

Banks: Sector Credit Trends

Growth slows, as expected

Non-food credit growth slowed further to 6.7% YoY (vs. 6.8% in May). We do not find this surprising, given the disruption to real economic activity resulting in muted credit demand and risk aversion at banks. This trend has been led by slowing service credit and personal loan growth, even as industrial credit growth accelerated slightly.

Non-food credit growth can slow further, we believe, as COVID-19 continues to impact real economic activity, especially after the moratorium ends.

- Industrial credit** accelerated slightly to 2.2% YoY, from 1.7% in May, led by an increase in large industrial credit growth from 2.8% YoY to 3.7%. However, other segments of industrial credit (based on size) continued to see de-growth in outstanding credit. Credit to micro and small industries de-grew 3.7% YoY and that to medium industries de-grew 9% YoY. As a result, the stark difference in credit growth to these segments persisted. Within industrial credit, sectors such as textiles, gems and jewellery, leather and leather products, glass and glassware including all engineering saw persistent YoY de-growth of varying degrees. Infra-credit saw accelerating growth, led by faster growth in credit for roads and telecommunications.
- Service sector** credit growth slowed slightly to 10.7% YoY (vs. 11.2% in May). Growth in credit to NBFCs (+25.7% YoY), tourism, hotels and restaurants (+16.8% YoY) was relatively healthy but trending down. CRE credit growth slowed to 11.6% YoY, from 13.6% in May. Trade credit grew 6.1% YoY, led by 10.9% growth in wholesale trade credit, as retail trade credit grew 2.2% YoY.
- Personal loans** have seen the most dramatic slowdown in growth (relative to pre-COVID-19 levels and those seen in other loan segments). However, YoY growth in this segment slowed just 10bps to 10.5% (vs. May 20). Similar trends were seen in housing credit (+12.5% YoY) and other personal loans (+12.1%). After slowing dramatically and de-growth 80bps YoY in May, credit card debt grew 2.8% YoY, with MoM growth of 5.1%. We find this intriguing and in line with the commentary of various private sector banks.
- Agri credit** growth surprisingly slowed further to just 2.2% YoY, from 3.5% YoY in May. We find this surprising, given that the country has seen a good winter harvest and reasonably well distributed monsoon rainfall so far.

Non-food credit at a glance

| (Rs bn) | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | June-20 |
|------------------------|--------|--------|--------|--------|--------|--------|--------|---------|
| Non-Food Credit | 55,296 | 60,030 | 65,469 | 70,945 | 76,884 | 86,334 | 92,115 | 90,470 |
| YoY growth | 13.6% | 8.6% | 9.1% | 8.4% | 8.4% | 12.3% | 6.7% | 6.7% |
| Industry | 25,165 | 26,576 | 27,307 | 26,798 | 26,993 | 28,858 | 29,052 | 28,752 |
| YoY growth | 12.8% | 5.6% | 2.7% | -1.9% | 0.7% | 6.9% | 0.7% | 2.2% |
| % of total | 45.5% | 44.3% | 41.7% | 37.8% | 35.1% | 33.4% | 31.5% | 31.8% |
| Services | 13,375 | 14,131 | 15,411 | 18,022 | 20,505 | 24,156 | 25,949 | 25,285 |
| YoY growth | 16.1% | 5.7% | 9.1% | 16.9% | 13.8% | 17.8% | 7.4% | 10.7% |
| % of total | 24.2% | 23.5% | 23.5% | 25.4% | 26.7% | 28.0% | 28.2% | 27.9% |
| Personal Loans | 10,097 | 11,663 | 13,922 | 16,200 | 19,085 | 22,207 | 25,537 | 24,904 |
| YoY growth | 12.5% | 15.5% | 19.4% | 16.4% | 17.8% | 16.4% | 15.0% | 10.5% |
| % of total | 18.3% | 19.4% | 21.3% | 22.8% | 24.8% | 25.7% | 27.7% | 27.5% |
| Agriculture | 6,660 | 7,659 | 8,826 | 9,909 | 10,216 | 11,050 | 11,578 | 11,529 |
| YoY growth | 12.9% | 15.0% | 15.3% | 12.4% | 3.8% | 7.9% | 4.2% | 2.4% |
| % of total | 12.0% | 12.8% | 13.5% | 14.0% | 13.3% | 12.8% | 12.6% | 12.7% |

