Non-food credit growth improved for third straight month in February

April 4, 2024

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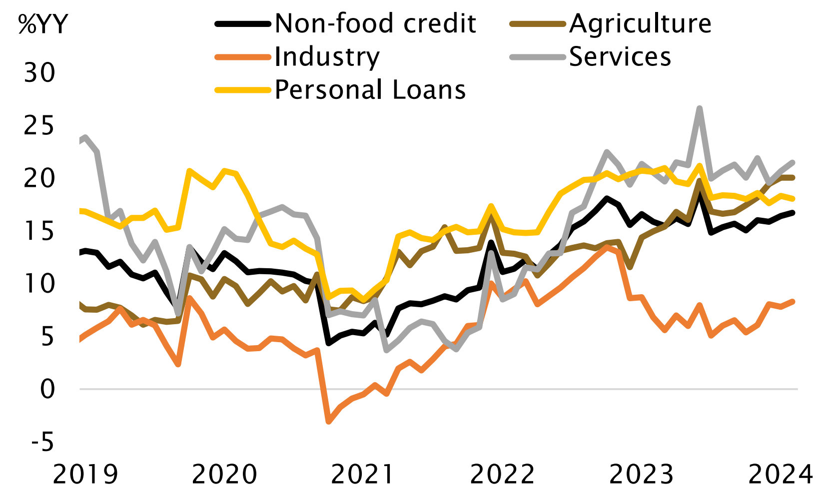
Non-food credit growth improved for third straight month in Feb

- Non-food credit growth (including credit to agriculture, industry, services, personal loans, and excluding impact of the merger of a non-bank with a bank) growth improved to 16.7%YY in February from 16.4% in January. Growth was higher than 15.9% registered in February 2023.

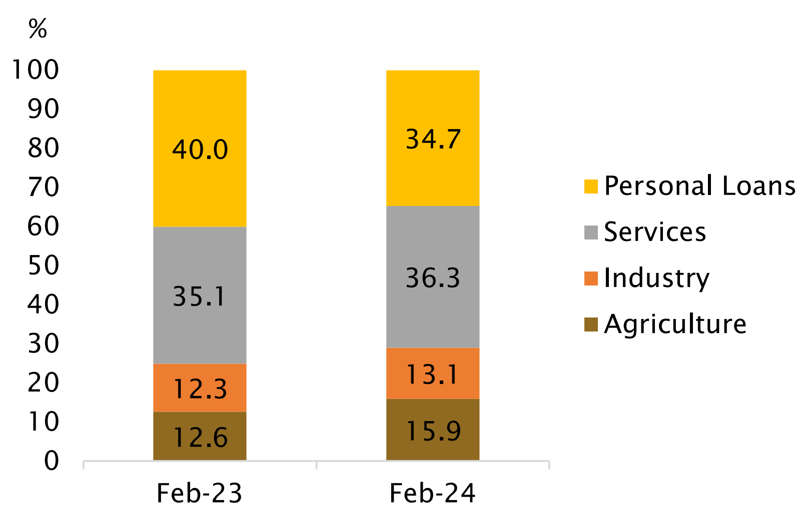
- Though the share of personal loans in non-food credit remained the highest at around 32%, its share in incremental credit (Feb-23 vs Feb-24) eased, with a larger portion going towards the services sector.

- Industry continued to attract around one-fourth of total credit during the month, though its share in incremental credit was lower than that of agriculture.

