

Weekly Liquidity Report: January 4 - 8, 2021

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Banking System Liquidity

The outstanding liquidity in the banking system has remained in surplus for the week ending January 8, 2021 though partial moderation has been witnessed on weekly basis. As on January 8, 2021, the outstanding liquidity amounted to Rs. 5.59 lakh crore, Rs. 62,639 crore (or 10%) lower than that in the previous week (Rs. 6.21 lakh crore as on January 1, 2021). On the daily basis, the outstanding liquidity had reached to its peak at Rs. 6.54 lakh crore and thereafter it declined during the week though remained above Rs. 5.6 lakh crore throughout the week. The banking system has remained in a liquidity surplus position since June 2019.

The sustained liquidity surplus in the banking system can be attributed to the deposit growth persistently outpacing the bank credit growth. The incremental bank deposit growth over March 2020 was at 6.7%, higher than the incremental bank credit growth by 1.7% as on December 18, 2020. The RBI's durable liquidity infusion measures via OMO purchases of central and state government securities, LTRO and TLTRO have been supporting the liquidity situation. So far this fiscal, the RBI has undertaken total OMO purchases of Rs 3.67 lakh crores while OMO sales of Rs 1.30 lakh crore (including simultaneous purchase and sale of OMOs and OMO purchase of SDLs worth Rs. 30,000 crore). The partial moderation during the week could be on account of statutory tax payments by businesses.

The daily net 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) for the week ending January 8, 2021 was at Rs. 6.69 lakh crore, Rs.64,239 crore lower than a week ago (Rs. 7.34 lakh crore as on January 1, 2021).

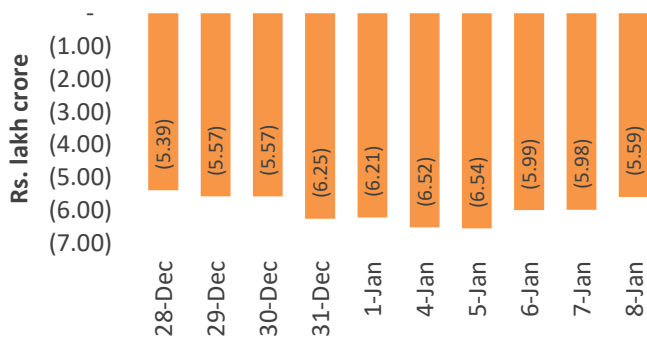
Call Money Market

During the week ending January 8, 2021, the weighted average call money rate declined further to reach a 3 week low at 3.17%, 3 bps lower than 3.20% in the previous week. It continued to remain below the RBI's repo rate of 4% throughout the week. The average call market borrowings amounted to Rs. 10,416 crore during the week, 11% higher than that of the previous week (Rs 9,417 crore during the week ended January 1, 2021).

Outlook on banking system liquidity for the week of January 11-15, 2021

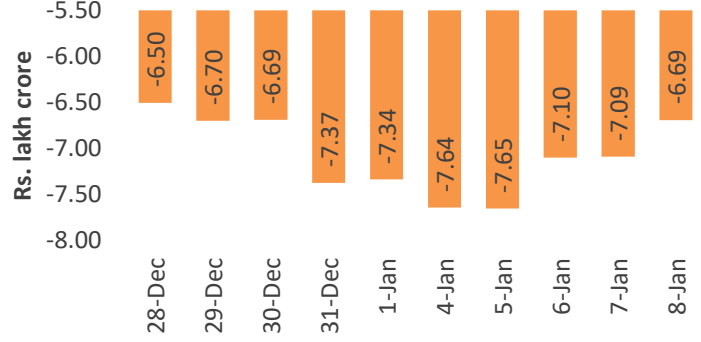
The banking system liquidity is expected to remain in a surplus position as the bank deposit continues to surpass bank credit off take. After reviewing liquidity and financial conditions, the RBI has announced that it would resume normal liquidity management operations in a graded manner starting January 15, 2021. This could potentially lead to a moderation in the liquidity surplus.

Net Repo Outstanding Transactions



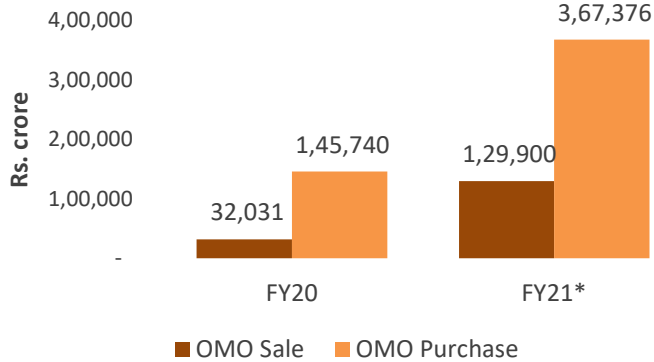
Source: RBI
 Net Repo Outstanding Transactions = Total Repo + MSF + SLF – Total Reverse Repo

Daily liquidity absorption (-)/injection (+)



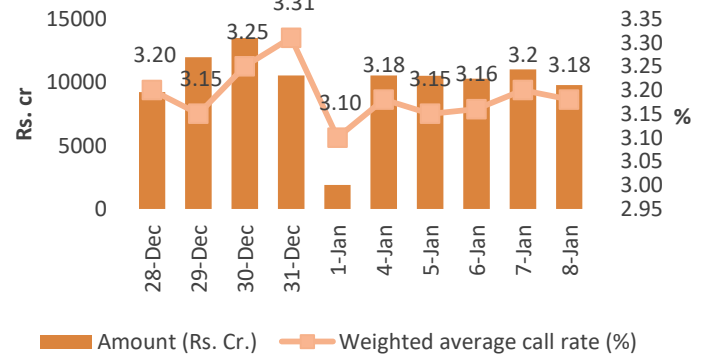
Source: RBI - * Based on CARE's calculation
 Daily Liquidity Injection (+) / Absorption = (Total repo + MSF + SLF + OMO purchase) – (Total reverse repo – OMO sales)

Liquidity Operations by RBI



Note: * Up to 8 Jan 2021
 Source: RBI

Call Money Market



Source: RBI

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