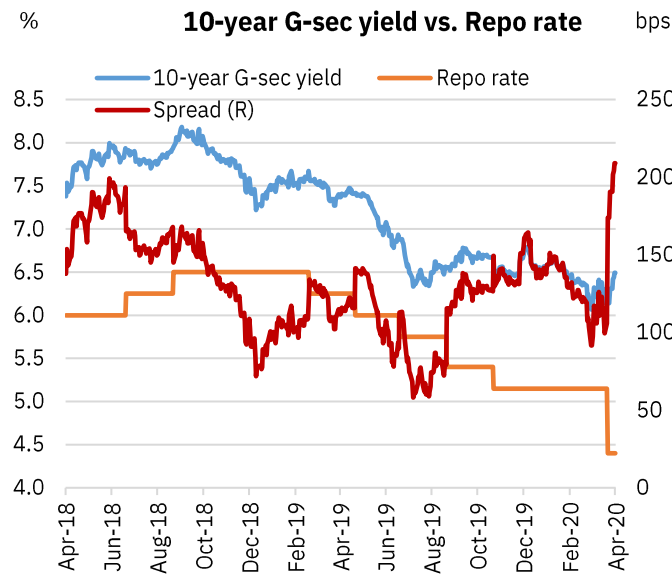
**Figure 16: Performance of Nifty Indices in 2020 thus far**

Indian equity markets have also fallen sharply, in-line with other emerging markets equities. After falling by 38% (Nifty 50) in 2020 until March 23<sup>rd</sup>, markets have since recovered, thanks to flattening of global COVID-19 curve and massive fiscal/monetary measures announced world-wide, including India.



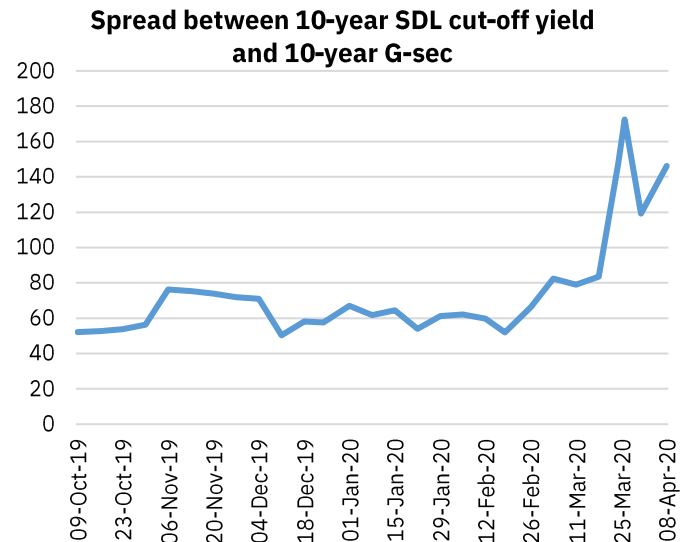
Source: Refintiv Datastream, NSE.

**Figure 17: Spreads between G-sec yields and the policy rate have shot up...**



Source: RBI, Refinitiv Datastream, NSE.

