

## Weekly Liquidity Report: 11-14 October, 2021

October 18, 2021 | Economics

### Banking System Liquidity

The banking system liquidity surplus moderated in the holiday truncated week of 14 October. It nevertheless remained sizeable. The average outstanding (net) liquidity surplus for the week of 11- 14 October'21 at Rs.7.52 lakh crore was Rs.0.59 lakh crore lower than the previous week.

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 14 October'21 was Rs. 2.08 lakh crore as against Rs.6.61 lakh crore a week ago (8 October). The daily net liquidity absorption ranged between Rs. 2.08 lakh crore to Rs. 4.72 lakh crore during the week.

The liquidity surplus in the banking system, which has been prevalent since June'19, has widened significantly since end June'21. The weekly average (net) liquidity surplus has increased by around Rs.3 lakhs crore in the last 3 months (from a weekly average of Rs. 4.5 lakh crore as of end June'21 to over Rs. 7.5 lakh crore in the third week of October'21). The increase in surplus can primarily be put down to the sustained lower credit disbursement from banks versus the deposit inflows. Increased government spending and the liquidity injection by the RBI (through GSec purchases liquidity measures, and its foreign currency purchases) have further added to the surplus in the banking system.

In terms of quantum

- The outstanding bank deposits as of 24 September'21 stood at Rs.155.9 lakh crore as against the outstanding bank credit of Rs. 109.5 lakh crore. The inflow of bank deposits has been surpassing the credit outflows on a sustained basis. The incremental bank deposits during Apr-24 September'21 (i.e., the increase over Mar'21) is Rs. 4.81 lakh crore (incremental growth of 3.2%), while the incremental bank credit is Rs. 0.07 lakh crore (incremental growth of 0.1%).
- In FY21, the RBI has undertaken OMO purchases of G-Secs to the tune of Rs 5.04 lakh crores and OMO purchases of SDLs amounting to Rs.30,000 crore. So far in the current financial year the RBI has purchased central government securities to the tune of Rs.2.73 lakh crores from the secondary market. Of this Rs.2.21 lakh crores have been purchased under the GSAP (GSec acquisition programme). Also, SDLs worth Rs.5,425 crore have been purchased thus far in FY22.
- The foreign currency purchases by the RBI in FY21 totalled Rs.5.1 lakh crores and the incremental purchases during April-July'21 has been Rs.2.68 lakh crore.

### Call Money Market

The call money market rates stayed at higher levels in the week of 11<sup>th</sup> October. The weighted average call money market rate averaged 3.23% for the week, 2 bps higher than the previous week. The weighted average call rate ranged between 3.18% to 3.27% in the 4-day week of 11-14 October.

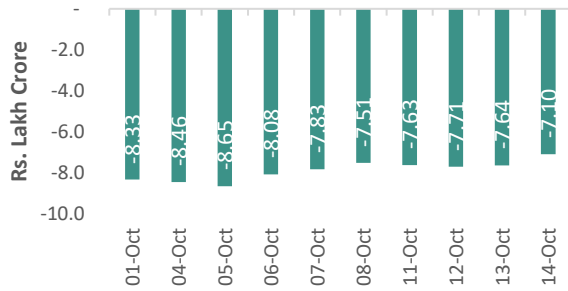
The call market borrowings were lower in the week gone by. The average call market borrowings amounted to Rs.5,805 crore as against the average borrowings of Rs. 7,509 crore in the previous week.

Despite the recent increase, the call money market rate (weighted average) continues to be below the RBI's reverse repo rates (3.35%). Owing to the persistent sizeable liquidity surplus in the banking system, the weighted average call money rate has been ruling below the reverse repo rate (3.35%) on a near sustained basis since November'20.

### Outlook on banking system liquidity for the week of 18 – 22 October'21

With no significant outflows expected, the banking system liquidity surplus (outstanding) would continue to be sizeable at over Rs. 7 lakh crore during the week.

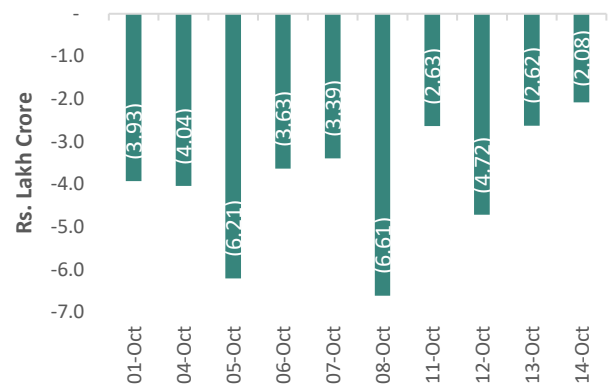
### Net Repo Outstanding Transactions



Source: RBI.

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

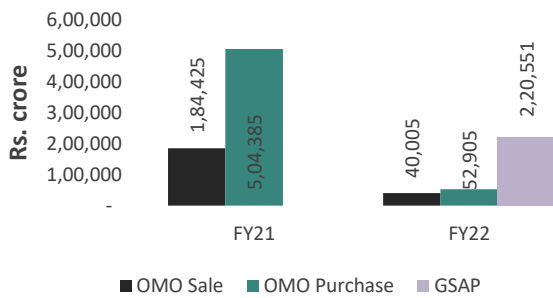
### Daily net liquidity injection (+)/absorption (-)



Source: RBI - \* Based on CARE's calculation

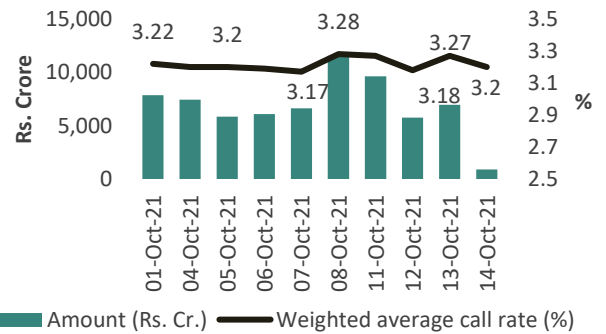
Daily Liquidity Injection (+) / Absorption = (Total repo + MSF + SLF + OMO purchase) – (Total reverse repo – OMO sales)

### Liquidity Operations by RBI



Source: RBI. For FY22 up till 14 Oct'21

### Call Money Market



Source: RBI

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