



Non-food credit growth (ex-merger) moderated to two-year low in June

August 27, 2024





Key takeaways

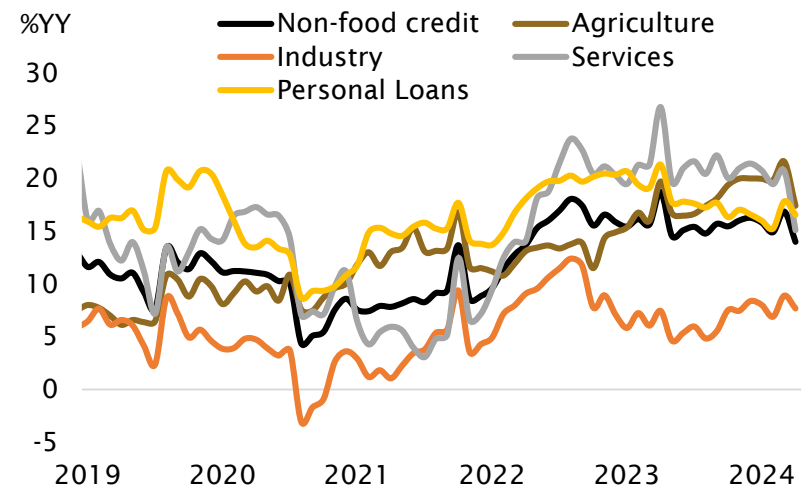
- Non-food credit growth (excluding the impact of merger of a non-bank with a bank) moderated to a two-year low in June. A year back in June 2023, credit growth had peaked at the strongest pace in almost 12 years.
- Though credit growth eased across most major categories in latest data, easing was notable in case of credit to NBFCs and consumer credit, reflecting the impact of RBI's regulatory steps announced in November 2023.
- To prevent build-up of potential risks from high credit growth in certain segments, the central bank had increased risk weights on unsecured consumer loans and bank credit to NBFCs. As a result, credit growth to NBFCs dwindled in June after remaining in double digits for more than two years.
- Growth in consumer credit, which includes segments of personal loans, slipped below the long-term average and was the slowest since April 2021. Auto loan growth remained in double digits but hit a two-year low.
- On the contrary, housing loans (ex-merger impact), with 48% share in personal loans, posted the highest growth since December 2019. Despite muted share in personal loans at slightly above 2%, loans against gold jewellery rose at the fastest rate since end-2021 for the second straight month in June.
- The largest share of incremental credit was to personal loans, versus services in June 2023. Within industries, the large ones attracted more than 60% of incremental credit, followed by micro and small firms. Infrastructure continued to attract the largest share in overall and also incremental credit to sectors.
- Including the impact of the merger of a non-bank with a bank, overall year-on-year credit growth moderated in June from 13-year high growth in May.



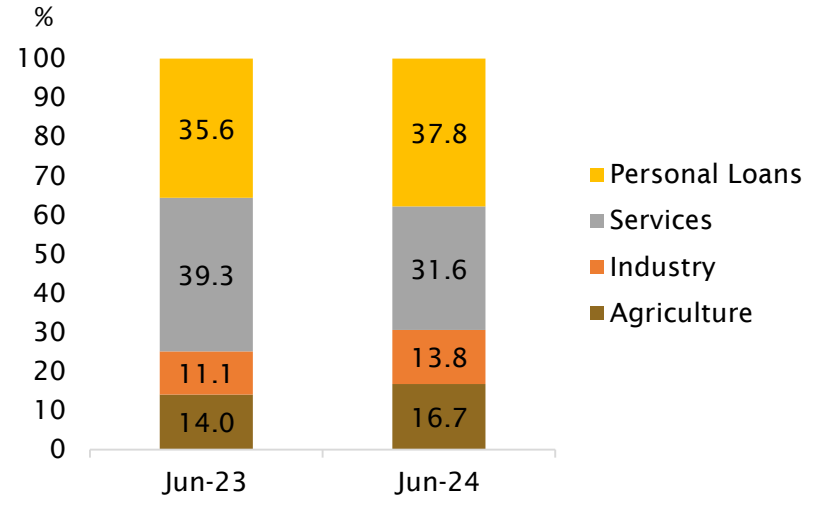
Non-food credit growth (ex-merger) eased to two-year low in June

- **Non-food credit growth** (excl. impact of merger of a non-bank with a bank) **moderated to a two-year low at 14%YY in June** after increasing 16.9% in May. Credit growth eased across key groups, and notably to NBFCs within services and consumer credit within personal loans.
- In June 2023, non-food credit growth had peaked at 18.7%YY, the quickest pace in almost 12 years.
- The largest share of incremental credit was to personal loans, vis-à-vis services in June 2023. Incremental credit to farm and industry was higher compared to a year ago.
- Despite having the most share in total credit, personal loans' contribution to credit growth in the past 10 months was less than services due to high credit growth in the latter. In June, due to slower pace of credit growth to services, personal loans added the most to growth.
- Including the merger impact, credit growth eased to 17.7% in June after hitting 13-year high at 21.2% in May.

