

III. MONETARY AND LIQUIDITY CONDITIONS

Monetary Survey

Monetary and liquidity conditions have generally remained comfortable during 2005-06 so far despite a sustained pick-up in credit demand from the commercial sector to support the buoyant real economic activity. During December 2005, however, the banking system faced some liquidity pressures in the context of the redemption of India Millennium Deposits (IMDs). The Reserve Bank accordingly injected liquidity through repo operations. With the smooth redemption of the IMDs and other liquidity management measures, liquidity conditions eased during the first week of January 2006. Expansion of reserve money, which was higher throughout the first two quarters of the year, exhibited a deceleration during the third quarter. The rising demand for commercial credit was met by banks by restricting their incremental investments in Government papers (Table 15).

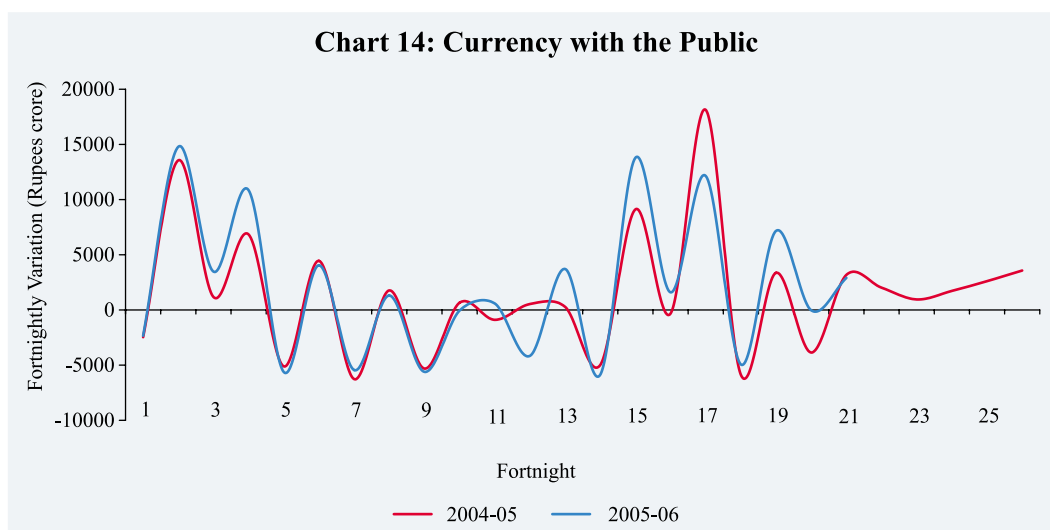
Table 15: Monetary Indicators

(Amount in Rupees crore)					
Item	Outstanding as on January 6, 2006	Variation (year-on-year)			
		2004-05		2005-06	
		Amount	Per cent	Amount	Per cent
1	2	3	4	5	6
I. Reserve Money*	5,53,861	68,256	17.3	91,517	19.8
II. Broad Money (M ₃)	25,34,422	2,58,791	13.5	3,48,327	15.9
a) Currency with the Public	3,97,856	39,146	12.8	52,861	15.3
b) Aggregate Deposits	21,31,915	2,18,413	13.5	2,95,362	16.1
i) Demand Deposits	3,39,271	42,122	18.9	74,627	28.2
ii) Time Deposits	17,92,644	1,76,291	12.7	2,20,735	14.0
<i>of which: Non-Resident Foreign Currency Deposits</i>	54,441	-184	-0.2	-20,914	-27.8
III. NM ₃	25,58,116	2,67,575	14.3	3,78,013	17.3
<i>of which: Call Term Funding from Financial Institutions</i>	80,831	7,217	31.5	15,537	23.8
IV. a) L ₁	26,28,182	2,73,254	14.3	4,03,771	18.5
<i>of which: Postal Deposits</i>	99,771	17,136	25.8	16,124	19.3
b) L ₂	26,29,833	2,68,639	14.0	4,03,525	18.4
<i>of which: FI Deposits</i>	1,651	-4,615	-70.9	-246	-13.0
c) L ₃	26,49,673	2,68,236	13.8	4,03,467	18.3
<i>of which: NBFC Deposits</i>	19,840	-403	-2.0	-58	-0.3
V. Major Sources of Broad Money					
a) Net Bank Credit to the Government (i+ii)	7,80,238	16,484	2.3	21,327	2.8
i) Net Reserve Bank Credit to Government	18,941	-50,426		21,206	
<i>of which: to the Centre</i>	18,925	-44,144		22,611	
ii) Other Banks' Credit to Government	7,61,298	66,911	9.8	121	0.0
b) Bank Credit to Commercial Sector	15,41,796	2,13,855	22.1	3,26,740	26.9
c) Net Foreign Exchange Assets of Banking Sector	6,55,339	95,498	19.0	56,534	9.4
<i>Memo items</i>					
Scheduled Commercial Banks' Aggregate Deposits	19,39,640	2,10,124	14.5	2,81,617	17.0
Scheduled Commercial Banks' Non-food Credit	13,13,770	2,02,585	26.6	3,18,121	32.0

* : Data pertain to January 13, 2006. FIs : Financial Institutions. NBFCs: Non-banking Financial Companies.
Note: 1. Data are provisional and reflect the redemption of IMDs on December 29, 2005. Variation for select aggregates are adjusted for the effect of conversion of a non-banking entity into a banking entity effective October 11, 2004.
 2. Figures for item IV pertain to December 2005.

