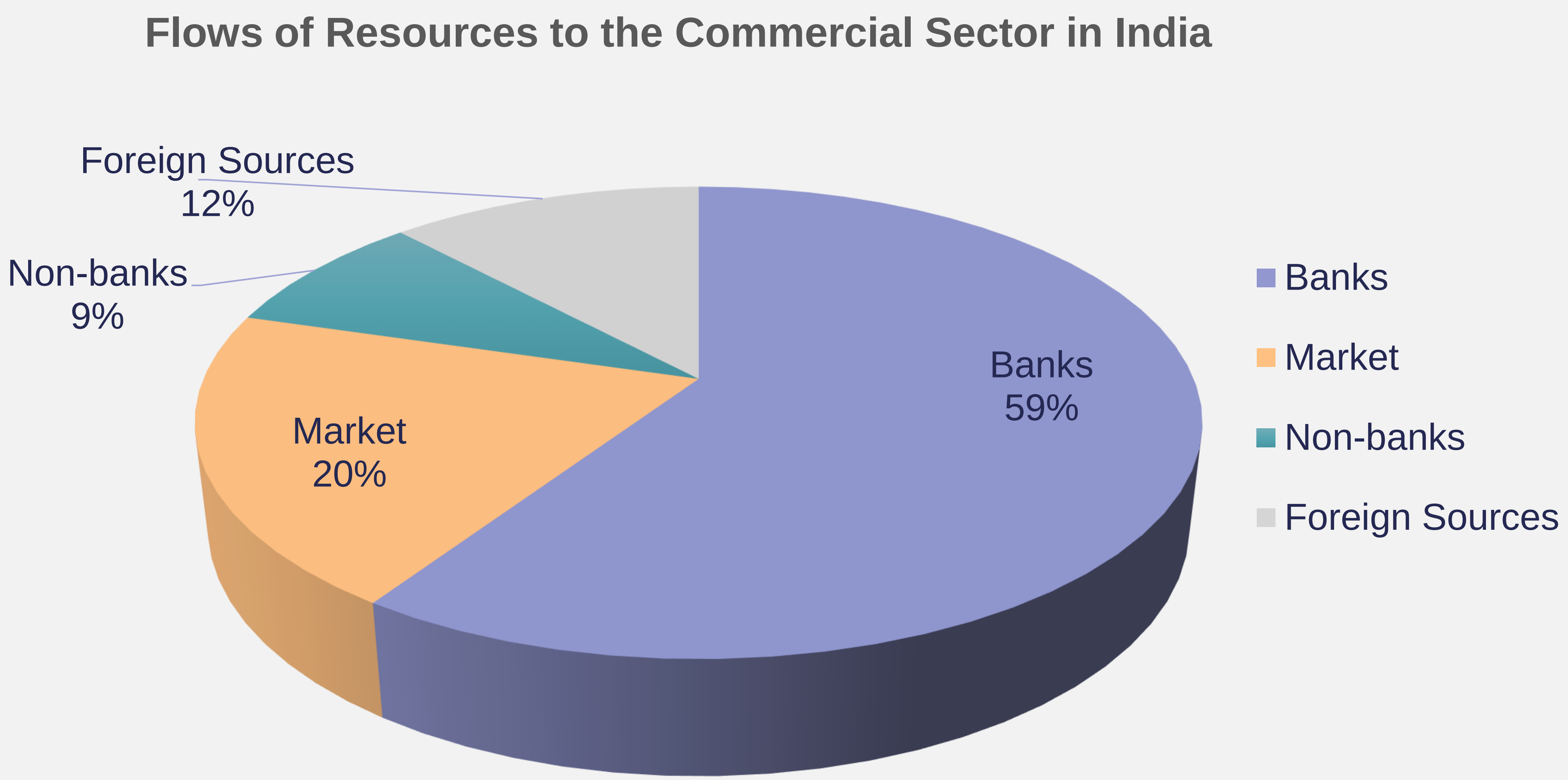
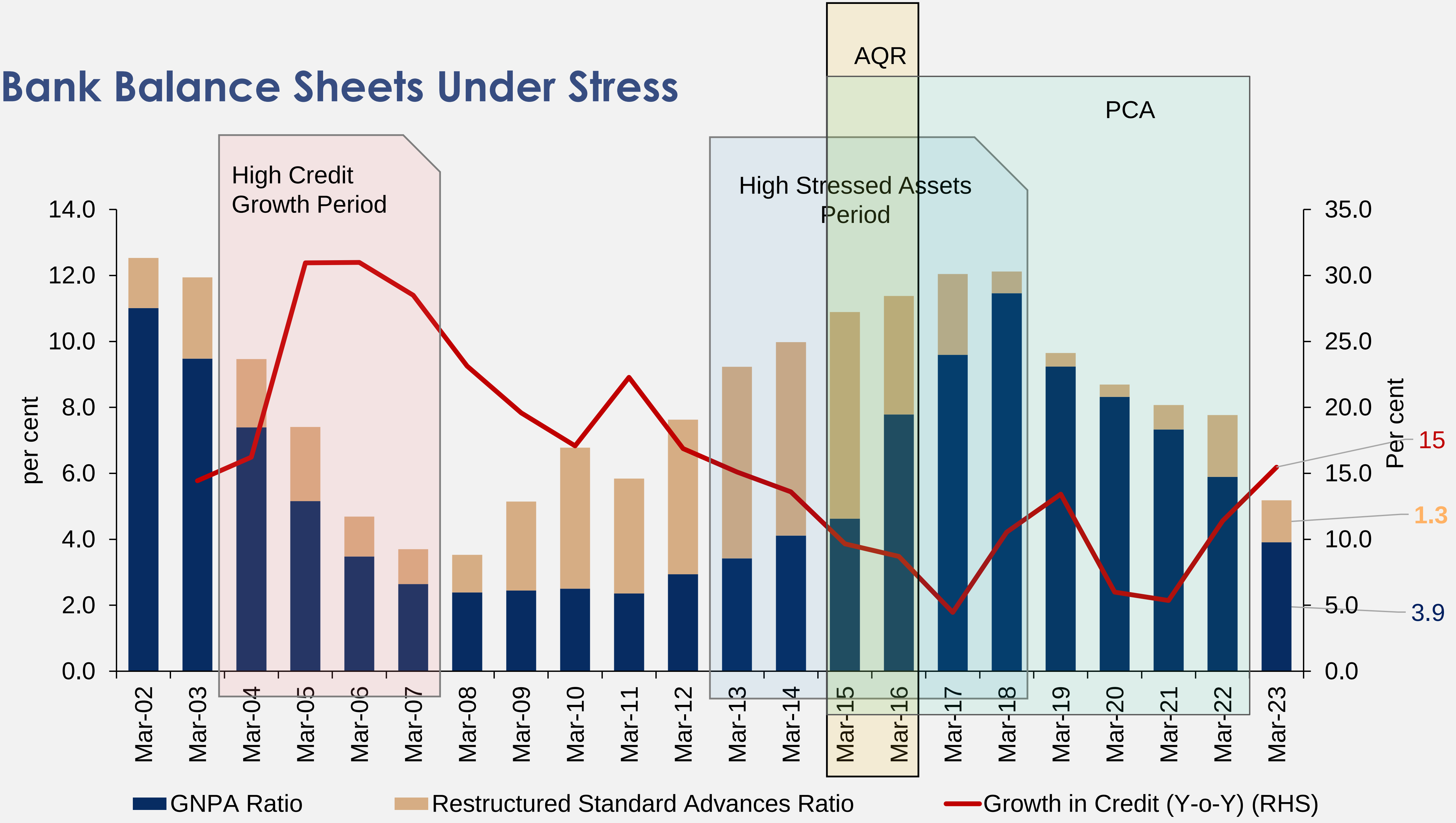
India's Financial Sector