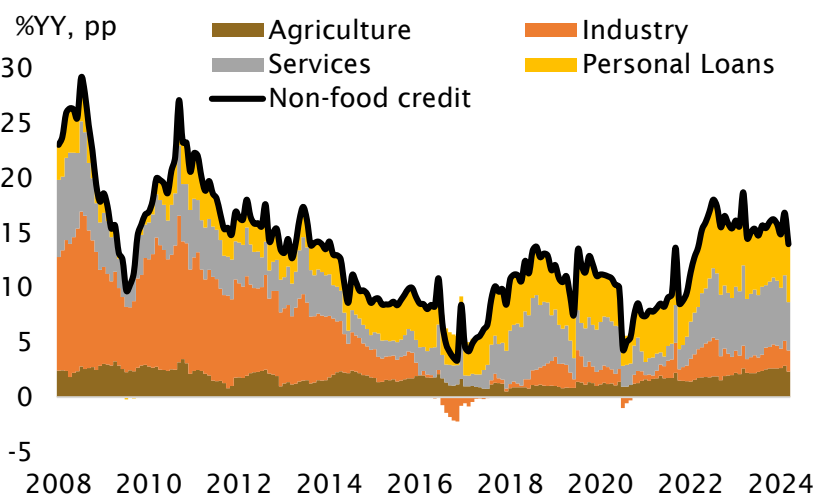
Non-food credit growth excluding impact of merger



Share in incremental non-food credit growth (year-on-year)



Contribution to non-food credit growth

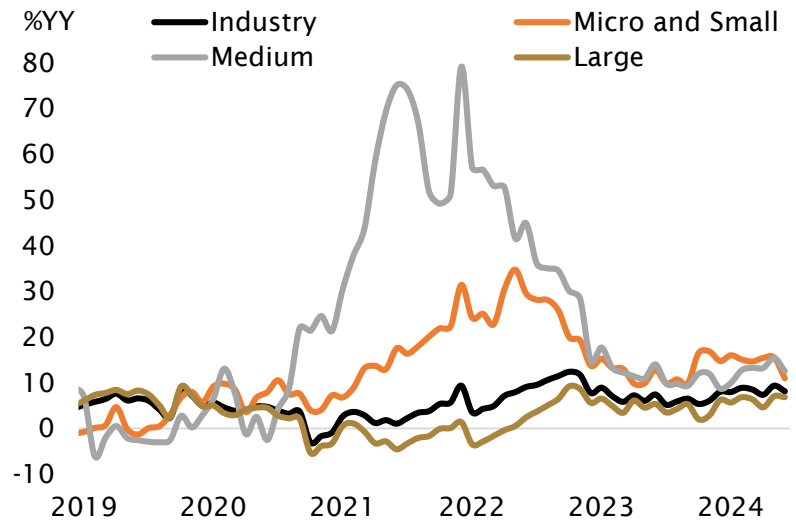




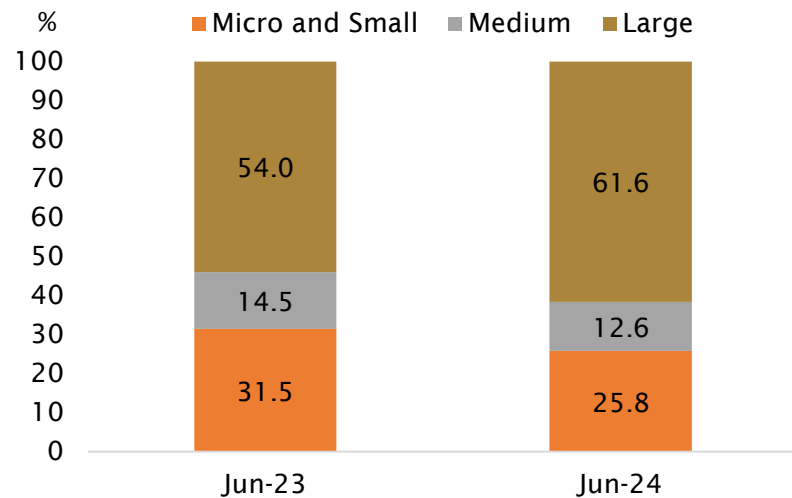
Large industries attracted more than 60% of incremental credit