Higher appetite of non-bank institutions for Government papers further paved the way for meeting the augmented demand for commercial credit. As a result of these factors and also due to base effects, the broad money (M_3) growth has been above the indicative trajectory of 14.5 per cent projected in the Annual Policy Statement (April 2005). M_3 growth, however, decelerated from 17.9 per cent on December 23, 2005 to 15.9 per cent on January 6, 2006 reflecting the impact of redemption of IMDs. Expansion in the residency-based new monetary aggregate (NM_3) – which excludes foreign currency non-resident deposits like IMDs – was higher than M_3 .

The year-on-year growth in demand for currency as on January 6, 2006 was higher than a year ago. Currency demand exhibited the usual intra-year seasonal pattern, typically increasing during festival seasons and the initial part of the month (Chart 14).



Demand deposits continued with their rapid growth for the second successive year mirroring the sustained pick-up in non-food credit and a buoyant primary capital market, with funds getting temporarily parked in demand deposits (Table 16). With the continued surge in demand deposits, some rise can be observed in weighted contribution of demand deposits in growth of broad money (Chart 15).

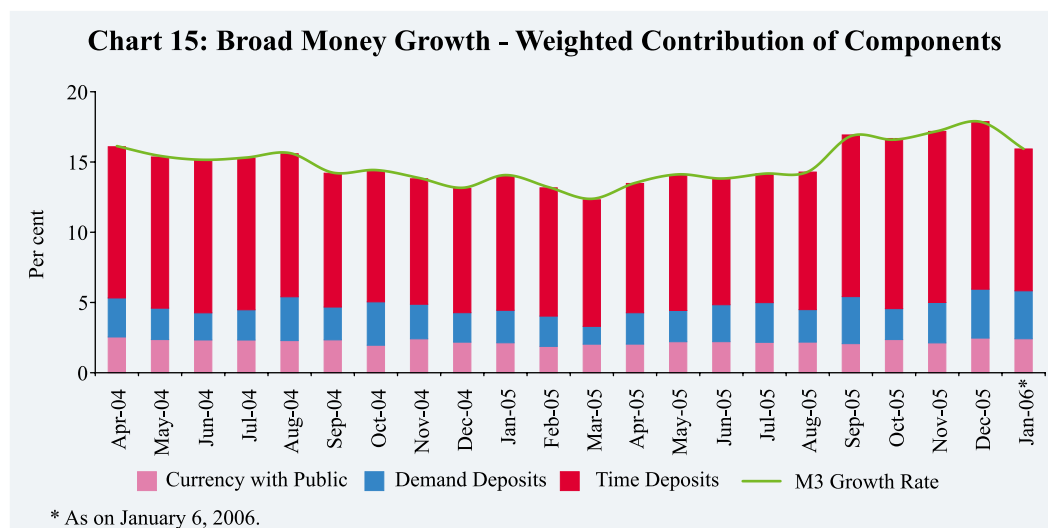
Year-on-year (y-o-y) growth in time deposits of scheduled commercial banks as on January 6, 2006 at 14.8 per cent was higher than that recorded a year ago (13.7 per cent; net of the conversion effect) partly reflecting the base effects. Deceleration in time deposits during the fortnight ended January 6, 2006, however, reflected the impact of IMD redemption. Mobilisation under small savings schemes decelerated to 17.7 per cent by end-November 2005 from a peak of 23.3 per cent

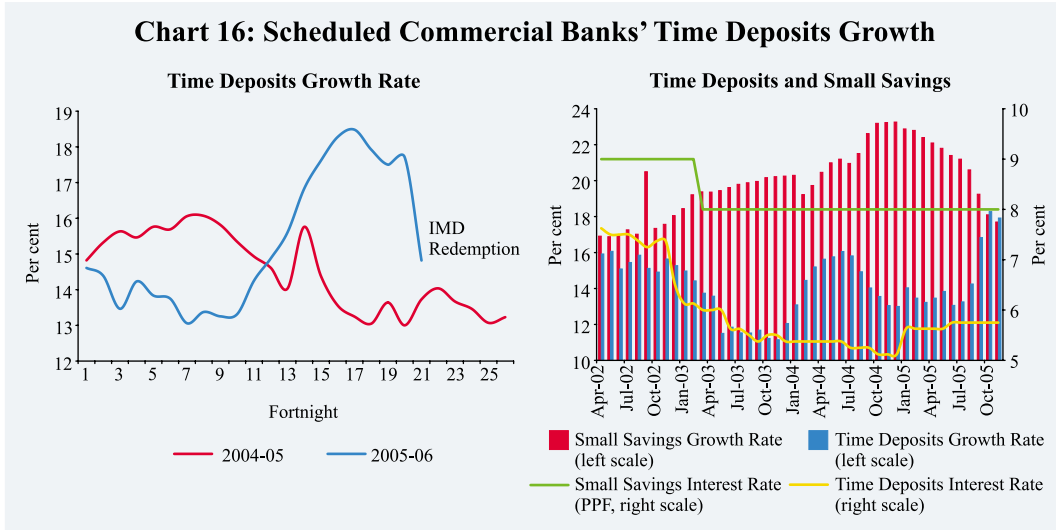
Table 16: Monetary Aggregates - Variations

