

Weekly borrowing and liquidity monitor

- **For the week ending 31 December 2021, total weekly market borrowing of the central government stood at INR 70bn, with no devolvement to the primary dealers (PD). The auction for the Floating Rate Bonds (FRB) and 10-year segment were cancelled.**
- **The weighted average borrowing cost went up by 23bps to 7.09% compared with week before.**
- **As per indicative calendar for SDL borrowings in Q4FY22, states are likely to borrow INR 3.10tn in the last quarter of FY22. Actual borrowing during Q3FY22 stood at INR 1.57tn against an indicative borrowing calendar of INR 2.02tn.**
- **The first SDL auction of Q4FY22 saw an aggregate amount of INR 188.9bn raised by 9 states.**
- **Systemic liquidity as of 04 January 2021 stood at a surplus of INR 7794.96bn. The increase in liquidity can be attributed to month-end inflows of salaries and pensions.**

Highlight of the central borrowing:

Weekly Auction: For the week ending 31 December 2021, the total weekly market borrowing of the central government stood at INR 70bn, with no devolvement to the primary dealers (PD). The auction for the Floating Rate Bonds (FRB) and 10-year segment were cancelled. The bid to cover ratio for this auction was 2.9 for 40-year segment. Benchmark yield has gone up by 6bps since the auction on Friday.

Trends in central borrowing and borrowing cost: For FYTD22, the overall issuance stood at INR 9.9tn. As of 31 December 2021, total issuance of the central government in H2FY22 stands at INR 2.95tn vs. INR 4.1tn during the corresponding period of the previous fiscal. So far in H2FY22, a majority of borrowing is in 10-year tenor (26.4%) followed by 14-year tenor at 18.3%.

Last week, average borrowing cost was higher by 23bps compared to week before largely because of tenor premium. The weighted average borrowing cost for the government stood at 6.25% during FYTD22.

Highlight of state borrowing:

Weekly Auction: The first auction of Q4FY22 held on 4 January 2022 saw 9 states raise an aggregate of INR 188.9bn with no greenshoe or devolvement. The bid to cover ratio ranged from 2.0 to 5.2 in the auction vis-à-vis 2.5 to 6.9 in the previous week. The gross borrowing for FYTD22 stands at INR 4.85tn, 15% lower than the corresponding period in the previous fiscal.

Trends in Borrowing:

- The weighted average cost of borrowing across all tenors and all states rose by 11bps to 7.16% compared to week prior.
- Top 5 states accounted for 50% of the borrowing in FYTD22:
 - The largest borrowers are Maharashtra (11.3%), Tamil Nadu (10.9%), West Bengal (10.3%), Uttar Pradesh (9.8%) and Andhra Pradesh (7.9%).
- Seven states and one UT namely Andhra Pradesh, Manipur, Nagaland, Puducherry, Rajasthan, Tamil Nadu, Telangana and Jammu and Kashmir have raised funds more than the proposed amount, while 21 states have borrowed less than the indicative borrowing till Q3FY22.

Highlight of the liquidity:

Systemic liquidity as of 4 January 2021 stood at a surplus of INR 7794.96bn. The increase in liquidity can be attributed to month-end inflows of salaries and pensions. RBI conducted 4-day, 14-day and 3-day VRRR auctions worth INR 1.4tn, INR 2tn and INR 2.67tn respectively as on 3 January. RBI has been regularly conducting shorter tenor VRRR auctions i.e. 3-day and 4-day which resulted in a spike in the shorter end of the yield curve. Thus, it induced a flattening bias in the overall yield curve. RBI is gradually using variable rate reverse repo auctions as its primary tool for liquidity absorption while reducing the amount absorbed under fixed rate reverse repo auctions.

Table 1: Monthwise summary of Gross G-Sec and SDL issuances:

INR bn	G-sec			SDL		
	FY20	FY21	FY22	FY20	FY21	FY22
April	510	390	1020	296	593	92
May	850	1390	1086	221	480	506
June	680	1360	1079	299	601	849
July	680	1680	1565	506	476	493
August	850	1340	1115	446	556	607
September	680	1200	1159	488	831	545
October	650	1170	1200	602	742	594
November	640	740	720	452	632	435
December	640	1000	957	565	648	544
January	780	1192	--	652	558	--
February	140	1109	--	657	796	--
March	0	1132	--	1163	1076	--
Total	7100	13703	9901	6345	7988	4663