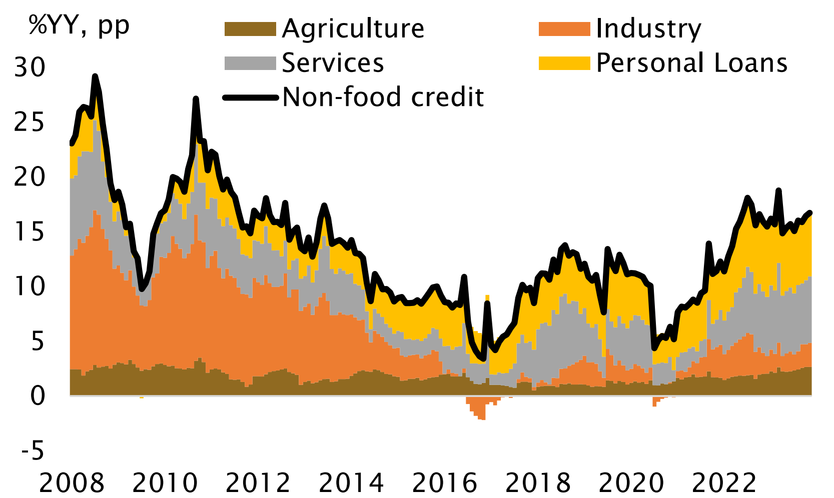
Non-food credit growth



Share in incremental non-food credit growth



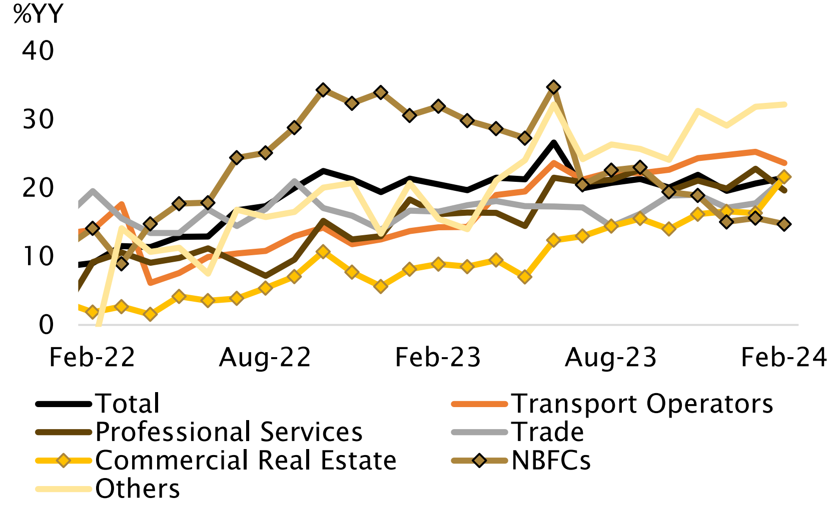
Contribution to non-food credit growth



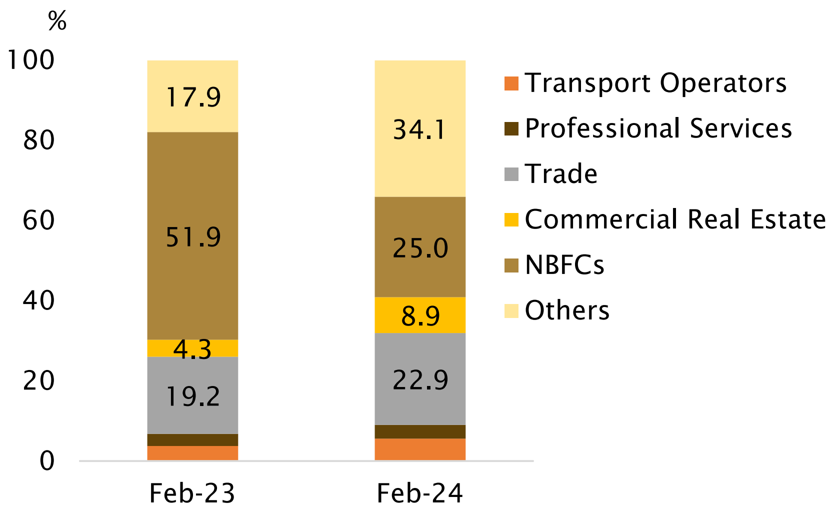
Credit growth towards services driven by trade and real estate

- Non-food credit growth towards services (excluding impact of the merger of a non-bank with a bank on commercial real estate and other services) was at 21.5%YY in February, up from 20.7% in January and higher than 20.5% in February 2023.
- Credit growth improvement towards the services sector during the month was driven by trade and commercial real estate sectors.
- Though the share of NBFCs in overall non-food credit remained high at around 34%, share in incremental credit (Feb-23 vs Feb-24) almost halved.

