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RBI policy announcement - industry reactions

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Anshul Jain, Managing Director, India, Cushman & Wakefield

The RBI has kept the Repo Rate unchanged at a time when the market expected a 25-50 bps cut in light of the recent demonetization. In the past it has been seen that commercial banks do not completely transmit the benefits of lower Repo Rate to customers. Since 2015, the RBI has cut Repo Rate by 150 bps, while banks have transmitted only a fraction of it – a cut of 26 bps in home loans to end users. However, the impact of the recent demonetization has resulted in excess liquidity with banks as they are flush with funds. This has prompted several banks to already reduce their term-deposit rates, which will bring down the cost of funds. Therefore, we expect commercial banks to transmit the reduced cost of funds in the form of cheaper home loan rates to customers over the next few months.

The residential realty sector, which has been impacted by demonetization, would see some optimism driven by credit availability, which may result in higher number of enquiries in the coming months. The residential market will see a pick-up in demand if the availability of home loan at lower rates is accompanied by rationalization in home prices. However, the extent to which banks pass on the rate cut would determine the actual magnitude of benefit to home buyers. Going forward we expect to see a rate revision in the Jan – Mar quarter in 2017

Atul Banshal, President- Finance and Accounts, M3M

This has come as a highly discouraging move as we were pretty hopeful of the rate cut to catapult the economy at this point of time. With surplus liquidity in banks, it will be difficult for them to deploy the money back in the market at the prevailing lending rates. Reduced repo rate would have brought loan interest rates down and thus affecting buyer's sentiments and demands in a positive manner. In the current slow moving market, largely due to demonetisation, it was a much needed step.