

Weekly update on Central Government borrowings

May 7, 2021

The Central Government borrowed Rs 32,000 crs in the scheduled weekly market borrowing auction held on May 7, 2021, in line with the notified amount and marginally higher than the amount borrowing in the previous week (Rs 30,835 crs). In this fiscal, this is the first time when neither there has been a devolvement of bids to the primary dealers nor exercise of green shoe option. This could be primarily because of RBI's larger than expected announcement of the second tranche of GSAP 1.0 of Rs 35,000 crs, which could have eased investor fears. This week's auction saw issuance of one floating rate bond and remaining three had a maturity period of 5, 14 and 30 years.

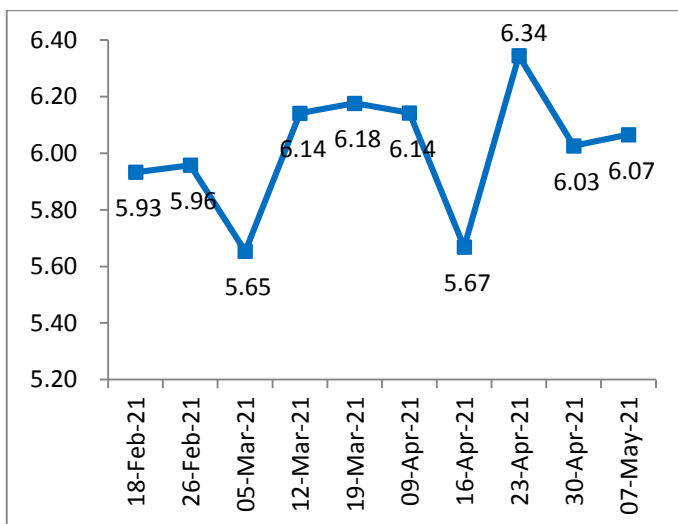
The amount raised so far in FY21 is Rs 1.34 lakh crs, 11% of the total budgeted borrowing limit of Rs 12.05 lakh crs in FY21 and 18.5% of the H1-borrowings (Rs 7.24 lakh crs). Total amount exercised under the green shoe so far this year has been Rs 16,833 crs while total amount devolved to the primary dealer is Rs 10,926 crs. Maturity wise analysis shows that so far, the Central government has borrowed 28% of the total via 14-year GSecs, followed by 16.4% via 5-year and 14% via the 30-year instrument.

The weighted average yield in this auction inched up marginally to 6.07% compared with 6.03% in the previous auction. Out of the 5 auctions so far this year, in 4 auctions, weighed average yields has been higher than 6% with a peak of 6.34%.

Table 1: Results of the CG security auctions on May 7, 2021

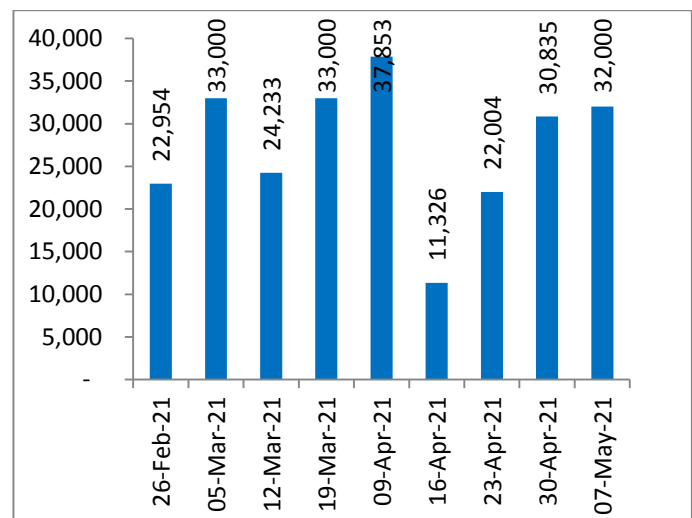
Instrument Name	Notified amount (Rs crs)	Accepted amount (Rs crs)	Amount devolved to PD	Cut-off yields (%)	Green Shoe option (Rs crs)
5.63% GS 2026 (5 year)	11,000	11,000	Nil	5.54	Nil
GoI FRB 2033	4,000	4,000	Nil	4.87	Nil
6.64% GS 2035 (14 year)	10,000	10,000	Nil	6.59	Nil
6.67% GS 2050 (30 year)	7,000	7,000	Nil	6.82	Nil
Total	32,000	32,000	Nil		Nil

Chart 1: Trends in weekly weighted average yields (%)



Source: RBI

Chart 2: Movement in CG market borrowings (Rs crs)



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