



Government Borrowing H2 FY2024-25: An Analysis

Highlights:

- ✓ *The center plans to borrow ~47% of its total borrowings in H2 FY2024-25.*
- ✓ *No FRBs are to be issued in H2 FY2024-25*
- ✓ *Sovereign Green Bonds (SrGB) worth ₹ 20,000 crore, in the 10-year and 30-year maturity segments are to be issued in H2 FY2024-25*
- ✓ *Net T-bills borrowing will be ₹ -31,000 crore for Q3 FY2024-25*

The RBI announced the borrowing calendar for H2 FY2024-25 which is on expected lines at ₹ 6.61 lakh crore. Observing the trends in taxes and inflows in the current fiscal year, it was unlikely that the central government would make major changes to the borrowing schedule. The center will continue to focus on the fiscal consolidation process to meet the FY2025-26 fiscal deficit target of 4.5 per cent. The demand side for yields is decently placed with FPI flows in debt for FYTD2024-25 at ~USD 6.4 billion, which is also along expected lines, and tax collections being robust. Hence, the FY2024-25 gross borrowing of ₹14.01 lakh crore remains intact for now for the union government.

Key Takeaways:

- The Interim Union Budget had surprised the bond market with a gross borrowing amount 8 per cent lower than the previous year, at ₹ 14.13 lakh crore as compared to ₹ 15.43 lakh crore in FY2023-24, which was further reduced to ₹ 14.01 lakh crore in the July 2024 Union Budget. This indicates the intent of the government towards fiscal consolidation.
- The RBI has restricted entry of the FII/FPIs in the fully accessible route (FAR) 14-year and 30-year tenors in July 2024. This will likely create some steepening in the yield curve especially in the 30-year segment since new 14-year dated securities are not being issued as of now, especially as the short end of the curve has a negative supply.
- The US FOMC has cut rates by a significant 50 basis point and there is expectation of rate cuts from the FOMC in this year anywhere between another 50-75 basis points, and an expectation of a US soft landing is prevalent.
- Domestic macros appear stable for now, with a 6 per cent surplus monsoon and possibility of breaching the food output target. We expect the RBI to embark on a monetary policy easing cycle in Q3 FY2024-25 with a stance change and a repo rate cut of 25 basis points. The 10-year government security is expected to trade within 6.65-6.85 per cent in the near term.

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I. Calendar Details – Dated Securities

For H2 FY2024-25, market borrowing via dated securities is ascertained to be ₹ 6.61 lakh crore which is ~47 per cent of the total borrowing programme of ₹ 14.01 lakh crore. With ~50 per cent of the total budgeted redemptions for FY2024-25 falling in H2 FY2024-25, net market borrowing stands at ₹ 4.95 lakh crore, higher than ₹ 3.74 lakh crore in the preceding year. H2 FY2024-25 has scheduled redemptions of ₹ 1.66 lakh crore in November and January. The following table details the market borrowing via dated securities for H2:

		H2	H2 borrowings/ redemptions as a percentage of total budgeted borrowings/redemptions
FY2022-23 (Actual)	Gross Borrowing	5,92,000	41%
	Redemptions	85,378	27%
	Net Borrowing	5,06,622	-
FY2023-24 (Actual)	Gross Borrowing	6,55,000	42%
	Redemptions	2,81,365	64%
	Net Borrowing	3,73,635	-
FY2024-25 (Budgeted)	Gross Borrowing	6,61,000	47%
	Redemptions	1,65,876	50%
	Net Borrowing	4,95,124	-

Source: RBI, STCI PD Research

A brief summary of the tenor wise borrowing for dated securities is outlined below:

Maturity Segment	H2 FY2023-24 (Actual)	% of Total H2 Borrowing	H2 FY2024-25 (Budgeted)	% of Total H2 Borrowing
3-Year	40,000	6%	35,000	5%
5-Year	70,000	11%	70,000	11%
7-Year	60,000	9%	50,000	8%
10-Year	1,45,000	22%	1,54,000	23%
14-Year	1,00,000	15%	0	0%
15-Year	-	-	87,000	13%
30-Year	70,000	11%	70,000	11%
40-Year	1,20,000	18%	1,05,000	16%
50-Year	30,000	5%	70,000	11%
5-Year SGrB	5,000	1%	0	0%
10-Year SGrB	5,000	1%	10,000	2%
30-Year SGrB	10,000	2%	10,000	2%
Total	6,55,000	100%	6,61,000	100%



