

PNB follows SBI in raising bulk deposit rates

SBI raised interest rate on the shortest tenor deposit to 4.75% from 3.75%

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State-owned Punjab National Bank (PNB) has raised its interest rate on bulk deposits over Rs 1 crore by 50 basis points, to five per cent, a day after the country's largest lender, State Bank of India, decided to raise its rate on these deposits across tenors by 100 bps. Bulk deposits are those of at least Rs 1

crore.

These increases come a few days ahead of the Reserve Bank's bi-monthly policy review, on Wednesday. The earlier review saw the policy rate unchanged at six per cent.

On the PNB move, Jimeet Modi, chief executive at Samco Securities, said this indicated the excess liquidity purportedly created due to demonetisation was over and consumed. Interest rates would not go down soon but the possibility of a rise has increased. And, transient liquidity seems to be evaporating, which does not augur well for stock market bulls. High valuations with tight liquidity conditions will deflate stock valuations to more reasonable levels.

While revising interest rates upwards on bulk deposits, SBI kept rates on deposits less than those unchanged. Interest rate on the shortest tenor deposit – 7-45 days — was raised to 4.75 per cent from 3.75 per cent. And for 5-10 years, it will be 5.25 per cent from the earlier 4.25 per cent. Its senior officials said rates offered on bulk

money raised from companies and institutions were below those offered by competing banks and they'd seen outflow of over Rs 70,000 crore from these deposits in a year.