From Exuberance to Resilience

Composition of Indian Financial Sector



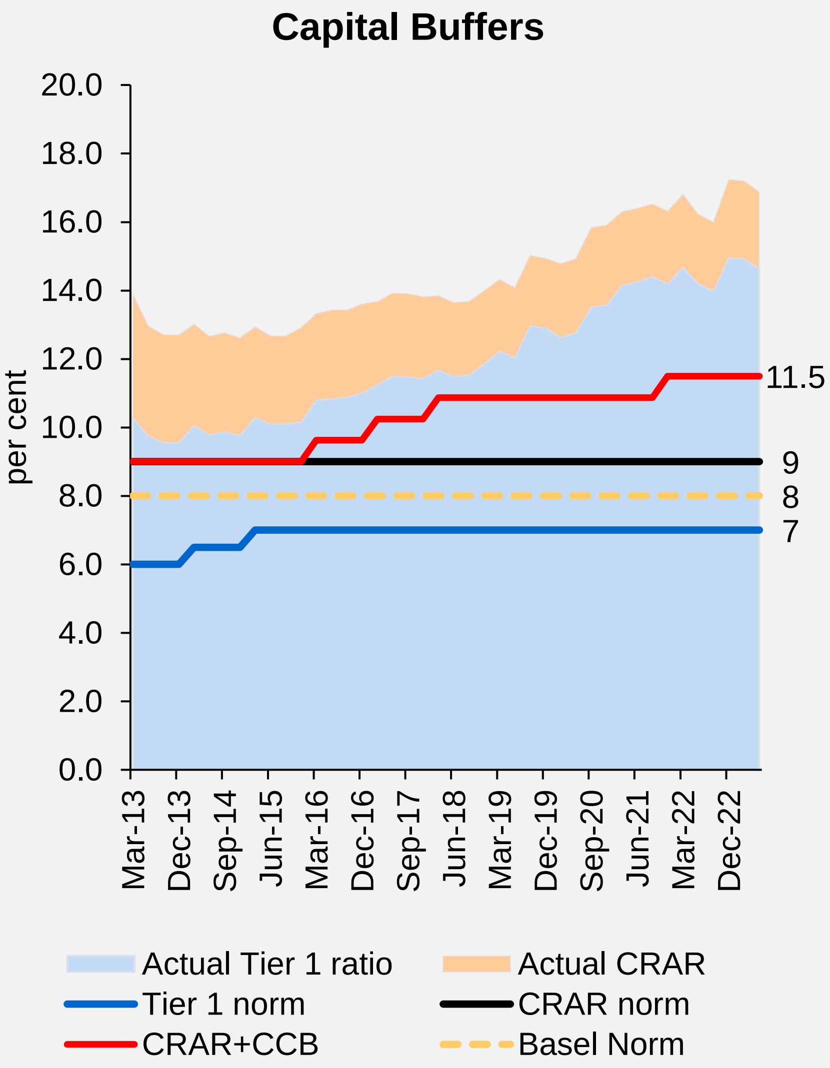
Bank Balance Sheets Under Stress

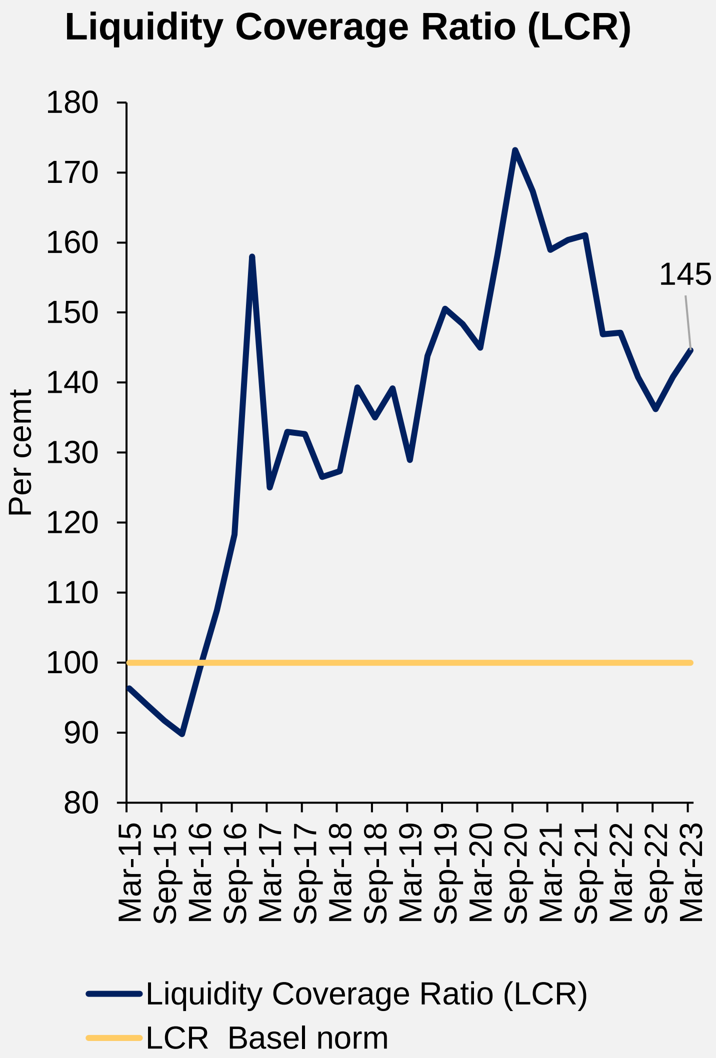


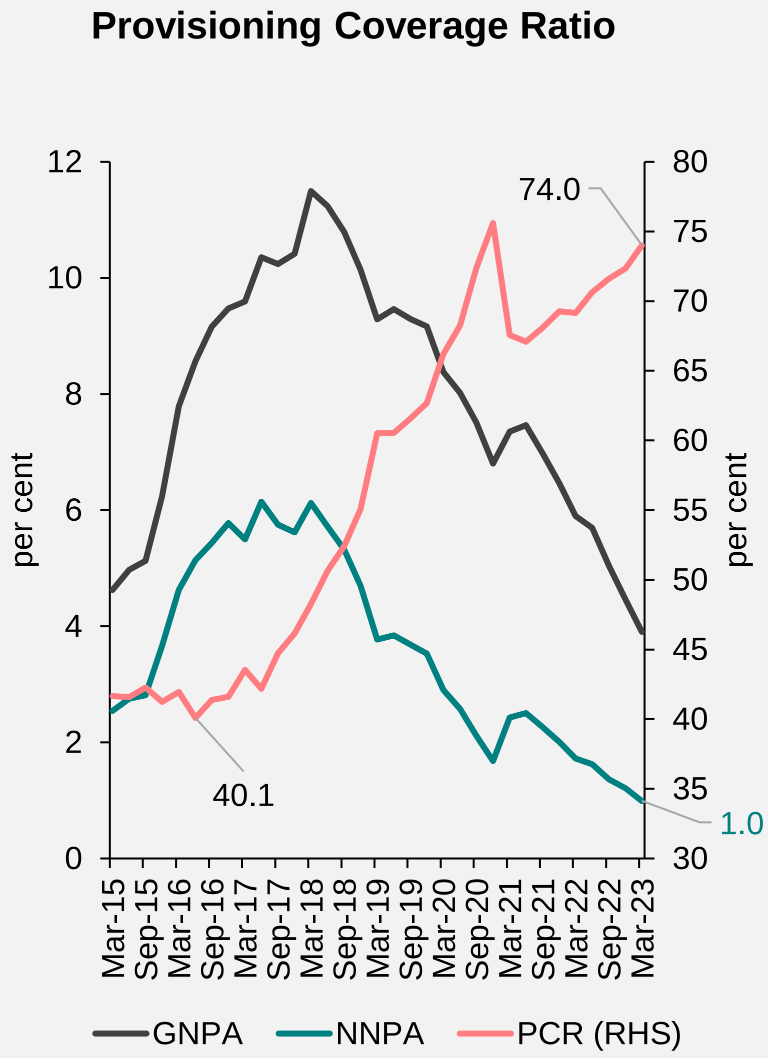
AQR: Asset Quality Review

PCA: Prompt Corrective Actions

Rebuilding Buffers

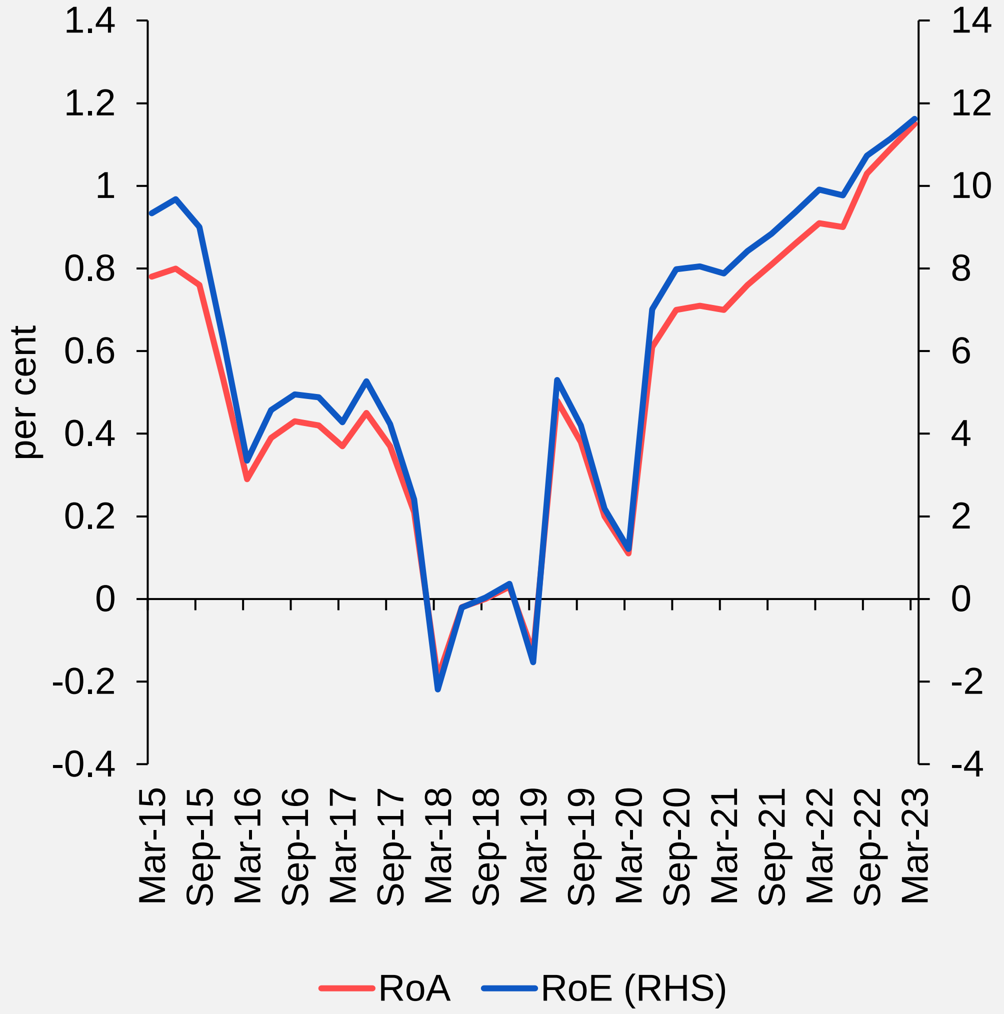


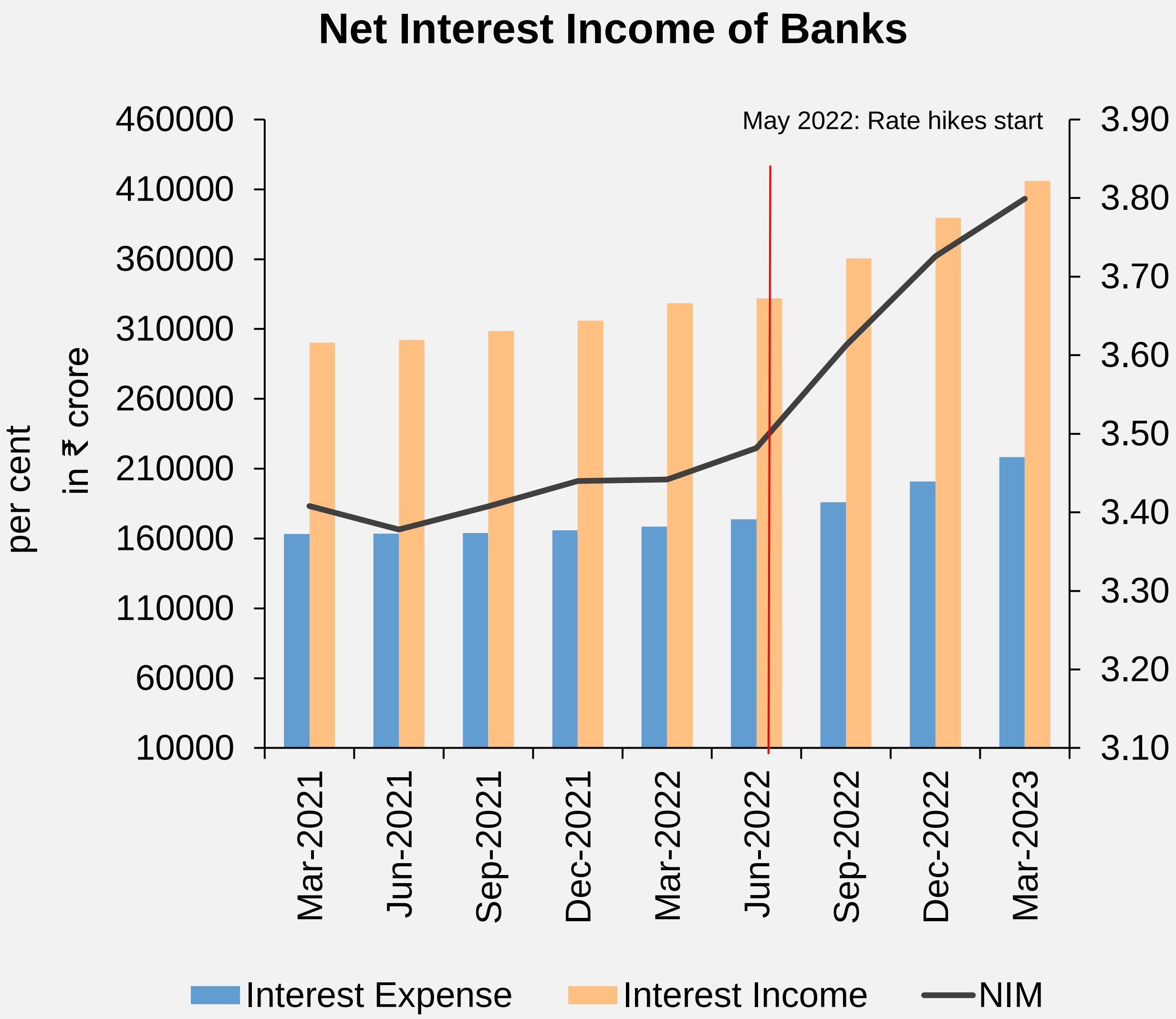




PCR not adjusted for write-offs

Return to Profitability





RoA: Return on Assets RoE: Return on Equity

Transmission to Banks' Deposit and Lending Rates

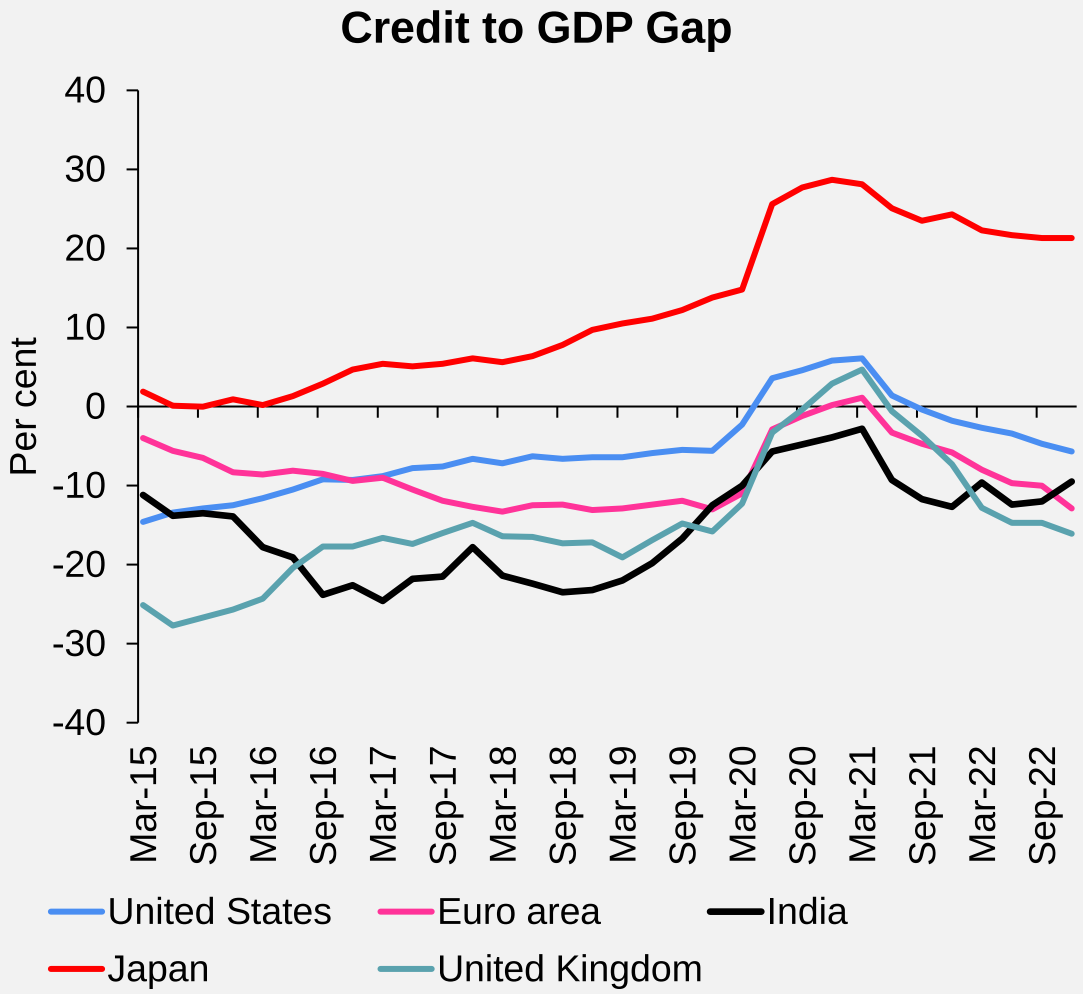
Period	Repo Rate (bps)	Term Deposit Rates (bps)			Lending Rates (bps)			
		WADTDR - Fresh Deposits		WADTDR- Outstanding Deposits	EBLR	1-Yr. MCLR (Median)	WALR - Fresh Rupee Loans	WALR- Outstanding Rupee Loans
		Retail Deposits	Retail and Bulk Deposits	Retail and Bulk Deposits				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Easing Phase Feb 2019 to Mar 2022	-250	-209	-259	-188	-250	-155	-232	-150
Tightening Period May 2022 to July 2023	**+250**	**173**	**232**	**152 (151)**	**250**	**155@**	**193**	**110 (112)**
Memo								
April to July 2023	0	-1	-13	39 (38)	-	0	12	10 (12)
April- 2023	0	0	-12	12	-	0	-24	4
May- 2023	0	-3	-4	9	-	0	19	2
June- 2023	0	3	2	10	-	0	-7	4
July- 2023	0	-1	1	8 (7)	-	0	24	0 (2)

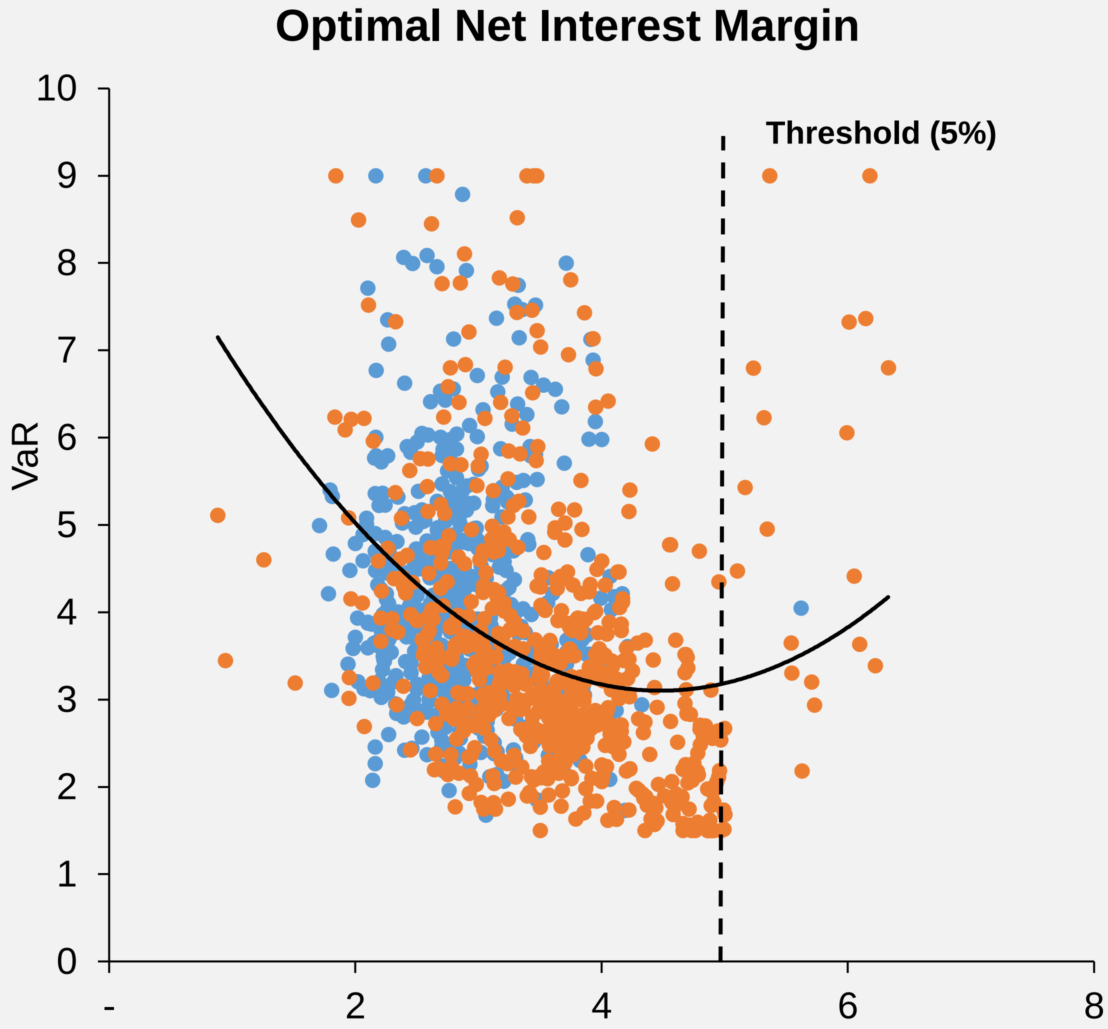
WALR: Weighted Average Lending Rate. WADTDR: Weighted Average Domestic Term Deposit Rate; MCLR: Marginal Cost of Funds-based Lending Rate; EBLR: External Benchmark-based Lending Rate. Data on EBLR pertain to 32 domestic banks. @: Data are for May 2022 to August 2023.

Notes: (i) Data in parentheses exclude the impact of the merger of a non-bank with a bank. (ii) The share of current and savings deposits in total deposits was 41.4 per cent (current account deposits: 9.6 per cent and savings deposit: 31.8 per cent) as at end-June 2023. The transmission to savings deposit has been very muted (5 bps in the current tightening cycle), which dampens the transmission to banks' overall deposit cost.