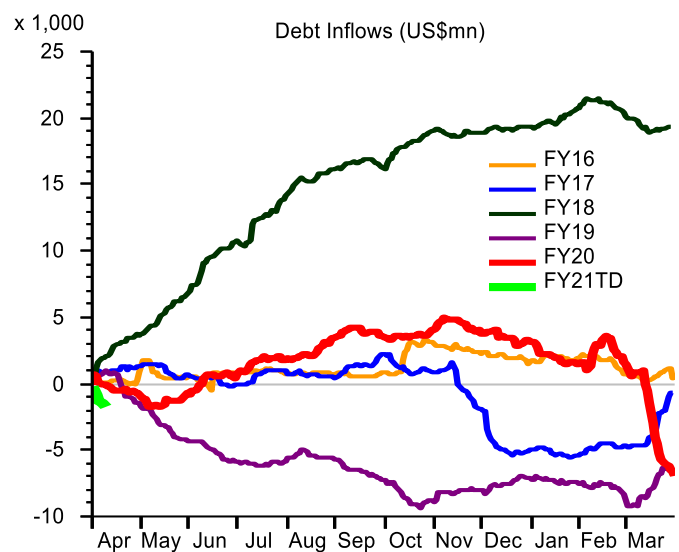
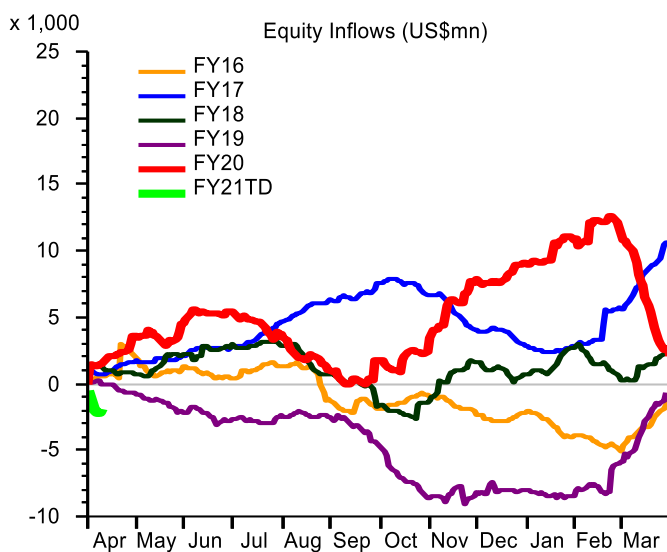
**Figure 18: ...and so have the spread between 10-year SDL cut-off yields and same maturity G-sec, reflecting tight financial conditions and supply pressures**



**Figure 19: Cumulative FII net flows over the last five years (FY)**

Sell-off in Indian equity and fixed income markets has been largely on account of a panic selling by foreign institutional investors as looming concerns of a global recession has led to massive fall in global risk appetite, even as domestic institutional buying has remained strong. In fact, the month of March has seen the highest ever monthly outflows by FIIs from equity and debt markets combined. While equity markets have ended the fiscal with a modest net FII inflows of US\$2.1bn, net outflows from debt markets have been the highest in last six years. The new fiscal has also started on a very weak note, with cumulative outflows from equity and debt markets standing at US\$1.3bn and US\$2.3bn respectively.

**Cumulative FII net flows over last five years (FY)**



Source: Refinitiv Datastream, NSE.

**Figure 20: Interest rates on small savings instruments for Q1 FY21**

On March 31, 2020, the Government slashed interest rates on all small saving schemes (excluding saving deposit) by 70-140 bps for Q1 FY21. With such a sharp cut, the huge spreads between the Government announced interest rates on such instruments and formula-based rates have effectively been removed. This, in turn, augurs well for monetary transmission.

Small Savings Scheme	Maturity (years)	Spread (percentage points)	Avg. G-sec yield (%) of corresponding maturity (Dec'19 to Feb'20)	Formula based rate of interest (%) for Q1FY21	Govt. announced rate of interest for Q1FY21	Diff. between Govt. rates and formula-based rates (bps)
Savings Deposit	NA	NA	NA	NA	4	NA
Public Provident Fund (PPF)	15	0.25	6.88	7.13	7.1	-3
1-year Term Deposit	1	0	5.15	5.15	5.5	35
2-year Term Deposit	2	0	5.47	5.47	5.5	3
3-year Term Deposit	3	0	5.78	5.78	5.5	-28
5-year Term Deposit	5	0.25	6.41	6.66	6.7	4
Post Office Recurring Deposit	5	0	5.78	5.78	5.8	2
Post Office Monthly Income Scheme	5	0.25	6.38	6.63	6.6	-3
Kisan Vikas Patra	124 months	0	6.88	6.88	6.9	2
NSC VIII Issue	5	0.25	6.57	6.82	6.8	-2
Senior Citizen Savings Scheme	5	1	6.41	7.41	7.4	-1
Sukanya Samriddhi Scheme	21	0.75	6.88	7.63	7.6	-3

Source: Govt. of India, RBI. \* Compounding frequency varies across instruments.

