

## Weekly Liquidity Report: 18-22 October, 2021

October 25, 2021 | Economics

### Banking System Liquidity

The banking system liquidity surplus moderated further in the week of 22 October. It nevertheless remained sizeable. The average outstanding (net) liquidity surplus for the week of 18- 22 October'21 at Rs.6.85 lakh crore was the lowest since mid-August'21 and Rs.0.67 lakh crore less than the previous week. The liquidity surplus has progressively narrowed in the last three weeks (from over Rs.8 lakh crore at the start of the month) and this can in part be attributed to the excess liquidity of banks being tied up in the VRRR auctions (variable reverse rate repo auctions carrying tenure of 8 to 14 days). The pickup in bank credit offtakes have also played a limited role.

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) fluctuated between Rs.1.69 lakh crore to Rs.5.67 lakh crore during the week of 18-22 October'21.

The banking system has been sustaining a liquidity surplus since June'19. The liquidity surplus widened significantly in recent months and averaged Rs. 7.7 lakh crore during mid-Aug to mid-Oct'21. The persistent liquidity surplus has been aided by the lower credit disbursement from banks versus the deposit inflows. Increased government spending and the liquidity injection by the RBI (through open market purchases, 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 8 October'21 stood at Rs.158 lakh crore as against the outstanding bank credit of Rs. 110 lakh crore. The inflow of bank deposits continues to be significantly higher than the credit outflows. The incremental bank deposits during Apr-8 October'21 (i.e., the increase over Mar'21) is Rs. 6.42 lakh crore (incremental growth of 4.2%), while the incremental bank credit is Rs. 0.64 lakh crore (incremental growth of 0.6%).
- 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-August'21 has been Rs.2.97 lakh crore.

### Call Money Market

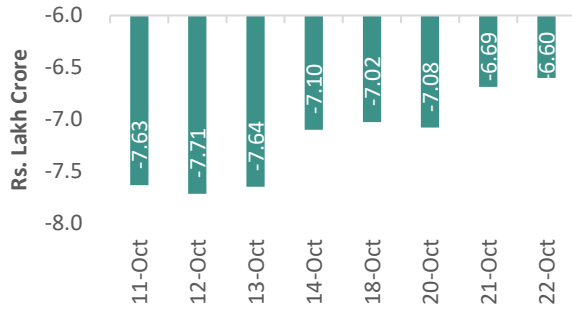
The call money market rates have been inching upwards in recent weeks. This can be linked to the narrowing of the liquidity surplus in the banking system. In the week of 18-22 Oct'22, call market borrowings rose to Rs.41,489 crore, an increase of Rs. 18,230 crore from a week ago. The higher borrowings pushed up the call rate. The weighted average call money market rate averaged 3.32%, the highest level in over a year. It was 9 bps higher than a week ago. The call rate ruled at elevated levels of 3.30% to 3.33% during the week (3.18 to 3.27% in the previous week).

The call money market rate in the week gone by moved closer towards the RBI's reverse repo rate of 3.35% after remaining well below this rate on a near sustained basis since November'20, aided by the surplus liquidity in the banking system.

### Outlook on banking system liquidity for the week of 25 – 29 October'21

The banking system liquidity surplus (outstanding) is expected to widen during the week aided by month- end inflows towards salaries and pensions.

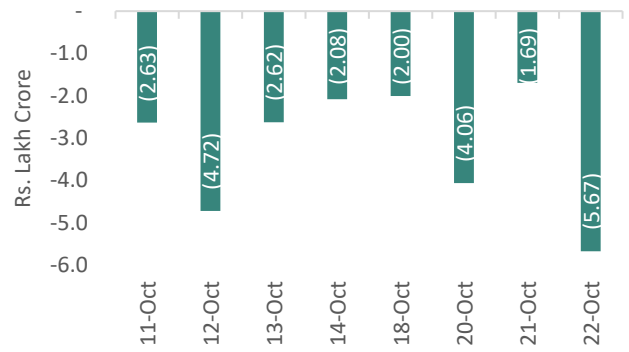
### Net Repo Outstanding Transactions



Source: RBI.

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

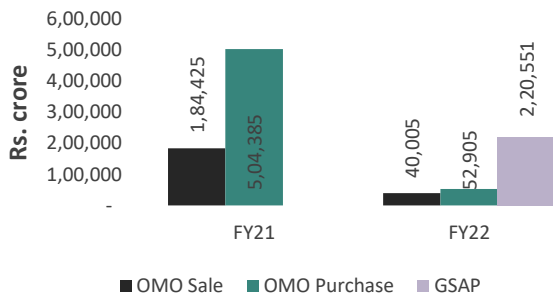
### Daily net liquidity injection (+)/absorption (-)



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

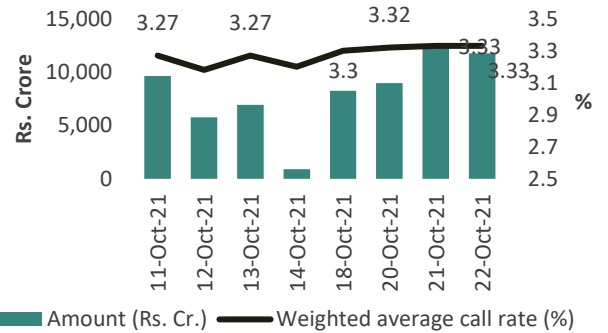
Daily Liquidity Injection (+) / Absorption = (Total repo + MSF + SLF + OMO purchase) – (Total reverse repo – OMO sales)

### Liquidity Operations by RBI



Source: RBI. For FY22 up till 22 Oct'21

### Call Money Market



Source: RBI

#### Contact:

**Madan Sabnavis**  
**Author: Kavita Chacko**  
**Mradul Mishra**

Chief Economist  
 Senior Economist  
 (Media Contact)

madan.sabnavis@careratings.com  
 kavita.chacko@careratings.com  
 mradul.mishra@careratings.com

+91-22-6837 4433  
 +91-22-6837 4426  
 +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 :