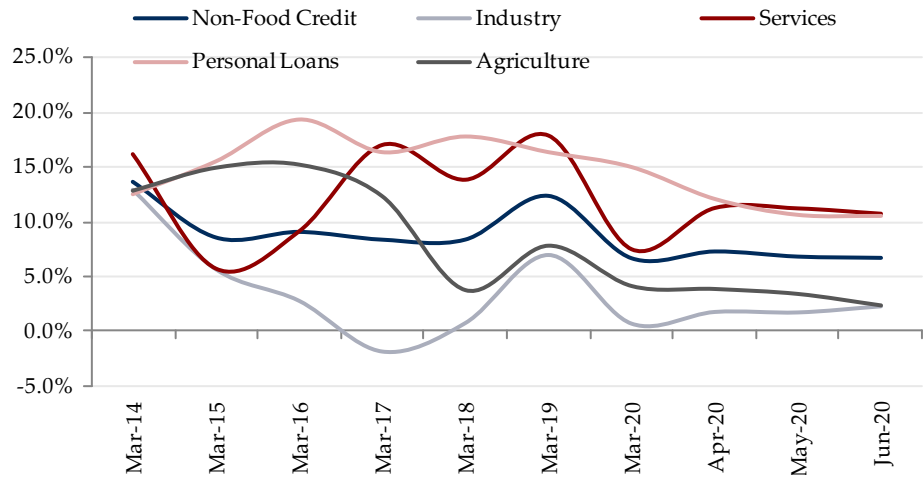
Source: RBI and HSIE Research

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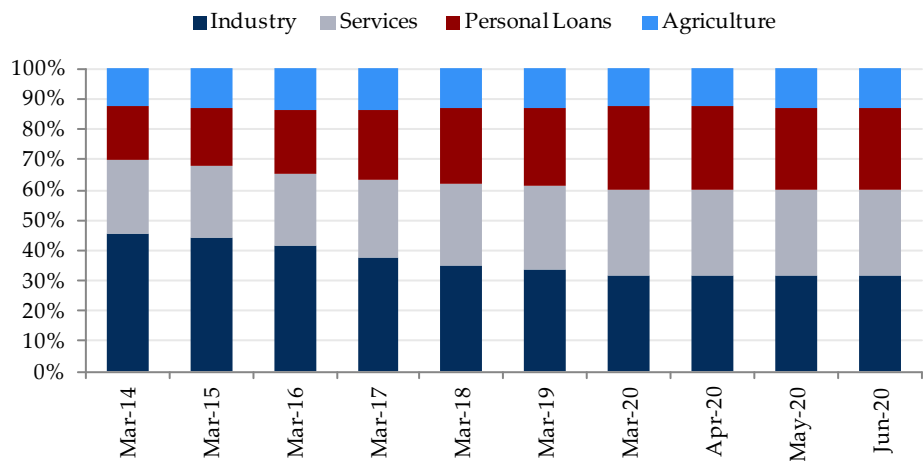
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Non-food credit growth slows slightly