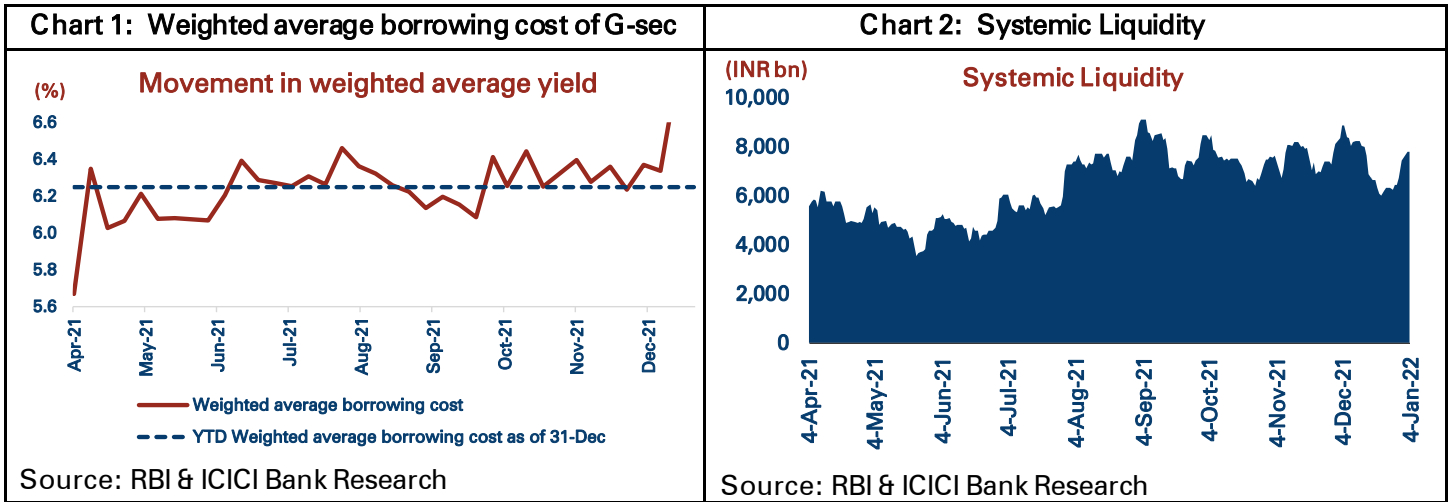
Table 2: Weekly Auctions of G-Sec:
Weekly Auction as of 31 December (INR bn)

Security	Tenor	Notified Amount	Actual Issuance	Greenshoe Issuance	YTM	Bid to Cover
GOI FRB 2028	FRB	40	0.00	0.0	0.00	0.0
6.10% GS 2031	10	130	0.0	0.0	0.00	0.0
6.95% GS 2061	40.0	70.0	70.00	0.0	7.09	2.9

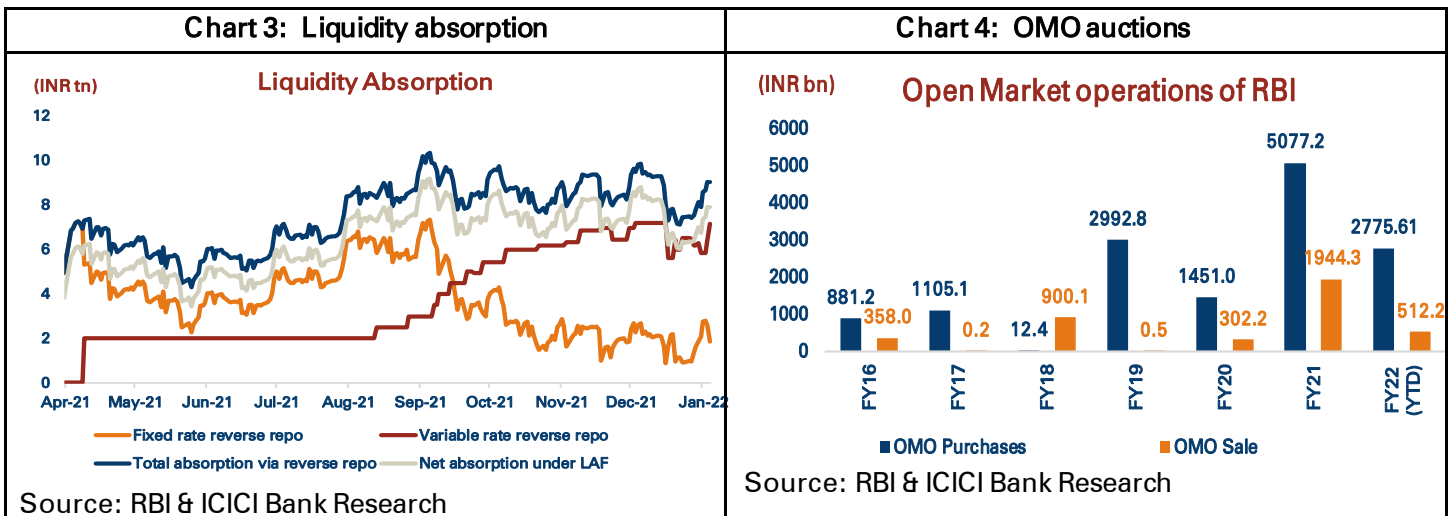
Table 3: Weekly Auction of SDL as on 4 January 2022:

Security	Tenor	Notified Amount (INR bn)	Actual Issuance (INR bn)	YTM	Bid to Cover
Andhra Pradesh 2038	16	5.0	5.0	7.2	3.4
Andhra Pradesh 2040	18	10.0	10.0	7.2	2.8
Andhra Pradesh 2042	20	10.0	10.0	7.2	3.0
Assam 2032	10	6.5	6.5	7.1	4.0
Haryana 2032	10	15.0	15.0	7.1	3.3
Karnataka 2032	10	20.0	20.0	7.1	5.1
Karnataka 2033	11	20.0	20.0	7.2	2.6
Karnataka 2035	13	10.0	10.0	7.2	3.1
Punjab 2032	10	15.0	15.0	7.1	2.0
Punjab 2037	15	10.0	5.5	7.2	5.2
Tamilnadu 2046	24	10.0	10.0	7.2	2.9
Telangana 2033	11	11.9	11.9	7.2	3.7
Uttar Pradesh 2032	10	25.0	25.0	7.1	3.1
West Bengal 2032	10	25.0	25.0	7.1	2.3

G-sec borrowing cost and systemic liquidity:



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