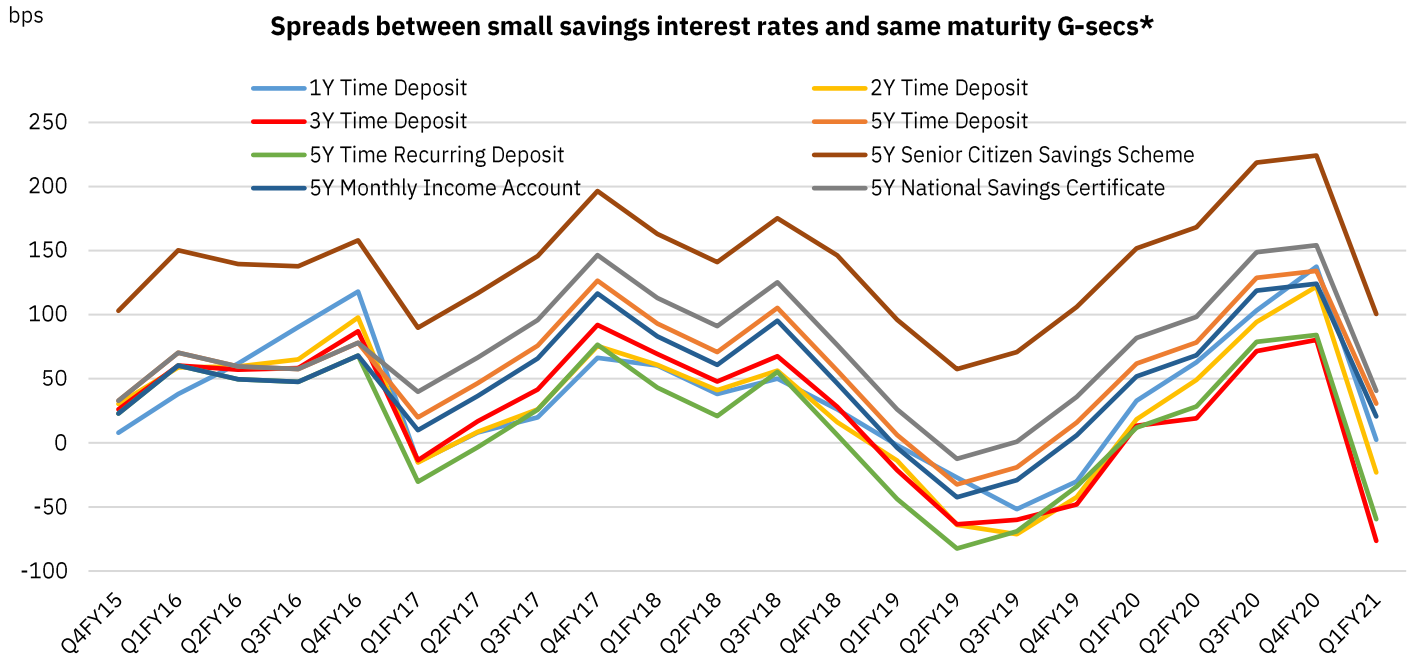
**Figure 21: Trend of interest rates on small savings schemes**