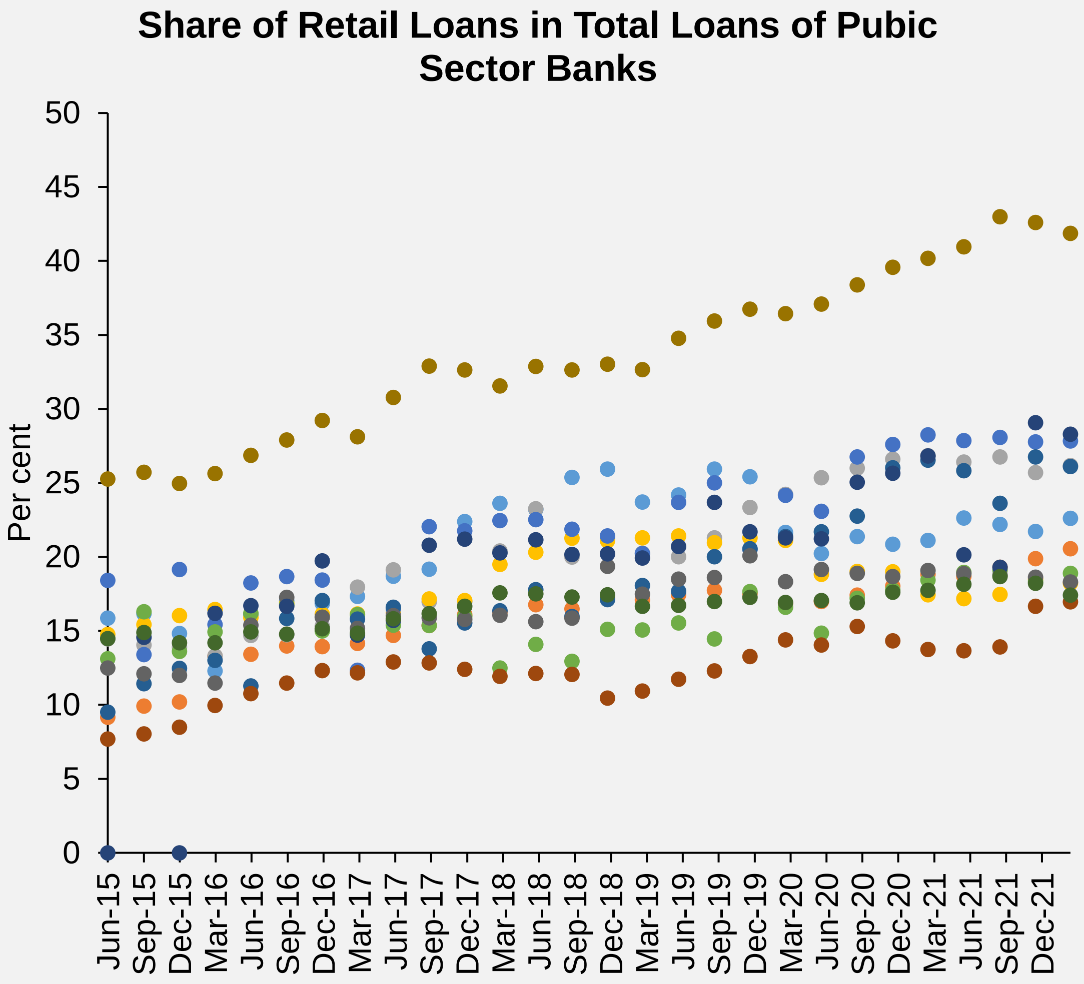
Source: RBI.

Checking for Overheating

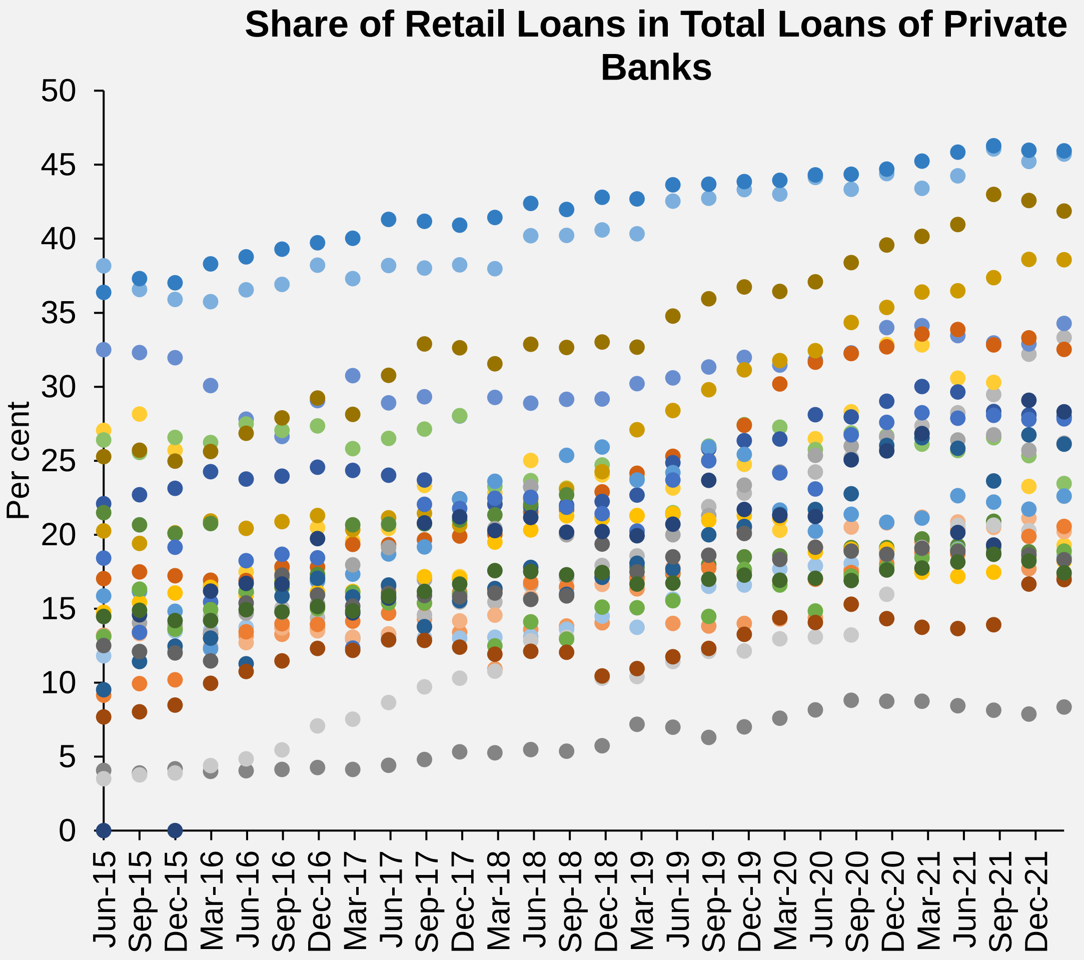




Share of Retail Loans in Total loans

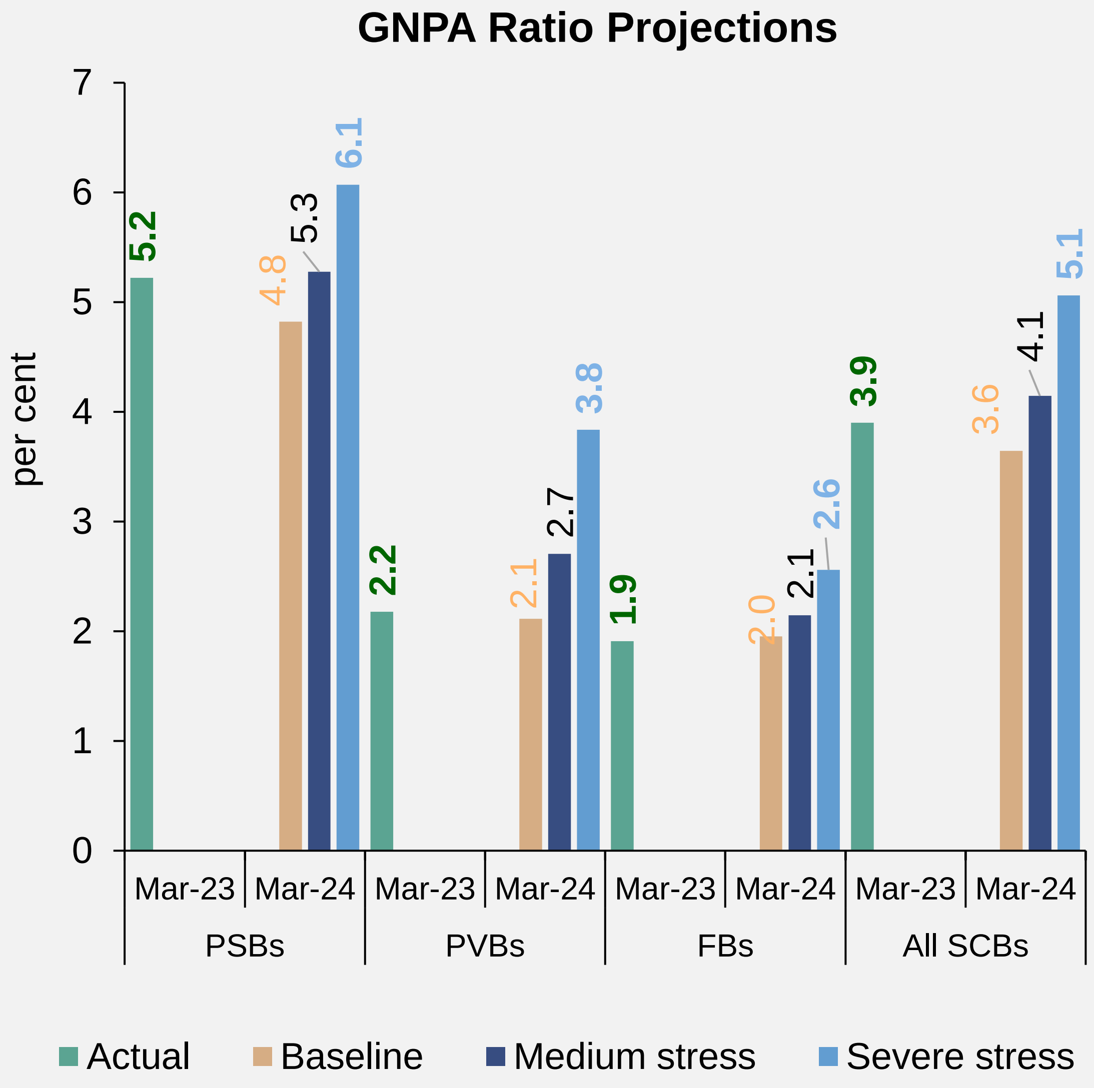


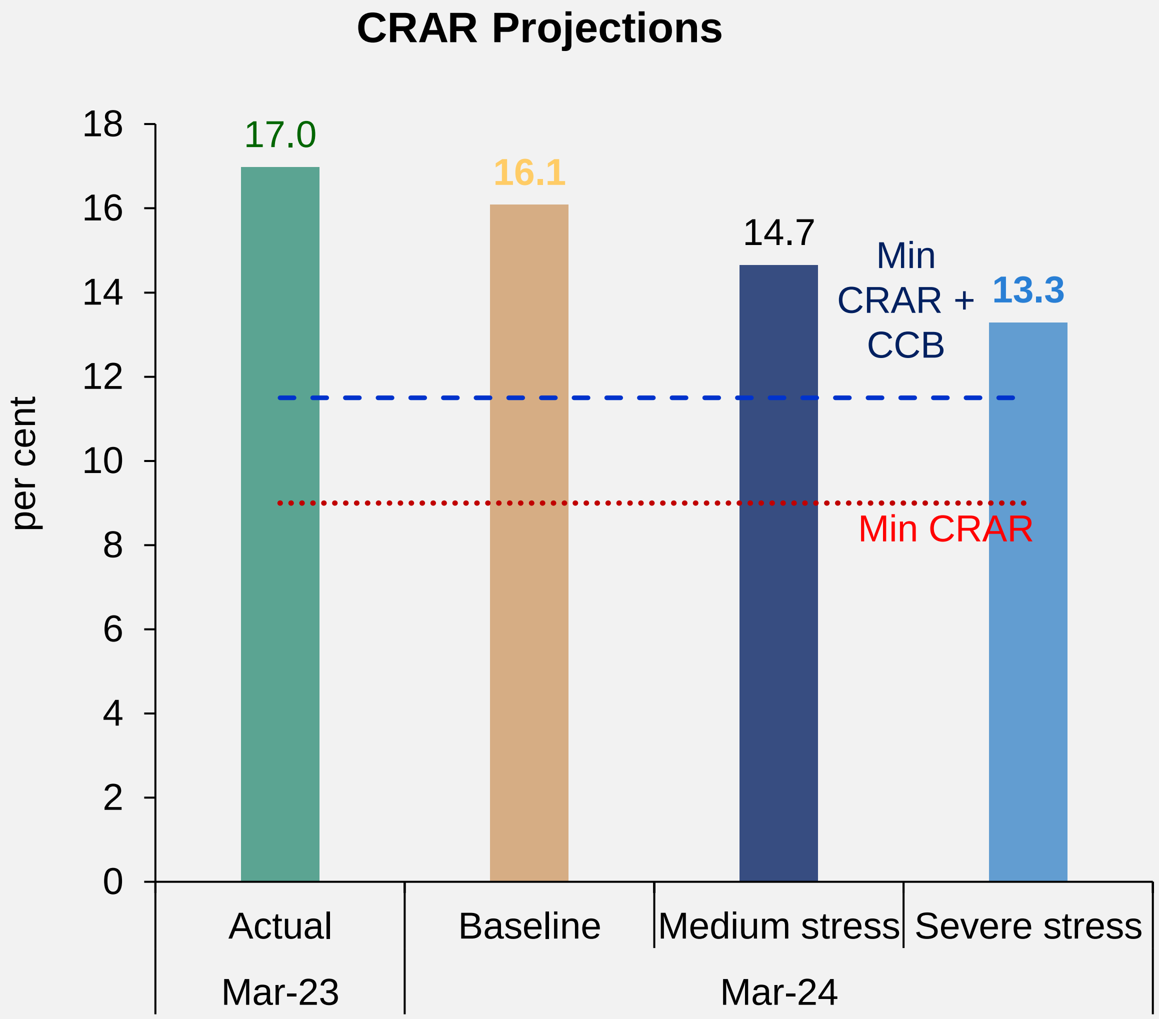
Note: Each dot represents a PSB's share of retail loans in total loans at the end of the said quarter.



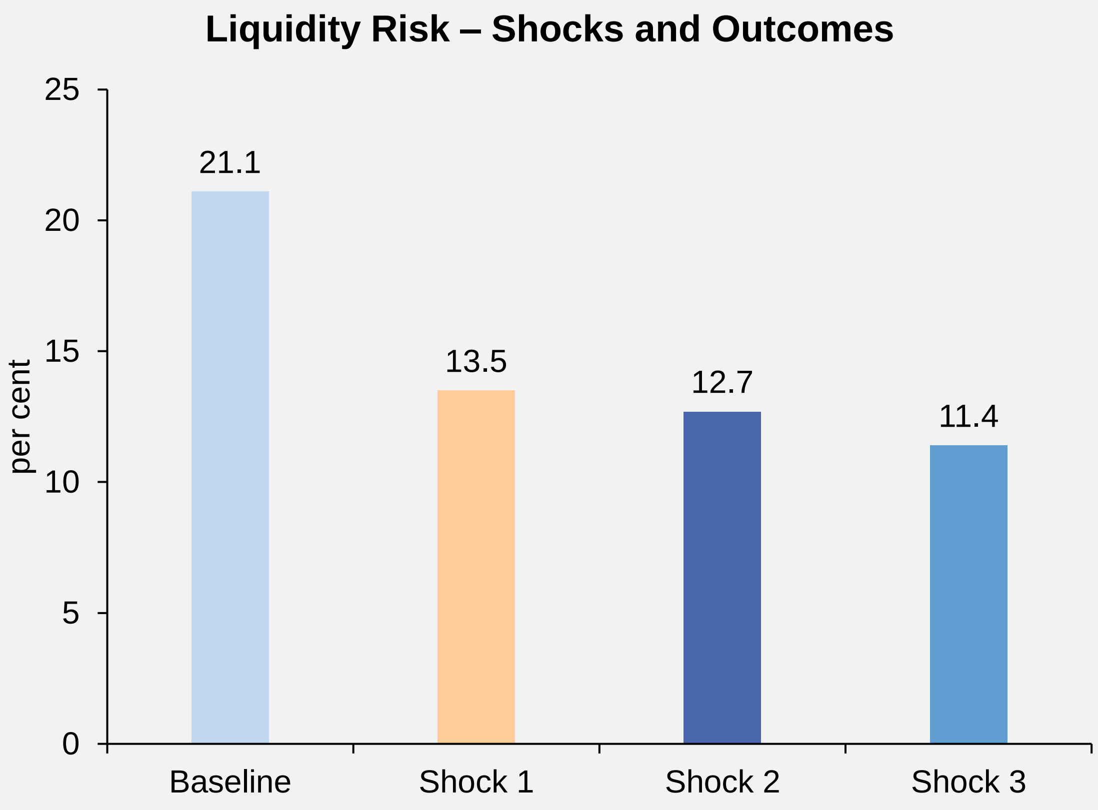
Note: Each dot represents a PVB's share of retail loans in total loans at the end of the said quarter.

