

Weekly Liquidity Report: March 1-5, 2021

March 8, 2021 | Economics

Banking System Liquidity

The banking system liquidity surplus widened in the first four days of the week of 5 March'21, progressively increasing from Rs. 6.44 lakh crores to Rs.6.55 lakh crores during 1 to 4 March. This increase can primarily be attributed to the inflows towards salaries, wages, and pensions.

As of 5 March,'21, the outstanding banking system liquidity surplus was Rs.22,321 crores less than that in the previous week (Rs.6.00 lakh crores on 26 February'21) and can be ascribed to the outflows towards statutory payments and the auction of central government securities. During the week of 22-26 February'21, the outstanding liquidity surplus ranged between Rs.5.77 – 6.57 lakh crores as against the surplus of Rs. 5.54 – 6.02 lakh crores in the preceding week.

The banking system has been sustaining a liquidity surplus since the past twenty-one months (from June'19). This can primarily be attributed to the inflow of bank deposits surpassing the outflow of bank credit. The incremental bank deposits (over Mar'20) have grown by 8.9% till 12 February'21 as against the bank credit growth of 3.2%. 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. So far, this fiscal, the RBI has undertaken OMO purchases of GSecs to the tune of Rs 4.64 lakh crores and OMO purchases of SDLs amounting to Rs.30,000 crores. The RBI conducted a special OMO operation (simultaneous purchase and sale) of Rs. 15,000 crores during the week gone by. The US dollar purchases by the RBI during April-December'20 totalled Rs.5.39 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 5 March'21 was Rs 4.87 lakh crore, Rs.2.22 lakh crores lower than week ago (Rs. 7.09 lakh crore as of 26 February'21).

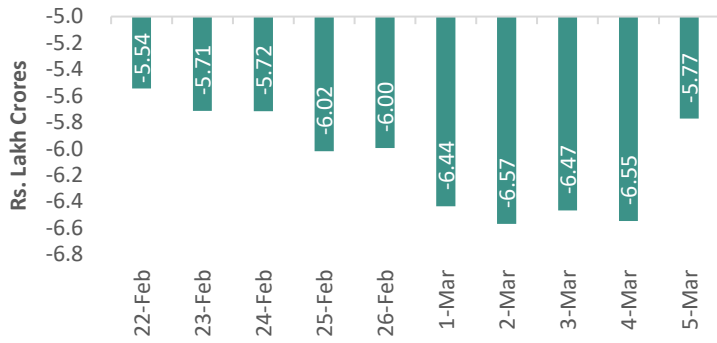
Call Money Market

The weighted average call money market rate fell by 15 bps to 3.08% in the week ended 5 March'21 (3.23% in the preceding week). The call money market rate (weighted average) however 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 since the third week of October'20 (21 Oct). The average call market borrowings amounted to Rs 6,352 crores during the week, Rs.2,957crores higher than that of the previous week.

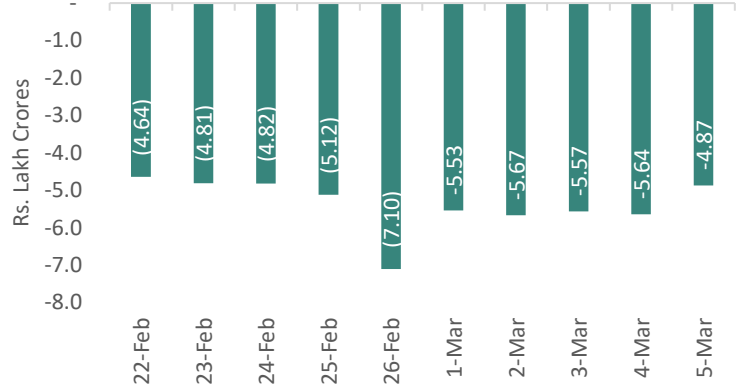
Outlook on banking system liquidity for the week of March 8-12, 2021

The banking system liquidity surplus would prevail during the week. There could however been a moderation in the same with outflows from the system towards advance tax payments and financial year end payment settlement.

Net Repo Outstanding Transactions



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



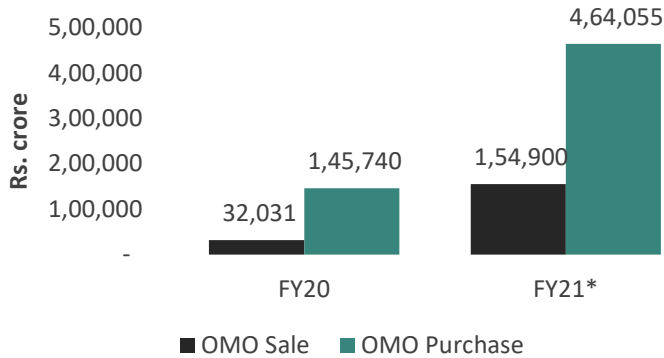
Source: RBI.

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

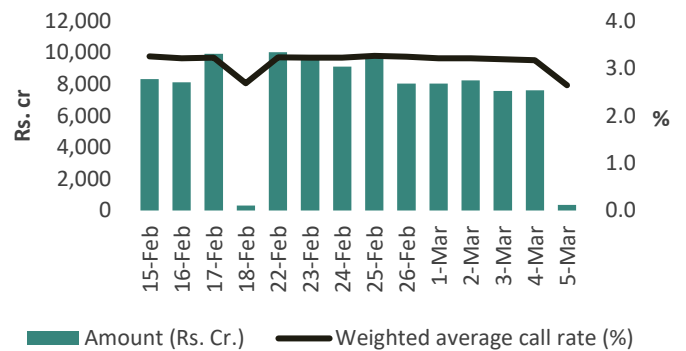
Source: RBI - * Based on CARE's calculation

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

Liquidity Operations by RBI



Call Money Market



Note: * Up to 5 Mar 2021

Source: RBI

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