Source: RBI and HSIE Research

The split of non-food credit



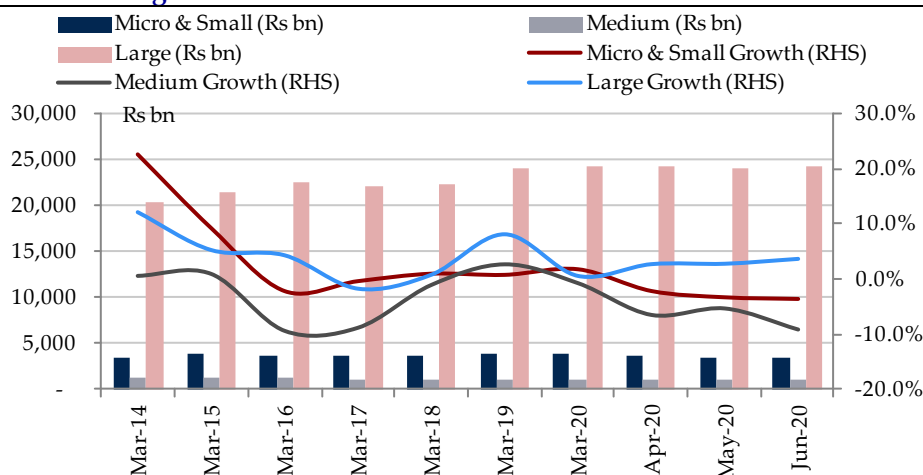
Source: RBI and HSIE Research

Industrial credit growth accelerated slightly to 2.4% YoY (0.5% MoM growth, vs. MoM de-growth in April and May), from 1.7% YoY in May. This trend was led by growth in large industrial credit (84% of overall industrial credit) at 3.7% YoY (vs. 2.8% YoY). Credit to micro and small industries saw persistent de-growth at 3.7% YoY (flattish MoM) as did credit to medium industries at -9% YoY (-4.2% MoM). These trends are interesting in the context of the government’s MSME credit guarantee scheme. The stark contrast in credit growth trends between micro, small and medium and large industries continues.

Within industrial credit, credit for:

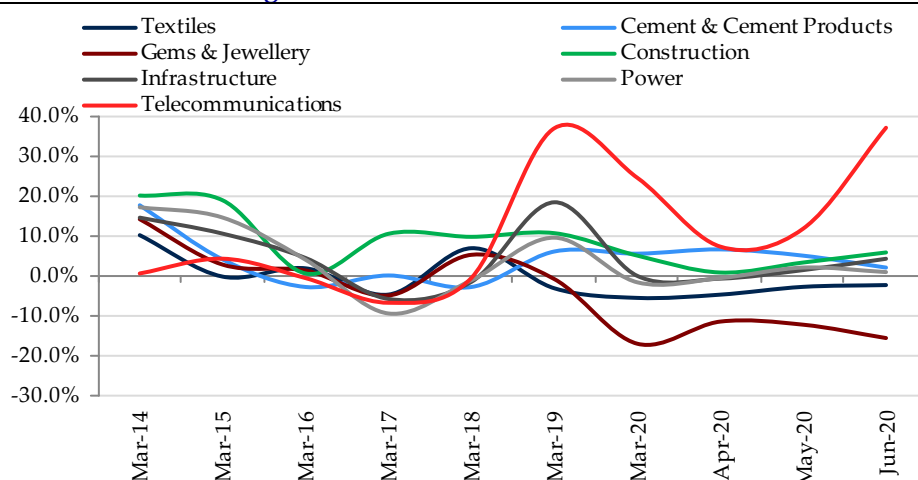
- Petroleum, petroleum products and nuclear fuel continued to see strong but declining YoY growth at 31.5% (-0.7% MoM) since a spurt in March.
- Textiles (however, credit for cotton and jute textiles saw YoY de-growth, credit for man-made textiles grew YoY), gems and jewellery, leather and leather products, glass and glassware including all engineering saw persistent YoY de-growth of varying degrees.
- Basic metals and metal products saw a marginal YoY decline (-50bps YoY), led by -2.3% growth in credit for non-ferrous metals.
- Construction accelerated slightly to 5.6% YoY (+2.2% MoM), from 3.1% YoY in May and 50bps YoY in April.
- Infrastructure accelerated to 4.2% YoY, from 1.3% YoY in May. Within infrastructure credit, credit for roads grew at 4.7% YoY, vs. 3.1% YoY. Telecom credit accelerated to 36.8% YoY (+5.7% MoM), from 11.7% YoY in May.

