

Weekly Liquidity Report: 26 – 30 April, 2021

May 3, 2021 | Economics

Banking System Liquidity

The banking system liquidity surplus widened in the week ended 30 April'21 from the preceding week and can largely be attributed to the month-end inflows towards salaries, pensions and wages.

As of 30 April,'21, the outstanding banking system liquidity surplus at Rs. 5.14 lakh crs was Rs.33,198 crores more than that in the previous week (Rs.4.81 lakh crores on 23 April'21). During the week of 26-30 April'21, the outstanding liquidity surplus ranged between Rs.5.09 – 5.25 lakh crores as against the surplus of Rs. 4.69 – 5.81 lakh crores in the preceding week. Following the

The banking system has been sustaining a liquidity surplus since the past twenty-three months (from June'19). This can primarily be attributed to the inflow of bank deposits surpassing the outflow of bank credit on a sustained basis that can be linked to the level of economic activity. The growth in incremental credit off-take (over Mar'21) in the first nine days of 2021-22 (1-9 April) at (-)0.6% has been lower than that of the comparable period of 2020-21 (-) 0.3% which was the period of the national lock-down wherein all economic activity, barring essential- services, was halted. The restrictions across various regions in the country (since mid-March'21) following the second wave of the pandemic in the country has once again impacted economic activity and thereby the demand for credit.

Additionally, increased US dollar purchases by the RBI along with the various liquidity infusion measures being undertaken by the central bank viz. OMO purchases and the LTRO and TLTRO has been adding to the liquidity surplus. In FY21, the RBI has undertaken OMO purchases of GSecs to the tune of Rs 5.04 lakh crores and OMO purchases of SDLs amounting to Rs.30,000 crores. So far in the current financial year the RBI has purchase government securities to the tune of Rs.41,575 crs from the secondary market. The US dollar purchases by the RBI during April'20-February'21 totalled Rs.5.51 lakh crores.

The daily net liquidity absorption by the RBI from the banking system, i.e., the daily repo and reverse repo operations (including the fresh term repo and reverse repo auction and excluding the outstanding term repo and reverse repo operations) as of 30 April'21 was Rs 4.19 lakh crs, Rs.1.71 lakh crs lower than week ago (Rs 5.90 lakh crs on April 23, 2021).

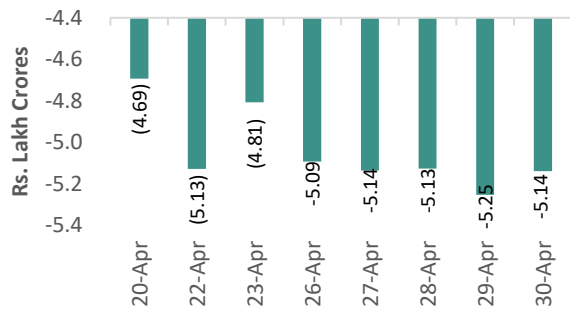
Call Money Market

The weighted average call money market rate moderated to 3.21% for the week ended April 30, 2021, 2 bps lower than the average for the previous week (3.21% for the week ended April 23, 2021). The call money market rate (weighted average) continued to be well below the RBI's reverse repo rates (3.35%) during the week. Owing to the persistent high liquidity surplus in the banking system, the weighted average call money rate has been ruling below the reverse repo rate on a near sustained basis since November 2020. The average call market borrowings amounted to Rs 11,287 crores during this period, Rs.192 crs lower than the previous week's average.

Outlook on banking system liquidity for the week of May 3-7, 2021

The banking system liquidity surplus is expected to remain sizeable amidst the renewed lockdowns across regions that has curtailed economic activity and thereby the credit offtake by businesses. The outflows towards statutory payment would have limited bearing on the liquidity surplus.

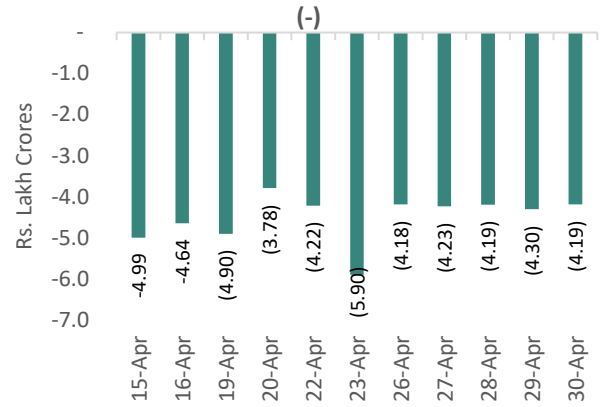
Net Repo Outstanding Transactions



Source: RBI.

Net Repo Outstanding Transactions = Total Repo + MSF + SLF – Total Reverse Repo

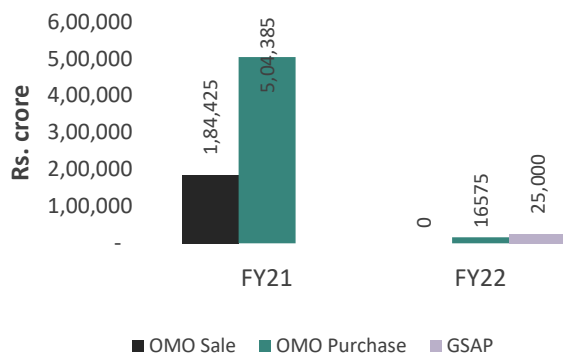
Daily net liquidity injection (+)/absorption (-)



Source: RBI - * Based on CARE's calculation

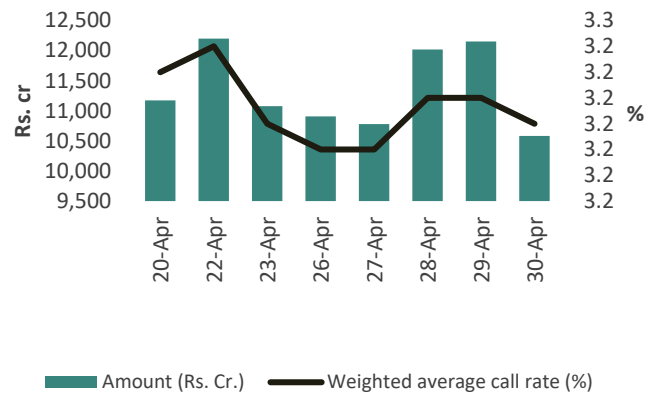
Daily Liquidity Injection (+) / Absorption = (Total repo + MSF + SLF + OMO purchase) – (Total reverse repo – OMO sales)

Liquidity Operations by RBI



Source: RBI

Call Money Market



Source: RBI

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