

Banks: Sector Credit Trends

Growth continues to moderate

The downtrend in non-food credit growth persisted, unsurprisingly, with YoY growth reaching 5.6%, the slowest in a little over 3 years. This trend was led by a de-growth in industrial credit and sluggish personal loan and service credit growth.

We expect non-food credit growth to remain range bound in the near term, as an uptick in disbursements will continue to be met by a corresponding rise in repayments, which have increased significantly, as suggested by 2QFY21 commentary.

- **Industrial credit** de-grew (-1.7% YoY) for the first time in 3 years, and this trend was led by large industrial credit, which de-grew ~2.9% YoY. On a YTD basis, overall/ large industrial credit de-grew 5.7/6.7%. Aided by disbursements under the MSME credit guarantee scheme, growth in credit to medium industries, continued to accelerate, reaching 16.7%, even as MoM growth slowed from 11.9% in September to 2.4%. Within industrial credit, sectors such as gems and jewelry, glass and glassware and all engineering including electronics saw persistent YoY de-growth, together, these constitute ~18.4% of industrial credit. Infrastructure, which constitutes 36.5% of industrial credit, de-grew 2% YoY, 1.6% MoM and 5.2% YTD. Credit to the power sector, which accounts for 55.3% of infrastructure credit, de-grew 1.3% YoY. After growing rapidly between February 2019 and June 2020, credit to the telecom sector de-grew 20.8% YoY, 12.1% MoM and 29.8% YTD.
- **Service sector** credit growth accelerated slightly from 9.1% in September to 9.5% in October. A major driver of this trend was growth in trade credit, which reached 14% YoY, vs. 11.5% in September, with growth in both wholesale and retail trade credit accelerating. The NBFC and CRE sectors, which constitute 30.2% and 8.9% of overall service sector credit saw slowing credit growth, with YoY growth in credit to the sectors reaching 9.2% and 3.5% respectively.
- **Personal loan** growth, which has (arguably) been impacted the greatest by COVID-19, continues to witness relatively sluggish growth. YoY growth came in at 9.3%, with growth in credit card debt slowing to 4.9% (consistently from the recent peak of 7.9% in July). Growth in home and auto loans languished at 8.2% and 8.4% respectively.
- **Agricultural credit** growth continued to accelerate, reaching 7.4% YoY.

Non-food credit at a glance

(Rs bn)	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Oct-20
Non-Food Credit	55,296	60,030	65,469	70,945	76,884	86,334	92,115	91,466
YoY growth	13.6%	8.6%	9.1%	8.4%	8.4%	12.3%	6.7%	5.6%
Industry	25,165	26,576	27,307	26,798	26,993	28,858	29,052	27,398
YoY growth	12.8%	5.6%	2.7%	-1.9%	0.7%	6.9%	0.7%	-1.7%
% of total	45.5%	44.3%	41.7%	37.8%	35.1%	33.4%	31.5%	30.0%
Services	13,375	14,131	15,411	18,022	20,505	24,156	25,949	25,766
YoY growth	16.1%	5.7%	9.1%	16.9%	13.8%	17.8%	7.4%	9.5%
% of total	24.2%	23.5%	23.5%	25.4%	26.7%	28.0%	28.2%	28.2%
Personal Loans	10,097	11,663	13,922	16,200	19,085	22,207	25,537	26,115
YoY growth	12.5%	15.5%	19.4%	16.4%	17.8%	16.4%	15.0%	9.3%
% of total	18.3%	19.4%	21.3%	22.8%	24.8%	25.7%	27.7%	28.6%
Agriculture	6,660	7,659	8,826	9,909	10,216	11,050	11,578	12,187
YoY growth	12.9%	15.0%	15.3%	12.4%	3.8%	7.9%	4.2%	7.4%
% of total	12.0%	12.8%	13.5%	14.0%	13.3%	12.8%	12.6%	13.3%