Macro Stress Tests (1/2)



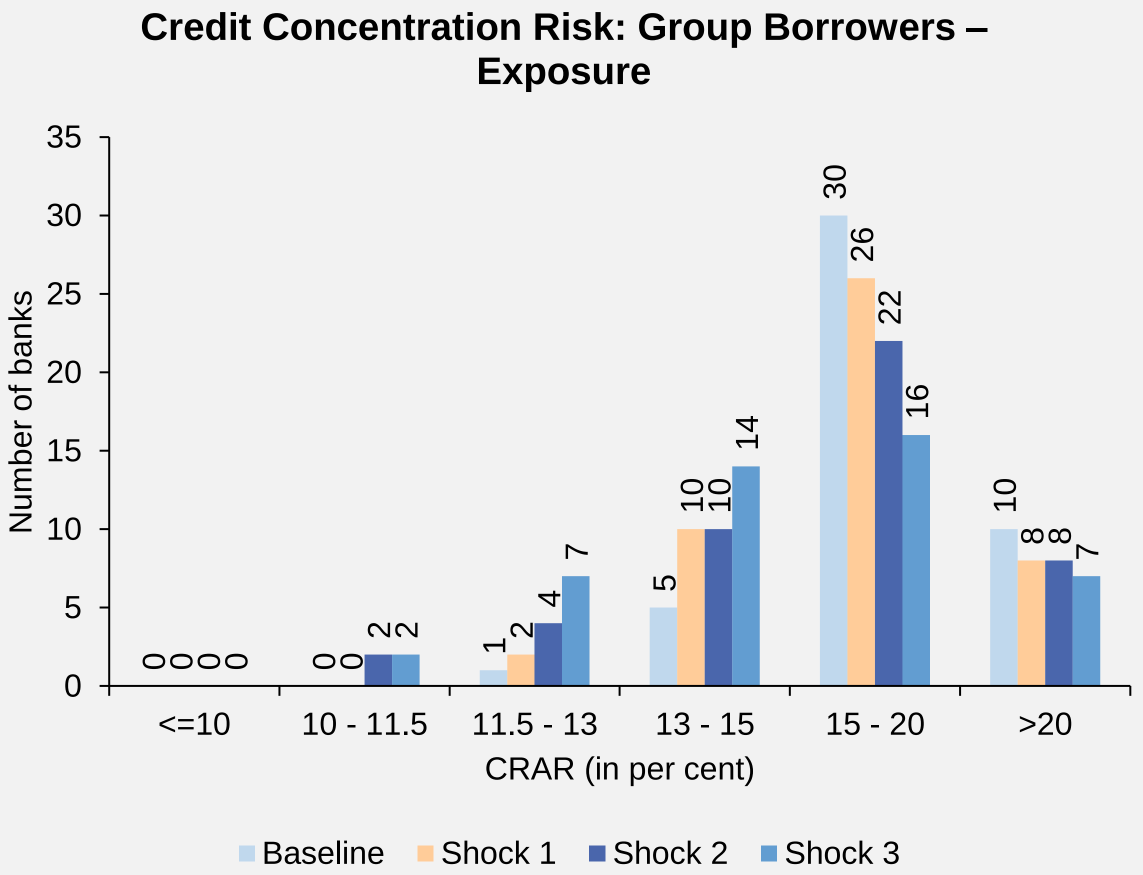


Macro Stress Tests (2/2)



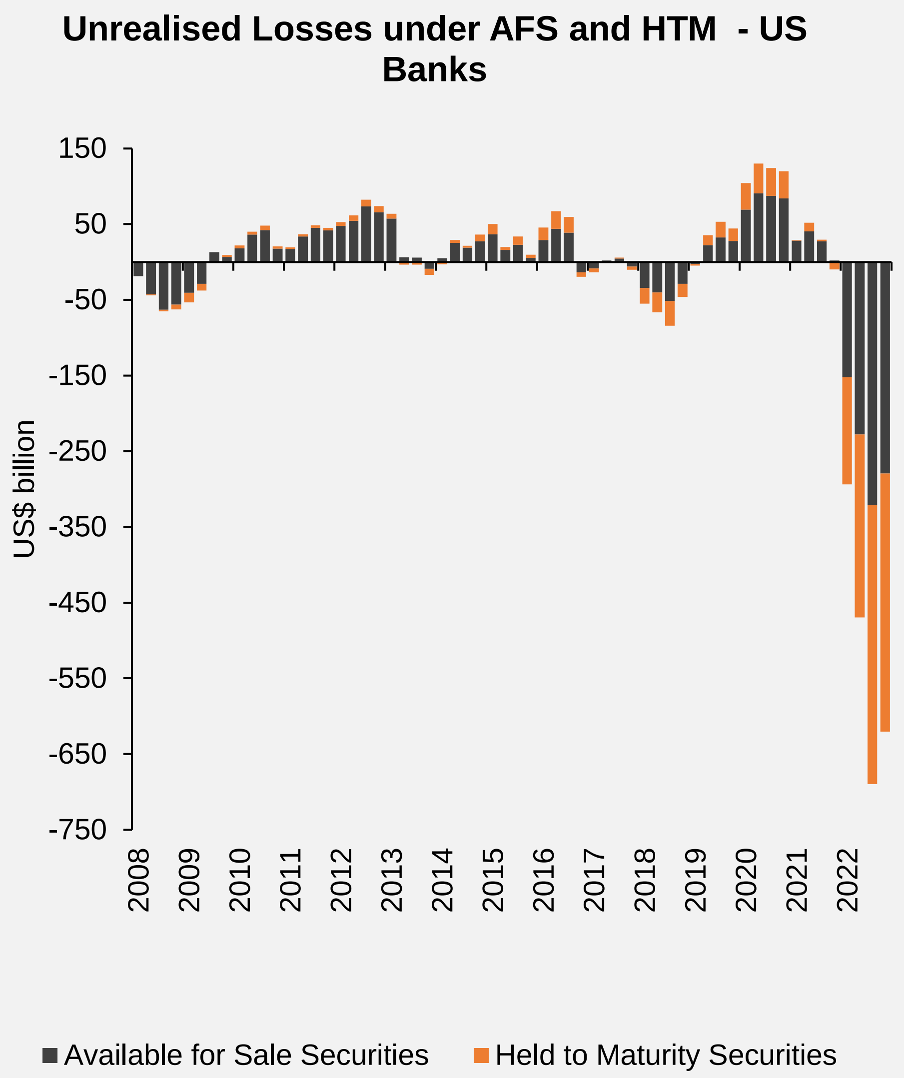
Note: Liquidity shocks include a demand for 75 per cent of the committed credit lines (comprising unutilised portions of sanctioned working capital limits as well as credit commitments) and withdrawal of a portion of un-insured deposits as given below:

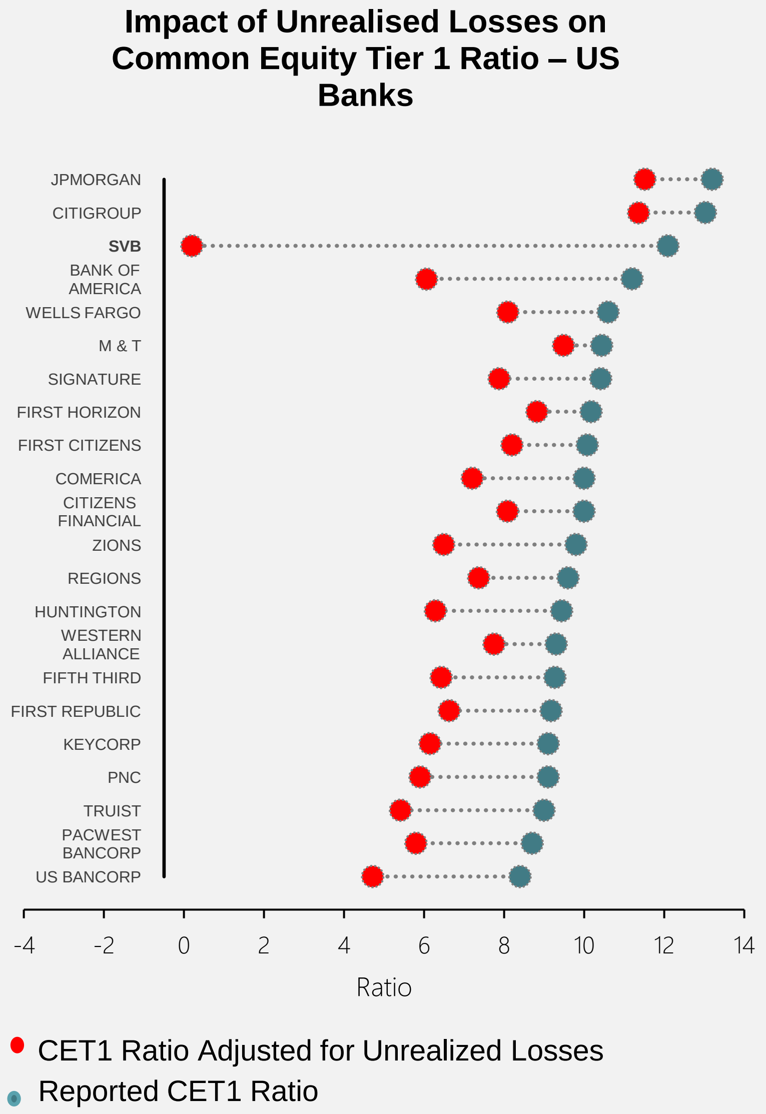
Shock	Shock 1	Shock 2	Shock 3
Per cent withdrawal of un-insured deposits	10	12	15

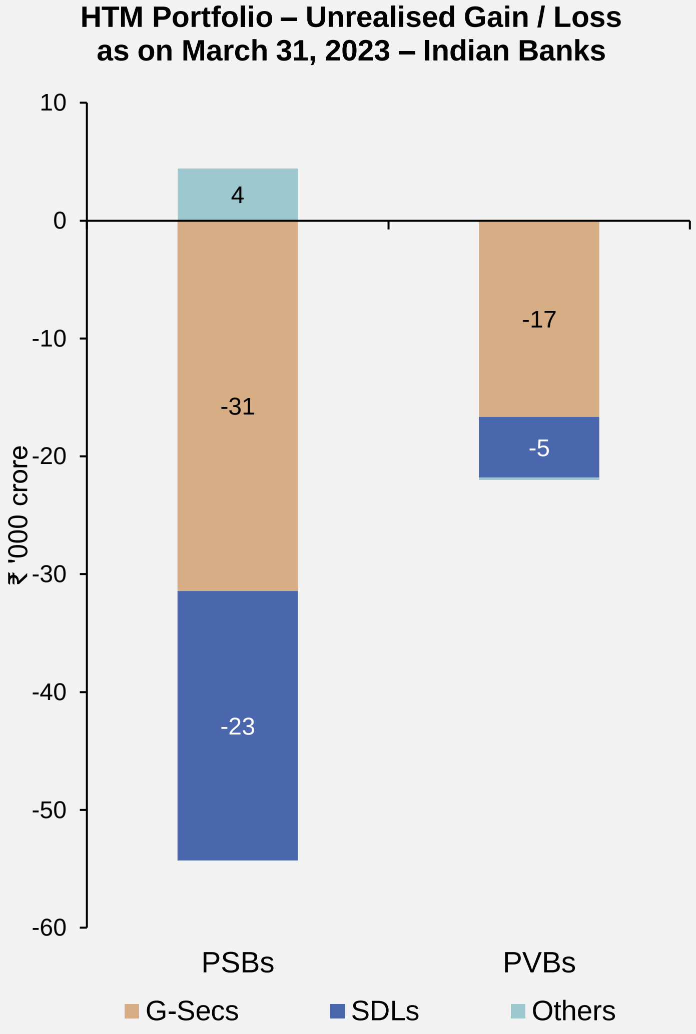


Note: For a system of select 46 SCBs.
Shock 1: The top 1 group borrower fails to meet payment commitments.
Shock 2: The top 2 group borrowers fail to meet payment commitments.
Shock 3: The top 3 group borrowers fail to meet payment commitments.