- **Non-food credit growth towards industry** (including the impact of merger) **moderated to 8.1%YY in June from 18-month high of 9.4% in May**, but was higher than 7.4% growth in June 2023. Excluding impact of the merger, credit growth towards industry eased to 7.7%YY in June 2024 from 8.9% in May.
- Data including the impact of the merger shows that **large industries attracted more than 60% of incremental credit** (year-on-year increase), followed by micro and small, and medium industries. Compared to June 2023, the share of incremental credit towards large industries increased, while it moderated in case of the other two industry types.

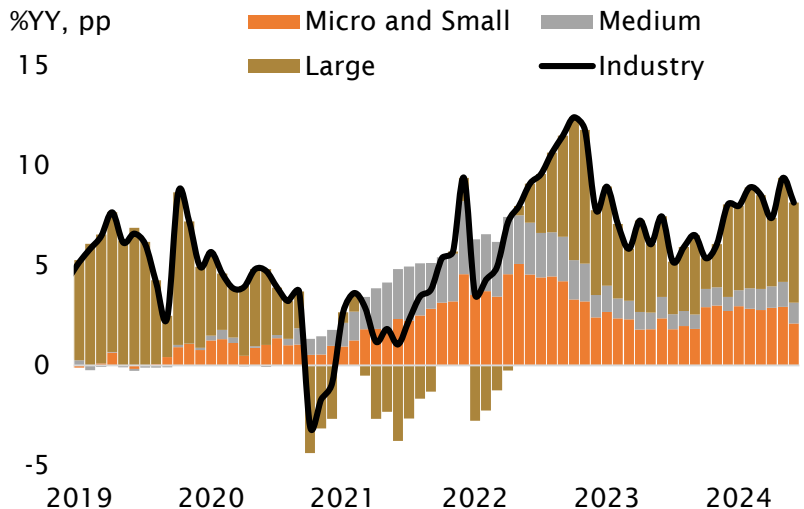
Non-food credit including merger impact: industry



Share in incremental non-food credit growth: industry



Contribution to non-food credit growth: industry

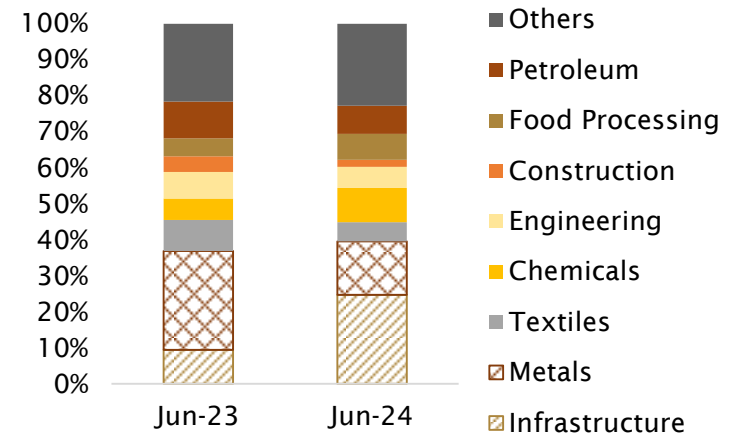




Infrastructure continued to attract most of the industrial credit

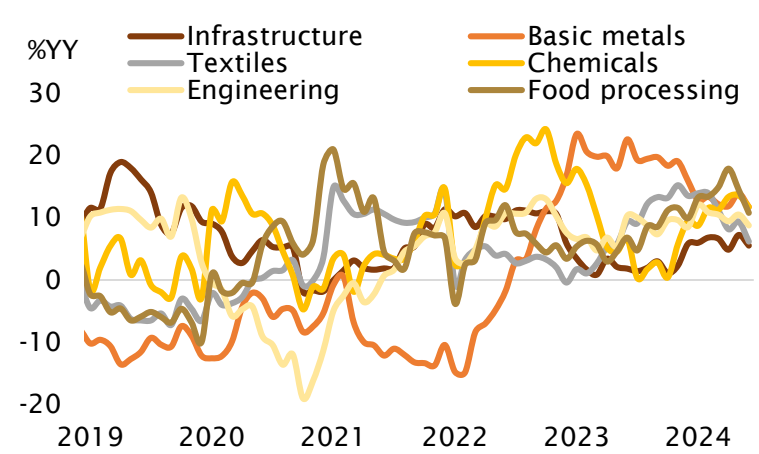
- Infrastructure continued to attract the largest share in overall and also incremental credit among major industries. Within infrastructure, almost half of credit continued to go to the power sector, followed by roads at one-fourth share.
- Among other major industries attracting higher share of credit, there was double-digit year-on-year credit growth in case of metals, food processing, chemicals, and petroleum. Compared to June 2023, year-on-year credit growth was muted in case of mining, construction, and gems and jewellery. In June 2023, larger portion of incremental credit (year-on-year increase) went towards metals and petroleum.