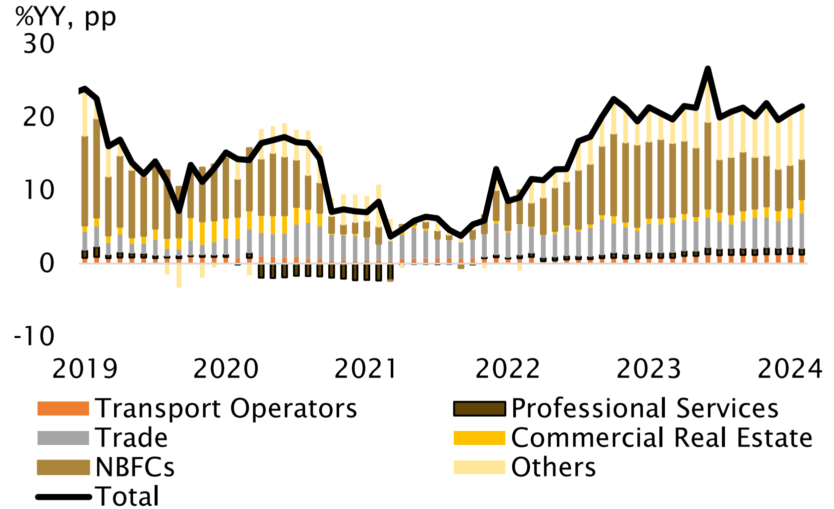
Non-food credit growth: services



Share in incremental non-food credit growth: services



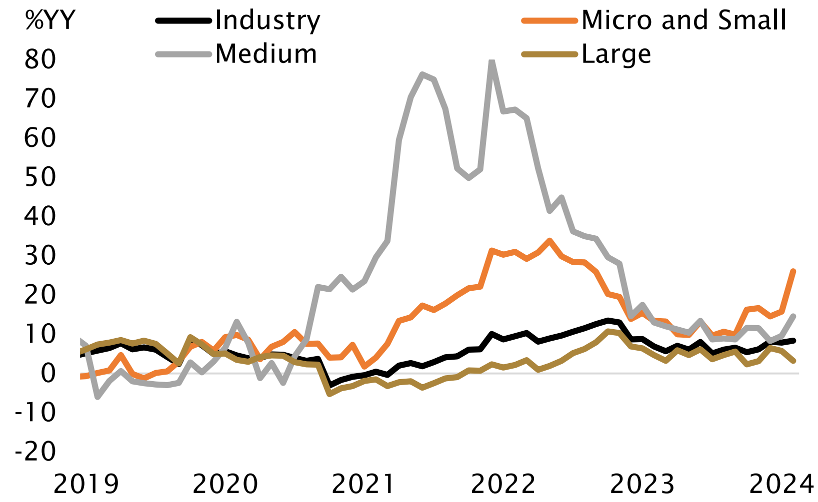
Contribution to non-food credit growth: services



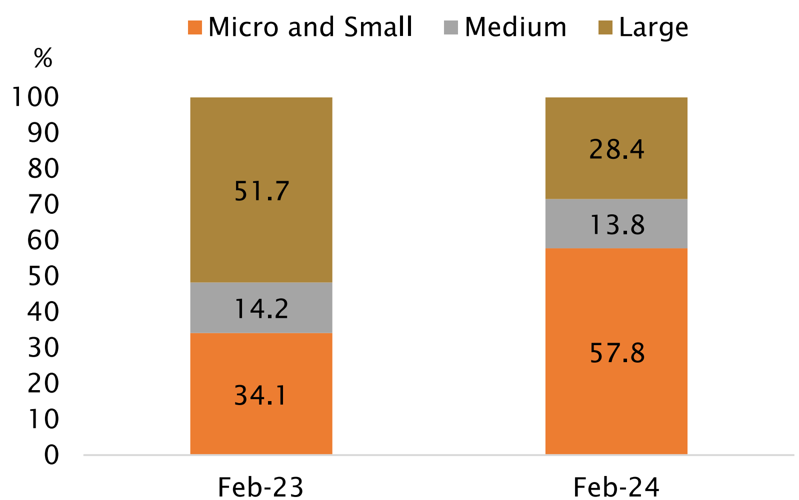
Larger share of incremental industrial credit towards MSME sector

- Non-food credit growth towards industry improved to 8.3%YY in February from 7.8% in January and 6.8% in February 2023.
- Including the impact of the merger, credit growth towards industry improved to 8.8%YY in February from 8.3% in January.
- Using proportion in latest data to calculate detailed industry-wise break-up post merger suggests larger share of the incremental credit towards micro and small industries, a reversal from the trend in the corresponding month a year ago, when more than half the portion of incremental credit went towards large industries.