Industrial credit growth trends



Source: RBI and HSIE Research

Select industries' credit growth trends

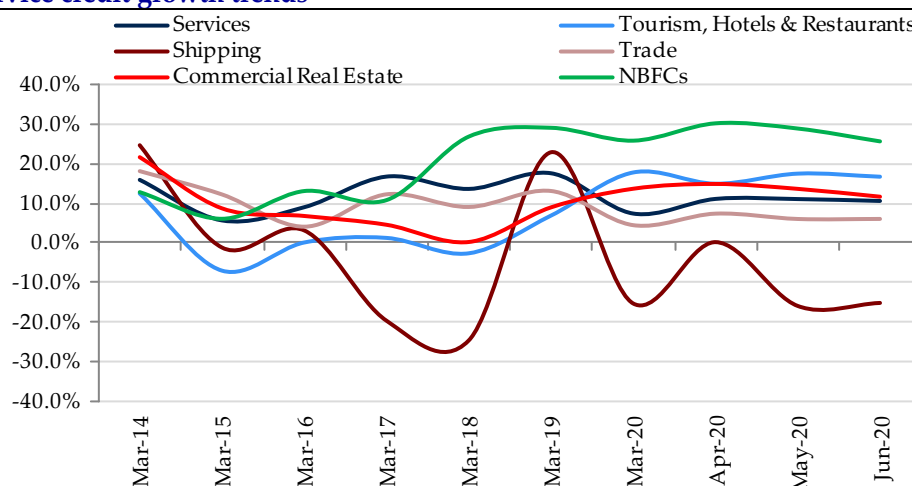


Source: RBI and HSIE Research

Service sector credit growth declined slightly to 10.7% YoY, from 11.2% in May, but MoM growth was negative at -60bps. Within this segment, the following trends are noteworthy:

- YoY growth of credit to NBFCs remained strong at 25.7% but was declining (vs. 29% in May and 30.3% in April).
- Similarly, growth in credit to commercial real estate also slowed to 11.6% YoY (MoM growth of 60bps). In FY20, growth in credit to this segment peaked at 18.1% YoY in September.
- Trade credit growth remained at 6.1%. After accelerating from 5.1% in March to 11.4% YoY in May, wholesale trade credit growth slowed slightly to 10.9%. Retail trade credit grew 2.2% YoY. Consequently, the gap between wholesale and retail trade credit growth remains wide at 8.7%.
- The tourism, hotel and restaurant segment saw YoY growth slow slightly to 16.8% YoY from 17.6% YoY in May. Nevertheless, this segment has grown significantly faster than non-food credit, with growth accelerating after 1HFY20.

Service credit growth trends

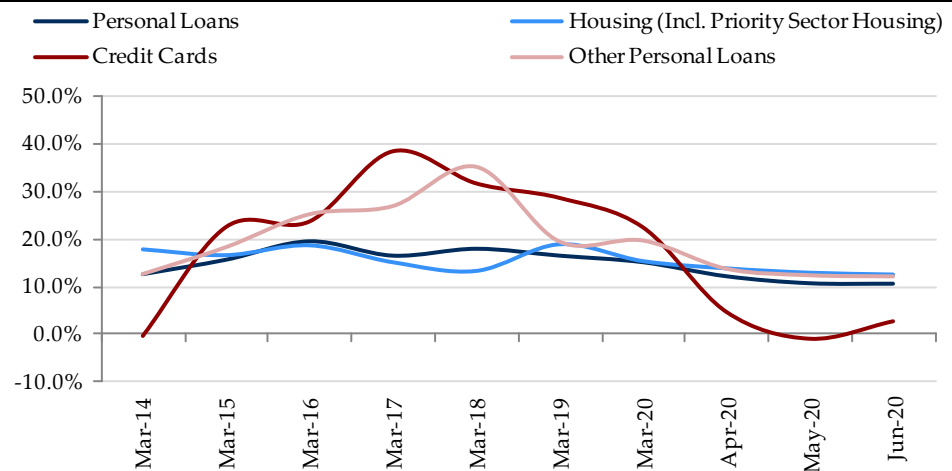


Source: RBI and HSIE Research

Personal loan growth has seen the most dramatic decline. However, this trend seems to have been halted for now, as in June, personal loans grew 10.5% YoY, vs. 10.6% YoY in May.