Share in incremental credit to industry



Industry-wise deployment of bank credit						
	Share (%)		%YY		Share in incremental credit (%)	
	Jun-23	Jun-24	Jun-23	Jun-24	Jun-23	Jun-24
Infrastructure	36.4	35.5	1.8	5.5	9.4	24.7
Basic metals	10.3	10.7	22.6	11.7	27.5	14.9
Others	7.0	7.2	1.3	11.8	1.3	10.1
Textiles	7.0	6.8	9.4	6.2	8.6	5.3
Chemicals	6.6	6.8	6.7	11.7	6.0	9.5
Engineering	5.4	5.5	10.3	8.8	7.3	5.8
Food processing	5.4	5.5	6.8	10.8	5.0	7.2
Petroleum, coal, etc.	3.7	4.0	23.5	17.2	10.2	7.9
Construction	3.8	3.7	8.6	4.2	4.4	2.0
Vehicles and parts	3.1	3.0	8.4	6.0	3.5	2.3
Rubber, plastic	2.4	2.4	8.6	6.1	2.8	1.8
Gems and jewellery	2.4	2.3	9.5	3.2	3.0	0.9
Cement and products	1.7	1.6	15.0	6.1	3.1	1.2
Mining and quarrying	1.6	1.5	8.1	3.6	1.7	0.7
Paper and products	1.3	1.3	6.3	6.3	1.1	1.0
Beverage, tobacco	0.7	0.8	29.9	32.9	2.2	2.7
Wood and products	0.6	0.6	23.7	10.6	1.8	0.8
Leather and products	0.4	0.3	3.2	4.4	0.2	0.2
Glass and glassware	0.3	0.3	35.3	26.2	1.1	0.9