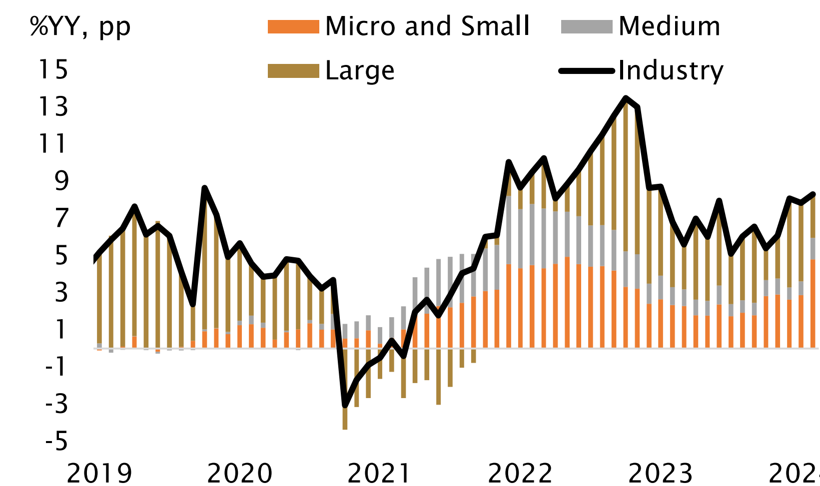
Non-food credit growth: industry



Share in incremental non-food credit growth: industry



Contribution to non-food credit growth: industry



Infrastructure continued to attract the most industrial credit

- Non-food credit growth towards industry at 8.8%YY in February was the highest since December 2022.

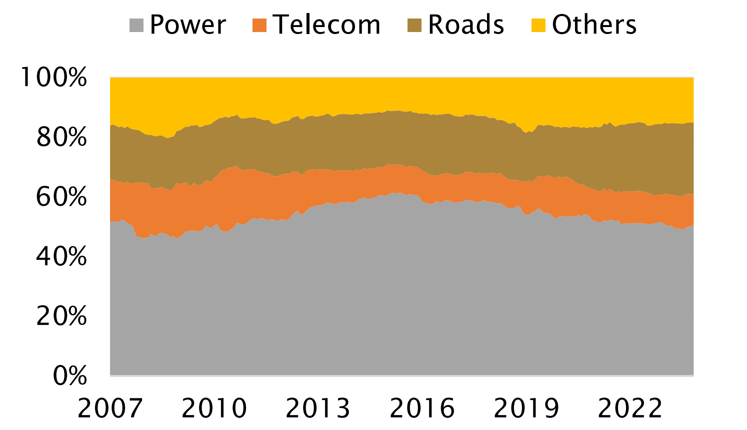
- Infrastructure continued to attract the most share in overall and also incremental credit. Within infrastructure, major portion of credit continued to flow to the power sector.

- Other major industries such as metals and chemicals also clocked in double-digit credit growth during the month.

