

## July non-food credit growth feeble at 11%

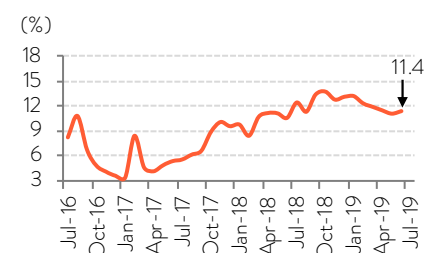
RBI data on sectoral credit deployment indicates that non-food credit growth remained subdued at 11.4% YoY in Jul'19. Retail growth at 17% YoY stayed strong as higher home loans offset ebbing unsecured loan momentum. Lending to the industrial segment, albeit weak, was largely stable at 6% YoY, while growth in agricultural credit declined marginally to 6.8%. After trending down over the past few months, growth in the services sector, revived marginally to 15%.

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**Retail credit strong:** Better growth in home and other personal loans pushed retail credit growth in Jul'19 higher to 17% YoY (vs. 16.6% YoY in Jun'19). Home loans have been a vital driver of retail credit over the past few months, growing 19.2% YoY in Jul'19 vs. 16.5% in Jul'18 and exhibiting steady improvement amid the slowdown in unsecured credit and sharp deceleration in auto loans. Credit card loans shrank >400bps YoY to 26.5%, while loans against shares (-9.3% YoY), education (-1.8%) and consumer durables (-72.5%) all moderated in July.

### NON-FOOD CREDIT GROWTH



Source: RBI, BOBCAPS Research

**Industrial credit growth stable at 6%:** The infrastructure sector that forms ~37% of industrial credit grew 14% YoY in July (vs. 15.2% in June). Chemicals and engineering grew at 6.5% and 7.4% respectively. Within infrastructure, power/telecom/roads/other infrastructure segments grew by 8%/24%/17%/29%. Over the past few months, we have seen a mild uptick in credit growth of large industries (+7.2% YoY), while that of medium/micro & small industries was lacklustre. Metals sector loans, which form ~13% of industrial credit, declined for the 18<sup>th</sup> straight month to 8.6%.

**Services sector perks up:** Credit growth in the services sector, which has been declining since Jan'19, rose to 15.2% in July vs. 13% in Jun'19. This was largely backed by improvement across sectors such as tourism, hotels & restaurants (+10.2%), trade (11%) and commercial real estate (14.8%). On the other hand, agriculture (~13% of credit) grew 6.8% YoY vs. 8.7% in June.

**Expect sub-15% loan growth in FY20:** We do not expect any material improvement in credit growth for FY20. As public sector banks now grapple with the mega consolidation exercise, we believe private banks will be able to step in and augment market share.