Growth in deployment of bank credit - key industries

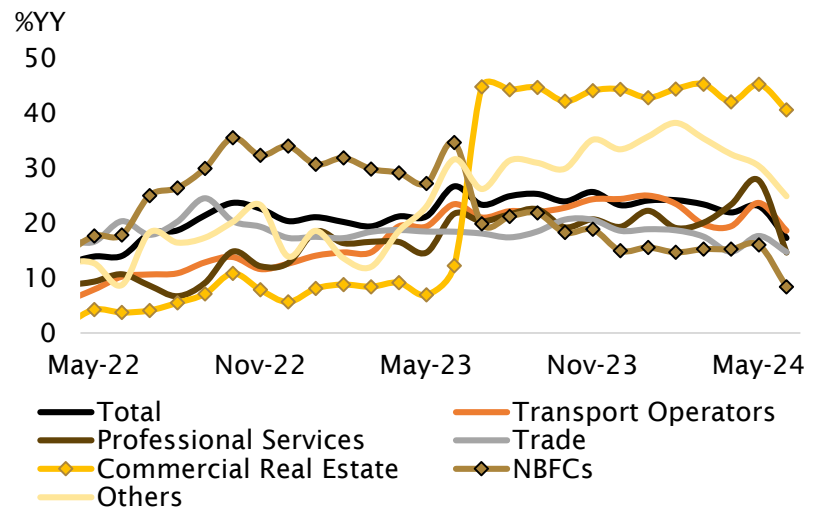




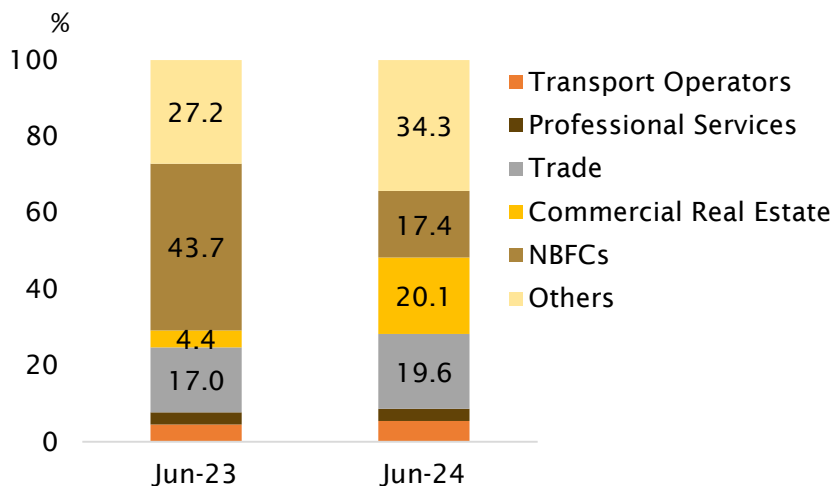
NBFCs dragged down credit growth to services

- **Non-food credit growth to services** (incl. impact of merger of a non-bank with a bank) **eased to a two-year low at 17.4%YY in June** from **23.2% in May**, and was also below 26.8% growth in June 2023. Excluding the merger impact, credit growth was lower at 15.1%YY in June versus 20.7% in May.
- Compared to May, credit growth to services (incl. merger impact) eased across groups. **Credit growth to NBFCs eased to 8.5%** after remaining in double digits for over two years. Hence, despite continuing to attract the largest share in credit to services, contribution of NBFCs to credit growth fell below that of trade and commercial real estate. Share of NBFCs in incremental credit was lower versus June-2023 due to the merger impact and RBI's regulatory steps to raise risk weights on credit to NBFCs.

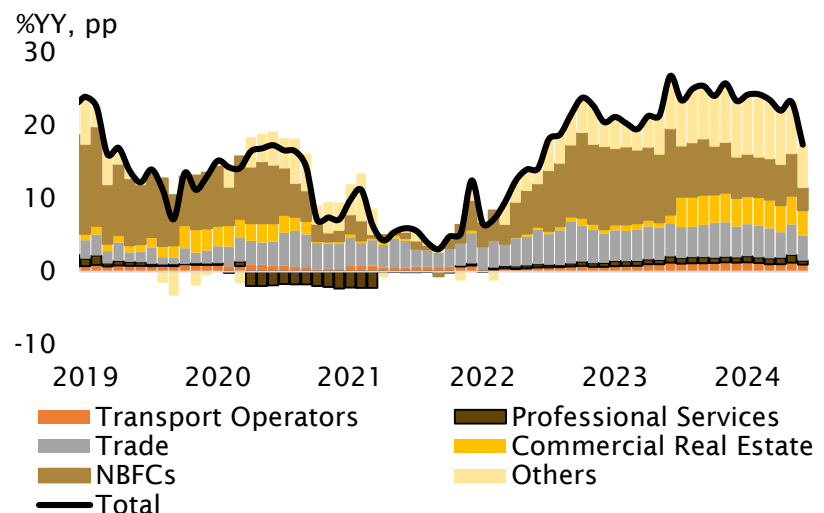
Non-food credit including merger impact: services



