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RBI cuts repo rate by 35 basis points to 54%

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India's central bank announced an array of conventional and unconventional measures to boost slowing economic growth, including reducing the benchmark interest rate by an irregular 35 basis points (bps), its fourth rate cut this year.

The Reserve Bank of India's six-member rate-setting panel on Wednesday cut the repurchase rate to 5.4%, the lowest in almost a decade and more than the 25bps cut expected by most economists. It also decided to retain the monetary policy's current accommodative stance.

Central bank governor Shaktikanta Das told reporters that the monetary policy committee (MPC) was of the view that the "standard 25 basis point (cut) might prove to be inadequate in view of the evolving global and domestic macroeconomic developments. On the other hand, reducing the rate by, say, 50 basis points might be excessive, especially after taking into account the actions already undertaken".

"The current Repo rate cut, along with the downward revision of GDP growth (2019-2020) from 7% to 6.9%, will surely improve the confidence of home buyers, encouraging them to opt for home loans, as banks will have higher room to transmit the rates, in the form of cheaper loans. We believe that more banks will practice the revised rates, while lending. This will help sell the inventories at a faster pace, and it will also encourage developers for new launches."**Amit B Wadhwani-Co-Founder, SECCPL**.

"This is a much needed move by the RBI to improve sentiments of the Real Estate industry. While this would lower existing borrowing costs to some extent, it needs to be followed up with increased lending to the sector as well as liquidity to the better placed NBFC's and HFC's. It is now up to the banks to ensure that the impact of the cut is passed on to the borrowers". Said **Gagan Randev, National Director, Capital Markets & Investment Services, Colliers International India.**

Ashish Bhutani, CEO, Bhutani Infra, "The rate cut by 35 basis points is a positive move thus providing the required impetus to the economy of the country. The much needed step taken by the Apex Bank aims to curb the liquidity situation. However, we expect the banks to transmit the rate cuts to the borrowers to get the desired results of this constructive move."

Ashish R. Puravankara, Managing Director, Puravankara Ltd., ""It is very encouraging to hear the RBI Governor's advisory to banks to pass on the benefit of the rate cuts announced in June, down to the industries. In this background of a further cut of 35bps, we hope banks and housing finance institution will and pass on the benefits. For the real estate sector, a reduction in the cost of funds means that we can pass that on to our customers directly which will be encouraging for the sector at large."

"The repo rate cut by 35 bps to 5.4% comes as an optimistic step for the Indian economy as a whole. Being the fourth consistent rate cut of the year, this will play a significant role in bringing down the home loan rates and help ease the liquidity crunch in the sector. We anticipate that this announcement will encourage people to buy their dream homes." **Nabil Patel, Director, DB Realty**.

Mohit Goel, CEO, Omaxe Ltd.,"With inflation well within the RBI range and economy showing signs of slowdown, the repo rate cut of 35 bps to 5.4% is on expected lines. Despite repeated cuts in policy rates by the RBI, fourth since January 2019, commercial banks have not passed on the cut to borrowers. As a result, lending rates continue to remain high. The slowdown in economy coupled with high lending rate has accentuated the slump in housing demand."

"RBI's fourth consecutive Repo Rate cut by 35 basis points has come up at a crucial juncture when the economy is going through a sluggish phase. Along with other efforts to accelerate the flow of liquidity in the market, this move should bring down the cost of borrowings. The curtailing of funds has impacted the progress of several construction projects."**Tushad Dubash, Director, Duville Estates.**

Bijay Agarwal, Managing Director, Salarpuria Sattva group, "When the banks are constrained with their cost of borrowing, they will be able to lower their respective marginal cost of funds based lending rate (MCLR), which directly impacts loans. In real estate, reduction in the cost of funds means the same can be passed on to customers directly. This will encourage customers to buy properties due to reduced interest on home loans, hence increasing the purchasing power of the common man."

Zulquer Nain, Director NMBPL (New Modern Buildwell Pvt. Ltd.), "The cumulative rate cut of 110 bps in the last four policy reviews will directly impact the real estate sector as residential sales are directly proportionate to the availability of credit in the form of home laons. This would couple with the improved market sentiments on the account of tax deduction schemes, modified tenancy laws, focus on the implementation of PMAY, investment in infrastructure as announced in Budget 2019-20 along with credit re-structuring measures. The fourth consecutive rate cut by the central bank would favour the Indian economy but it is equally important for the banks to swiftly transmit the benefits as until and unless this happens there won't be much change in consumption and investment."