

BANKING

Credit Tracker

12 October 2019

Loan growth drops below 9%

RBI data shows that credit growth for the fortnight ended 27 September slipped to a three-year low of 8.8% YoY. Deposit growth too declined to 9.4% vs. 10% the previous fortnight. Credit growth has been moderating over the past few quarters due to anaemic corporate demand and a slowdown in unsecured retail credit as well as lending to the services sector. Surprisingly, investment growth spiked to 7% YoY while SLR held at ~27%. Loan growth is expected to remain elusive in FY20 despite the shift in pricing power to banks from NBFCs.

Deposit growth down to 9.4%: Deposit growth for the fortnight ended 27 September declined to 9.4% but remains broadly in line with the trend seen over the past couple of quarters. The pressure on deposit mobilisation should ease with slowing credit growth, offering banks an opportunity to further lower term deposit rates. In absolute terms, deposits grew by Rs 1.8tn FoF to Rs 129tn.

Credit growth slips further: As per RBI data, credit growth for the fortnight ended 27 September stood at 8.8% YoY. In absolute terms, credit offtake increased by Rs 0.6tn FoF to Rs 98tn. RBI data on sectoral deployment of credit for Aug'19 suggests that corporate loan growth has dipped to 4%. Retail credit growth had been hovering at ~17% over the past few months amid a strong uptick in home and other personal loans. But in Aug'19, growth slipped to an 11-month low of 15.6%, led by a downturn across retail segments.

Bleak outlook for FY20: We do not expect any material improvement in credit growth for FY20. At the same time, as PSBs grapple with the mega consolidation exercise, private banks will be able to step in and augment market share.

Vikesh Mehta

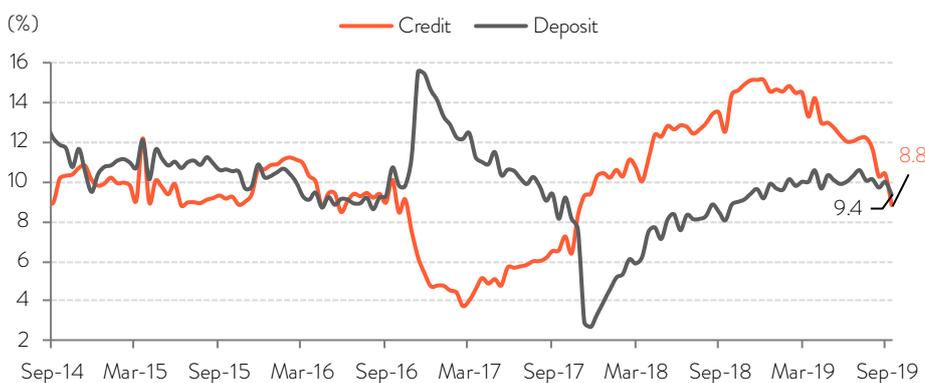
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KEY DATA

Particulars	28-Sep-18	27-Sep-19
Deposits (Rs tn)	118.0	129.1
YoY growth (%)	8.1	9.4
YTD growth (%)	3.3	2.7
Loans (Rs tn)	89.8	97.7
YoY growth (%)	12.5	8.8
YTD growth (%)	4.1	0.0
CD ratio (%)	76.1	75.7
SLR ratio (%)	27.2	26.8

Source: RBI, BOBCAPS Research

FIG 1 – CREDIT AND DEPOSIT GROWTH IN THE BANKING SYSTEM



Source: RBI, BOBCAPS Research

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