Share in incremental non-food credit growth: services



Contribution to non-food credit growth: services

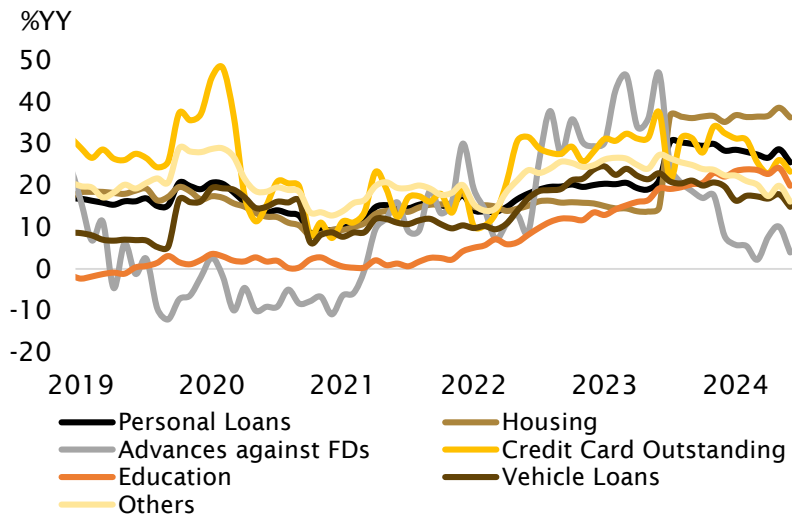




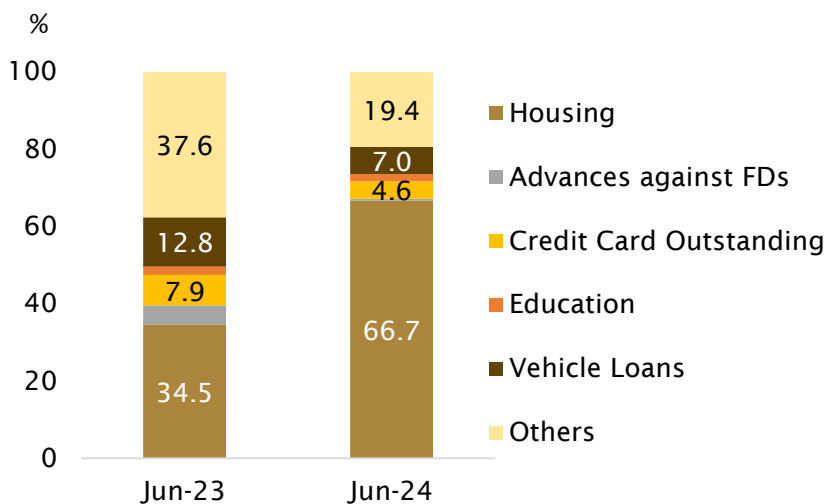
Personal credit eased across most groups, particularly auto loans

- **Growth in personal loans** (incl. the impact of merger of bank with non-bank) **eased to 12-month low** of 25.6%YY in June from 28.7% in May, but was above 21.3% growth in June 2023. Excluding merger impact, personal loan growth moderated to 16.6% in June from 17.8% in May.
- In June, personal loan growth (%YY) was **lower across segments** compared to May (both incl. and excl. merger impact), except for housing, where credit growth was higher excluding the impact of the merger. The share of incremental credit (excl. merger) to housing was lower at 52% versus 67% including merger impact. But the share (excl. merger) was higher than 34% in June-2023.
- **Auto loan growth (incl. merger)** remained in double digits but eased to the slowest pace in two years. On the contrary, loans against gold jewellery grew at fastest rates since end-2021 for the second straight month.

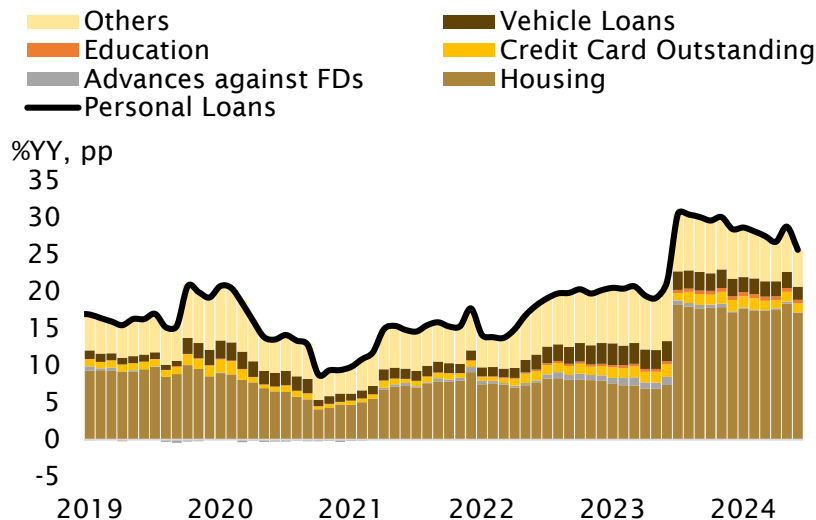
Non-food credit including merger impact: personal loans