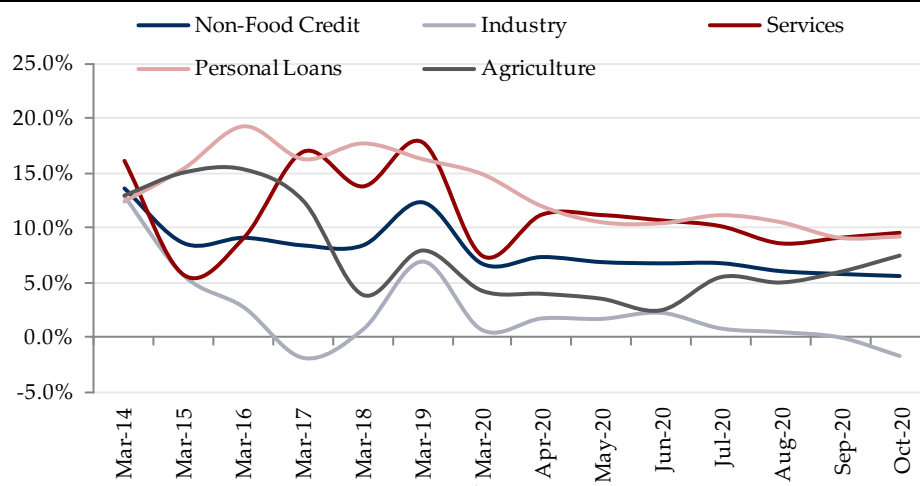
Source: RBI and HSIE Research

Darpin Shah
 darpin.shah@hdfcsec.com
 +91-22-6171-7328

Aakash Dattani
 aakash.dattani@hdfcsec.com
 +91-22-6171-7337

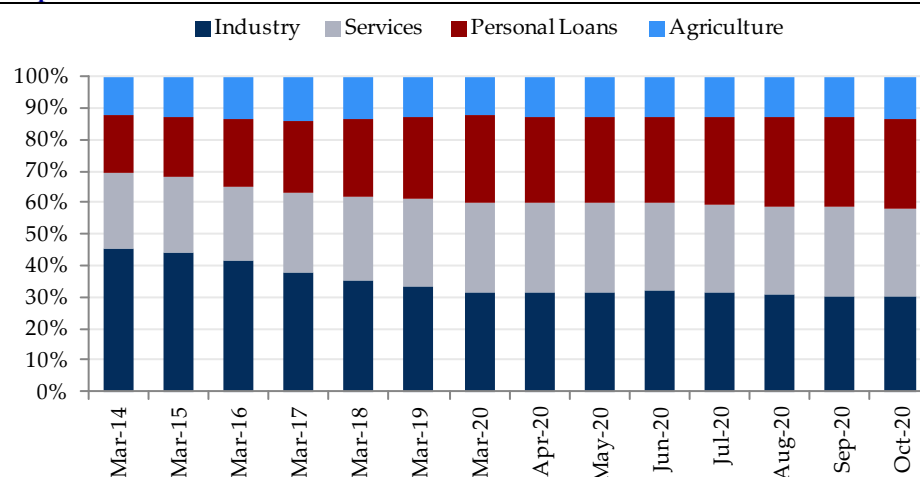
Punit Bahlani
 punit.bahlani@hdfcsec.com
 +91-22-6171-7354