%	Savings Deposit	1Y Time Deposit	2Y Time Deposit	3Y Time Deposit	5Y Time Deposit	5Y Time Recurring Deposit	5Y Senior Citizen Savings Scheme	5Y Monthly Income Account	5Y NSC	PPF	Kisan Vikas Patra	Sukanya Scheme
Q4FY15	4.0	8.4	8.4	8.4	8.5	8.4	9.2	8.4	8.5	8.7	8.7	9.7
Q1FY16	4.0	8.4	8.4	8.4	8.5	8.4	9.3	8.4	8.5	8.7	8.7	9.2
Q2FY16	4.0	8.4	8.4	8.4	8.5	8.4	9.3	8.4	8.5	8.7	8.7	9.2
Q3FY16	4.0	8.4	8.4	8.4	8.5	8.4	9.3	8.4	8.5	8.7	8.7	9.2
Q4FY16	4.0	8.4	8.4	8.4	8.5	8.4	9.3	8.4	8.5	8.7	8.7	9.2
Q1FY17	4.0	7.1	7.2	7.4	7.9	7.4	8.6	7.8	8.1	8.1	7.8	8.6
Q2FY17	4.0	7.1	7.2	7.4	7.9	7.4	8.6	7.8	8.1	8.1	7.8	8.6
Q3FY17	4.0	7.0	7.1	7.3	7.8	7.3	8.5	7.7	8.0	8.0	7.7	8.5
Q4FY17	4.0	7.0	7.1	7.3	7.8	7.3	8.5	7.7	8.0	8.0	7.7	8.5
Q1FY18	4.0	6.9	7.0	7.2	7.7	7.2	8.4	7.6	7.9	7.9	7.6	8.4
Q2FY18	4.0	6.8	6.9	7.1	7.6	7.1	8.3	7.5	7.8	7.8	7.5	8.3
Q3FY18	4.0	6.8	6.9	7.1	7.6	7.1	8.3	7.5	7.8	7.8	7.5	8.3
Q4FY18	4.0	6.6	6.7	6.9	7.4	6.9	8.3	7.3	7.6	7.6	7.3	8.1
Q1FY19	4.0	6.6	6.7	6.9	7.4	6.9	8.3	7.3	7.6	7.6	7.3	8.1
Q2FY19	4.0	6.6	6.7	6.9	7.4	6.9	8.3	7.3	7.6	7.6	7.3	8.1
Q3FY19	4.0	6.9	7.0	7.2	7.8	7.3	8.7	7.7	8.0	8.0	7.7	8.5
Q4FY19	4.0	7.0	7.0	7.0	7.8	7.3	8.7	7.7	8.0	8.0	7.7	8.5
Q1FY20	4.0	7.0	7.0	7.0	7.8	7.3	8.7	7.7	8.0	8.0	7.7	8.5
Q2FY20	4.0	7.0	7.0	7.0	7.8	7.3	8.7	7.7	8.0	8.0	7.7	8.5
Q3FY20	4.0	6.9	6.9	6.9	7.7	7.2	8.6	7.6	7.9	7.9	7.6	8.4
Q4FY20	4.0	6.9	6.9	6.9	7.7	7.2	8.6	7.6	7.9	7.9	7.6	8.4
Q1FY21	4.0	5.5	5.5	5.5	6.7	5.8	7.4	6.6	6.8	7.1	6.9	7.6

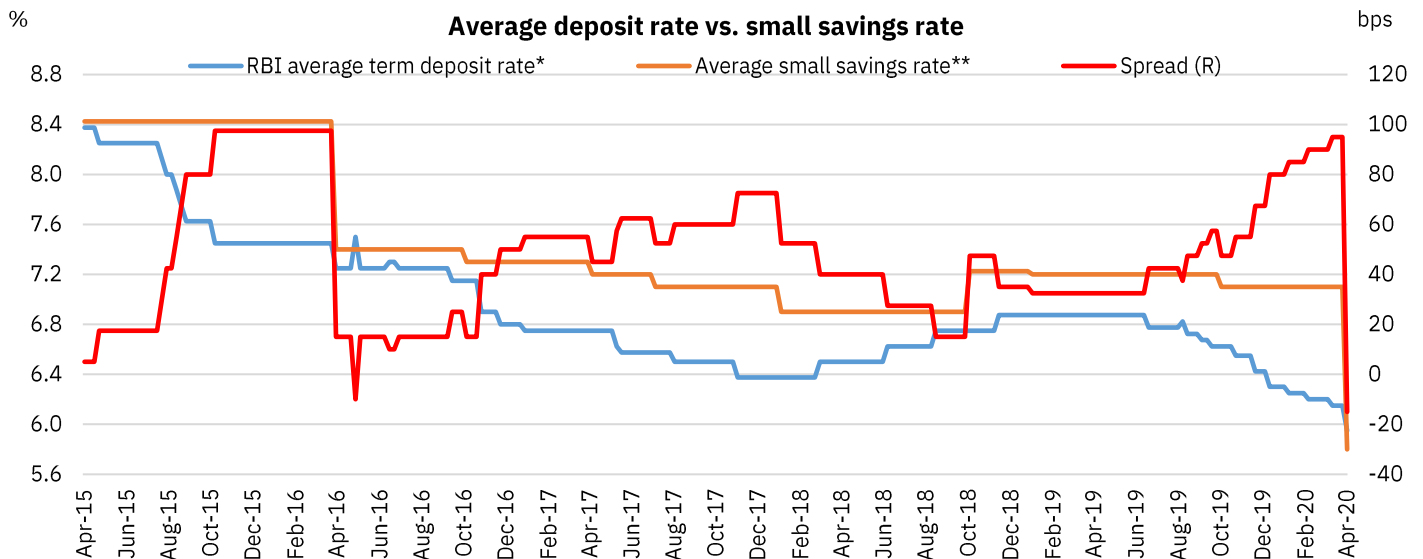
Source: Department of Economic Affairs, CMIE Economic Outlook, NSE.