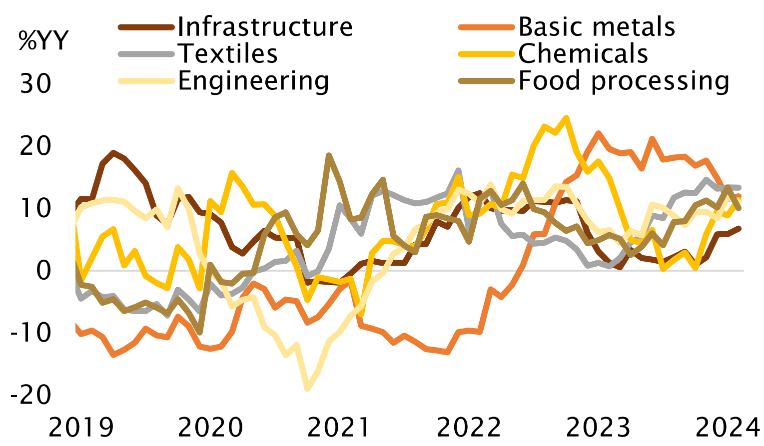
Industry-wise deployment of bank credit

	Share (%)		%YY		Share in incremental credit (%)	
	Feb-23	Feb-24	Feb-23	Feb-24	Feb-23	Feb-24
Infrastructure	35.6	34.9	1.3	6.8	6.9	27.3
Basic metals	10.3	10.6	19.6	11.9	26.3	13.9
Others	7.4	7.9	-0.8	16.1	-0.9	13.4
Textiles	6.8	7.1	0.7	13.3	0.8	10.3
Chemicals	6.6	6.7	14.9	11.4	13.3	8.5
Engineering	5.4	5.5	6.5	11.0	5.1	6.7
Food processing	5.4	5.4	5.7	10.0	4.5	6.1
Petroleum, coal, etc.	4.3	3.7	48.4	-6.3	22.2	-3.1
Construction	3.7	3.7	2.4	10.0	1.3	4.2
Vehicles and parts	3.1	3.1	9.8	7.4	4.3	2.6
Rubber, plastic	2.5	2.5	9.9	9.4	3.5	2.6
Gems and jewellery	2.3	2.3	-3.2	6.4	-1.2	1.7
Cement and products	1.7	1.7	14.3	8.6	3.3	1.6
Mining and quarrying	1.8	1.5	20.8	-6.5	4.8	-1.3
Paper and products	1.3	1.3	5.0	5.7	1.0	0.9
Beverage, tobacco	0.7	0.8	24.0	31.2	2.0	2.4
Wood and products	0.6	0.6	20.0	15.5	1.6	1.1
Leather and products	0.4	0.3	1.4	5.5	0.1	0.2
Glass and glassware	0.3	0.3	34.1	24.2	1.1	0.8

Share in bank credit towards infrastructure



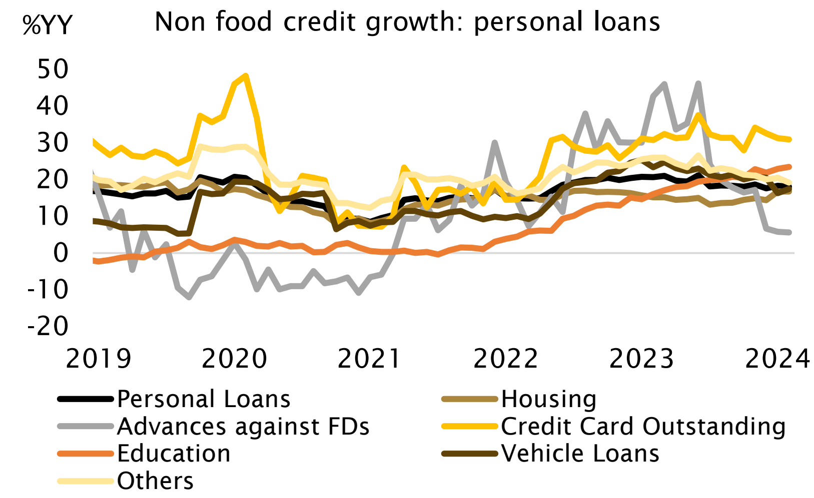
Growth in deployment of bank credit - key industries



