

# FIRST LIGHT

## RESEARCH

### BOB ECONOMICS RESEARCH | OWNERSHIP OF DEBT

Trends in ownership of government debt

### BOB ECONOMICS RESEARCH | WPI

WPI inflation at its lowest since Oct'23

## SUMMARY

### INDIA ECONOMICS: OWNERSHIP OF DEBT

In this note we have briefly analysed the trends seen in ownership of debt of general government (centre and states) securities. We looked at 10Y period (starting from FY13) to note changes in patterns that have taken place in this decade. Data indicates that on an aggregate basis, SCBs continue to remain dominant holders of government securities with ~37% share as of Sep'23 and are closely followed by insurance companies with ~26% holdings.

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### INDIA ECONOMICS: WPI

WPI inflation slowed further to 0.2% in Feb'24 from 0.3% in Jan'24. Fuel and manufactured product inflation led the moderation. Food inflation accelerated to 4.1% from 3.8% in Jan'24. Within food, built-up in pressure was on account of cereals, vegetables, spice, milk and eggs. Within cereals, wheat and pulses are a cause of concern. Within vegetables, onion inflation appears to be sticky, while that of tomatoes and potatoes is seen inching up. Only fruit inflation provided some relief. On the other hand, fuel & power inflation fell at a faster pace, owing to steep decline in mineral oil index. Coal index registered some moderation, while electricity price index jumped up. Manufactured inflation also softened, led by dip in basic metals. International commodity prices also remain subdued. Going ahead, volatility in international crude oil prices will remain a concern, owing to tensions in Middle-East.

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### Daily macro indicators

Indicator	12-Mar	13-Mar	Chg (%)
US 10Y yield (%)	4.15	4.19	4bps
India 10Y yield (%)	7.03	7.04	1bps
USD/INR	82.78	82.86	(0.1)
Brent Crude (US\$/bbl)	81.9	84.0	2.6
Dow	39,005	39,043	0.1
Hang Seng	17,094	17,082	(0.1)
Sensex	73,668	72,762	(1.2)
India FII (US\$ mn)	11-Mar	12-Mar	Chg (\$ mn)
FII-D	40.9	299.4	258.5
FII-E	477.2	(14.0)	(491.2)

Source: Bank of Baroda Economics Research

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## OWNERSHIP OF DEBT

14 March 2024

### Trends in ownership of government debt

In this note we have briefly analysed the trends seen in ownership of debt of general government (centre and states) securities. We looked at 10Y period (starting from FY13) to note changes in patterns that have taken place in this decade. Data indicates that on an aggregate basis, SCBs continue to remain dominant holders of government securities with ~37% share as of Sep'23 and are closely followed by insurance companies with ~26% holdings.

**Sonal Badhan**  
Economist

Looking at ownership of central and state governments, it emerges that share of SCBs in both has come down significantly in this past decade. In centre's case, share of RBI, Provident Funds (PFs) and FPIs has also come down, while that of insurance companies and pension funds has increased. On the other hand for states, apart from SCBs, insurance companies have trimmed down their holdings of SDLs, while pension funds, PFs, RBI and mutual funds have increased their shares over the past decade. Going forward, we expect net incremental demand for government securities to rise by Rs 16.5-17 lakh crore in FY24 (Rs 16.4 lakh crore in FY23). Of this, holdings have already increased by Rs 9.7 lakh crore in H1FY24, and remaining Rs 6.8-7.3 lakh crore would be achieved in H2FY24.

**Supply of bonds:** The supply of government paper is driven by central and state borrowings. For the purpose of our study, we look at trends in past one decade and observe that between FY13 and FY23, centre's net borrowings have risen by 8.5% (CAGR), while state borrowings are up by 13.5%. In case of centre, net borrowing went up from Rs 5.07 lakh crore in FY13 to Rs 11.46 lakh crore in FY23, Rs 11.80 lakh crore in FY24 (RE). For states, the jump was from Rs 1.47 lakh crore in FY13 to Rs 5.19 lakh crore in FY23. In FY24, states' net borrowing is expected to be in the range of Rs 6-6.5 lakh crore. Overall supply of general government papers has risen by 9.8% on CAGR basis from Rs 6.5 lakh crore in FY13 to Rs 16.7 lakh crore in FY23. In FY24 the supply is expected to be ~Rs 17.8-18.3 lakh crore.