Item	(Rupees crore)							
	2004-05	2004-05				2005-06		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9
M ₃ (=1+2+3 = 4+5+6+7-8)	2,48,262	69,831	16,999	53,458	1,07,975	1,08,489	1,08,139	58,719
Components								
1. Currency with the Public	40,797	14,540	-3,098	15,422	13,933	19,626	-10,248	29,629
2. Aggregate Deposits with Banks	2,06,106	56,754	19,342	37,725	92,284	90,885	1,17,616	29,826
2.1 Demand Deposits with Banks	25,391	-14,038	2,094	15,721	21,614	15,150	32,907	5,004
2.2 Time Deposits with Banks	1,80,716	70,792	17,248	22,004	70,671	75,735	84,709	24,822
3. 'Other' Deposits with RBI	1,359	-1,463	755	310	1,757	-2,021	771	-736
Sources								
4. Net Bank Credit to Govt. Sector	15,002	12,986	-11,798	-4,524	18,338	10,673	-14,031	-684
4.1 RBI's Net Bank Credit to Govt. Sector	-62,882	-34,143	-6,179	184	-22,744	9,275	-25,251	19,879
4.1.1 RBI's Net Credit to Central Govt.	-60,177	-30,029	-4,499	203	-25,852	14,600	-25,251	19,812
4.2 Other Bank Credit to Govt. Sector	77,884	47,129	-5,619	-4,708	41,082	1,397	11,220	-20,563
5. Bank Credit to Commercial Sector	2,64,389	38,057	40,093	107,789	78,451	58,740	1,01,219	80,634
6. Net Foreign Exchange Assets of								
Banking Sector	1,22,669	49,206	-1,335	32,891	41,907	-13,378	24,062	23,741
6.1 Net Foreign Exchange Assets of RBI	1,28,377	57,525	-5,260	31,462	44,651	-14,595	24,823	23,741
7. Governments' Net Currency Liabilities to the Public	152	37	9	89	17	384	910	-124
8. Net Non-Monetary Liabilities of Banking Sector	1,53,949	30,454	9,969	82,788	30,738	-52,071	4,020	44,848
Memo items								
1. Non-resident Foreign Currency Deposits	802	953	-189	-654	692	550	-447	1,602
2. SCBs' Call-term Borrowing from Financial Institutions	44,853	5,409	530	35,464	3,451	1,395	6,426	2,587
3. Overseas Borrowing by Scheduled Commercial Banks	8,529	3,012	-658	6,267	-90	1,948	6,008	384

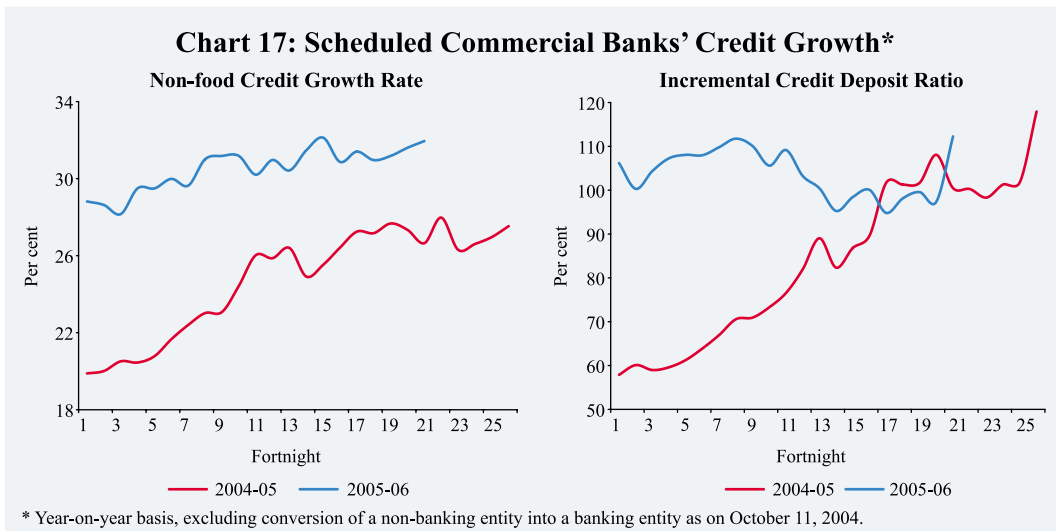
Note : Data reflect conversion of a non-banking entity into a banking entity on October 11, 2004.

in December 2004. Thus, the differential between the growth rate of small savings and time deposits has narrowed over recent months (Chart 16).

Chart 15: Broad Money Growth - Weighted Contribution of Components




Food credit, during the fiscal year so far, has increased by Rs.1,979 crore – reflecting a lower order of procurement of foodgrains – as compared with an increase of Rs.9,098 crore during the corresponding period of the previous year. On the other hand, a broad-based strengthening of economic activity continued to lead the demand for commercial sector's credit demand. Scheduled commercial banks' (SCBs') non-food credit, on a year-on-year basis, registered a growth of 32.0 per cent as on January 6, 2006 on top of a base as high as 26.6 per cent a year ago. Incremental credit-deposit ratio of SCBs continues to hover around 100 per cent (Chart 17). Latest available data indicate that credit pick-up during April-October 2005 was led by agriculture, industry and housing. Non-SLR investments of SCBs, on the other hand, have declined during the current fiscal year. Accordingly, SCBs'



non-food credit, adjusted for non-SLR investments, recorded a year-on-year growth of 28.3 per cent as on January 6, 2006 as compared with 27.9 per cent a year ago.

