Reserve Bank of India cuts rates to lowest since 2011

REUTERS

A worker pushes a wheelbarrow inside the Reserve Bank of India's head office in Mumbai.

REUTERS, *Mumbai*

The Reserve Bank of India (RBI) cut its policy interest rate by 25 basis points to 6.50 percent on Tuesday, reducing it to a more than five-year low while dangling the prospect of another cut later this year if inflation trends stay benign.

To make policy rate cuts more effective, the RBI also took steps to ensure increased liquidity in the financial system, as banks had cited tight cash conditions as a reason for not cutting their lending rates by more earlier.

The combined moves signalled a new approach by Governor Raghuram Rajan, who was disappointed that the RBI's aggressive easing last year failed to have the impact he had hoped for due to commercial banks reluctance to lower rates for borrowers.

Addressing a news conference following the policy review, Rajan voiced confidence that banks would take heed this time.

"Borrowing rates are coming down significantly in this economy," Rajan said. "My hope is that we will see significantly more transmission over the next few months."

Controlling inflation is the central bank's priority, but Prime Minister Narendra Modi's government would welcome any move to improve business conditions for industrialists who, despite data depicting India as one of the world's fastest growing economies, remain hesitant to invest.

India's annual economic growth slowed to 7.3 percent in the October-December quarter from 7.7 in the previous quarter, below the 8.0 percent growth needed to generate jobs for the millions of Indians joining the workforce each year. [nL4N11V4EY]

Although rates are now at the lowest since 2011, the RBI said its policy would remain "accommodative", raising the prospect of another 25 bps rate cut later this year, saying inflation was moving towards its 5 percent target in March 2017. Its next target will be 4.2 percent by March 2018.

The benchmark 10-year bond fell as much as 9 basis points to 7.34 percent after the rate cut was announced, but shares fell, with the NSE index .NSEI down 0.8 percent.

Prospects for a further rate reduction could hinge on global oil price trends, the impact of the monsoon rainy season on food prices, and how a planned wage hike for millions of government employees feeds through to inflation. The RBI said it would be monitoring those developments.

Most analysts had anticipated the latest reduction after inflation slowed to 5.18 percent in February and the government's 2016/17 budget kept borrowing and spending in check.

The RBI had cut its repo rate by 125 basis points last year, but banks, complaining of tight cash conditions, have only lowered their lending rates by around 60 bps, preventing the RBI's easing from fully feeding through to the broader economy.

Ensuring banks pass on those rate cuts, helping spur private investment, is now seen as a vital plank to boost the economy.

"Perhaps more important at this juncture is to ensure that current and past policy rate cuts transmit to lending rates," the RBI said.

This month, the RBI had already invoked new rules forcing commercial banks to set lending rates based on prevailing market rates.

To give banks more comfort, the RBI reduced the cash proportion of banks' reserve requirements that must kept with the central bank, while also pledging to inject more long-term liquidity.

And as part of a balancing act to reduce the risk of cash flooding the system, the RBI also unexpectedly raised the reverse repo - or the rates lenders charge to the central bank - by 25 basis points to 6.0 percent.

The RBI said it would inject more "durable" liquidity over the next 12 months by buying bonds via open market operations or by buying dollars and selling rupees every month.

"Today's decision was more focused on addressing liquidity shortage and easing the transmission mechanism," said Radhika Rao, an economist for DBS Bank in Singapore.

DIAMOND WORLD

Dilip Kumar Agarwala, managing director of Diamond World, cuts a cake to mark the first anniversary of the company's Dhanmondi showroom, in Dhaka on Sunday.

Global recovery 'too weak, too fragile': IMF chief

AFP, *Frankfurt*

Global economic recovery is still "too slow" and "too fragile" in the face of growing risks from a slowdown in China and subdued growth in developing economies, International Monetary Fund chief Christine Lagarde said Tuesday.

"The good news is that the recovery continues; we have growth; we are not in crisis," Lagarde said in a speech in Frankfurt.

"The not-so-good news is that the recovery remains too slow, too fragile, and risks to its durability are increasing," she warned.