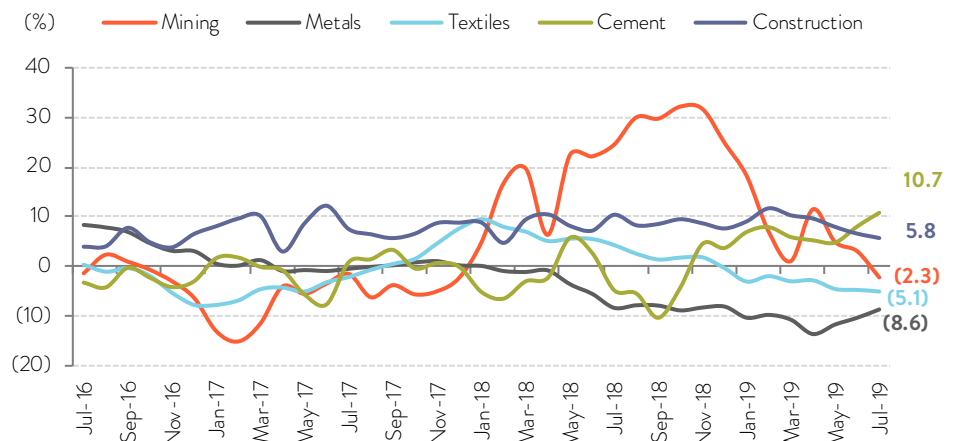


**FIG 2 – NON-FOOD CREDIT MUTED AT 11.4% IN JULY**

Sector/Industry (Rs bn)	Jul-18	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Share of credit (%)	Growth (YoY, %)
<b>Non-food Credit</b>	<b>76,276</b>	<b>86,334</b>	<b>84,810</b>	<b>84,512</b>	<b>84,764</b>	<b>84,958</b>	<b>100.0</b>	<b>11.4</b>
<b>Agriculture</b>	<b>10,385</b>	<b>11,113</b>	<b>11,080</b>	<b>11,079</b>	<b>11,258</b>	<b>11,090</b>	<b>13.1</b>	<b>6.8</b>
<b>Industry</b>	<b>26,371</b>	<b>28,858</b>	<b>28,352</b>	<b>28,140</b>	<b>28,120</b>	<b>27,984</b>	<b>32.9</b>	<b>6.1</b>
Micro & Small	3,594	3,755	3,666	3,653	3,662	3,616	4.3	0.6
Medium	1,035	1,064	1,063	1,054	1,052	1,052	1.2	1.7
Large	21,741	24,039	23,623	23,433	23,407	23,315	27.4	7.2
<b>Services</b>	<b>20,075</b>	<b>24,156</b>	<b>23,150</b>	<b>22,879</b>	<b>22,847</b>	<b>23,129</b>	<b>27.2</b>	<b>15.2</b>
Trade	4,625	5,282	5,074	5,075	5,116	5,135	6.0	11.0
Commercial Real Estate	1,818	2,023	2,003	2,007	2,055	2,086	2.5	14.8
NBFCs	4,735	6,412	6,234	6,235	6,351	6,367	7.5	34.5
<b>Retail</b>	<b>19,445</b>	<b>22,207</b>	<b>22,228</b>	<b>22,414</b>	<b>22,538</b>	<b>22,755</b>	<b>26.8</b>	<b>17.0</b>
Housing	10,063	11,601	11,686	11,769	11,870	11,998	14.1	19.2
Vehicle loans	1,918	2,022	1,998	2,019	2,004	2,013	2.4	4.9

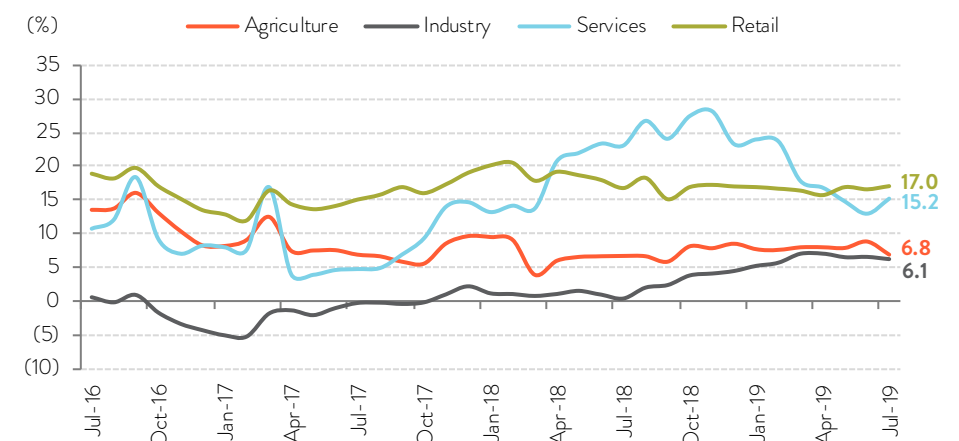
Source: RBI, BOBCAPS Research

**FIG 3 – CREDIT GROWTH IN CYCLICAL SECTORS REMAINS WEAK**



Source: RBI, BOBCAPS Research

**FIG 4 – LOAN GROWTH IN RETAIL SEGMENT STAYS STRONG**



Source: RBI, BOBCAPS Research

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**Note:** Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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