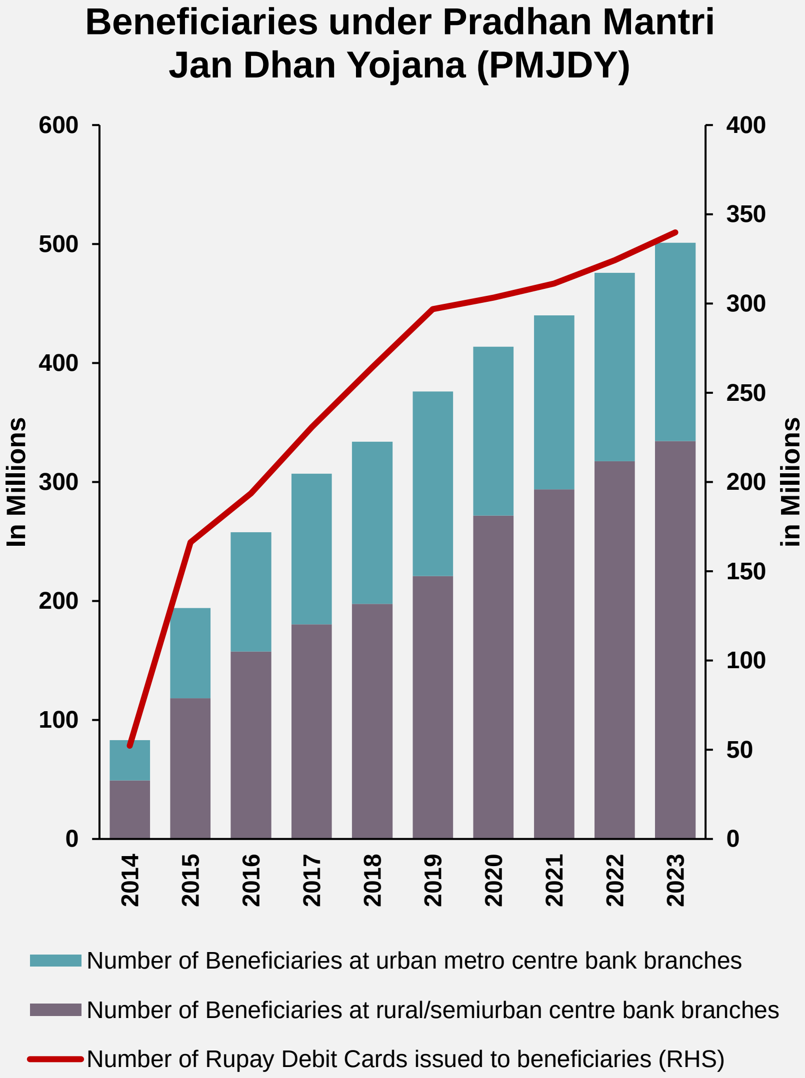
Unrealised Losses

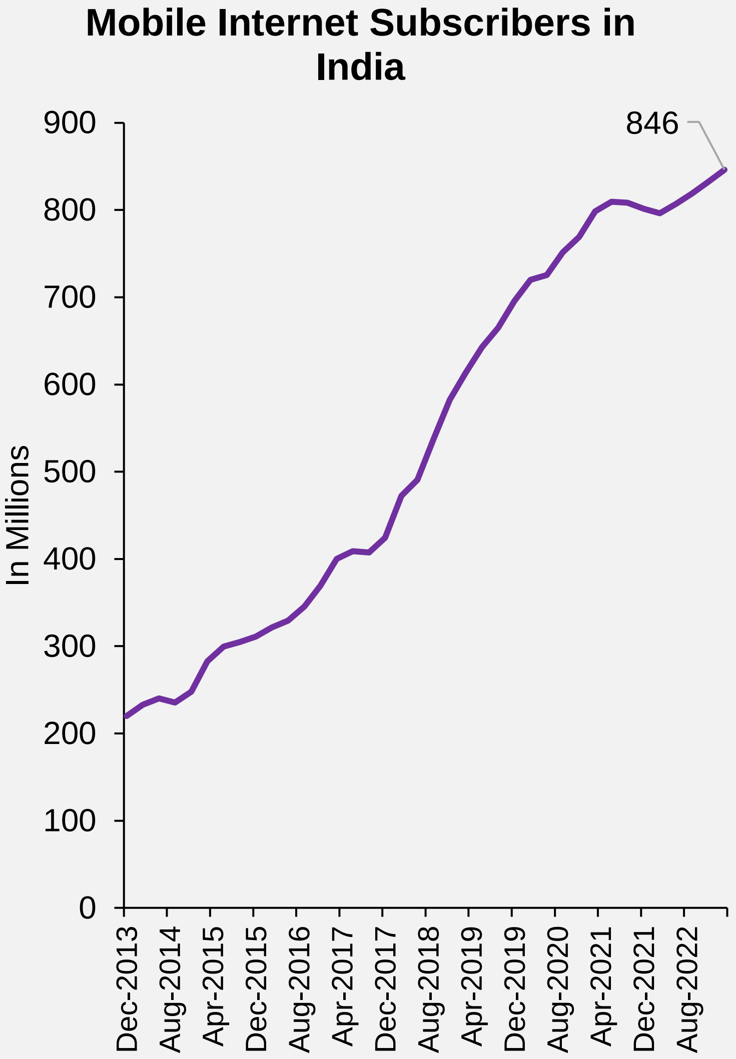


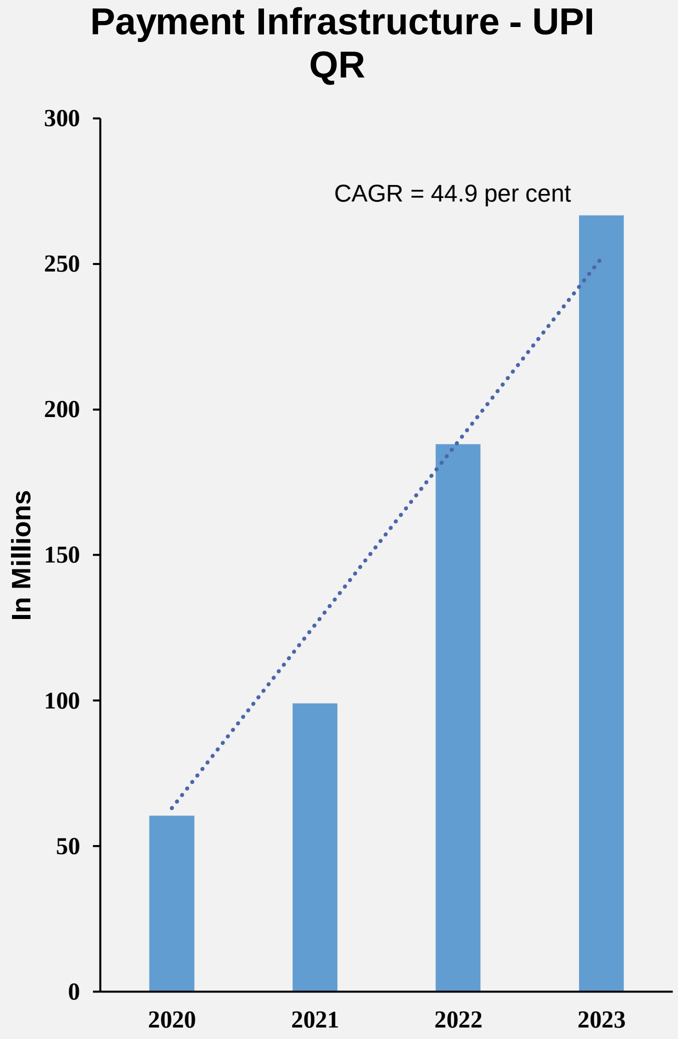




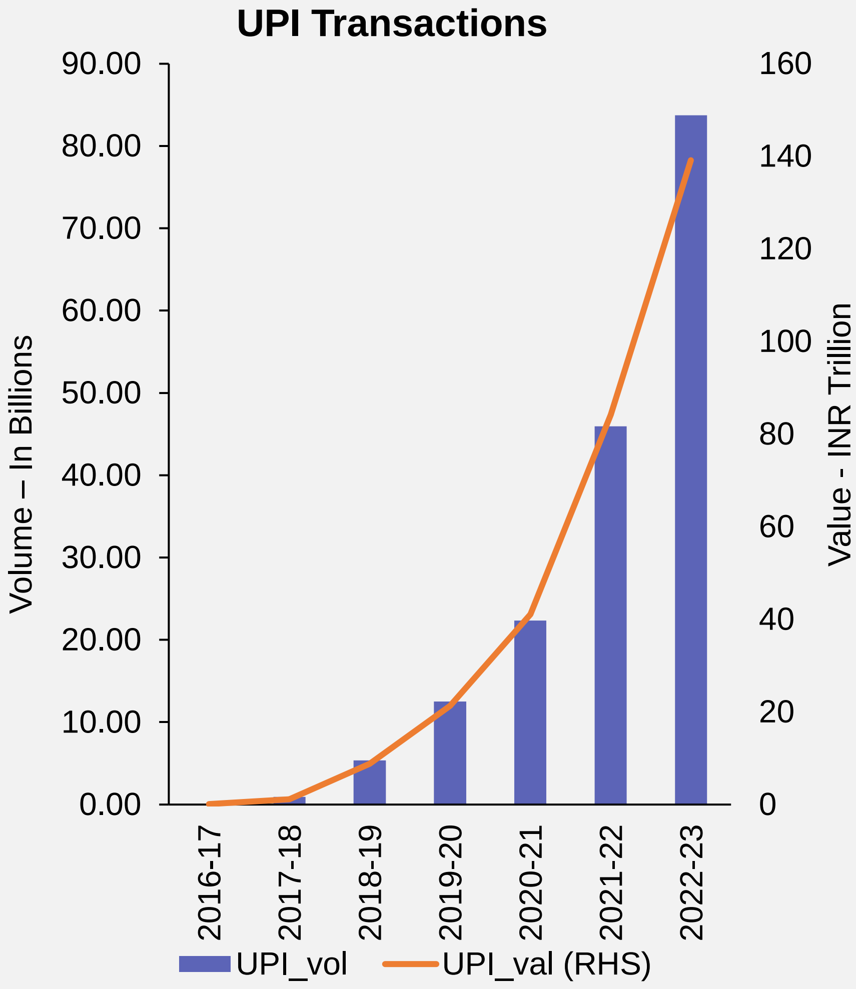
Enablers of Digital Revolution – JAM Trinity

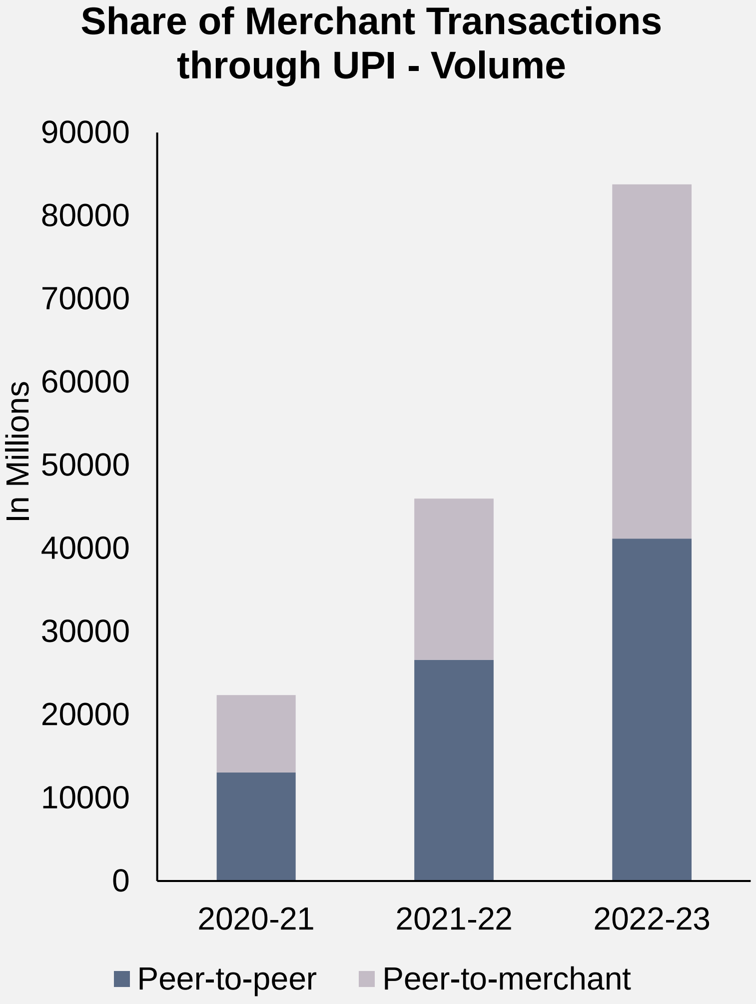


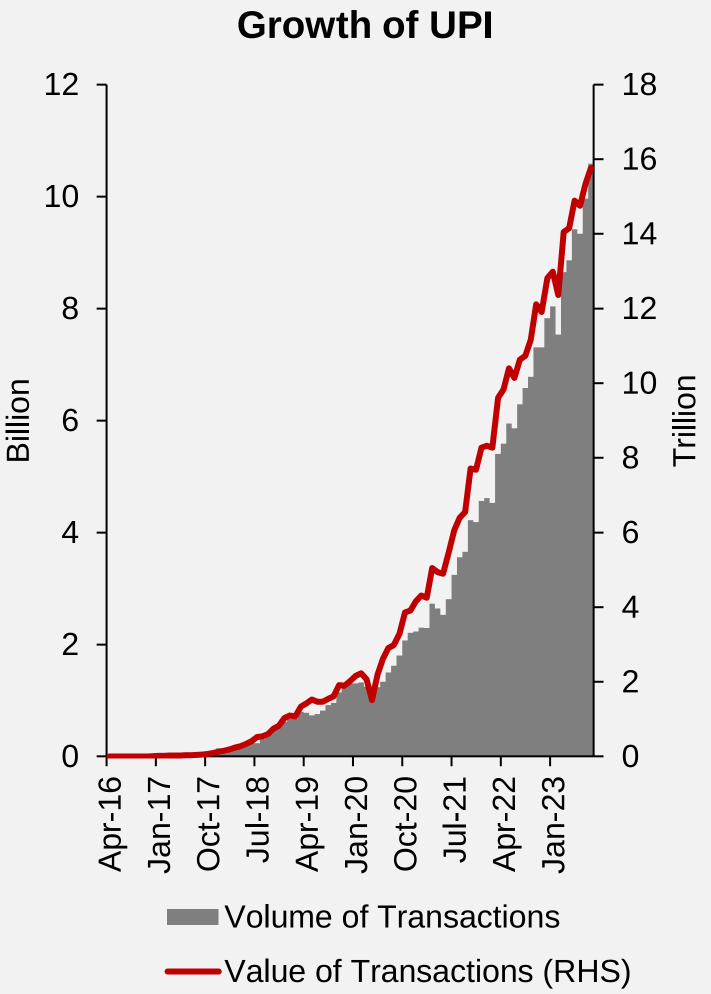




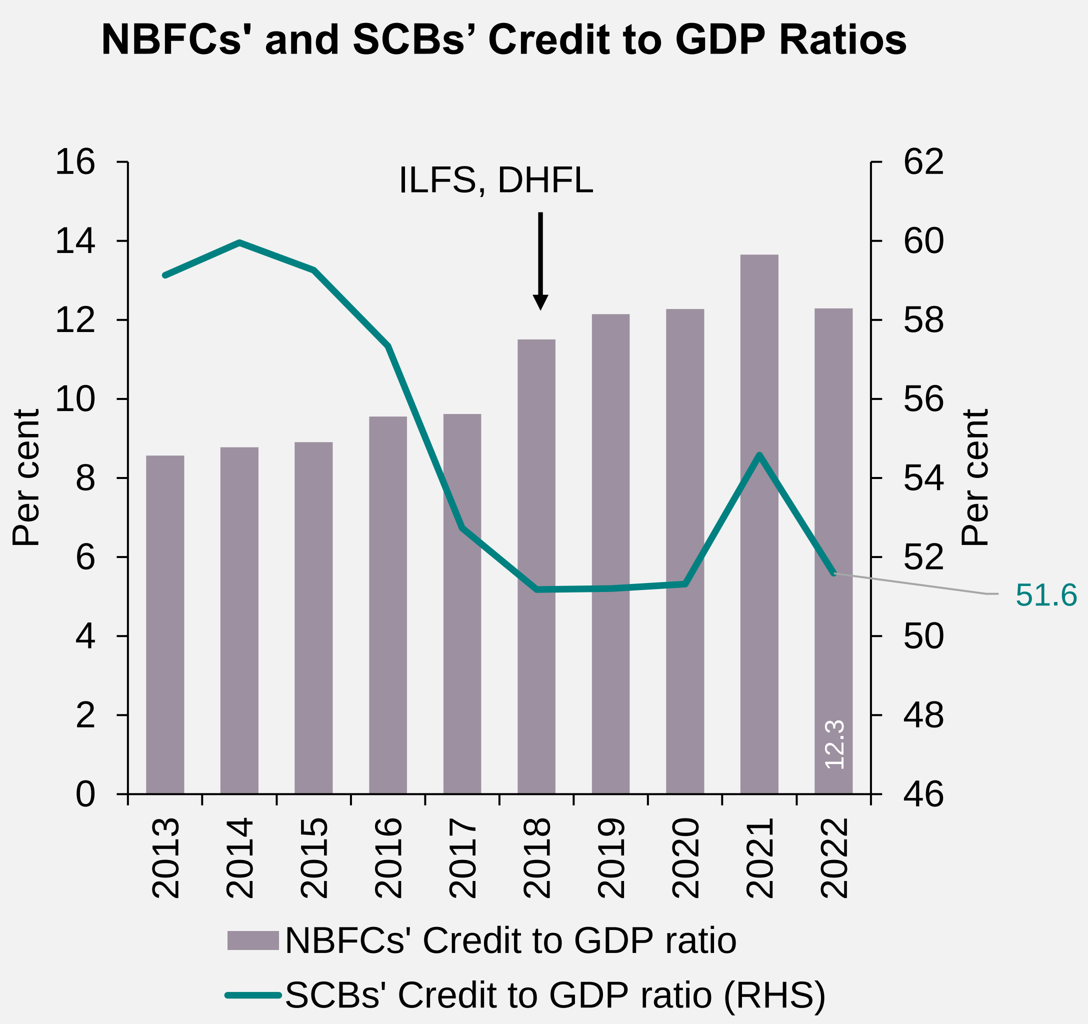
Unified Payments Interface (UPI)