- Home loan growth came in at 12.5% YoY in June, vs. 12.9% in May, and significantly lower than 19.3% YoY growth seen in September.
- Similarly, other personal loans grew at 12.1% YoY in June, vs. 12.3% in May, but significantly slower than 20.9% in September.
- After slowing dramatically to -80bps in May, credit card debt grew 2.8% YoY (+5.1% MoM). This trend is intriguing and in line with the commentary of various private sector banks.

Personal loan growth



Source: RBI and HSIE Research

Sectoral deployment of bank credit at a glance

| Rs bn | June-19 | Mar-20 | May-20 | June-20 | YoY (%) | MoM (%) | YTD (%) | % of Total |
|--|---------------|---------------|---------------|---------------|-------------|-------------|-------------|--------------|
| Non-Food Credit | 84,764 | 92,115 | 90,297 | 90,470 | 6.7 | 0.2 | -1.8 | 99.0 |
| Agriculture & Allied Activities | 11,258 | 11,578 | 11,462 | 11,529 | 2.4 | 0.6 | -0.4 | 12.6 |
| Industry | 28,120 | 29,052 | 28,616 | 28,752 | 2.2 | 0.5 | -1.0 | 31.5 |
| Micro & Small | 3,662 | 3,818 | 3,529 | 3,527 | -3.7 | -0.1 | -7.6 | 3.9 |
| Medium | 1,052 | 1,056 | 998 | 957 | -9.0 | -4.2 | -9.4 | 1.0 |
| Large | 23,407 | 24,177 | 24,088 | 24,268 | 3.7 | 0.7 | 0.4 | 26.6 |
| Services | 22,847 | 25,949 | 25,431 | 25,285 | 10.7 | -0.6 | -2.6 | 27.7 |
| Transport Operators | 1,417 | 1,445 | 1,493 | 1,467 | 3.5 | -1.7 | 1.6 | 1.6 |
| Computer Software | 183 | 201 | 198 | 206 | 12.5 | 3.9 | 2.7 | 0.2 |
| Tourism, Hotels & Restaurants | 396 | 460 | 458 | 463 | 16.8 | 1.0 | 0.6 | 0.5 |
| Shipping | 61 | 66 | 52 | 52 | -15.2 | -1.8 | -21.4 | 0.1 |
| Professional Services | 1,687 | 1,771 | 1,733 | 1,739 | 3.1 | 0.3 | -1.8 | 1.9 |
| Trade | 5,116 | 5,524 | 5,386 | 5,430 | 6.1 | 0.8 | -1.7 | 5.9 |
| Wholesale Trade | 2,301 | 2,634 | 2,524 | 2,552 | 10.9 | 1.1 | -3.1 | 2.8 |
| Retail Trade | 2,815 | 2,890 | 2,862 | 2,878 | 2.2 | 0.6 | -0.4 | 3.2 |
| Commercial Real Estate | 2,055 | 2,298 | 2,278 | 2,293 | 11.6 | 0.6 | -0.2 | 2.5 |
| NBFCs | 6,351 | 8,074 | 8,043 | 7,985 | 25.7 | -0.7 | -1.1 | 8.7 |
| Other Services | 5,582 | 6,113 | 5,789 | 5,651 | 1.2 | -2.4 | -7.6 | 6.2 |
| Personal Loans | 22,538 | 25,537 | 24,789 | 24,904 | 10.5 | 0.5 | -2.5 | 27.3 |
| Consumer Durables | 58 | 93 | 87 | 88 | 53.3 | 1.7 | -4.9 | 0.1 |
| Housing (incl. PSL) | 11,870 | 13,390 | 13,291 | 13,359 | 12.5 | 0.5 | -0.2 | 14.6 |
| Advances against FD | 671 | 795 | 636 | 615 | -8.4 | -3.4 | -22.7 | 0.7 |
| Advances to individuals against securities | 54 | 53 | 45 | 58 | 8.1 | 28.9 | 8.8 | 0.1 |
| Credit Cards | 949 | 1,081 | 929 | 976 | 2.8 | 5.1 | -9.7 | 1.1 |
| Education | 676 | 657 | 652 | 650 | -3.9 | -0.3 | -1.1 | 0.7 |
| Vehicle Loans | 2,004 | 2,206 | 2,145 | 2,146 | 7.1 | 0.0 | -2.7 | 2.3 |
| Other Personal Loans | 6,256 | 7,261 | 7,003 | 7,012 | 12.1 | 0.1 | -3.4 | 7.7 |
| Food Credit | 712 | 516 | 791 | 890 | 25.0 | 12.5 | 72.5 | 1.0 |
| Total Gross Bank Credit | 85,476 | 92,631 | 91,089 | 91,360 | 6.9 | 0.3 | -1.4 | 100.0 |