Non-food credit growth slows



Source: RBI and HSIE Research

The split of non-food credit



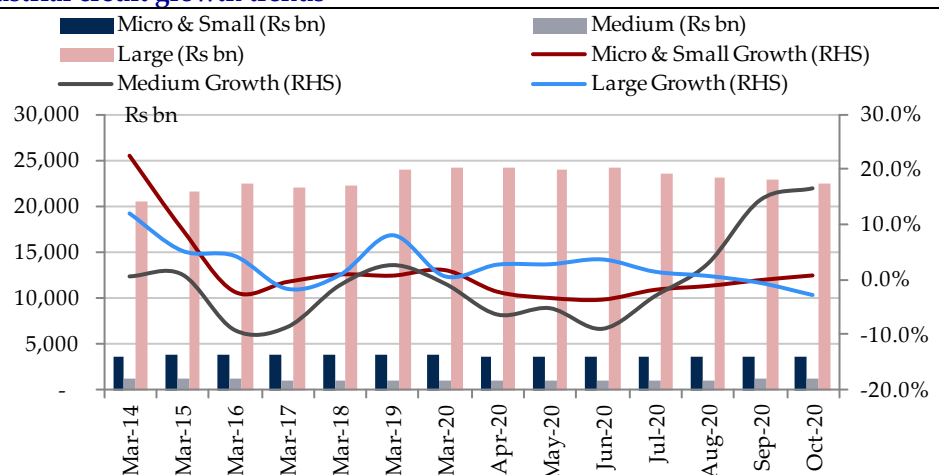
Source: RBI and HSIE Research

The downward trajectory of **industrial credit** growth persisted, as overall industrial credit de-grew 1.7% YoY. This has been the first-time industrial credit has de-grown in ~3 years. On a MoM basis, industrial credit de-grew for the fourth consecutive month at -1.3% and ~-5.7% on a YTD basis. These trends were led by large industrial credit, which de-grew 2.9% YoY (vs. -0.6% YoY in September), 1.7% MoM and 6.7% YTD.

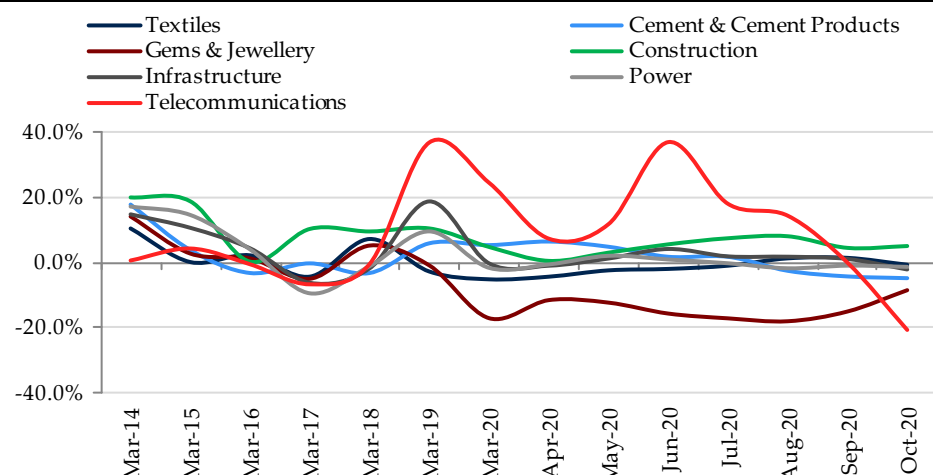
On a YoY basis, growth in credit to medium industries continued to accelerate, reaching 16.7% (vs. 14.5% in September). On a MoM basis, however, growth slowed from a peak of 11.9% in September to 2.4% in October. We reiterate that this growth is likely to have been spurred by disbursements under the MSME credit guarantee scheme.

Within industrial credit, credit for:

- Textiles, which forms 6.8% of overall industrial credit, de-grew 1.1/1.6% YoY/MoM.
- Certain sectors such as sugar (-29.1% YoY), gems and jewelry (-8.6%), all engineering products (-17.7%) led by electronics (-24%) and basic metal products-3.8%), led by iron and steel (-7.8%) saw persistent de-growth. Together, these constitute ~18.4% of industrial credit.
- Petroleum, coal products and nuclear fuels, which constitutes 2.2% of industrial credit, saw an uptick in growth to 16.6% YoY. MoM credit growth to the sector slowed from 10.4% in September to 1.1% in October.
- Chemicals and chemical products, which constitutes 6.3% of industrial credit saw negative YoY growth for the third consecutive quarter (-2.6% YoY).
- Infrastructure, which constitutes 36.5% of industrial credit, de-grew 2% YoY, 1.6% MoM and 5.2% YTD. Within this segment, credit to the power sector, which accounts for 55.3% of infrastructure credit, de-grew 1.3% YoY and YTD. After rapid growth between February 2019 and June 2020, credit to the telecom segment de-grew 20.8% YoY, 12.1% MoM and 29.8% YTD.