Lagarde hinted the IMF will cut its current 2016 global growth forecast of 3.4 percent next week when it publishes fresh forecasts at its traditional spring meeting with the World Bank in Washington.

"I will not disclose any numbers here," she said.

But "there will be a slight revision. The baseline has moved slightly downwards. There has been a loss of growth momentum," Lagarde said.

"Overall, the global outlook has weakened further over the last six months -- exacerbated by China's relative slowdown, lower commodity prices, and the prospect of financial tightening for many countries," she continued.

"Emerging markets had largely driven the recovery and the expectation was that the advanced economies would pick up the 'growth baton.' This has not happened."

Lagarde said other risks were exacerbating the situation, such as uncertainties from terrorist attacks, "the silent threat of global epidemics; and conflict and persecution that force people to flee their homes."

In the current situation, the IMF was "on alert, not alarm," Lagarde said, urging major powers to accelerate structural reform, maintain accommodative monetary policies and invest in infrastructure.

She urged "decisive action" ahead of a meeting of leading advanced and emerging economies in Washington on April 14 and 15.

Lagarde also warned against resorting to protectionist policies, as the US presidential candidates publicly question free trade and Europe seeks to rein in free movement in response to the refugee crisis.

"To some, the answer is to look inward ... to close borders and to retreat into protectionism," she observed. But "history has told us -- time and again -- this would be a tragic course," Lagarde warned.

EBL INVESTMENTS

Moinul Hossain Asif, managing director of EBL Investments, a fully owned subsidiary of Eastern Bank, and Md Habibur Rahman, managing director of Al-Arafah Islami Bank (AIBL), exchange documents of an agreement. EBL Investments will work as the issue manager for AIBL, to raise 10 percent equity capital, which will be subscribed by Islamic Corporation for the Development of the Private Sector, the private sector arm of Islamic Development Bank Group. Badiur Rahman, chairman of AIBL, was also present.

Bombay Stock Exchange looking to list next year: CEO

REUTERS, *Mumbai*

Bombay Stock Exchange Ltd (BSE) aims to list next year, its CEO said, in a deal that will raise the profile of Asia's oldest bourse at a time of industry consolidation, as investors such as Deutsche Boerse AG get the opportunity to cash out.

The exchange expects to file a prospectus for its initial public offering (IPO) and get regulatory approval within six to nine months, Chief Executive Ashishkumar Chauhan told Reuters in an interview. The comment comes just weeks after the Securities and Exchange Board of India said it would allow BSE to apply.

Chauhan declined to comment on BSE's valuation or the likely size of the IPO, but investment bankers involved in the process said the exchange could be valued at $750 million to $1 billion.

Founded in 1875, BSE, whose first venue for broker meetings was under a banyan tree in the financial capital Mumbai, has long considered an IPO. However, lack of clarity on rules for the listing of stock exchanges has delayed the process.

The revival of BSE's IPO hopes comes against a backdrop of recent exchange tie-ups and attempted takeovers, with Deutsche Boerse and London Stock Exchange Group PLC agreeing to merge in a $30 billion deal.

Chauhan said BSE's IPO would not involve the issuing of new shares, and would see existing shareholders, which include Deutsche Bourse and Singapore Exchange Ltd (SGX), selling some of their holdings.

"BSE has a large balance sheet and it doesn't require capital (via the IPO)," he said. "BSE operates like a public utility and all public utilities should be accountable, listing is one way to achieve that." Deutsche Boerse and SGX declined to comment.

Overseas investors own about 30 percent of BSE, which competes with local rival National Stock Exchange (NSE). The remaining equity is owned by local corporate entities including banks and insurance firms and brokers.

China limits coverage and denounces Panama Papers' tax haven revelations

REUTERS, *Beijing*

China on Tuesday denounced accusations arising from a massive leak from a Panamanian law firm as "groundless" and moved to limit coverage of documents that may have exposed financial wrongdoing by some of the world's rich and powerful.

The "Panama Papers" revealed financial arrangements of politicians and public figures including friends of Russian President Vladimir Putin, relatives of the prime ministers of Britain, Iceland and Pakistan, and the president of Ukraine.