**Figure 22: Trend of spreads between small savings interest rates and Government securities**

Spreads between interest rates on small savings schemes and Central Government securities of the same maturities had widened significantly over the last few quarters, crossing 100bps cap recommended by the Shyamala Gopinath Committee constituted on small savings schemes by a huge margin in Q4FY20. However, the recent sharp cut in interest rates on such instruments by the Government have now aligned them with the prescribed formula.


**Figure 23: Average interest rate on small savings schemes vs. RBI term deposit rates**

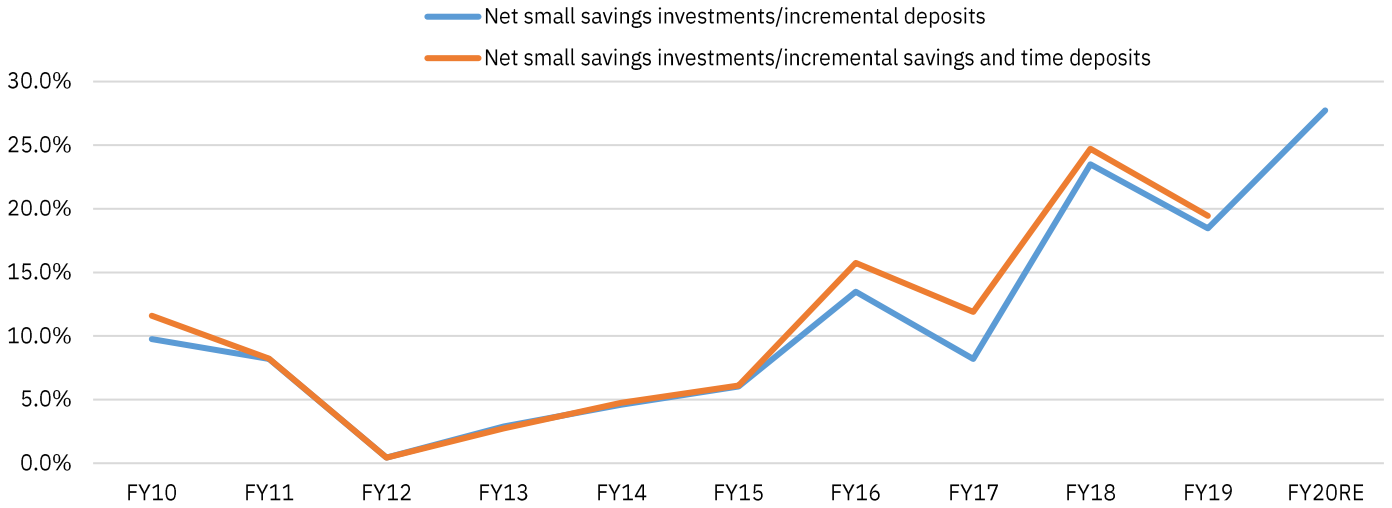
Average bank deposit rates fell by ~90bps in 2019, reflecting a consequence of a 135bps cut in policy rates. Interest rates on small savings schemes, however, fell by a mere ~25bps, leading to spreads between the two widening to the highest level in over four years. However, with recent sharp cut in interest rates on small savings schemes, spread has turned negative, and are hovering at a 5-year low level. However, this is likely to increase as deposit rates get aligned with the recent cut in policy rates.