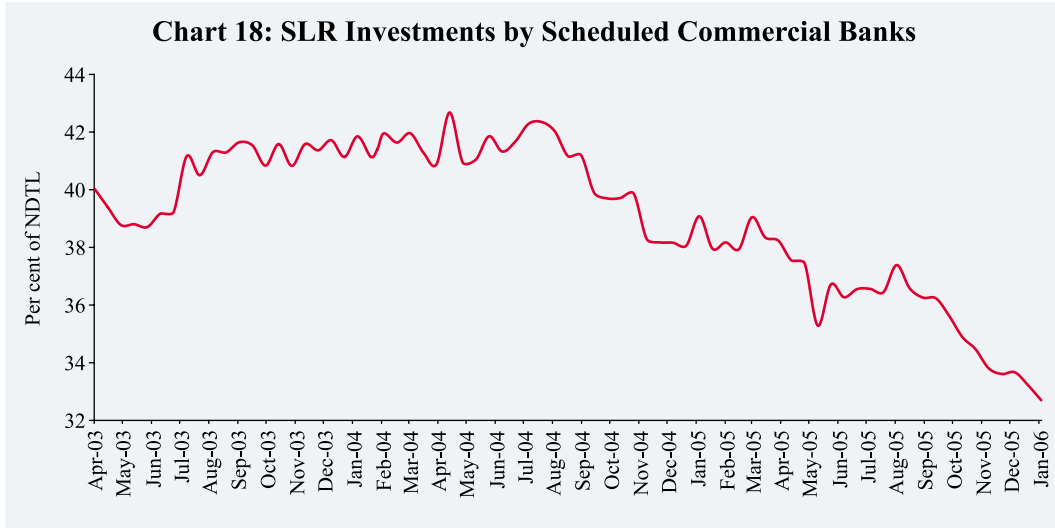
In addition to bank credit, strong flow of funds from non-banks to the corporate sector continued during the third quarter. In particular, resources raised from ADR/GDR issuances during the quarter ended December 2005 were almost five times the previous quarter. Equity issuances continued to be high during October-December 2005, benefiting from buoyancy in capital markets. Mobilisation through issuances of commercial papers, however, recorded a decline during October-December 2005 in view of tight liquidity conditions in domestic markets. Funds raised through external commercial borrowings (ECBs), after some moderation in the first quarter of 2005-06, again turned substantial during the second quarter. Recourse to medium and long-term ECBs nearly doubled over the first quarter. Short-term trade credits expanded sharply in contrast to a decline in the first quarter. Internal sources – backed by strong corporate sector profitability – also continued to be a substantial source of funds for the corporate sector (Table 17).

The continued surge in commercial credit had an impact on banks' portfolio of Government papers. The combined gilt portfolio of commercial and co-operative banks has registered a decline of Rs.14,583 crore during the current fiscal so far (up to January 6, 2006) in contrast to an increase of Rs.50,988 crore (net of the conversion effect) a year ago. Consequently, commercial banks' holding of government securities continued its downward trajectory: it fell to around 33 per cent of their net demand and time liabilities (NDTL) as on January 6, 2006 from nearly 36 per cent at end-September 2005 and around 39 per cent a year ago, but still in excess of the statutory requirement of 25.0 per cent (Chart 18).

Table 17: Select Sources of Funds to Industry

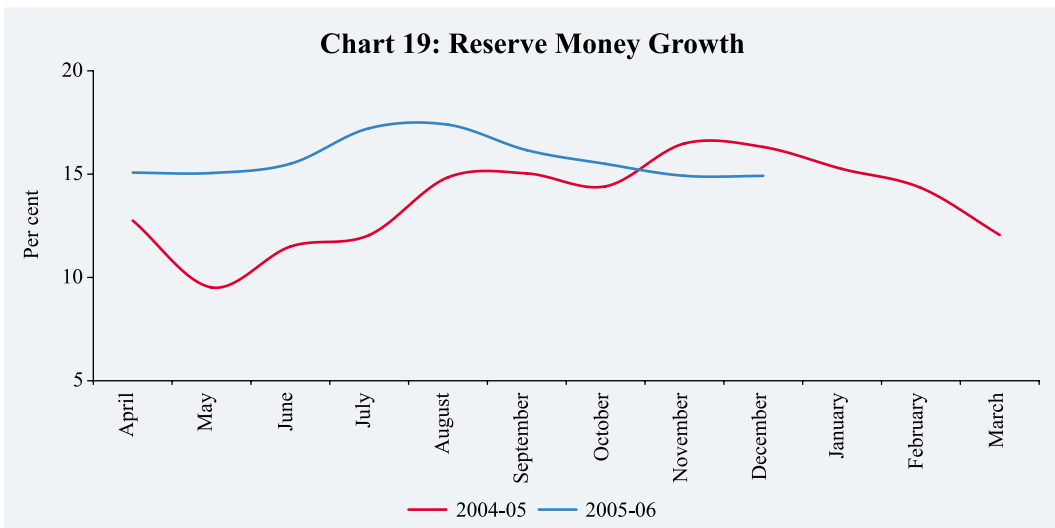
Item	(Rupees crore)						
	2004-05				2005-06		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8
A. Bank Credit to Industry	6,636	11,186	13,733	21,680	11,148	28,061	9,814@
B. Flow from Non-banks to Corporates							
1. Capital Issues * (i+ii)	228	4,529	3,214	2,495	1,254	4,977	5,397
i) Non-Government Public Ltd. Companies (a+b)	228	4,529	530	2,495	1,254	4,977	5,397
a) Bonds/Debentures	0	0	0	0	118	0	0
b) Shares	228	4,529	530	2,495	1,136	4,977	5,397
ii) PSUs and Government Companies	0	0	2,684	0	0	0	0
2. ADR/GDR Issues +	770	0	872	694	783	739	3,643
3. External Commercial Borrowings (ECBs) \$	12,077	3,795	10,481	13,164	3,528	12,736	-
4. Issue of CPs	1,819	421	1,901	963	3,562	1,928	-2,544
C. Depreciation Provision ++	5,504	5,836	5,731	6,106	7,137	7,617	-
D. Profit after Tax ++	10,396	13,004	13,196	16,798	16,726	18,169	-