Industrial credit growth trends

Source: RBI and HSIE Research

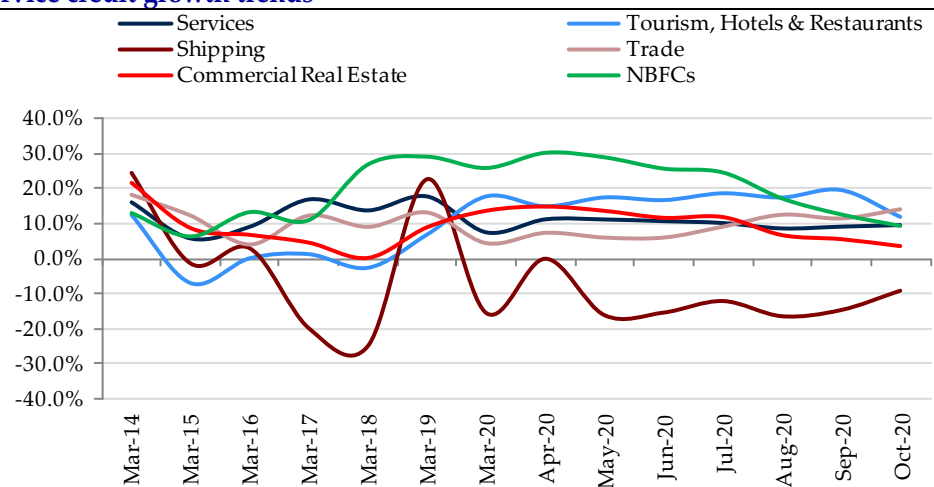
Growth in credit to select industries

Source: RBI and HSIE Research

Growth in credit to the **service sector**, accelerated slightly from 9.1% in September to 9.5% in October.

- Overall trade credit growth was a major driver of this trend, and it reached 14% YoY in October, from 11.5% in September. Within trade credit, wholesale trade credit growth accelerated from 21.2% YoY in September to 22.6% in October. MoM growth was just 1.7%. Similarly, YoY growth in retail trade credit accelerated to 7.5%, from 4.2% in September, while MoM growth was just 1.6%.
- Growth in credit to NBFCs continued to slow, reaching 9.2% YoY, the slowest rate of growth in ~3 years. MoM growth came in at -3%.
- The CRE segment too saw credit growth slow to just 3.5% YoY, from a peak of 18.1% in September 2019 and MoM growth came in at -0.9%.

Service credit growth trends

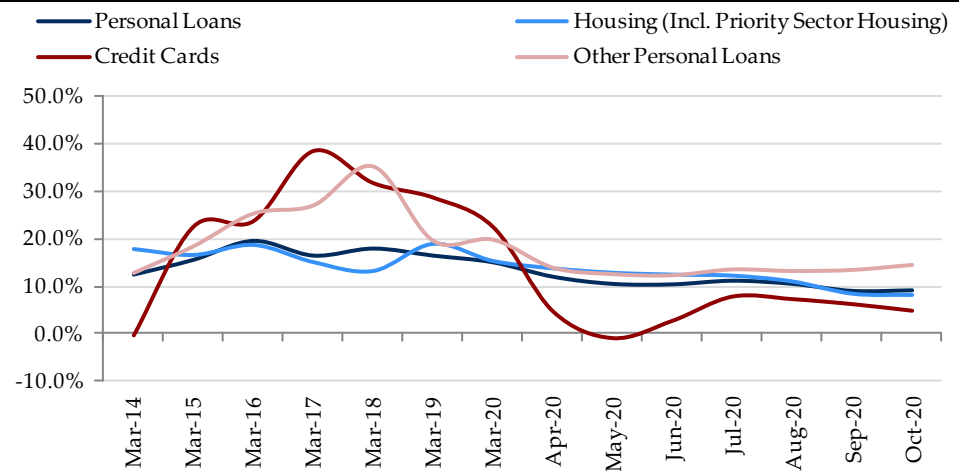


Source: RBI and HSIE Research

Growth in **personal loans**, which has arguably been the most severely impacted by COVID-19, remained sluggish, coming in at 9.3% in October, vs. 9.2% in September. Over FY19-20, this segment registered an average annual credit growth of ~16.8%. Within this segment:

- YoY growth in credit card debt has consistently trended downwards, from 7.9% in July to 4.9% in October and MoM growth came in at 4.3%.
- Home loan credit growth slowed further, reaching 8.2% YoY.
- Vehicle loan growth moderated slightly to 8.4% YoY, after accelerating between May and September

Personal loan growth



Source: RBI and HSIE Research

Sectoral deployment of bank credit at a glance

Rs bn	Oct-19	Mar-20	Sept-20	Oct-20	YoY (%)	MoM (%)	YTD (%)	% of Total
Non-Food Credit	86,636	92,115	91,173	91,466	5.6	0.3	-0.7	99.3
Agriculture & Allied Activities	11,347	11,578	11,945	12,187	7.4	2.0	5.3	13.2
Industry	27,868	29,052	27,749	27,398	-1.7	-1.3	-5.7	29.7
Micro & Small	3,590	3,818	3,608	3,616	0.7	0.2	-5.3	3.9
Medium	1,056	1,056	1,202	1,232	16.7	2.4	16.6	1.3
Large	23,222	24,177	22,938	22,551	-2.9	-1.7	-6.7	24.5
Services	23,524	25,949	25,763	25,766	9.5	0.0	-0.7	28.0
Transport Operators	1,391	1,445	1,476	1,482	6.5	0.4	2.6	1.6
Computer Software	191	201	198	194	1.6	-2.3	-3.4	0.2
Tourism, Hotels & Restaurants	434	460	484	486	12.0	0.4	5.7	0.5
Shipping	59	66	51	54	-9.0	5.2	-18.2	0.1
Professional Services	1,698	1,771	1,755	1,782	5.0	1.6	0.6	1.9
Trade	5,050	5,524	5,663	5,759	14.0	1.7	4.3	6.3
Wholesale Trade	2,187	2,634	2,635	2,681	22.6	1.7	1.8	2.9
Retail Trade	2,863	2,890	3,028	3,078	7.5	1.6	6.5	3.3
Commercial Real Estate	2,203	2,298	2,300	2,280	3.5	-0.9	-0.8	2.5
NBFCs	7,133	8,074	8,026	7,787	9.2	-3.0	-3.5	8.5
Other Services	5,365	6,113	5,810	5,943	10.8	2.3	-2.8	6.5
Personal Loans	23,897	25,537	25,717	26,115	9.3	1.5	2.3	28.3
Consumer Durables	56	93	67	69	23.8	3.3	-26.0	0.1
Housing (incl. PSL)	12,687	13,390	13,598	13,733	8.2	1.0	2.6	14.9
Advances against FD	629	795	632	615	-2.3	-2.7	-22.7	0.7
Advances to individuals against securities	51	53	63	63	24.5	-0.5	18.0	0.1
Credit Cards	1,050	1,081	1,056	1,102	4.9	4.3	2.0	1.2
Education	672	657	651	654	-2.7	0.4	-0.5	0.7
Vehicle Loans	2,067	2,206	2,214	2,240	8.4	1.2	1.5	2.4
Other Personal Loans	6,685	7,261	7,436	7,639	14.3	2.7	5.2	8.3
Food Credit	696	516	662	664	-4.5	0.3	28.8	0.7
Total Gross Bank Credit	87,331	92,631	91,835	92,131	5.5	0.3	-0.5	100.0