**Figure 24: Incremental deposits vs. net investments in small savings schemes**

Accretion of household savings to small savings schemes as a percentage of incremental deposits has seen a sharp rise over the last six years, partly explained by higher interest rates on such instruments as compared to bank deposits.

**Net investments in small savings vs. incremental deposits**



Source: Union Budget, Economic Outlook CMIE, NSE. FY20 figure is based on an estimated deposit growth of 10%.

**Figure 25: Monetary measures announced by global central banks (as of March 31<sup>st</sup>)**

Countries	Monetary measures
US	Fed Funds rate slashed by a total of 150bps in March to 0-0.25%.
	Rate of emergency lending at the discount window for banks lowered by 125bps to 0.25% and term of loans lengthened to 90 days. Banks provided additional flexibility to use their buffers to lend.
	Reserve requirement ratios reduced to 0% w.e.f. March 26 <sup>th</sup> .
	QE relaunched to support the flow of credit to households and businesses with unlimited asset purchases, commercial mortgage-backed securities included in the programme.
	Establishment of Commercial Paper Funding Facility (CPFF)—a SPV that will purchase unsecured and asset-backed CPs rated A1/P1 directly from eligible companies as well as high-quality tax-exempt CPs. Pricing reduced.
	Establishment of a Primary Dealer Credit Facility (PDCF)—to offer overnight and term funding upto 90 days.
	Establishment of a Money Market Mutual Fund Liquidity Facility (MMLF)—to make loans available to eligible financial institutions secured by high-quality assets purchased from money market MFs. The eligible securities were later expanded to include municipal variable rate demand notes (VRDNs) and bank certificates of deposit.
	Pricing on the standing US dollar liquidity swap arrangements lowered by 25bps. Temporary dollar swap lines opened with central banks in nine new countries.
	Establishment of the Primary Market Corporate Credit Facility (PMCCF) and the Secondary Market Corporate Credit Facility (SMCCF) to support credit to large employers.
	Establishment of the Term Asset-Backed Securities Loan Facility (TALF) to support the flow of credit to consumers and businesses.
Eurozone (ECB)	Establishment of a temporary repurchase agreement facility for foreign and international monetary authorities (FIMA Repo Facility) to help support the smooth functioning of financial markets.
	New round of longer-term refinancing operations (LTROs) announced. Terms for targeted LTRO III eased during June 2020 to June 2021, coupled with reduced interest rate on TLTRO III by 25bps.
	Conditions for targeted longer-term refinancing operations (TLTRO III) eased, along with reduction in interest rate on TLTRO III, to support bank lending to businesses and households.
	Asset purchase programme expanded by EUR120bn by year end on top of EUR20/bn per month target. Non-financial commercial papers included in asset purchases.
	Banks allowed to use capital and liquidity buffers, including Pillar 2 guidance.
Japan	Pandemic Emergency Purchase Programme (PEPP) worth EUR750bn launched. Purchases to continue until the end of 2020 and would include all eligible asset categories, including Greek Government debt.
	Collateral standards eased for ECB refinancing operations.
	Special Funds-Supplying Operations introduced to facilitate corporate financing. Through this, BoJ will provide loans up to value of corporate debt pledged as the standing pool of eligible collateral.
UK	Increase in upper limit of CP/corporate bond purchases by Yen 2trn in total.
	Increase in ETF/J-REIT purchases by 2x at an annual pace of Yen 12trn/180bn.
	Bank rate reduced by a total of 65bps to 0.1%
	Increase in BoE's holdings of UK Govt. and corporate bonds by £200 bn to a total of £645 bn in 2020.
	New Term Funding Scheme introduced with additional incentives for SMEs (TFSME).
	UK countercyclical capital buffer rate reduced to 0% from 1% for at least next 12 months.
	US dollar repo operations enhanced in coordination with other central banks
South Korea	Supervisory guidance on dividends and other distributions issued.
	Other supervisory and prudential policy measures including cancellation of annual stress test of banks in 2020
	Covid Corporate Financing Facility (CCFF) launched to provide funding to businesses by purchasing CPs of up to one-year maturity.
	Contingent Term Repo Facility activated.
	Base rate slashed by 50bps from 1.25% to 0.75%.
South Korea	Interest rate on the Bank Intermediated Lending Support Facility cut from 0.5-0.75% to 0.25% and the ceiling on the facility increased by 5trn won.
	Eligible collateral for open market operations expanded to include debentures issued by banks.