- The Government has marginally increased the weightage in the 10-year maturity segment of H2 FY2024-25 to 23 per cent from 22 per cent in H2 FY2023-24. If, 10-year SGrB is to be added then the total weightage of 10-year maturity is 25 per cent. The weightage of 15-year maturity stands at 13 per cent in H2 FY2024-25. Thus, the belly of the curve i.e., 10–15-year segment comprises 38 per cent of the total budgeted borrowing for H2 FY2024-25, unchanged as compared to H2 FY2023-24.
- In the overall borrowing for H2 FY2024-25, the 5-year segment has been assigned a weightage of 11 per cent, unchanged as compared to a year ago and 7-year maturity segment has been assigned marginally lower weightage of 8 per cent as compared to 9% a year ago.
- The Government has increased the weightage in the longer maturities to 39 per cent aggregating 30-year, 40-year and 50-year securities as compared to the previous year's 35 per cent borrowing in these tenors.
- The Union budget FY2024-25 had also accounted for conversion of securities/ switches for a total amount of ₹ 1.50 lakh crore. The switch enables the government to push the redemption pressure to later years by converting the near-term maturing securities to longer-term maturities.

In terms of auction size, the notified amount for weekly auctions varies within ₹ 22,000-39,000 Crore. Table 3 provides the month-wise borrowing programme scheduled and number of auction weeks of H2 FY2024-25 comparing to H2 FY2023-24.

	H2 FY2023-24 (Actual)			H2 FY2024-25 (Calendar)		
	No. of weeks	Total	Redemptions	No. of weeks	Total	Redemptions
Oct	4	1,24,000	-	4	1,33,000	0
Nov	4	1,29,000	1,42,998	4	1,21,000	1,53,880
Dec	5	1,65,000	78,834	4	1,28,000	0
Jan	4	1,35,000	59,533	5	1,52,000	11,996
Feb	3	1,02,000	-	4	1,27,000	0
Total	20	6,55,000	2,81,365	21	6,61,000	1,65,876



II. Calendar details – T-Bills

A short summary of the tenor wise issuance of T-Bills is detailed below:

Gross Borrowing	Q3 FY2022-23 (Actual)	Q3 FY2023-24 (Actual)	Q3 FY2024-25 (Calendar)
91 Day T-Bill	1,30,000	91,000	91,000
182 Day T-Bill	78,000	1,04,000	78,000
364 Day T-Bill	78,000	1,17,000	78,000
Total	2,86,000	3,12,000	2,47,000

Source: RBI, STCI PD Research

Gross borrowing via issuance of T-bills for Q3 FY2024-25 stands at ₹ 2.47 lakh crore lower than ₹ 3.12 lakh crore observed in Q3 FY2023-24 and ₹ 2.86 lakh crore in Q3 FY2022-23. Maturity-wise comparison of the borrowing through T-Bills exhibits lower borrowing in the 182-day and 365-day T-Bills as compared to a year ago, while 91-day T-bills has remained unchanged.

	FY2023-24 (Actual)				FY2024-25 (Actual)		FY2024-25 (Calendar)
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
91 Day T-Bills							
Gross	1,56,000	1,30,000	91,000	1,16,000	1,08,000	88,000	91,000
Redemptions	92,000	1,56,000	1,30,000	91,000	1,16,000	1,08,000	88,000
Net	64,000	-26,000	-39,000	25,000	-8,000	-20,000	3,000
182 Day T-Bills							
Gross	1,56,000	1,04,000	1,04,000	1,60,000	73,000	66,000	78,000
Redemptions	78,000	1,79,000	1,56,000	1,04,000	1,04,000	1,60,000	73,000
Net	78,000	-75,000	-52,000	56,000	-31,000	-94,000	5,000
364 Day T-Bills							
Gross	1,04,000	78,000	1,17,000	1,17,000	80,000	66,000	78,000
Redemptions	1,04,000	65,000	78,000	1,50,000	1,04,000	78,000	1,17,000
Net	0	13,000	39,000	-33,000	-24,000	-12,000	-39,000

Source: RBI, STCI PD Research



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