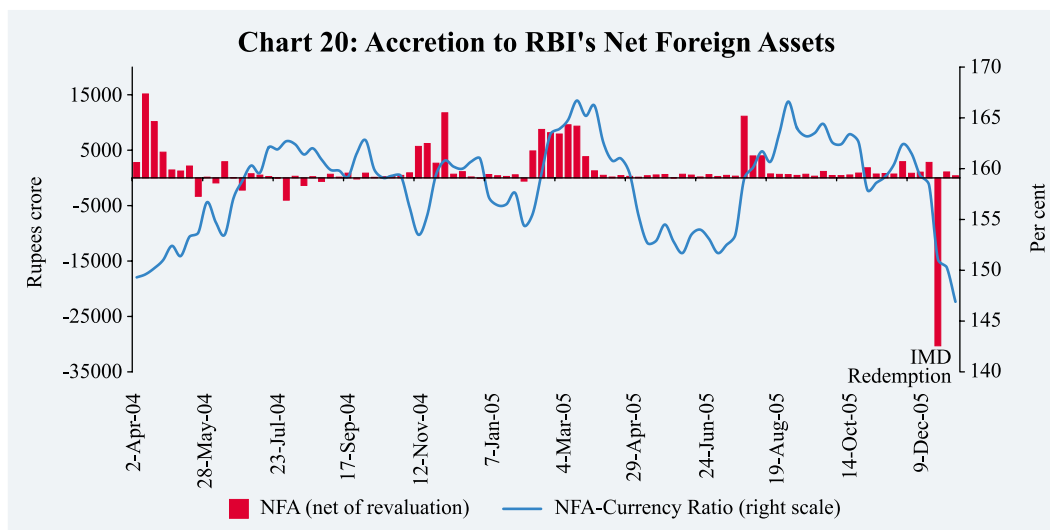
* : Gross issuances excluding issues by banks and financial institutions. Figures are not adjusted for banks' investments in capital issues, which are not expected to be significant.
 + : Excluding issuances by banks and financial institutions.
 \$: Including short-term credit. @ : Data pertain to October 2005.
 ++ : Data are based on audited/ unaudited abridged results of select sample of non-financial non-Government companies.
Note: Data are provisional.



Reserve Money Survey

Reserve money growth as on January 13, 2006 at 19.8 per cent was higher than a year ago (17.3 per cent) (Chart 19). During 2005-06 so far, reserve money growth has generally remained above the growth trajectory of 2004-05 reflecting liquidity injection through LAF operations as well as the effect of the increase in the cash reserve ratio (CRR) by 50 basis points during September-October 2004. The dynamics of reserve money during the third quarter were driven by net injection of liquidity – initially through reversal of reverse repos and subsequently through repos under the LAF operations – in an environment of higher credit demand and redemption of IMDs.



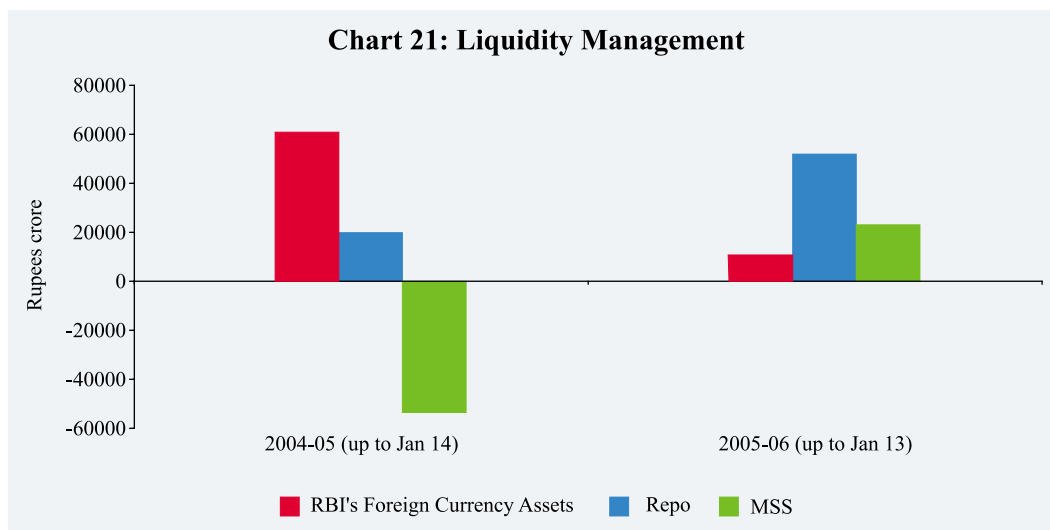


The Reserve Bank's foreign currency assets (net of revaluation) have increased by Rs. 10,719 crore during fiscal 2005-06 (up to January 13) as compared with an increase of Rs. 60,875 crore during the corresponding period of 2004-05. The lower order of increase during the current year reflects redemption of IMDs on December 29, 2005 out of the foreign exchange reserves of the Reserve Bank (Chart 20). Most of the increase in the NFEA during the current fiscal was concentrated in the three-week period during July 23 – August 12, 2005. This period, as a result, witnessed relatively stronger liquidity absorption operations (Table 18).