	<p>Unlimited liquidity through weekly 91-day repo auctions.</p> <p>Forex market stability rules eased.</p>
China	<p>Yuan 1.7trn liquidity injected on Feb 3<sup>rd</sup>/4<sup>th</sup>.</p> <p>One-year loan prime rate cut from 4.15% to 4.05%, five-year rate cut from 4.80% to 4.75%.</p> <p>Interest rate on one-year medium-term lending facility worth 200bn yuan that lends to financial institutions cut from 3.25% to 3.15%.</p> <p>Further reduction in required reserve ratios</p> <p>7-day reverse repo rate lowered by 20bps to 2.2%</p>
Hong Kong	<p>As a response to US Fed's rate cut, base rate reduced by a total of 64bps from 2% to 0.86% according to a pre-set formula.</p> <p>Countercyclical capital buffer (CCyB) reduced from 2.0% to 1.0%</p>
Singapore	<p>US\$60bn swap facility announced with US Fed as part of coordinated central bank actions.</p> <p>Support measures announced by banks including moratoriums on repayments for affected customers, extension of payment terms for trade finance facilities and additional working capital financing</p>
Taiwan	<p>The discount rate, the rate on accommodations with collateral, and the rate on accommodations without collateral reduced by 25bps to 1.125%, 1.50%, and 3.375%, respectively.</p> <p>Repurchase facility operations expanded by NT\$200bn (\$6.6bn) at 100bps lower than the policy rate on accommodations with collateral to support credit extension to SMEs.</p>
Indonesia	<p>7-day reverse repo rate, lending facility rate and deposit facility rate lowered by 50bps each to 4.5%, 5.25% and 3.75% respectively.</p> <p>Daily repo auctions of 12-month tenor introduced.</p> <p>Frequency of forex swap auctions increased.</p> <p>Triple intervention policy intensified to minimize the risk of increasing rupiah exchange rate volatility</p> <p>Reduction in FX reserve requirement from 8% to 4%.</p> <p>Reduction in rupiah reserve requirements by 50bps for banks financing export-import activity.</p> <p>Range of underlying transactions available to foreign investors expanded to provide alternative hedging instruments against rupiah holdings.</p>
Thailand	<p>Policy rate cut by 25bps from 1.25% to 1%.</p> <p>Repatriation threshold increased to US\$1mn to help businesses reduce fund transfer cost and manage foreign exchange better.</p>
South Africa	<p>Repo rate cut by a total of 125bps in this year to 5.25%.</p> <p>Standing Facilities lending rate – the rate at which the central bank provides liquidity to commercial banks – lowered to the repo rate, from the prevailing rate of the repo plus 100bps, coupled with easing of money market operations.</p>
Australia	<p>Cash rate target reduced by a total of 50bps this year to 0.25%.</p> <p>Purchases of G-secs and semi G-secs to be conducted across the yield curve to target 3-year g-sec yield at 0.25%.</p> <p>Three-year funding facility announced for authorised deposit-taking institutions at a fixed rate of 0.25% up to 3% of their existing outstanding credit.</p> <p>One- and three-month repo operations to be conducted on a daily basis. Long-term repo operations to be conducted of six-months maturity or longer at least on a weekly basis.</p> <p>Exchange settlement balances to be remunerated at 10 bps.</p>
Brazil	<p>Selic rate lowered by a total of 50bps this year to 3.75%</p> <p>Reserve requirement ratio on time deposits reduced from 31% to 25%--to release BRL49bn of the banking system reserve requirements. This was coupled with an increase in share of reserve requirements to be taken into account for Liquidity Coverage Ratio (LCR)</p> <p>Increase in share of reserve requirements to be taken into account in Liquidity Coverage Ratio (LCR)</p>

Source: Central bank websites, NSE.

## Economic Policy & Research

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