The International Consortium of Investigative Journalists (ICIJ), which has published some of the information from the documents, said the files also revealed offshore companies linked to the families of Chinese President Xi Jinping and other powerful current and former Chinese leaders.

While holding money in offshore companies is not illegal, journalists who received the leaked documents said they could provide evidence of wealth hidden for tax evasion, money laundering, sanctions busting, drug deals or other crimes.

Chinese Foreign Ministry spokesman Hong Lei, asked whether Beijing would investigate any of the offshore tax affairs of the relatives of top leaders mentioned in the papers, told a daily news briefing: "We won't comment on these groundless accusations." State media have largely avoided any reporting of the "Panama Papers".

Searches for the word "Panama" on Chinese search engines bring up stories in Chinese media on the topic, but many of the links have been disabled or only open onto stories about allegations directed at sports stars.

Russian President Vladimir Putin

Searches for "Panama Papers" in Chinese bring up a warning that the results "may not accord with relevant laws and rules so can't be shown".

China's Internet regulator did not immediately respond to a request for comment.

But the Global Times, an influential tabloid published by the ruling Communist Party's official People's Daily, suggested in an editorial on Tuesday that Western media backed by Washington used such leaks to attack political targets in non-Western countries.

"The Western media has taken control of the interpretation each time there has been such a document dump, and Washington has demonstrated particular influence in it," the paper said. "Information that is negative to the U.S. can always be minimised, while exposure of non-Western leaders, such as Putin, can get extra spin," it added. The editorial, in both its English and Chinese editions, made no mention of the China connections in the Panama Papers.

China is in the midst of a massive crackdown on corruption overseen by Xi, but the government has repeatedly had to swat away criticism the move is more about an internal power play than actually tackling graft.

Calls to the Central Commission for Discipline Inspection, the Communist Party's graft watchdog leading the crackdown, went unanswered.

China restricts N Korea exports

AFP, *Beijing*

China on Tuesday imposed restrictions on imports of North Korean coal and iron, Beijing's commerce ministry said, in line with United Nations sanctions on the country following its nuclear and missile tests.

The coal trade between the neighbours was worth $1 billion last year, Chinese Customs figures show, but the announcement allowed for trade to continue if the proceeds were for livelihood purposes.

The move also put in place bans on the import of gold, titanium and rare earth metals from the North, as well as some sales of aviation fuel to it, in line with the UN Security Council measures.

The council approved the measures in March, in the wake of a fourth atomic test by Pyongyang, and Beijing pledged strictly to implement them. But the resolution's language -- concluded after seven weeks of hard negotiations between Washington and Beijing -- left significant loopholes for Pyongyang's key economic supporter to continue business as usual.

China is the North's main provider of trade and aid and the text allowed for commerce in certain goods, including coal and iron, to carry on as long as the proceeds did not support Pyongyang's nuclear ambitions. The UN did not set criteria for making that determination, leaving each country to make its own decision.

The exceptions were mirrored in the text of the statement by China's commerce ministry, which also provided a letter for companies to sign "solemnly" pledging that their imports of the products were "not related to North Korea's nuclear programme or ballistic missile programme".

Aviation fuel sales could also be permitted for humanitarian and some civil aviation purposes.

Trade with China is crucial for the isolated and impoverished North, which has suffered regular food shortages and an outright famine in the mid-1990s.

In 2014 China accounted for more than 90 percent of North Korea's $7.61 billion in total trade, according to the latest available figures from South Korea's state-run Korea Trade-Investment Promotion Agency.

Washington has long held that changing North Korea's behaviour depends on China's willingness to use its economic leverage.

But Beijing has resisted targeting Pyongyang's fragile economy for fear of provoking the regime's collapse, potentially leading to a flood of cross-border refugees and ultimately the prospect of US troops stationed on its border in a reunified Korea.

PURNAVA

S Kaisar Kabir, chairman of Purnava Ltd, a subsidiary of Renata, attends the launch of the company's online shopping site--e.purnava.com--at a programme at the Renata head office on Sunday. Purnava works to promote non-medicated healthcare products and a healthy and preventive lifestyle.