Share in incremental non-food credit growth: personal loans



Contribution to non-food credit growth: personal loans

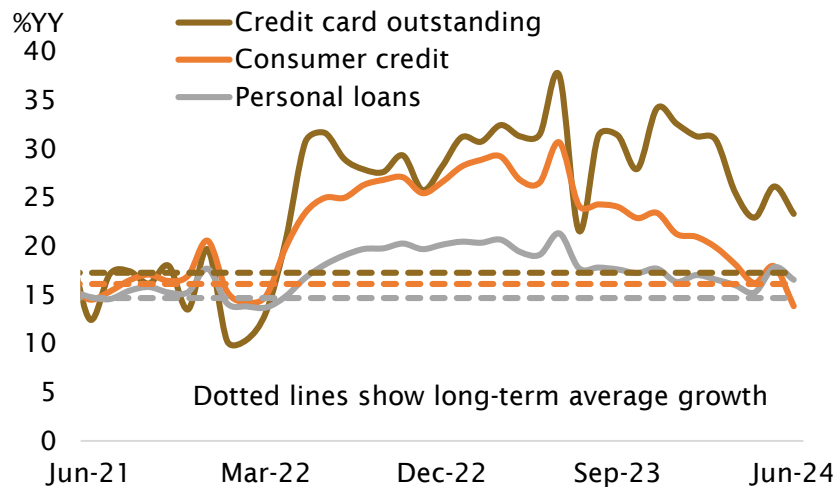




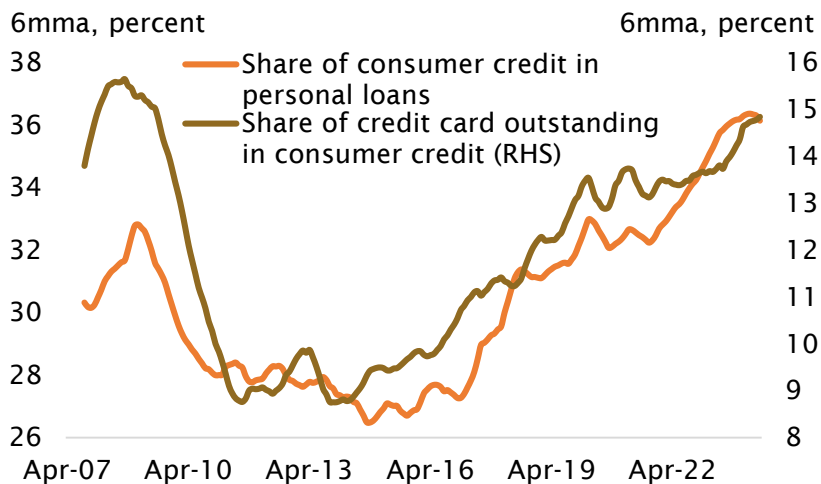
Consumer credit growth slipped below long term average in June

- Within personal loans, consumer credit includes credit to: 1) consumer durables 2) personal advances against fixed deposits 3) credit card 4) other personal loans.
- The share of consumer credit within personal loans has been rising since mid-2021 and is yet to ease from over one-third at present. However, since the RBI's regulatory steps in Nov-2023 to raise risk weights on unsecured consumer loans, consumer credit growth (ex-merger) has been easing. In June, growth slipped below the long-term average and was the slowest since April 2021.
- The largest share of consumer credit remains to 'other personal loans' but detailed data is not available. The share of advances against FDs has fallen, and that of consumer durables remains low. But share of credit card outstanding has grown from single digits in end-FY16 to 15%. Growth remains above long term trend.

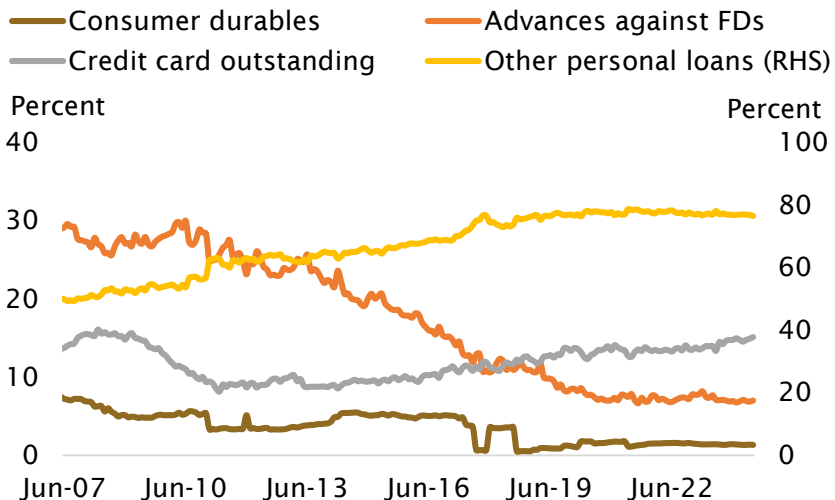
Credit card outstanding growth still above long term trend