Source: RBI and HSIE Research

Industry credit at a glance

Rs bn	Oct-19	Mar-20	Sept-20	Oct-20	YoY (%)	MoM (%)	YTD (%)	% of Total	% of Total Industry
Mining & Quarrying	412	439	414	429	4.3	3.8	-2.2	0.5	1.6
Food Processing	1,397	1,541	1,484	1,442	3.2	-2.9	-6.5	1.6	5.3
Sugar	259	274	208	184	-29.1	-11.6	-32.9	0.2	0.7
Edible Oils & Vanaspati	177	192	184	180	1.6	-2.5	-6.7	0.2	0.7
Tea	55	54	56	59	6.4	4.7	8.9	0.1	0.2
Others	906	1,021	1,037	1,020	12.6	-1.6	-0.2	1.1	3.7
Beverage & Tobacco	147	165	150	148	0.8	-0.9	-10.2	0.2	0.5
Textiles	1,877	1,924	1,889	1,859	-1.0	-1.6	-3.4	2.0	6.8
Cotton Textiles	840	893	849	843	0.3	-0.7	-5.6	0.9	3.1
Jute Textiles	22	21	24	23	4.9	-4.2	9.5	0.0	0.1
Man-Made Textiles	258	261	270	266	3.4	-1.4	2.1	0.3	1.0
Other Textiles	757	750	746	726	-4.1	-2.6	-3.1	0.8	2.7
Leather & Leather Products	111	111	119	114	2.9	-4.1	2.4	0.1	0.4
Wood & Wood Products	120	122	130	128	6.6	-1.9	4.5	0.1	0.5
Paper & Paper Products	305	310	331	332	8.7	0.1	7.1	0.4	1.2
Petroleum , Coal Products & Nuclear Fuels	525	758	605	612	16.6	1.1	-19.3	0.7	2.2
Chemicals & Chemicals Products	1,761	2,029	1,752	1,715	-2.6	-2.1	-15.5	1.9	6.3
Fertilisers	341	491	342	366	7.3	7.0	-25.5	0.4	1.3
Drugs & Pharmaceuticals	489	534	501	485	-0.8	-3.3	-9.3	0.5	1.8
Petro Chemicals	397	422	359	352	-11.5	-1.9	-16.7	0.4	1.3
Others	534	582	550	513	-4.0	-6.9	-11.9	0.6	1.9
Rubber, Plastic & their Products	469	504	492	476	1.4	-3.3	-5.6	0.5	1.7
Glass & Glassware	87	88	90	87	0.7	-2.7	-0.3	0.1	0.3
Cement & Cement Products	606	587	583	578	-4.6	-0.9	-1.5	0.6	2.1
Basic Metal & Metal Product	3,511	3,503	3,430	3,377	-3.8	-1.5	-3.6	3.7	12.3
Iron & Steel	2,683	2,624	2,527	2,474	-7.8	-2.1	-5.7	2.7	9.0
Other Metal & Metal Product	829	879	904	903	8.9	-0.1	2.7	1.0	3.3
All Engineering	1,669	1,573	1,402	1,374	-17.7	-2.1	-12.7	1.5	5.0
Electronics	357	302	277	271	-24.0	-2.0	-10.0	0.3	1.0
Others	1,312	1,271	1,125	1,102	-16.0	-2.1	-13.3	1.2	4.0
Vehicles, Vehicle Parts & Transport Equipment	826	826	901	884	7.1	-1.9	7.0	1.0	3.2
Gems & Jewelry	628	595	556	574	-8.6	3.2	-3.6	0.6	2.1
Construction	994	1,043	1,046	1,044	5.1	-0.1	0.2	1.1	3.8
Infrastructure	10,198	10,539	10,152	9,991	-2.0	-1.6	-5.2	10.8	36.5
Power	5,600	5,598	5,519	5,526	-1.3	0.1	-1.3	6.0	20.2
Telecommunications	1,275	1,438	1,148	1,010	-20.8	-12.1	-29.8	1.1	3.7
Roads	1,854	1,907	1,983	1,974	6.4	-0.5	3.5	2.1	7.2
Other Infrastructure	1,469	1,597	1,502	1,482	0.9	-1.3	-7.2	1.6	5.4
Other Industries	2,226	2,393	2,221	2,235	0.4	0.6	-6.6	2.4	8.2
Total Industry	27,868	29,052	27,749	27,398	-1.7	-1.3	-5.7	29.7	100.0

Source: RBI and HSIE Research

Disclosure:

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com