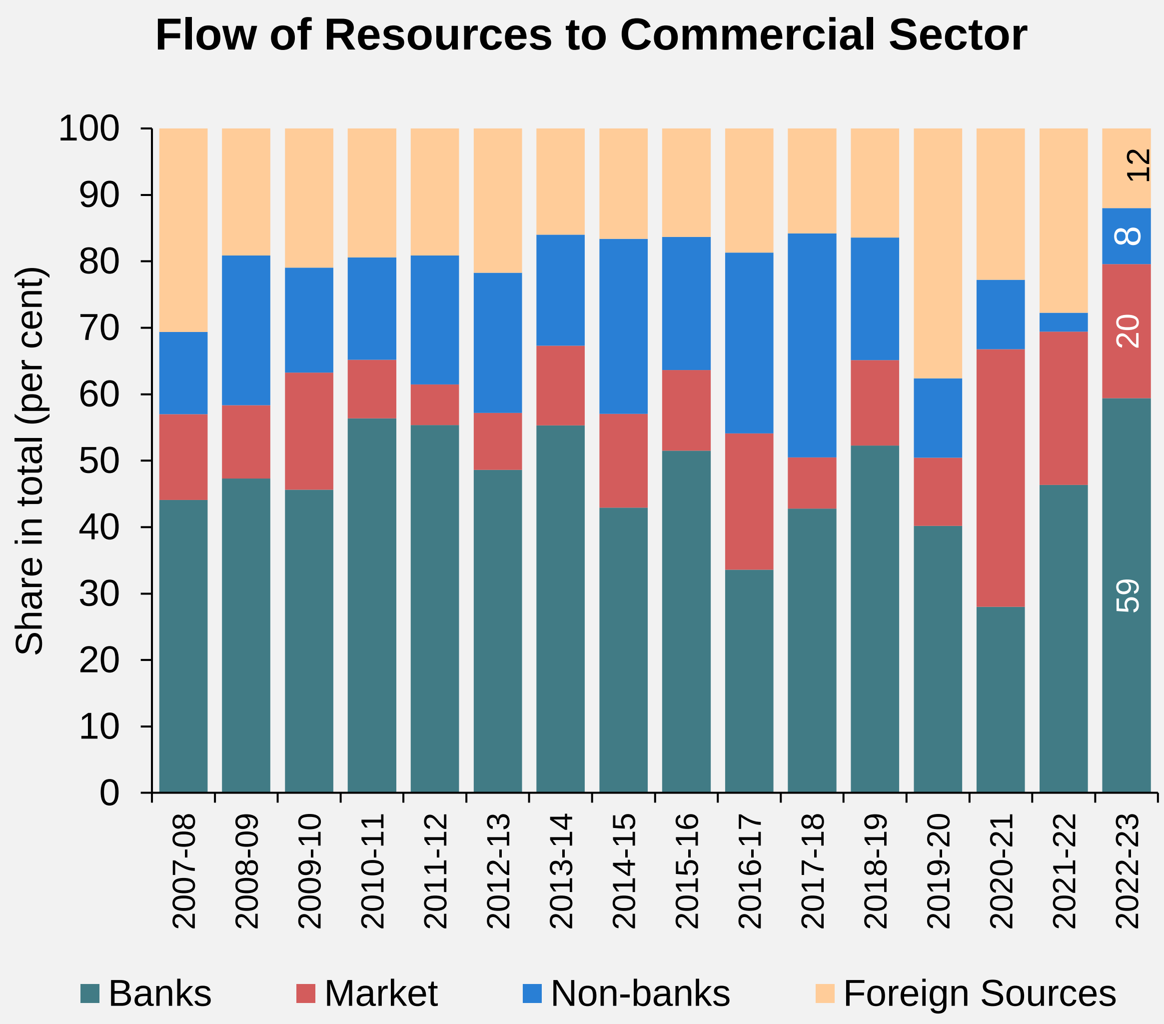






The NBFC Sector (1/2)

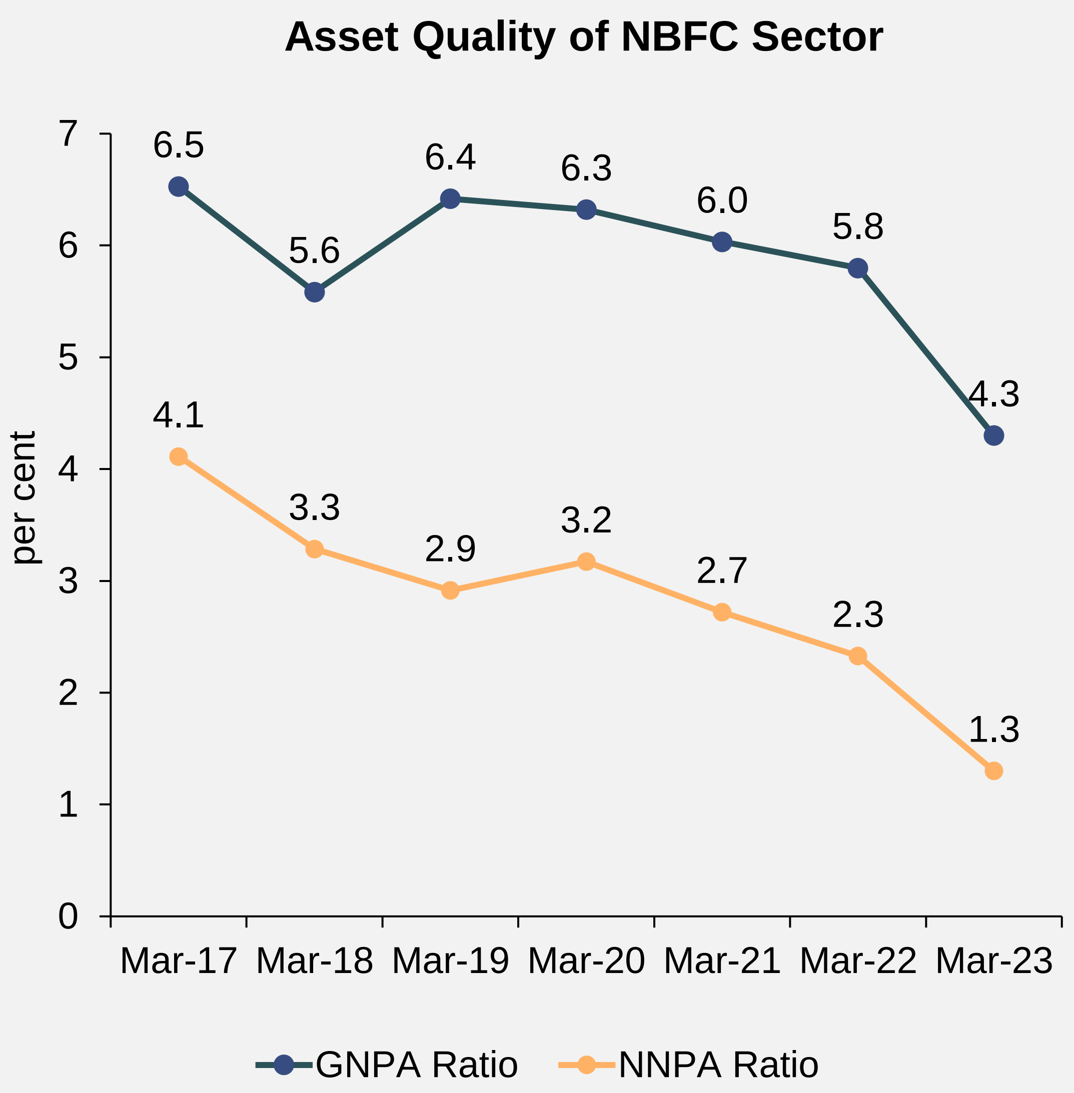


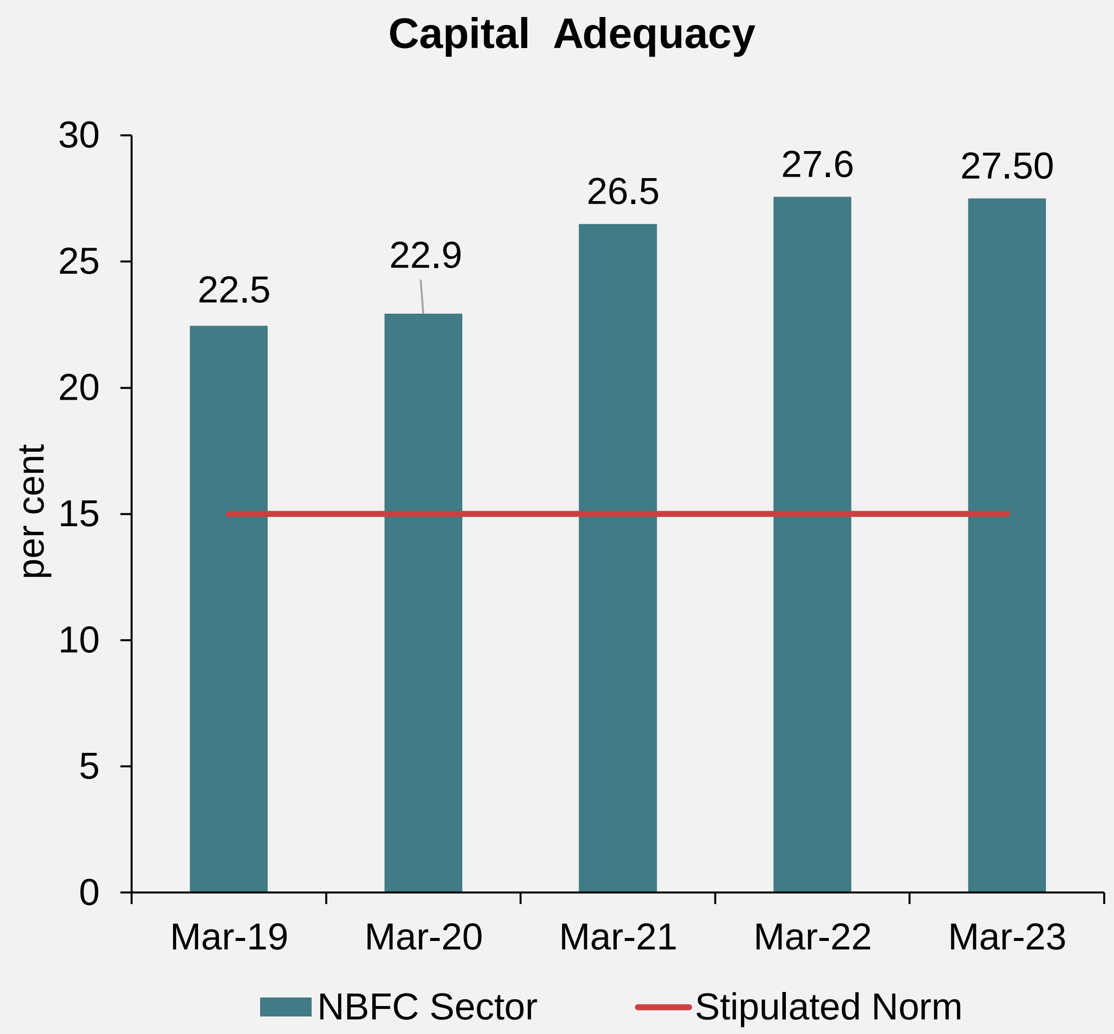


ILFS: Infrastructure Leasing & Financial Services

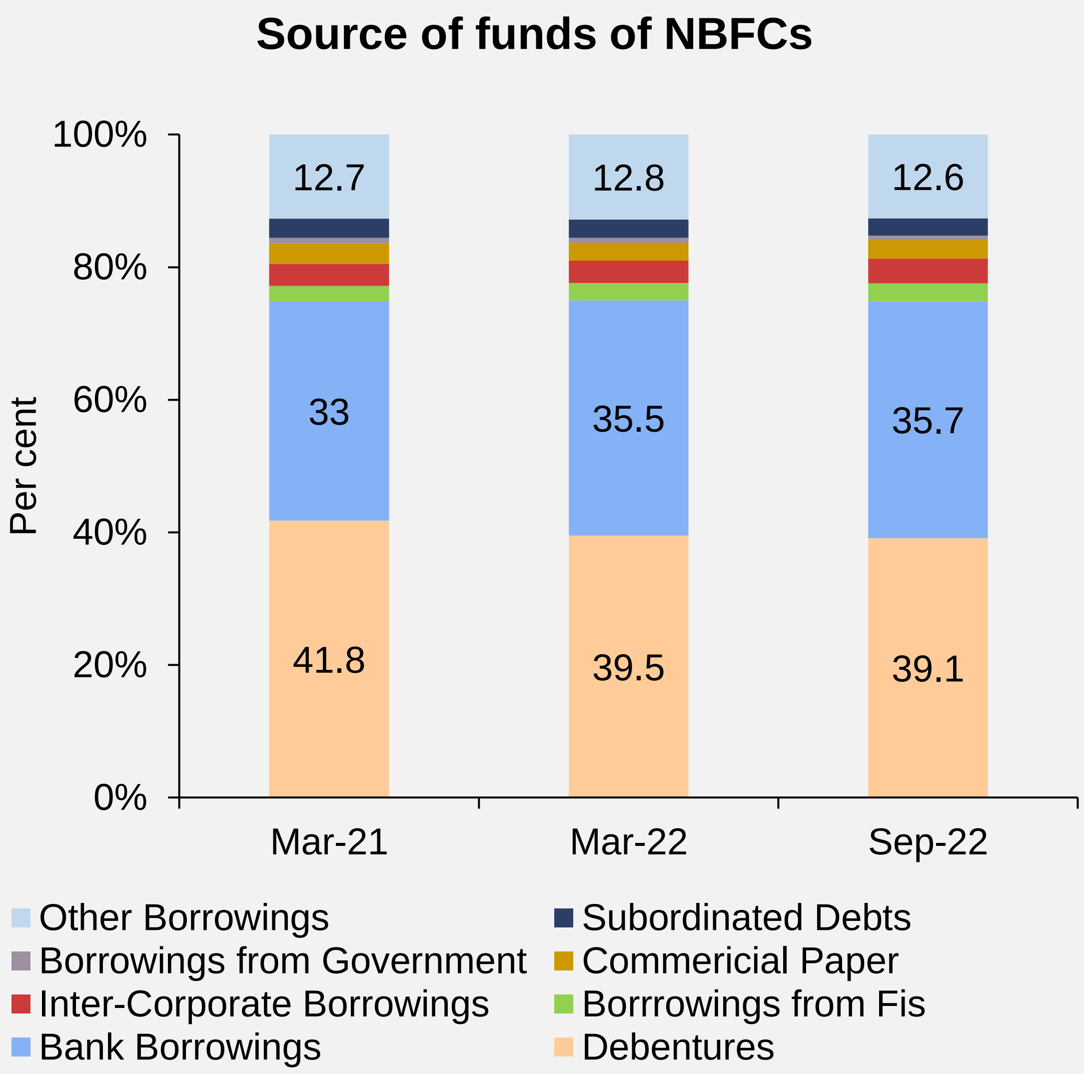
DFHL: Dewan Housing Finance Corporation Ltd

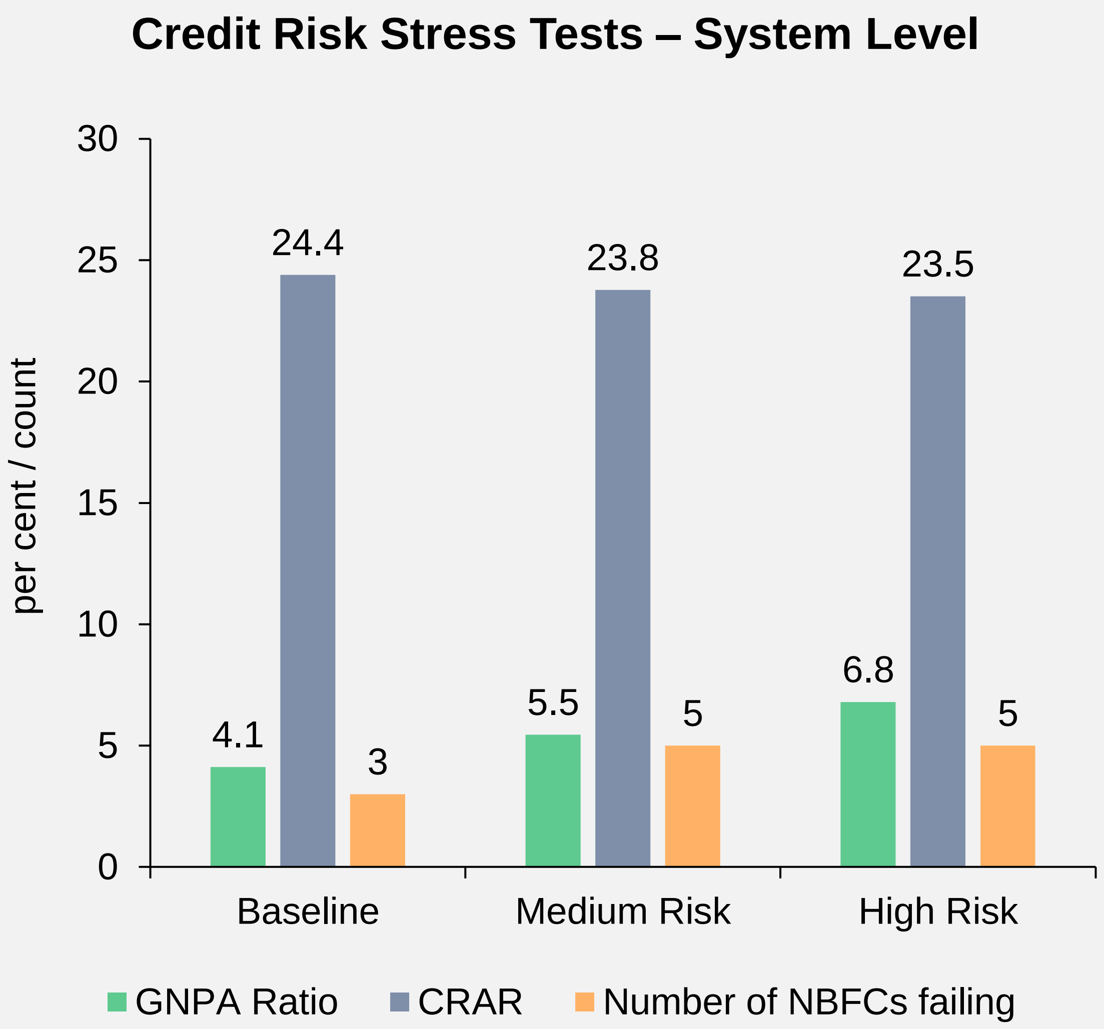
Asset Quality and Capital Adequacy of the NBFC Sector (2/2)





