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Liquidity surplus at highest level since early April, says Care Ratings



RBI has purchased government securities to the tune of ₹1.45 trillion from the secondary market.

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Mumbai: Liquidity surplus in the banking system increin the week to 2 July, its highest levels since early April, largely due to month-end inflows towards salaries, wages and pensions, Care Ratings said in a report on Monday.

During the week, the outstanding liquidity surplus ranged between ₹4.8 trillion and ₹6 trillion as against the surplus of ₹4.3- ₹4.6 trillion in the preceding week.

The banking system has been witnessing a liquidity surplus over the past two years, primarily on account of inflows of bank deposits surpassing bank credit offtake on a sustained basis, it said.

“Incremental bank deposits growth (over March 2021) as of 18 June has been 1.2% as against the contraction in bank credit of -1 %. In absolute terms the outstanding bank deposits were ₹153 trillion while the outstanding bank credit was ₹108 trillion. The restrictions across various regions in the country following the second wave of the pandemic in the country has once again impacted economic activity and thereby the demand for credit,” the report added.

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In FY 21, the RBI has undertaken open market operations (OMO) purchases of government securities to the tune of ₹5.04 trillion and OMO purchases of state development loans (SDLs) amounting to ₹30,000 crore.

According to Care Ratings, so far in the current financial year, RBI has purchased government securities to the tune of ₹1.45 trillion from the secondary market. Of this, ₹1 trillion has been purchased under the GSAP or the GSec acquisition programme. The US dollar purchases by the RBI in FY21 totalled ₹5.1 trillion and the incremental purchases during April has been ₹31,779 crore.

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