

Government Market Borrowing Update

State governments in Q1FY24 borrowed Rs 1.67 lakh crore from the market, lower than the planned amount of Rs 2 lakh crore, but higher than Q1FY23's Rs 1.1 lakh crore. For the second quarter, 25 states have cumulatively planned to borrow Rs 2.37 lakh crore. Maharashtra and Tamil Nadu are expected to remain amongst the highest borrowers in Q2 as well. Other major states relying significantly on market borrowings include: Andhra Pradesh, Punjab, Rajasthan, Telangana and Haryana. Cost of borrowing in Q1 was the highest for Punjab (which is also most indebted state), while it was lowest for Gujarat (least indebted state). In comparison to average 10Y G-Sec, the yields on SDLs have remained 14-32bps higher in Q1. In case of the Centre, government has borrowed Rs 4.41 lakh crore in Q1, and is expected to raise Rs 4.47 lakh crore in Q2 (as per the H1FY24 calendar). If auctions in Q2 go as per plan, higher supply of papers by both central and state governments in Q2 may exert pressure on yields in the coming months.

Government borrowings

State budgets versus planned: State & UT governments (24) in Q1FY24 had planned to borrow Rs 2 lakh crore. Maharashtra, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Rajasthan accounted for 51% of the total planned borrowing. These 5 states on an average planned to borrow 21% of their annual budgeted market borrowings. Amongst these, Andhra Pradesh (31%), U.P. (25%) planned to borrow the most in Q1, followed by Maharashtra (21%), Tamil Nadu (17%) and Rajasthan (11%).

Planned versus actual: Out of the planned amount of Rs 2 lakh crore, states ended up borrowing Rs 1.67 lakh crore from the market in Q1. Five states, namely—Maharashtra, Tamil Nadu, Andhra Pradesh, Rajasthan, and Punjab—accounted for 61% of this amount (Rs 1 lakh crore). Barring Maharashtra, other states exceeded their planned borrowing amount. Apart from these, other major states which accounted for 31% of the borrowing (Rs 47,000 crore) included: Telangana, Haryana, Kerala, Uttar Pradesh, Madhya Pradesh, Gujarat and Assam. W. Bengal, Chhattisgarh, J&K, Goa and some N.E states accounted for the remaining balance (Rs 13,350 crore). Puducherry, Tripura and Uttarakhand did not participate in auctions in Q1. Other notable states missing were Bihar, Karnataka and Odisha.

Cost of Borrowing: On an average, yield on SDLs (across tenors and states) averaged at 7.38% in Q1, while 10Y G-sec traded at an average of 7.07% during the same period. SDL yields ranged between 7.27-7.45%. Gujarat (7.27%), Himachal Pradesh (7.28%), Maharashtra (7.33%) and Haryana (7.34%) auctioned at the lowest rates. Highest cut-off yield was witnessed in case of states like Punjab (7.45%), Rajasthan (7.42%), W. Bengal, Nagaland, Goa (7.41%), Assam, Andhra Pradesh, and Telangana (7.40%).

Interestingly, budget documents show that Punjab is also one of the most indebted state and its debt-GDP ratio is expected to inch up further to 46.8% in FY24(BE) from 45.8% in FY23 (RE). Gujarat (FY24BE: 14.9%) and Odisha (FY24BE: 13.1%) are the least indebted states.

Q2FY24 planned borrowing: Indicative calendar for auction of SDLs in Q2 shows that 25 states will collectively borrow Rs 2.37 lakh crore from the market, higher than Rs 2 lakh crore planned in Q1 and Rs 1.67 lakh crore actually borrowed in Q1. Top 6 states accounting for 50% of the planned borrowings include: Tamil Nadu, Uttar Pradesh, Maharashtra, Karnataka, W. Bengal and Haryana. Other major states like Andhra Pradesh, Rajasthan, Punjab, Bihar, and Gujarat will account for ~30% of the planned borrowing.

Central government borrowings: In FY24BE, centre has projected its market loans at Rs 15.43 lakh crore. Out of this, in H1FY24, Rs 8.88 lakh is to be borrowed, and in Q1FY24, Rs 4.41 lakh crore has been raised from the markets. This amount was raised at an average yield of 7.12%, with cut-off yield going down to as low as 6.89% and as high as 7.38% during the quarter. As per the calendar for H1FY24, in Q2FY24, central government will raise Rs 4.47 lakh crore.

Table 1: State borrowings

State-wise market borrowings (Rs crore)	Q1FY24 planned borrowing	Q1FY24 actual borrowing	Avg wt. average Yield (%)	Q2FY24 planned borrowing
Maharashtra	25,000	25,000	7.33	20,000
Tamil Nadu	24,000	25,000	7.35	25,000
Andhra Pradesh	20,000	22,500	7.40	15,000
Rajasthan	15,000	16,000	7.42	15,000
Punjab	12,700	13,500	7.45	14,100
Telangana	12,500	12,000	7.40	10,200
Haryana	12,000	10,000	7.34	16,000
Kerala	8,000	7,000	7.35	9,500
Uttar Pradesh	18,500	6,500	7.39	21,500
Madhya Pradesh	12,000	6,000	7.37	10,000
Gujarat	11,000	5,500	7.27	12,000
Assam	3,700	5,000	7.40	6,000
W. Bengal	12,500	5,000	7.41	18,000
Chhattisgarh	4,000	3,000	7.37	3,000
Jammu and Kashmir	2,400	2,300	7.35	1,300
Nagaland	450	900	7.41	350
Himachal Pradesh	1,000	800	7.28	3,500
Meghalaya	500	500	7.39	700
Mizoram	300	350	7.37	160
Sikkim	500	300	7.37	500
Goa	1,000	200	7.41	1,300
Puducherry	200	-	-	-
Tripura	300	-	-	-
Uttarakhand	2,400	-	-	1,000
Bihar	-	-	-	14,000
Karnataka	-	-	-	3,000
Manipur	-	-	-	1,300
Total	1,99,950	1,67,350	7.27-7.45	2,37,360

Source: CEIC, Bank of Baroda Research

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