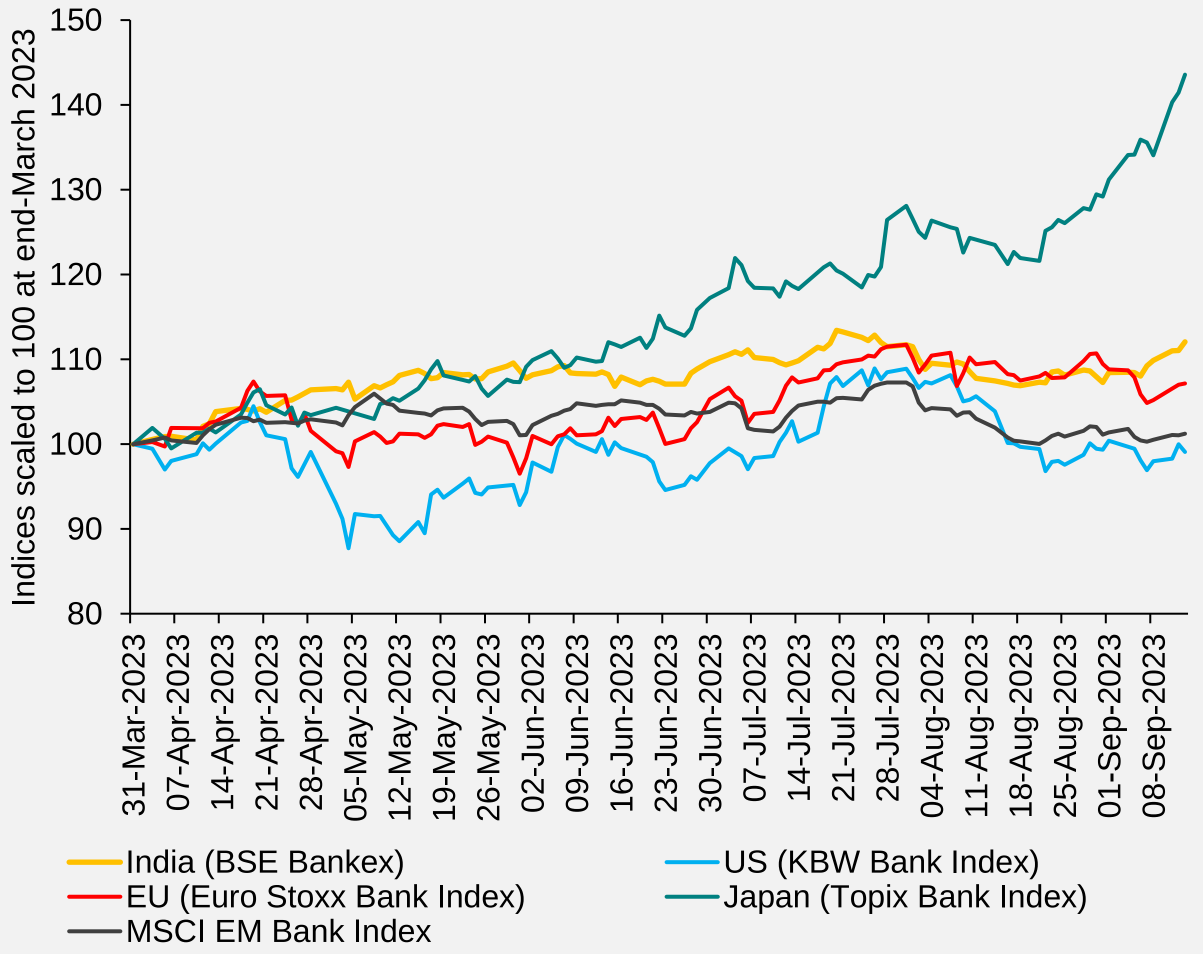
Stress Testing NBFCs



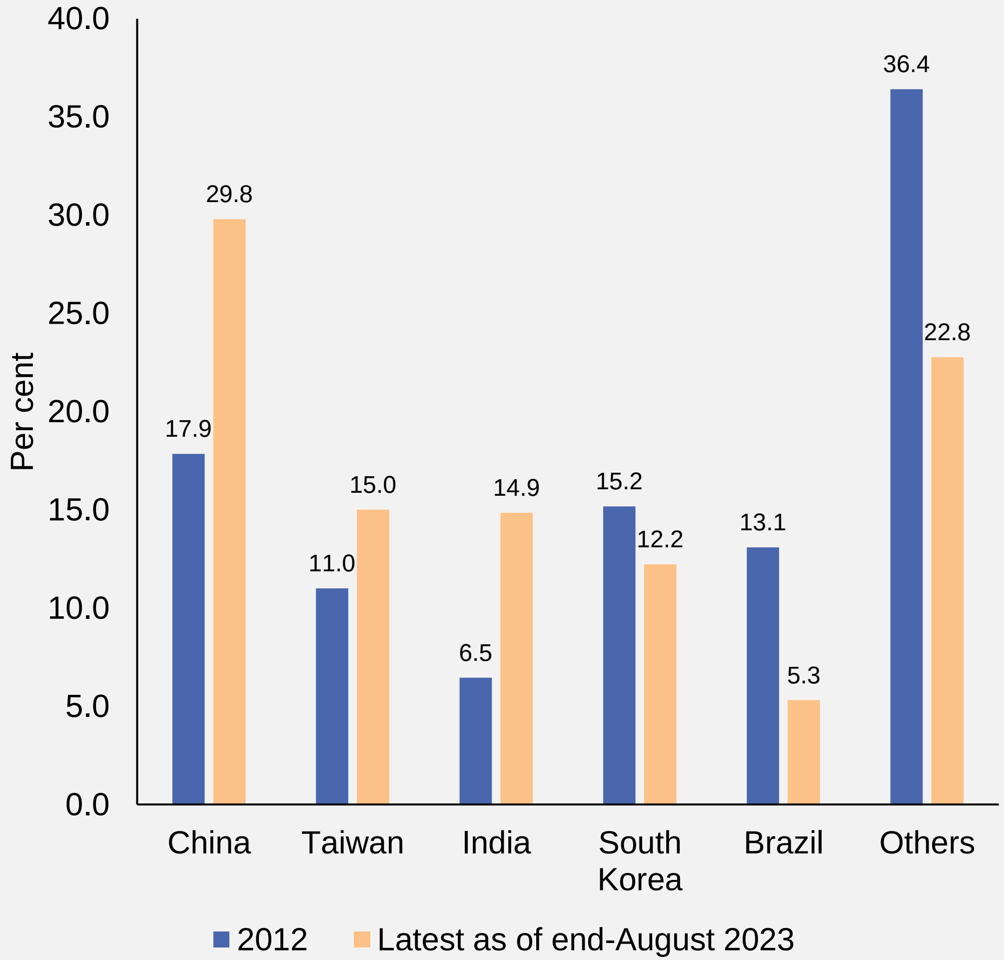


Indian Equity Markets and MSCI Emerging Markets Index

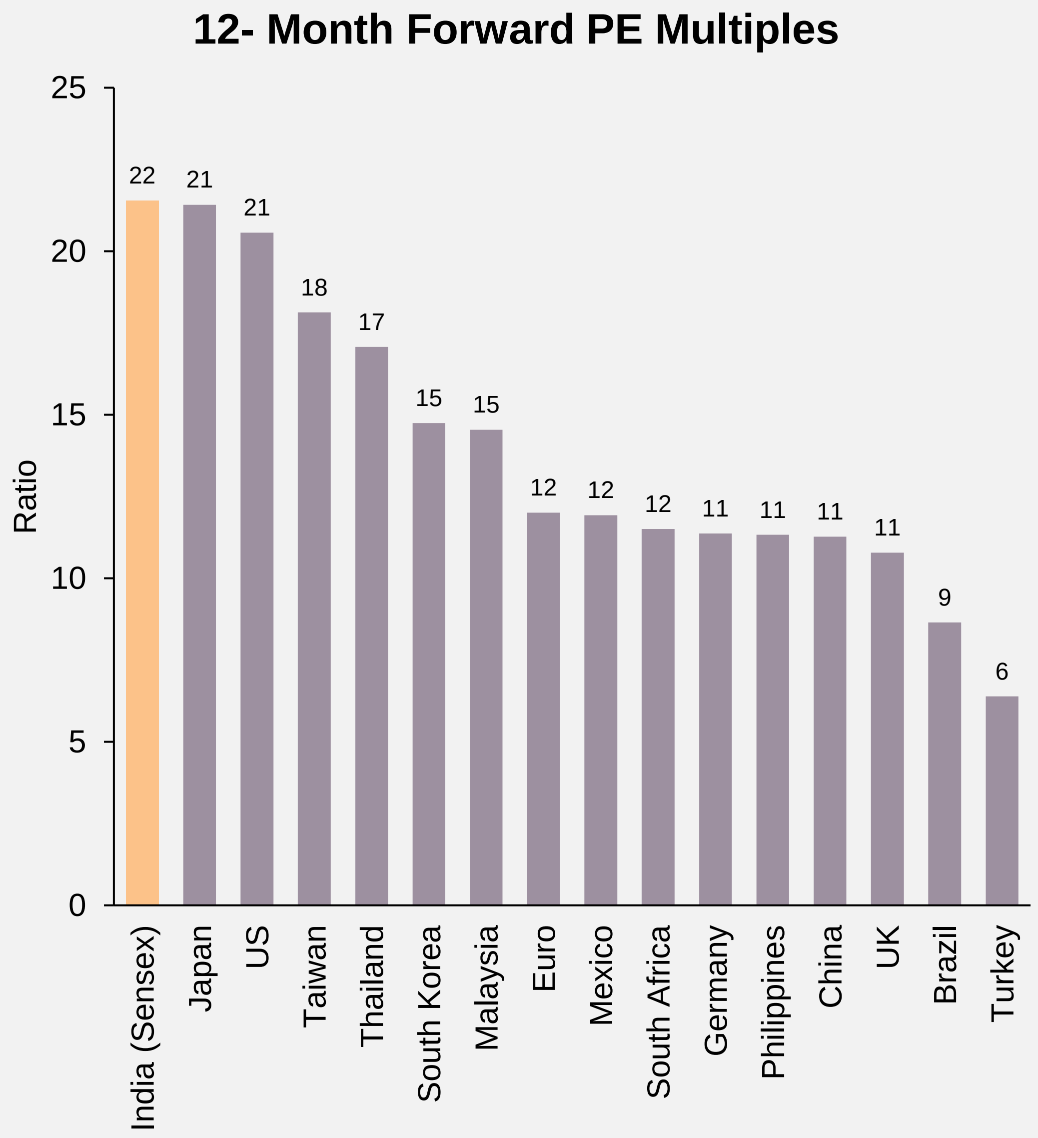
Stock Price Movements in Banking Indices