Table 18: Variation in Major Components and Sources of Reserve Money

Item	(Rupees crore)							
	2004-05	2004-05				2005-06		
		Q1	Q2	Q3	Q4	Q1	Q2	Q3
1	2	3	4	5	6	7	8	9
Reserve Money Components	52,623	-6,812	-6,285	31,546	34,174	7,177	1,072	25,428
1. Currency in Circulation	41,633	14,317	-4,166	16,467	15,015	19,877	-9,479	29,130
2. Bankers' Deposits with RBI	9,631	-19,665	-2,874	14,769	17,401	-10,680	9,780	-2,967
3. Other Deposits with RBI	1,359	-1,463	755	310	1,757	-2,021	771	-736
Sources								
1. RBI's net credit to Government of which: to Central Government	-62,882	-34,143	-6,179	184	-22,744	9,275	-25,251	19,879
	-60,177	-30,029	-4,499	203	-25,852	14,600	-25,251	19,812
2. RBI's credit to banks and commercial sector	-833	-2,985	-740	3,726	-835	1,155	-1,869	101
3. NFEA of RBI	128,377	57,525	-5,260	31,462	44,651	-14,595	24,823	23,741
4. Government's Currency Liabilities to the Public	152	37	9	89	17	384	910	-124
5. Net Non-Monetary Liabilities of RBI	12,191	27,245	-5,885	3,916	-13,085	-10,957	-2,460	18,169
Memo items								
1. Net Domestic Assets	-75,754	-64,336	-1,025	84	-10,477	21,771	-23,751	1,687
2. FCA, adjusted for revaluation	115,044	33,160	-3,413	29,858	55,440	5,034	23,665	11,998
3. Net Purchases from Authorised Dealers	91,105	30,032	-9,789	22,771	48,091	0	17,027	0
4. NFEA/Reserve Money (per cent) (end-period)	125.3	126.1	126.7	124.9	125.3	120.5	125.3	123.7
5. NFEA/Currency (per cent)	166.2	158.8	159.2	160.7	166.2	154.0	164.4	158.4
NFEA : Net Foreign Exchange Assets.		FCA : Foreign Currency Assets.						
Note : Data are based on March 31 for Q4 and last reporting Friday for all other quarters.								

Monetary and Liquidity Conditions



In the face of strong credit demand and the lower order of accretion of the foreign exchange reserves to the Reserve Bank during the current fiscal, liquidity management operations during 2005-06 so far have for the most part been in the form of net liquidity injection through operations under the liquidity adjustment facility (LAF) and unwinding of balances under the market stabilisation scheme (MSS) in contrast to liquidity absorption through a heavy reliance on issuances under the MSS during the comparable period of the preceding year (Chart 21).

In the absence of any subscription to the Government's market borrowing programme, the Reserve Bank's net credit to the Centre reflected liquidity management operations of the Reserve Bank (Table 19). Mirroring the liquidity

Table 19: Net Reserve Bank Credit to the Centre - Variations

Item	(Rupees crore)								
	2004-05	2004-05				2005-06			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	
1	2	3	4	5	6	7	8	9	
Net Reserve Bank Credit to the Centre (1+2+3+4-5)	-60,177	-30,029	-4,499	203	-25,852	14,600	-25,251	19,812	
1. Loans and Advances	0	3,222	-3,222	0	0	0	0	0	
2. Treasury Bills held by the Reserve Bank	0	0	0	0	0	0	0	0	
3. Reserve Bank's Holdings of Dated Securities	12,323	-2,900	22,176	14,095	-21,048	8,221	-17,243	19,378	
4. Reserve Bank's Holdings of Rupee Coins	57	175	-10	-94	-14	-40	-33	157	
5. Central Government Deposits	72,558	30,525	23,443	13,799	4,791	-6,419	7,974	-277	
<i>Memo items*</i>									
1. Market Borrowings of Dated Securities by the Centre#	80,350	28,000	26,000	14,000	12,350	42,000	39,000	24,000	
2. Reserve Bank's Primary Subscription to Dated Securities	1,197	0	847	0	350	0	0	0	
3. Repos (+) / Reverse Repos (-) (LAF), net position	15,315	-26,720	34,205	27,600	-19,770	9,660	-14,835	18,635	
4. Net Open Market Sales +	2,899	429	427	871	1,171	1,543	941	261	
5. Mobilisation under MSS	64,211	37,812	14,444	353	11,602	7,469	-4,353	-19,713	
6. Primary Operations \$	-6,625	37,353	-30,484	-36,984	23,490	18,205	-24,689	-38,715	
* : At face value. + : Excluding Treasury Bills but including Consolidated Sinking Funds (CSF) and Other Investments.									
# : Excluding Treasury Bills. \$: Adjusted for MSS and Centre's surplus investment.									
Note: Quarterly variations are based on March 31 for Q4 and last reporting Fridays for other quarters.									

injection operations, the Reserve Bank's net credit to the Centre has lodged an increase of Rs.69,955 crore during the current fiscal year so far (up to January 13, 2006) in contrast to a decline of Rs.27,012 crore during the comparable period of 2004-05.

Liquidity Management

Against the backdrop of sustained pick-up in domestic credit demand as also the redemption of IMDs, third quarter of fiscal 2005-06 witnessed liquidity injection operations by the Reserve Bank. Liquidity management operations during 2005-06 so far can be analysed in terms of four phases (Table 20). During the first period beginning end-March 2005 up to July 22, 2005, banks scaled down their balances under reverse repos due to the sharp widening of the trade deficit, the FII outflows during April-May 2005 and buoyant credit demand. Reversal of reverse repo operations led to net injection of primary liquidity by the Reserve Bank.

During July 23 - August 12, following the sudden spurt in foreign exchange inflows and a reduction in the Centre's surplus investment balances with the Reserve Bank, liquidity in the system increased considerably; this resulted in a sharp increase in absorption of liquidity by the Reserve Bank through LAF reverse repo rising from Rs.10,485 crore as on July 22 to Rs.37,050 crore as on August 12, peaking at Rs.50,610 crore as on August 3, 2005.