Source: RBI and HSIE Research

Banks: Sector Credit Trend

Industry credit at a glance

| Rs bn | June-19 | Mar-20 | May-20 | June-20 | YoY (%) | MoM (%) | YTD (%) | % of Total | % of Total Industry |
|--|---------|--------|--------|---------|---------|---------|---------|------------|---------------------|
| Mining & Quarrying | 411 | 439 | 421 | 429 | 4.3 | 1.9 | -2.4 | 0.5 | 1.5 |
| Food Processing | 1,516 | 1,541 | 1,494 | 1,579 | 4.2 | 5.7 | 2.5 | 1.7 | 5.5 |
| Sugar | 296 | 274 | 266 | 255 | -13.8 | -4.0 | -6.9 | 0.3 | 0.9 |
| Edible Oils & Vanaspati | 201 | 192 | 180 | 176 | -12.5 | -2.2 | -8.6 | 0.2 | 0.6 |
| Tea | 51 | 54 | 44 | 51 | -0.0 | 15.9 | -5.0 | 0.1 | 0.2 |
| Others | 968 | 1,021 | 1,004 | 1,097 | 13.3 | 9.3 | 7.4 | 1.2 | 3.8 |
| Beverage & Tobacco | 144 | 165 | 161 | 150 | 4.5 | -6.7 | -9.1 | 0.2 | 0.5 |
| Textiles | 1,936 | 1,924 | 1,892 | 1,892 | -2.3 | -0.0 | -1.7 | 2.1 | 6.6 |
| Cotton Textiles | 919 | 893 | 860 | 864 | -6.0 | 0.4 | -3.2 | 0.9 | 3.0 |
| Jute Textiles | 21 | 21 | 20 | 20 | -3.6 | 4.5 | -3.3 | 0.0 | 0.1 |
| Man-Made Textiles | 260 | 261 | 263 | 268 | 3.3 | 1.8 | 2.9 | 0.3 | 0.9 |
| Other Textiles | 735 | 750 | 749 | 740 | 0.6 | -1.3 | -1.3 | 0.8 | 2.6 |
| Leather & Leather Products | 112 | 111 | 106 | 109 | -1.9 | 3.1 | -1.5 | 0.1 | 0.4 |
| Wood & Wood Products | 117 | 122 | 124 | 126 | 7.7 | 1.3 | 2.9 | 0.1 | 0.4 |
| Paper & Paper Products | 301 | 310 | 316 | 317 | 5.1 | 0.3 | 2.3 | 0.3 | 1.1 |
| Petroleum , Coal Products & Nuclear Fuels | 558 | 758 | 738 | 733 | 31.5 | -0.7 | -3.3 | 0.8 | 2.6 |
| Chemicals & Chemicals Products | 1,745 | 2,029 | 1,823 | 1,800 | 3.1 | -1.3 | -11.3 | 2.0 | 6.3 |
| Fertiliser | 331 | 491 | 348 | 345 | 4.1 | -0.8 | -29.7 | 0.4 | 1.2 |
| Drugs & Pharmaceuticals | 490 | 534 | 518 | 520 | 6.2 | 0.5 | -2.6 | 0.6 | 1.8 |