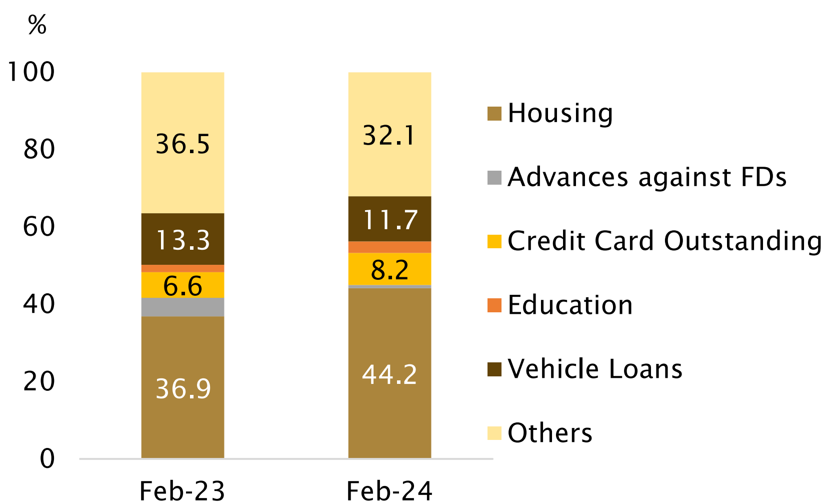
Larger share of incremental personal loans towards housing

- Growth in personal loans (excluding the impact of merger of bank with non-bank) moderated to 18.1%YY in February from 18.4% in January and 20.6% in February 2023.
- Major chunk of personal loans continued to flow towards housing (47%), followed by vehicle loans (12%). The share of housing in incremental credit at around 44% was the highest since April 2022.
- Credit card outstanding continued to post the strongest year-on-year growth at over 30%, followed by education at over 20%. However, though the share of education loans has eased to 2.4% from 7.1% in November 2011, share of credit card loans has increased from 2.3% in April 2011 to over 5%.

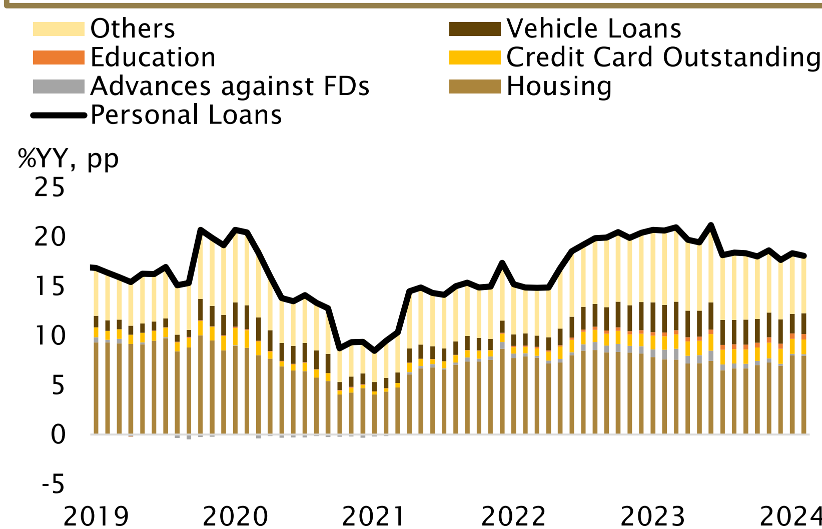
Non-food credit growth: personal loans



Share in incremental non-food credit growth: personal loans



Contribution to non-food credit growth: personal loans



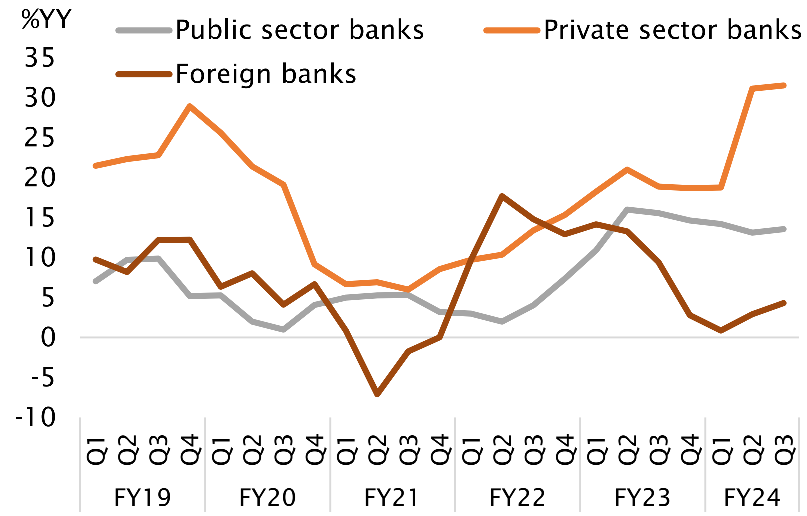
Credit growth stayed above deposits; incremental ratio improved

- As on March 8, 2024, scheduled commercial banks' (SCBs') credit growth stood at 16.5% (15.7% a year ago). By bank group type, private sector banks showed the strongest growth in Q3-FY24, reflecting the impact of merger of a non-bank with a bank.