In the third phase (August 13 - October 28), again, the Reserve Bank's purchase of foreign exchange assets moderated. Government surplus balances

Table 20: Phases of Reserve Bank's Liquidity Management Operations

(Rupees crore)				
	April 1 - July 22, 2005	July 23 - August 12, 2005	August 13 - October 28, 2005	October 29, 2005 - January 13, 2006
1	2	3	4	5
A. Drivers of Liquidity (1+2+3)	-6,737	27,792	-15,127	-62,943
1. RBI's Foreign Currency Assets (adjusted for revaluation)	6,412	19,348	5,193	-20,235
2. Currency with the Public	-15,274	-1,529	-7,940	-23,685
3. Others (residual)	2,125	9,973	-12,380	-19,023
3.1 Surplus Cash balances of the Centre with the Reserve Bank	6,053	5,972	-7,421	-14,633
B. Management of Liquidity (4+5+6+7)	1,329	-24,567	16,187	81,985
4. Liquidity impact of LAF Repos	8,845	-26,565	16,210	53,415
5. Liquidity impact of OMO* (net)	0	0	0	0
6. Liquidity impact of MSS	-7,516	1,998	-23	28,570
7. First round liquidity impact due to CRR change	0	0	0	0
C. Bank Reserves # (A+B)	-5,408	3,225	1,060	19,042

+ : Indicates injection of liquidity into the banking system.
 - : Indicates absorption of liquidity from the banking system.
 * : Adjusted for Consolidated Sinking Funds (CSF) and Other Investments.
 # : Includes vault cash with banks and adjusted for first round liquidity impact due to CRR change.

Monetary and Liquidity Conditions

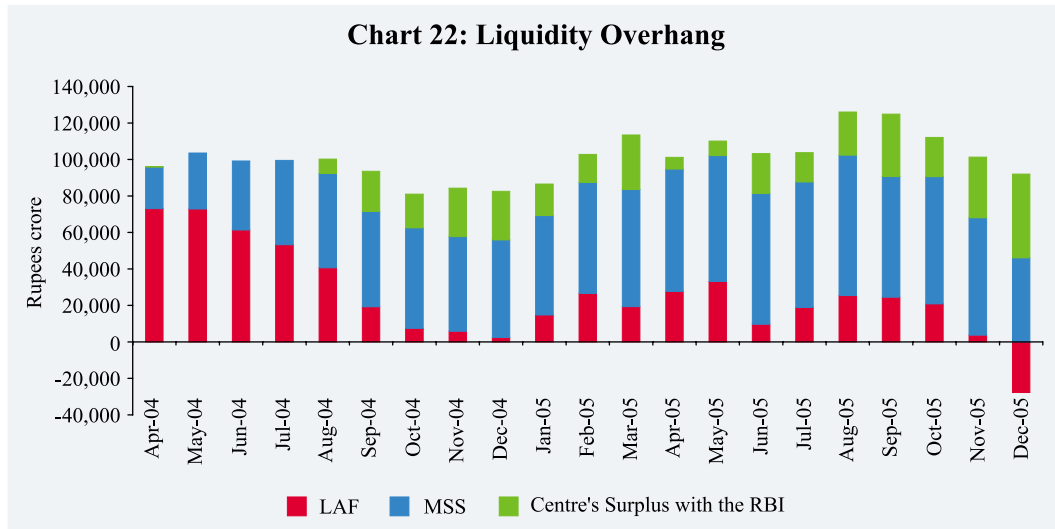
with the Reserve Bank also started building up leading to some tightness in liquidity. Concomitantly, this phase again experienced unwinding of LAF reverse repo balances (Table 21 and Chart 22). On an average, liquidity conditions were broadly stable and comfortable and the call money rates, therefore, generally stayed within the repo rate corridor. In view of comfortable liquidity conditions till the third phase, the Reserve Bank injected liquidity through LAF repos only on four occasions; on a net basis, the Reserve Bank absorbed liquidity even on those four days.

During the fourth phase (end-October 2005 to mid-January 2006), the banking system faced tightness with liquidity pressures emanating from festival season currency demand, scheduled auctions, advance tax outflows and redemption of IMDs against the backdrop of sustained growth in credit demand. In view of the tight liquidity conditions, the Reserve Bank provided liquidity on a net basis to the market through repo operations during November 9-18, 2005 (daily average net injection of Rs.1,094 crore). In order to assuage the liquidity conditions, auctions of Treasury Bills (TBs) under the MSS were cancelled effective

