

RBI's 2nd Booster Shot to Economy Amidst COVID-19

By : Editor Published On : 23 May, 2020 09:29 AM IST



- Anuj Puri -

The hard facts of declining consumption and a deepening economic slowdown in India are inescapable. All sectors including real estate have been severely impacted. To this gloomy backdrop, the RBI's repo rate cut of 40 bps – from 4.40% to 4% now - is a welcome move. Simultaneously, for the second time in a month, the reverse repo rate has also been slashed by another 40 bps and now stands at 3.35%.

This is another big step which will ease liquidity for developers - the rate cut will not only send out positive signals but will enable banks to lend even more. Thus, the rate cuts combined with the further extension of loan moratoriums by 3 months up to August 31, 2020 augurs well for the real estate sector in the times to come.

This move is a major booster shot aiming to cushion the impact of COVID-19 on the Indian economy. Beyond doubt, repo rate cuts do uplift the sentiments of home buyers even further. Home loan interest rates have already gone down substantially over the last year, and are presently at an all-time low averaging between 7.15% to 7.8%.

Interestingly, ANAROCK's recent survey conducted during the lockdown also highlighted that of the respondents who were previously in no mood to purchase properties and have now become buyers in the lockdown period, a massive 92% cited lower home loan interest rates and a sense of security that physical assets provide during such exigencies.

Today's repo rate cut will further help banks to lower home loan interest rates, which may get several more fence-sitters onto the market. Moreover, the repo rate cut may compel banks to reduce the interest rates for FDs even further - this could result in even more people leaning towards housing as a better investment option.

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