**Aggregate demand of bonds:** On the demand side, for both centre and states combined, the outstanding ownership of government debt stood at ~Rs 146 lakh crore as of Mar'23, compared with only ~Rs 42 lakh crore at the end of FY13, implying a growth rate of 13.4% (CAGR basis). As of FYTD24 (till Sep'23), the combined outstanding amount has risen to ~Rs 155 lakh crore. Notably, SCBs continue to remain the largest holders of government securities, but their share has declined considerably from 45.1% in FY13 to 35.7% in FY23. In FYTD24 it is currently at 36.6%. Significant improvement has been seen in share of insurance companies and 'others' (primarily driven by pension funds). Share of insurance companies jumped to 26.3% in FY23 (26.4% as of FYTD24) from 20.7% in FY13, and that of 'others' was up at 14.6% in FY23 (14.2% as of FYTD24) from 9.6% in FY13.



**WPI**

14 March 2024

**WPI inflation at its lowest since Oct'23**

WPI inflation slowed further to 0.2% in Feb'24 from 0.3% in Jan'24. Fuel and manufactured product inflation led the moderation. Food inflation accelerated to 4.1% from 3.8% in Jan'24. Within food, built-up in pressure was on account of cereals, vegetables, spice, milk and eggs. Within cereals, wheat and pulses are a cause of concern. Within vegetables, onion inflation appears to be sticky, while that of tomatoes and potatoes is seen inching up. Only fruit inflation provided some relief. On the other hand, fuel & power inflation fell at a faster pace, owing to steep decline in mineral oil index. Coal index registered some moderation, while electricity price index jumped up. Manufactured inflation also softened, led by dip in basic metals. International commodity prices also remain subdued. Going ahead, volatility in international crude oil prices will remain a concern, owing to tensions in Middle-East.

**Sonal Badhan**  
Economist**Food inflation picks up again**

Headline WPI eased to 0.2% in Feb'24 from 0.3% in Jan'24, coming in lower than our estimate of 0.5%. This was despite pick up seen in food inflation which inched up by 4.1% in Feb'24, versus 3.8% in Jan'24. Inflation increased the most in case of spices (29.8% in Feb'24 versus 26% in Jan'24) and food grains (8.7% versus 6.3%). Broad-based increase was visible within food-grains and amongst those, inflation for wheat (2.3% versus -3.1%) and pulses (18.5% versus 16.1%) picked up the most. Paddy inflation also inched up (10.3% versus 9.6%). This in contrast with movement in international prices. World Bank's pink sheet data shows that wheat prices fell by (-) 25.8% in Feb'24 versus (-) 23.7% in Jan'24. Rice price growth eased to 29.7% in Feb'24 following 31% increase in Jan'24. Domestically, stickiness in vegetable inflation (19.8% versus 19.7%) also contributed to hardening of food inflation. Within vegetables, elevated onion prices, increase in tomato, potato, cauliflower, and cabbage prices were the key drivers of the trend. Additionally, increase in milk (5.5% versus 5.4%) and egg (14.8% versus 4.5%) inflation is also a cause of concern. Out of the major sub-categories, only fruit inflation provided some relief (-4% versus 1%).

**Fuel and power inflation**

Fuel and power fell at a faster pace in Feb'24 (-1.6%) compared with (-) 0.5% decline in Jan'24. This was on account of faster pace of contraction in mineral oil index (-3.8% in Feb'24 versus -1.1% in Jan'24) and slowdown in coal index (0.3% versus 1.4%). On the other hand, electricity inflation jumped to 3.5% following (-) 0.1% decline in the previous month. Within mineral oils, in Feb'24, the decline was led by Naphtha, Furnace Oil, Kerosene and ATF. Compared with international oil prices, there appears to be some deviation in trends as Brent had declined (YoY basis) at a slower pace (-2.2%) in Feb'24 compared with (-) 5.8% decline noted in Jan'24. On MoM basis, prices were up by 3.2% internationally versus 0.1% increase seen in mineral oil index. In Mar'24 so far, Brent is down by only (-) 0.1% on YoY basis. If this trend continues, it may exert some pressure on fuel inflation in the coming months.



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