Table 21: Liquidity Overhang

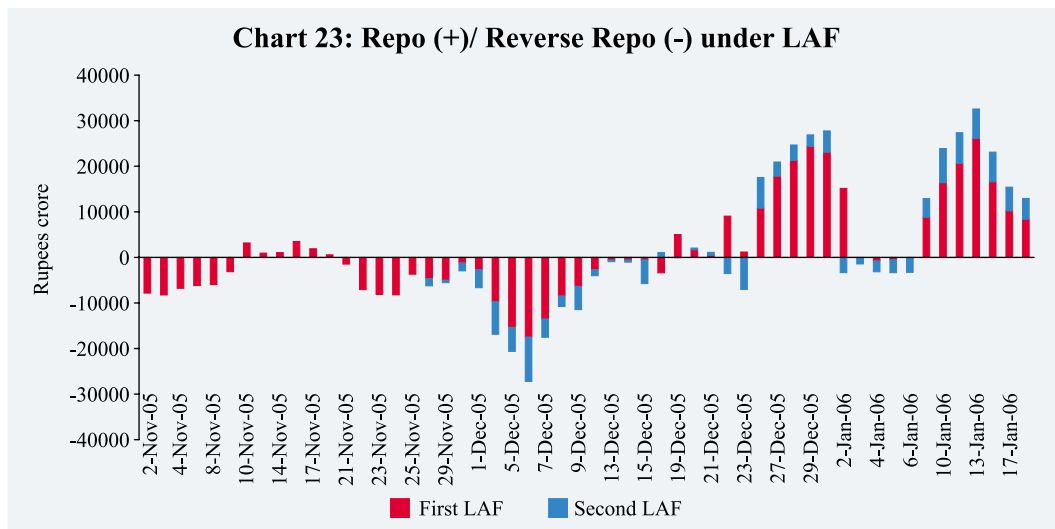
(Rupees crore)				
Outstanding as on last Friday of	LAF	MSS	Centre's Surplus with the RBI @	Total (2 to 4)
1	2	3	4	5
2004				
April	73,075	22,851	0	95,926
May	72,845	30,701	0	1,03,546
June	61,365	37,812	0	99,177
July	53,280	46,206	0	99,486
August	40,640	51,635	7,943	1,00,218
September	19,245	52,255	21,896	93,396
October	7,455	55,087	18,381	80,923
November	5,825	51,872	26,518	84,215
December	2,420	52,608	26,517	81,545
2005				
January	14,760	54,499	17,274	86,533
February	26,575	60,835	15,357	1,02,767
March	19,330	64,211	26,102	1,09,643
April	27,650	67,087	6,449	1,01,186
May	33,120	69,016	7,974	1,10,110
June	9,670	71,681	21,745	1,03,096
July	18,895	68,765	16,093	1,03,753
August	25,435	76,936	23,562	1,25,933
September	24,505	67,328	34,073	1,25,906
October	20,840	69,752	21,498	1,12,090
November	3,685	64,332	33,302	1,01,319
December	-27,755#	46,112	45,855	64,212
2006				
January*	-32,575#	41,183	36,348	44,956

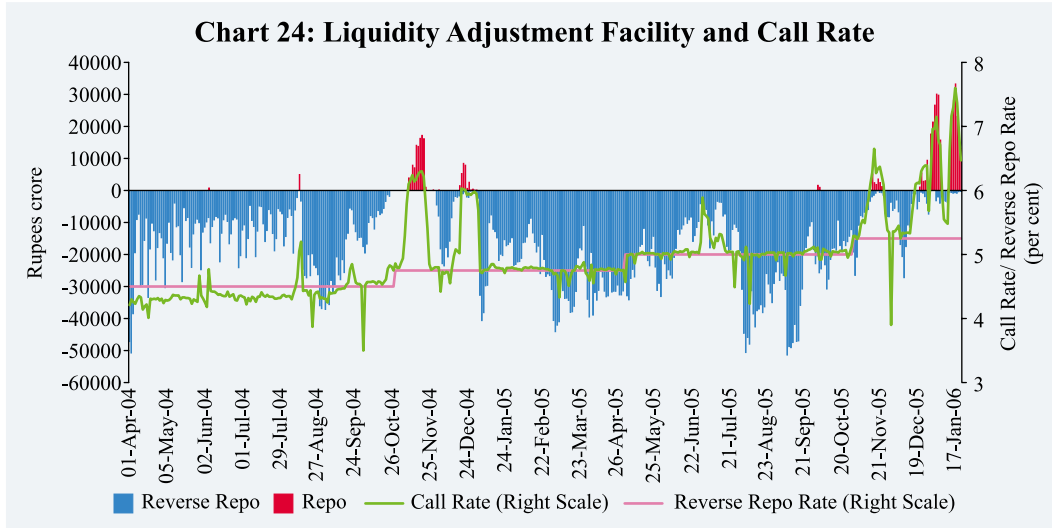
* :As on January 14, 2006.
:Negative sign indicates injection of liquidity through LAF repo.
@: Excludes minimum cash balances with the Reserve Bank.



November 16, 2005. Moreover, to fine-tune the management of liquidity and in response to suggestions from the market participants, the Reserve Bank introduced a Second Liquidity Adjustment Facility (SLAF), with effect from November 28, 2005 (Chart 23).

Liquidity pressures again emerged from the second week of December 2005 and the outstanding balances under LAF reverse repos started coming down. The pressures increased further as advance tax outflows coincided with the redemption of the IMDs. In connection with the redemption of IMDs, the Reserve Bank sold foreign exchange of US \$ 7.1 billion out of its foreign exchange reserves to the State Bank of India during December 27-29, 2005 against equivalent rupees





(Rs.31,959 crore). Reflecting the liquidity conditions, call rates remained above the repo rate during the second half of December 2005. Although during this phase there was unwinding of MSS balances on account of the decision to cancel the MSS portion of the TB auctions, liquidity pressures persisted. The Reserve Bank, therefore, injected liquidity through repo operations with a peak amount of Rs.30,110 crore on December 29, 2005 (daily average net injection of Rs.23,138 crore during December 26, 2005 - January 2, 2006) (Chart 24). Commercial banks' borrowing from the Reserve Bank also increased during the fourth phase (Rs.2,089 crore) reflecting the liquidity conditions. On a review of the prevalent macroeconomic, monetary and liquidity conditions, including the redemptions of IMDs, the Reserve Bank decided on December 30, 2005 to suspend the issue of Treasury Bills and dated securities under the MSS. However, within the overall MSS ceiling for 2005-06, the Reserve Bank would retain the flexibility of conducting auctions under the MSS from time to time with sufficient notice to the market, in response to evolving circumstances. All these measures along with the smooth redemption of the IMDs and reduction in the Centre's surplus investments eased the liquidity conditions during the first week of January 2006 and the call rates softened. Liquidity pressures re-emerged from the second week of January 2006 on account of outflows under auctions of dated securities. The Reserve Bank, therefore, injected liquidity through LAF repos during January 9-18, 2006. The outstanding repo amount stood at Rs.12,935 crore as on January 18, 2006.