| Petro Chemicals | 395 | 422 | 408 | 395 | -0.1 | -3.4 | -6.6 | 0.4 | 1.4 |
| Others | 529 | 582 | 549 | 540 | 2.1 | -1.6 | -7.2 | 0.6 | 1.9 |
| Rubber, Plastic & their Products | 458 | 504 | 486 | 484 | 5.6 | -0.5 | -4.0 | 0.5 | 1.7 |
| Glass & Glassware | 98 | 88 | 82 | 81 | -17.3 | -0.4 | -7.3 | 0.1 | 0.3 |
| Cement & Cement Products | 561 | 587 | 582 | 572 | 1.8 | -1.8 | -2.6 | 0.6 | 2.0 |
| Basic Metal & Metal Product | 3,520 | 3,503 | 3,545 | 3,504 | -0.5 | -1.2 | 0.0 | 3.8 | 12.2 |
| Iron & Steel | 2,662 | 2,624 | 2,688 | 2,665 | 0.1 | -0.9 | 1.6 | 2.9 | 9.3 |
| Other Metal & Metal Product | 859 | 879 | 857 | 839 | -2.3 | -2.1 | -4.6 | 0.9 | 2.9 |
| All Engineering | 1,646 | 1,573 | 1,552 | 1,473 | -10.5 | -5.1 | -6.3 | 1.6 | 5.1 |
| Electronics | 379 | 302 | 304 | 297 | -21.6 | -2.3 | -1.4 | 0.3 | 1.0 |
| Others | 1,266 | 1,271 | 1,248 | 1,175 | -7.2 | -5.8 | -7.5 | 1.3 | 4.1 |
| Vehicles, Vehicle Parts & Transport Equipment | 814 | 826 | 845 | 854 | 4.9 | 1.0 | 3.4 | 0.9 | 3.0 |
| Gems & Jewellery | 662 | 595 | 574 | 557 | -15.9 | -3.1 | -6.4 | 0.6 | 1.9 |
| Construction | 972 | 1,043 | 1,004 | 1,026 | 5.6 | 2.2 | -1.6 | 1.1 | 3.6 |
| Infrastructure | 10,265 | 10,539 | 10,552 | 10,692 | 4.2 | 1.3 | 1.4 | 11.7 | 37.2 |
| Power | 5,637 | 5,598 | 5,681 | 5,690 | 0.9 | 0.1 | 1.6 | 6.2 | 19.8 |
| Telecommunications | 1,068 | 1,438 | 1,383 | 1,462 | 36.8 | 5.7 | 1.7 | 1.6 | 5.1 |
| Roads | 1,861 | 1,907 | 1,920 | 1,949 | 4.7 | 1.5 | 2.2 | 2.1 | 6.8 |
| Other Infrastructure | 1,698 | 1,597 | 1,568 | 1,591 | -6.3 | 1.5 | -0.4 | 1.7 | 5.5 |
| Other Industries | 2,284 | 2,393 | 2,317 | 2,374 | 4.0 | 2.5 | -0.8 | 2.6 | 8.3 |
| Total Industry | 28,120 | 29,052 | 28,616 | 28,752 | 2.2 | 0.5 | -1.0 | 31.5 | 100.0 |

Source: RBI and HSIE Research

Disclosure:

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