Uptrend in consumer credit since mid-2021



Largest share of consumer credit towards 'other' category

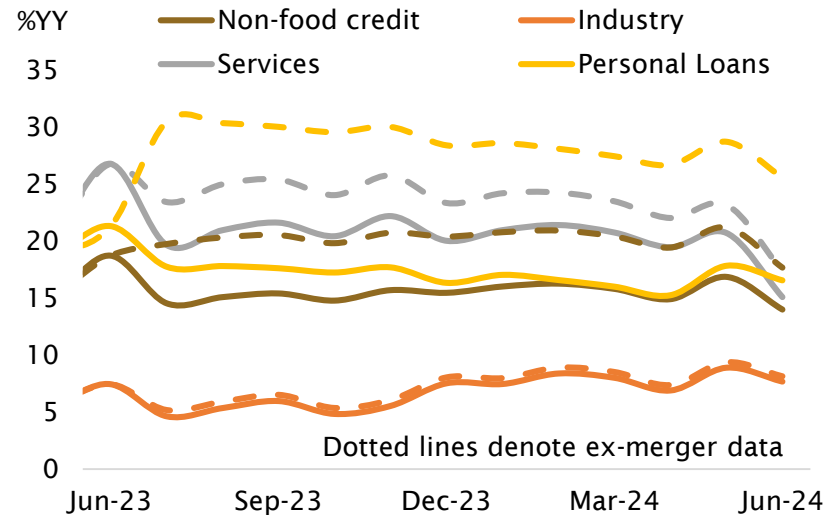




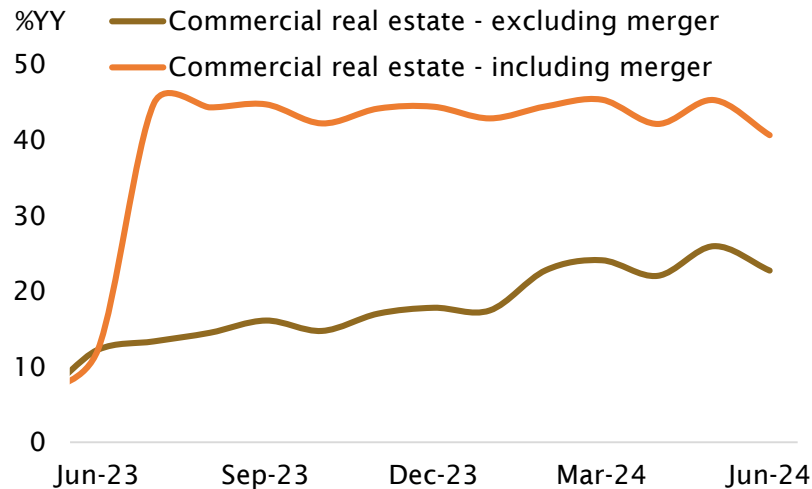
Annexure: Detailed data available only including merger impact

- While the headline numbers across sectors (industry, services, personal loans) are available for both - including and excluding the impact of merger of a non-bank with a bank - since July 2023, detailed sector-wise data is available across categories only including the impact of the merger, though there are a few exceptions.
- Sector-wise credit data excluding the impact of merger is available for these categories and needs to be interpreted accordingly.
 - Services: Commercial real estate
 - Personal loans: Housing
 - The data for these two categories shows a spike when put together with other categories post July 2023.

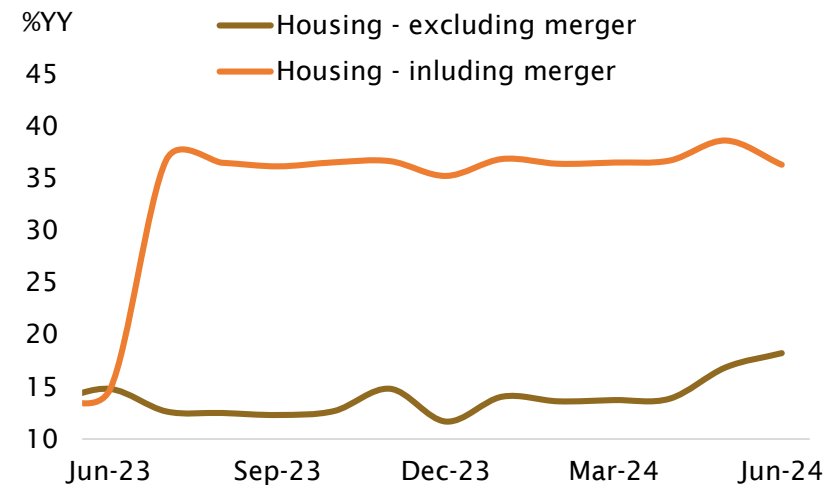
Non-food credit: including and excluding merger impact



Non-food credit: services: commercial real estate



Non-food credit: personal loans: housing





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