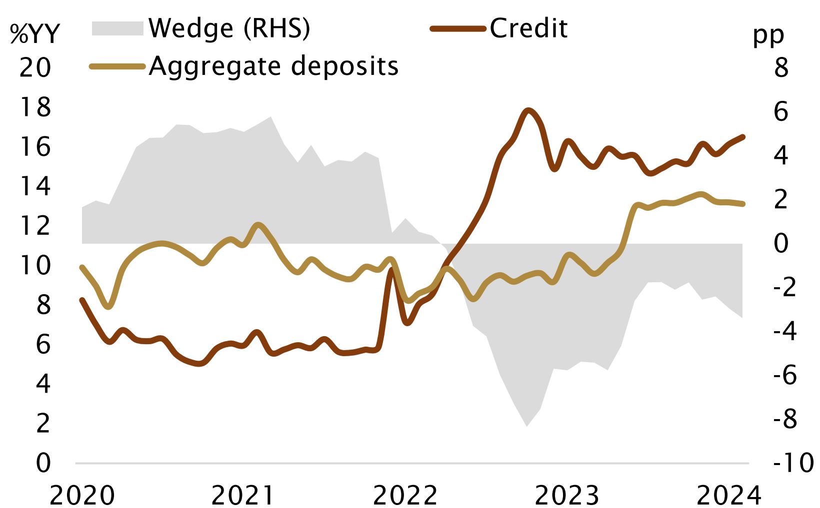
- Aggregate deposits with banks increased by 13.7% as on March 8 (8.8% a year ago). SCBs' deposit growth (excluding the impact of the merger) remained in double digits in March 2024.

- Though deposit growth continued to lag credit growth, incremental credit-deposit ratio continued to improve (around 95% as of end-February), indicating deposits being able to fund more of credit demand.

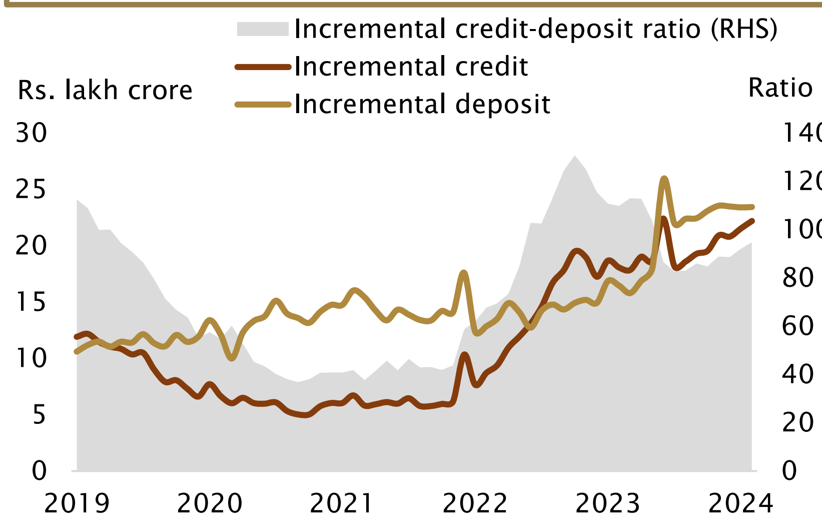
Bank group-wise credit growth



Credit growth continued to exceed deposits growth in March



Incremental credit-deposit ratio around 95% in end-Feb



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1101, Naman Centre, Bandra Kurla Complex, Bandra (E), Mumbai -400 051, Maharashtra.

Ph: +91 22 4084 5000 • Fax: +91 22 4084 5052 • www.trustgroup.co.in