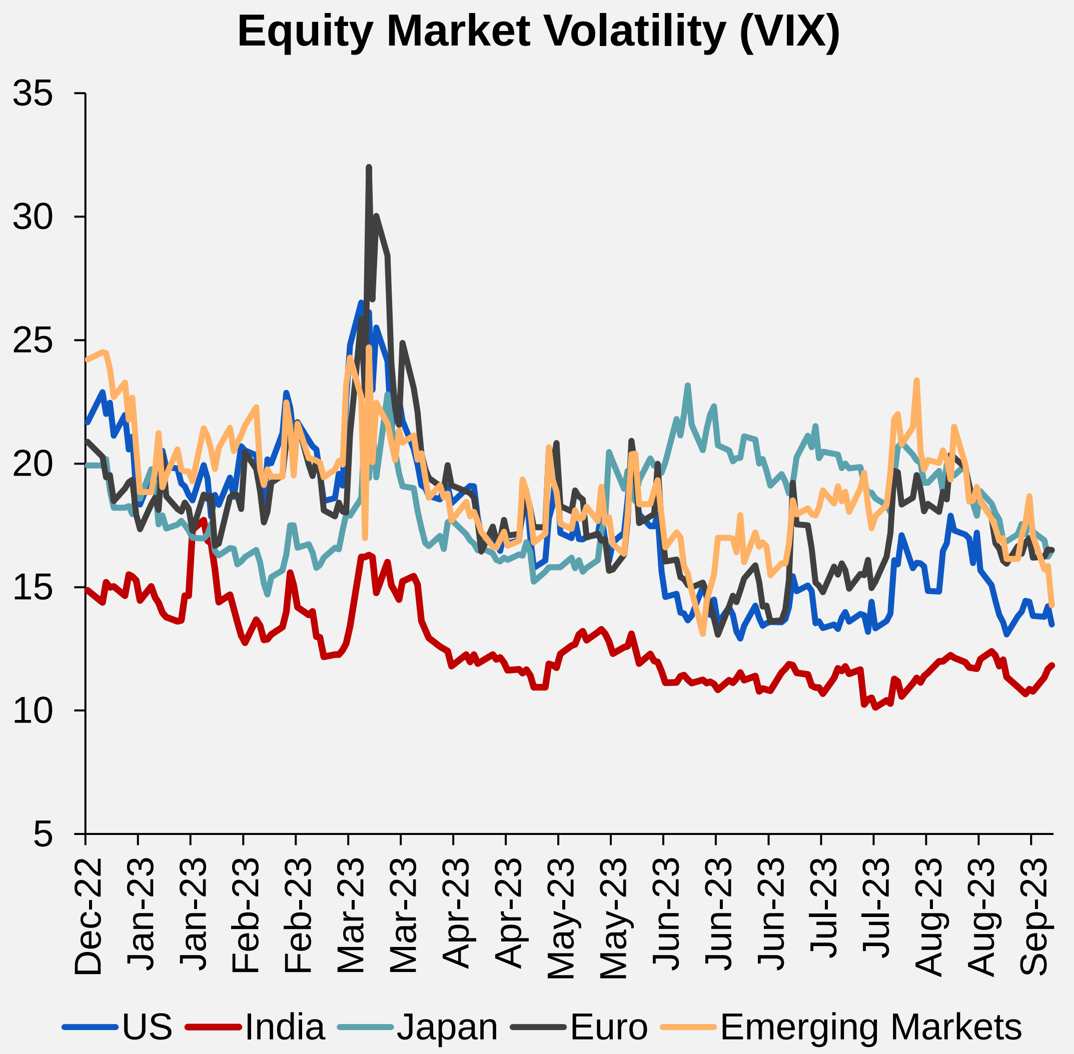


Weights in MSCI Emerging Markets Index

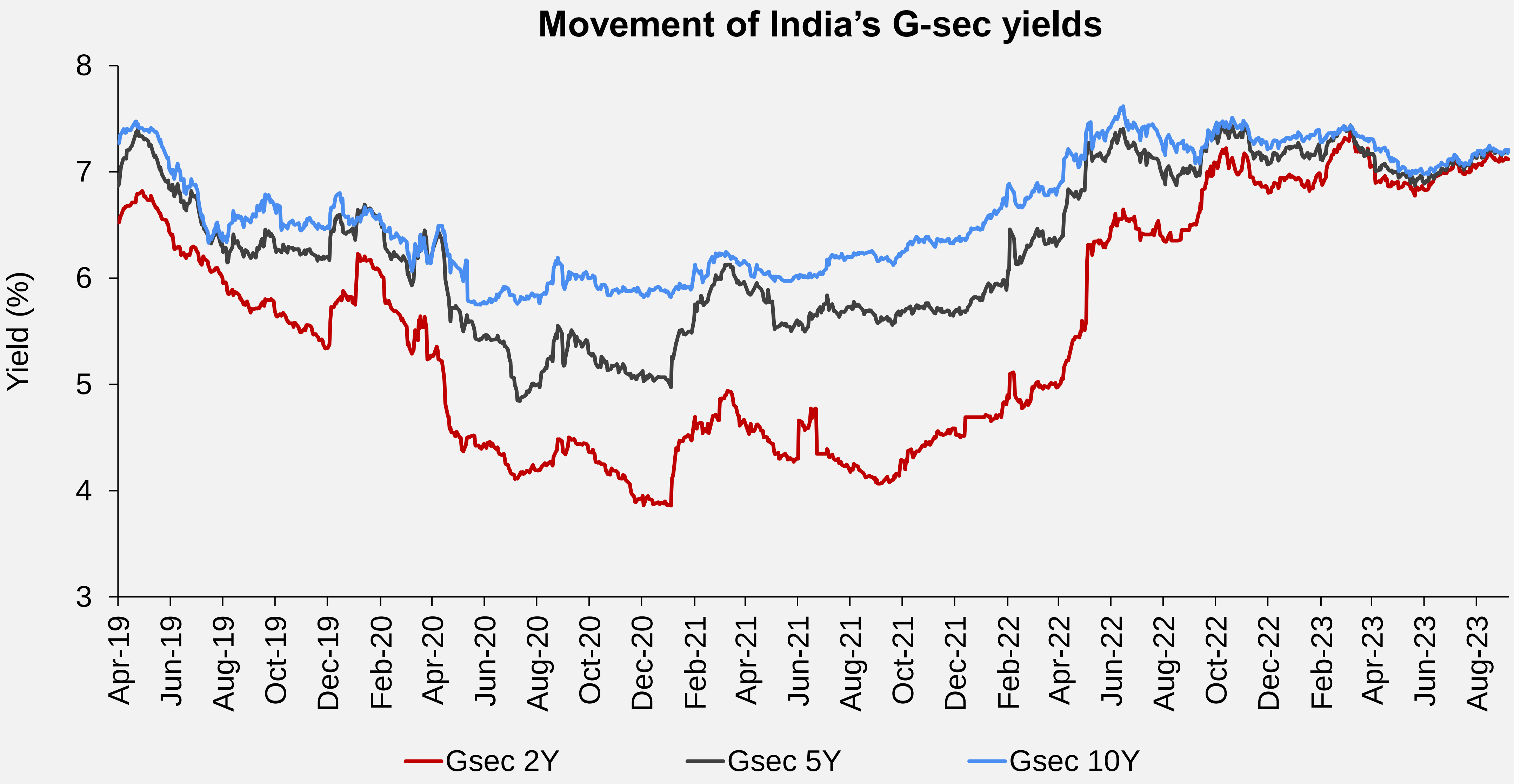


Indian Equity Markets - Financial Conditions



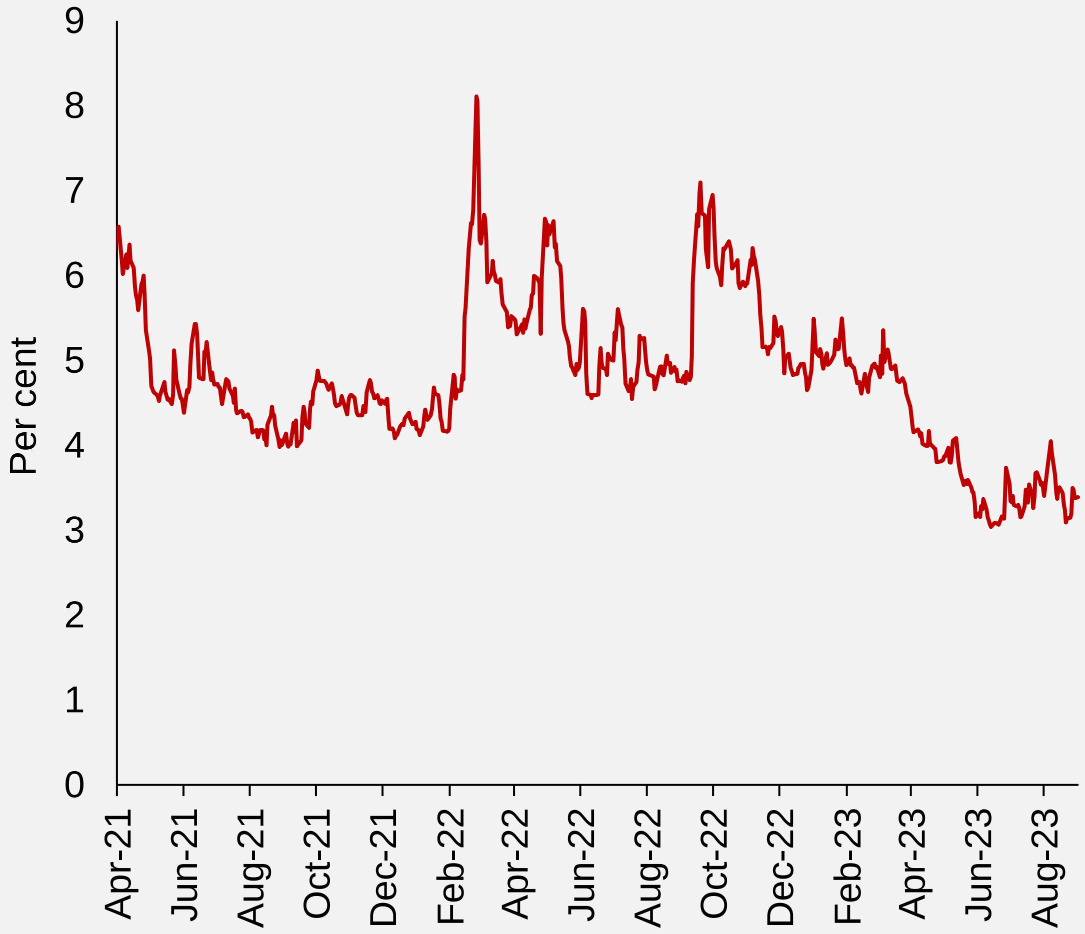


Indian Bond Market



Indian Foreign Exchange Market

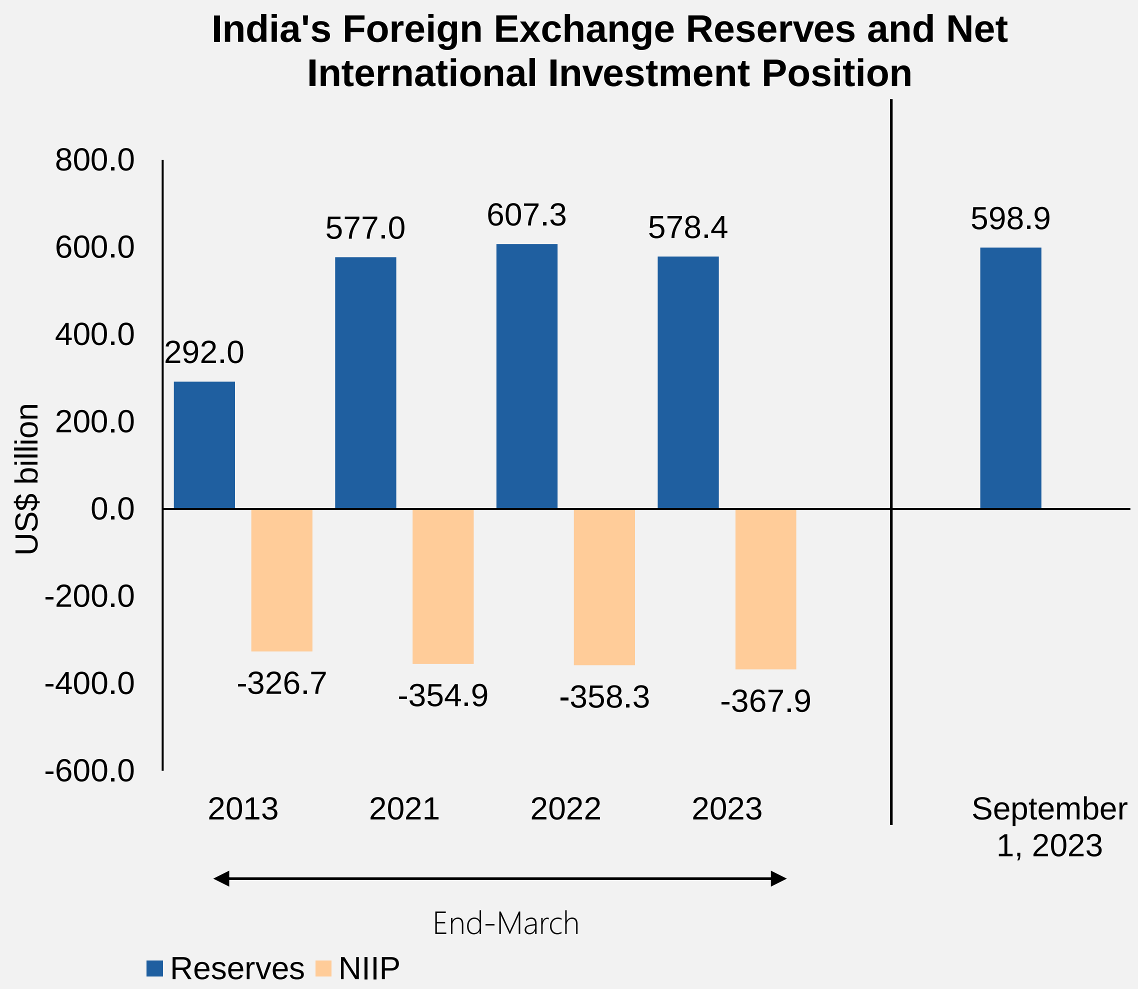
1-month ATM implied volatality of INR

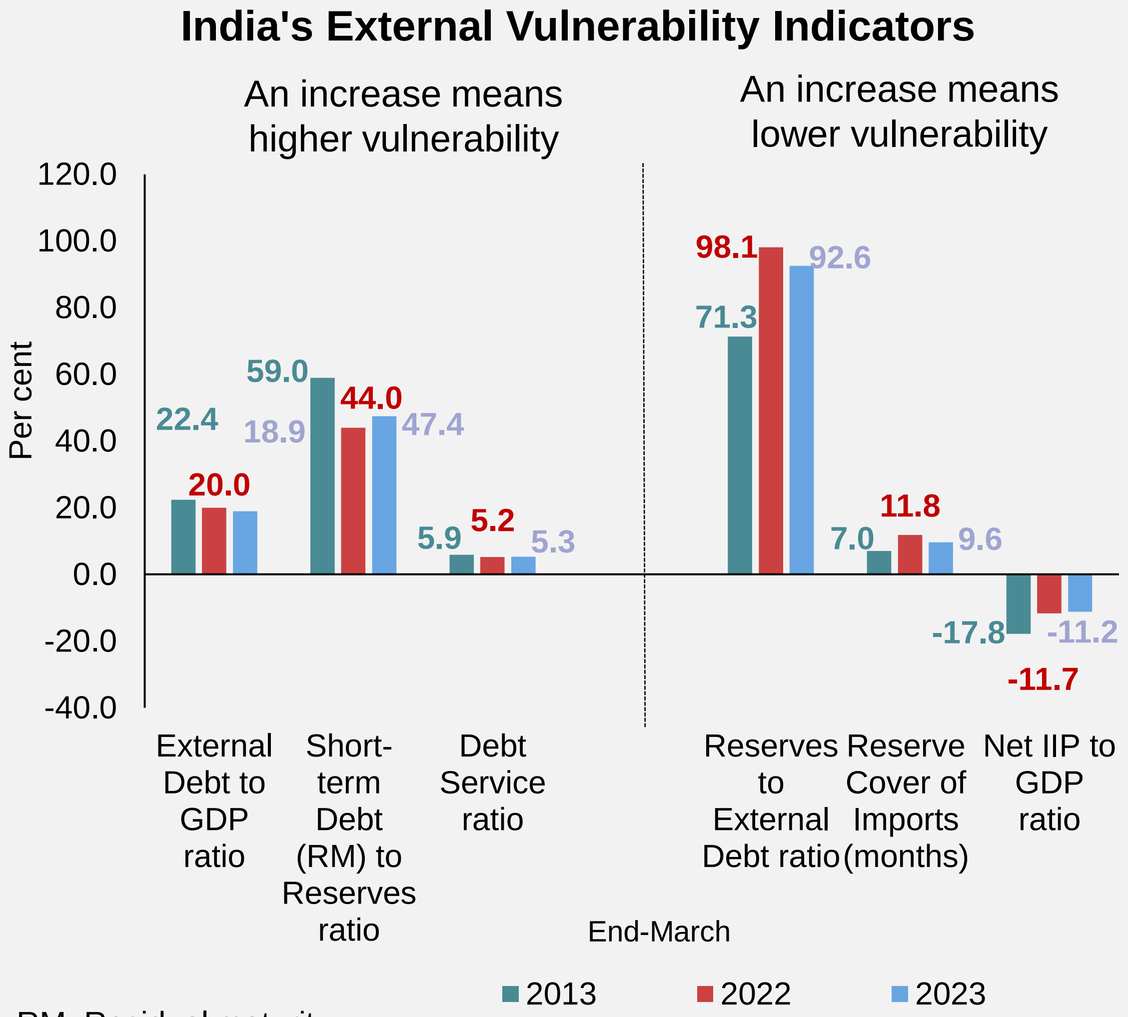


During 2023 (up to September 11), the INR volatility remained low.

Coefficient of Variation								
Indian Rupee	0.7	0.3	0.3	0.2	0.5	0.3	0.3	0.3
Euro	1.1	1.0	1.0	0.5	1.1	0.9	1.1	0.6
UK pound	1.3	0.8	1.4	0.4	0.8	1.0	1.0	0.4
Japanese yen	1.2	1.7	1.6	0.9	1.6	1.4	1.5	1.0
Australian dollar	1.6	1.5	0.8	0.8	1.3	1.3	1.0	1.0
Canadian dollar	0.7	0.8	0.7	0.6	0.6	0.7	0.4	0.7
Korean won	1.3	2.3	0.7	0.9	0.7	1.2	1.1	1.1
New Zealand dollar	1.3	1.4	0.8	1.0	1.7	1.0	1.1	1.2
Singapore dollar	0.8	0.9	0.7	0.3	0.8	0.4	0.8	0.5
Swedish krona	1.1	0.8	1.3	0.7	2.3	0.8	2.4	1.3
Swiss franc	0.6	0.9	1.1	0.8	0.8	0.7	1.6	0.4
Hong Kong dollar	0.1	0.0	0.0	0.0	0.1	0.1	0.1	0.2
Argentine peso	1.5	1.6	1.8	1.9	2.1	2.1	2.0	10.5
Brazilian real	2.3	1.1	1.1	1.1	0.8	1.4	1.2	1.1
Chinese yuan	0.8	1.0	0.5	0.3	1.0	0.7	0.5	0.6
Chilean peso	2.3	1.8	1.3	1.0	1.0	0.7	1.4	1.0
Indonesian rupiah	1.8	0.7	0.9	0.5	0.8	0.4	0.4	0.4
Malaysian ringgit	1.3	1.8	0.8	0.5	1.4	0.7	1.3	0.9
Mexican peso	1.3	1.3	1.8	0.5	0.9	0.9	0.9	0.9
Philippine peso	0.9	0.9	0.7	1.1	0.6	0.6	0.8	0.9
Russian ruble	2.4	2.5	1.2	1.4	1.8	2.4	0.9	1.9
South African rand	1.0	2.2	1.2	0.9	2.7	2.2	2.6	1.3
Thailand baht	1.7	2.0	0.9	0.5	1.1	0.9	1.1	0.8
Turkish lira	0.2	0.1	0.5	0.5	1.7	7.0	1.6	1.1
Vietnamese dong	0.2	0.5	0.4	0.1	0.1	0.1	0.1	0.6
Month	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23

India's Foreign Exchange Reserves - National Safety Net





RM: Residual maturity

- India's foreign exchange reserves were at US$ 598.9 billion as on September 1, 2023.
- Further, the IIP to GDP ratio moderated to (-) 11.2 per cent in end-March 2023.
- India's external debt to GDP ratio is lower than many major EMEs and the reserve covers of external debt and imports are higher than most major EMEs.

Thank you!