

RBI ANNUAL REPORT

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Large surplus despite shorter accounting period

RBI's balance sheet expanded by 7% in FY21 (Jul'20-Mar'21) to Rs 57tn (29% of GDP) as against 30% increase last year (Jul'19-Jun'20, 26% of GDP). On the liability side, while deposits with RBI increased (excess liquidity), provisions fell sharply (INR, gold and interest rates). Asset side saw increase in domestic and foreign securities (FX reserves, OMOs). Loans to SCBs fell. Even in a shorter accounting period, RBI's surplus increased to Rs 991bn from Rs 571bn last year due to higher other income (trading) and lower provisions.

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RBI's surplus jumps: Despite a shorter accounting year (AY) (9-month ending Mar'21), RBI's surplus increased in FY21 (Jul'20-Mar'21) to Rs 991bn against Rs 571bn in FY20. This can be explained by sharp jump in other income to Rs 642bn in FY21 from Rs 403bn in FY20 attributable to trading gains on exchange rate transactions and rupee and foreign securities. At the same time, provisions fell by Rs 529bn to Rs 207bn. Notably, a higher surplus has been achieved even with lower interest income due to lower yields and shorter AY.

Provisions saw a sharp decline: RBI's balance sheet increased by 7% (Rs 57tn) for Jul-Mar'21 against 30% (Rs 53tn) in 12-months ending Jul'20. On the liabilities side, while deposits increased by 27%, revaluation provisions – currency and gold revaluation account and investment revaluation account – fell by 18% to Rs 9.24tn. This is attributable to unrealised losses due to rising global yields, lower gold prices and appreciation bias seen in INR. Note issuance increased by 7% to Rs 28.3tn.

Domestic and foreign holdings increase: On the asset side, foreign securities owned by RBI increased by Rs 4.1tn to Rs 39tn, an increase of 11%. This can be explained by deployment of US\$ 99bn addition to RBI's forex reserves in FY21. At the same time, domestic securities owned by RBI increased by Rs 1.6tn or 14% to Rs 13tn. Notably, RBI conducted OMOs of Rs 3.1tn in FY21. On the other hand, RBI's loans and advances to SCBs fell to Rs 902bn as of Mar'21 from Rs 2.85tn as of Jun'20 as SCBs repaid their TLTRO borrowings.

Way forward: Centre's cash balance increased to Rs 5tn as of Mar'21 which gives the Centre room to kickstart the economy along with higher spending by states. This can crowd-in private investment which is likely to take time to recover. While RBI noted that consensus growth estimates have come around its 10.5% estimate for FY22, inflation faces both upside and downside risks.

KEY HIGHLIGHTS

- RBI's surplus rises to Rs 991bn in FY21 from Rs 571bn in FY20.
- Interest income declined; 'other income' increased; provisions fell.
- Balance sheet expanded by 7% in FY21 versus 30% in FY20.
- Centre's cash balance higher at Rs 5tn.



FIG 1 – RBI SURPLUS JUMPS TO RS 991BN IN FY21 FROM 571BN IN FY20

(Rs bn)	FY18	FY19	FY20	FY21
Income				
Interest, discount, exchange, commission, etc.	783	1,930	1,497	1,333
Total	783	1,930	1,497	1,333
Expenditure				
Security printing (cheques, note forms, etc.)	49	48	44	40
Provisions	142	0	736	207
Others	92	122	145	94
Total	283	170	925	341
Available balance	500	1,760	571	991
Surplus payable to the central government	500	1,760	571	991

Source: RBI, Bank of Baroda Research

FIG 2 – RBI BALANCE SHEET EXPANDS BY 7% FOR THE 9-MONTH ENDED MAR'21 VERSUS 30% LAST YEAR

Liabilities (Rs bn)	2017-18	2018-19	2019-20	2020-21	Assets (Rs bn)	2017-18	2018-19	2019-20	2020-21
Notes held in banking department	-	-	-	-	Gold coin and bullion	1,440	1,675	2,560	2,477
Notes in circulation	19,120	21,688	26,356	28,269	Rupee coin	9	8	8	7
Total notes issued	19,120	21,688	26,356	28,269	Investments - Foreign	26,351	27,852	35,450	39,519
Capital	0	0	0	0	Investment - Domestic	6,297	9,899	11,720	13,332
Reserve fund	65	65	65	65	Loans and advances	1,639	932	3222	1,351
Other reserves	2	2	2	2	of which: a. centre and state government	569	292	46	34
of which: a. National industrial credit	0	0	0	0	SCBs	1,007	572	2,856	903
b. National housing credit	2	2	2	2	Other scheduled coop. banks	0	0	0	0
Deposits	6,526	7,649	11,759	14,915	Others	62	68	320	415
of which: a. government	1	1	1	50	Investment in subsidiaries	34	20	20	20
b. Bank	5,071	5,494	4,709	6,989	Other assets	406	643	367	370
c. Others	1,454	2,154	7,049	7,876	a. Fixed assets (net of accumulated depreciation)	4	7	8	9
Other liabilities and provisions	10,463	11,625	15,166	13,825	b. Accrued income	233	331	345	346
					c. Swap amortization account	23	0	0	0
					d. Revaluation of forward contracts account	33	13	0	0
					e. Miscellaneous	113	293	14	14.5
Total liabilities	36,176	41,029	53,348	57,077	Total assets	36,176	41,029	53,348	57,077

Source: RBI, Bank of Baroda Research

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