

## Weekly Liquidity Report: February 15-18, 2021

February 22, 2021 | Economics

### Banking System Liquidity

The banking system liquidity surplus was at Rs 5.5 lakh crs for the week ended 18 February, 2021, Rs 66,276 crs lower than the previous week end. The liquidity surplus on 18 February has been the lowest since 28 January 2021. The surplus was more than Rs 6 lakh crs during the first 3 days of a holiday-shortened week and then fell sharply by Rs 76,167 crs on February 18, 2021 to Rs 5.5 lakh crs. During the week of 8-12 February, the outstanding liquidity surplus ranged between Rs.5.5 – 6.27 lakh crores as against the surplus of Rs. 5.8 – 6.2 lakh crores in the preceding week. The moderation in liquidity surplus during the week, despite the sustained OMO purchase operations during week ended February 12,2021 can be ascribed to scheduled government borrowings (Central government: Rs 27,676 crs and state governments : 17,937 crs) and outflows towards statutory dues like GST. The RBI had undertaken a variable reverse repo operation of Rs 2 lakh crs on February 12, 2021.

The banking system has been sustaining a liquidity surplus for the last twenty months. The incremental bank deposits (over March 2020) have grown by 9.1% till 29 January 2021 as against the bank credit growth of 3.2%. The increased US dollar purchases by the RBI along with the various liquidity infusion measures being undertaken by the central bank has been adding to the liquidity surplus. So far this fiscal, the RBI has undertaken OMO purchases of GSecs of Rs 4.4 lakh crores and OMO purchases of SDLs amounting to Rs.30,000 crores. During the week ended 12 February, 2021, the RBI had undertaken OMO purchases of Rs 50,119 crs. The US dollar purchases by the RBI during April-November'20 totalled Rs.5.09 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 19 February 2021 was Rs. 4.6 lakh crore, Rs.37,890 crores lower than week ago (Rs. 4.98 lakh crore as of 12 February 2021).

### Call Money Market

There has been a fall in the weighted average call money rates during the week. For the week ended 19 February 2021, the weighted average call money rate was at 3.09%, 6 bps lower than the previous week average (3.15%). On a daily basis during the week, the weighted average call rate averaged 3.23% during the first 3 days of the week but fell sharply to 2.68% to end the week. The weighted average call rate on 18 February 2021 is the lowest since 7 December 2020. The call money market rate (weighted average) continued to be below the RBI's reverse repo rates (3.35%) during the week. Owing to the persistent high liquidity surplus in the banking system, the call money rate has been ruling below the reverse repo rate since 20 October 2020. The average call market borrowings amounted to Rs 6,658 crores during the week, 38% lower than that of the previous week.

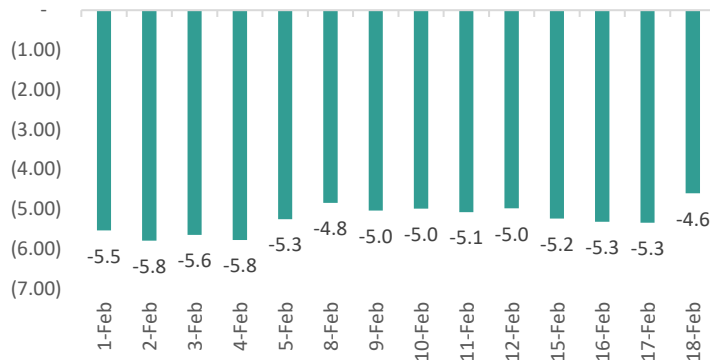
### Outlook on banking system liquidity for the week of February 22-26, 2021

The banking system liquidity surplus is likely to remain in surplus but could moderate during the week on account of month-end fund requirements for the business entities coupled with scheduled government market borrowings (states: Rs 23,906 crs and Centre: Rs 24,000 crs). However, recent OMO purchase operations undertaken by the RBI is likely to support the banking system liquidity surplus.

### Net Repo Outstanding Transactions



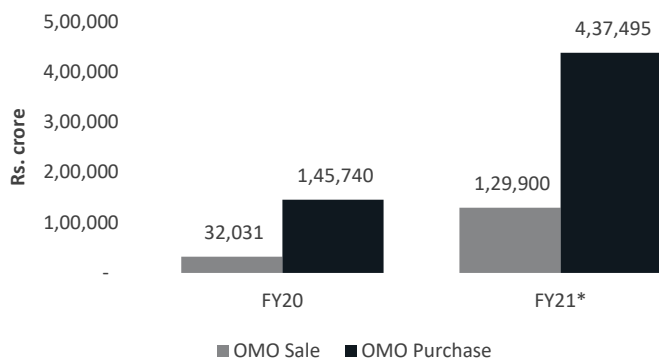
### Daily net liquidity injection (+)/absorption (-)



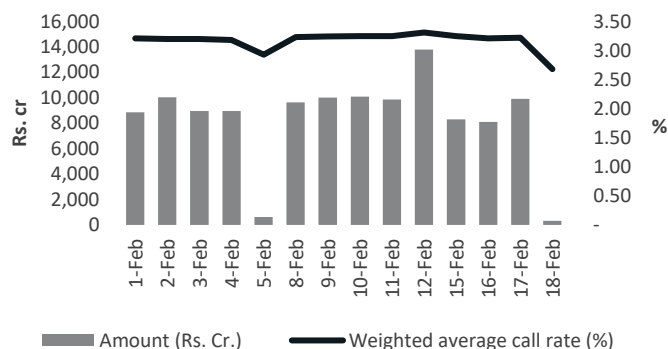
Source: RBI.  
 Net Repo Outstanding Transactions = Total Repo +MSF + SLF – Total Reverse Repo

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

### Liquidity Operations by RBI



### Call Money Market



Note: \* Up to 18 Feb 2021  
 Source: RBI

Source: RBI

#### Contact:

**Madan Sabnavis**  
**Author: Sushant Hede**  
**Mradul Mishra**

Chief Economist  
 Associate Economist  
 (Media Contact)

madan.sabnavis@careratings.com  
 sushant.hede@careratings.com  
 mradul.mishra@careratings.com

+91-22-6837 4433  
 +91-22-6837 4348  
 +91-22-6754 3573

*Disclaimer: This report is prepared by CARE Ratings Limited. CARE Ratings has taken utmost care to ensure accuracy and objectivity while developing this report based on information available in public domain. However, neither the accuracy nor completeness of information contained in this report is guaranteed. CARE Ratings is not responsible for any errors or omissions in analysis / inferences / views or for results obtained from the use of information contained in this report and especially states that CARE Ratings has no financial liability whatsoever to the user of this report*

#### CARE Ratings Limited

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
 Tel. : +91-22-6754 3456 | CIN: L67190MH1993PLC071691

Connect :

