

Sectoral Deployment of Gross Bank Credit May -2012

FY13 credit growth not very encouraging

Gross Bank Credit on annual basis was recorded at 17% as per the May data. With no signs of Monetary easing measures from the Regulator, the credit growth has remained subdued for most part of FY12 and continues to remain sluggish in the first quarter of the new financial year too. Except the last quarter of FY12 wherein the banks were busy shoring up their balance sheets and meeting up with the year end targets, the credit growth has been hovering around 16% levels over past 10 fortnights. However, we expect monetary policy measures to be witnessed in the second half of the current financial year, particularly when the busy season sets in and the Govt borrowing programme comes into effect. But at systemic levels both credit and deposit growth is expected to remain weak for H1FY13 and may observe uptick in second half. RBI has projected loan growth at 17% in 2012-13 while the growth in deposits is projected at 16%. That said, gloomy investment climate and the lingering high inflation levels could prove as a dampener to the systemic credit growth.

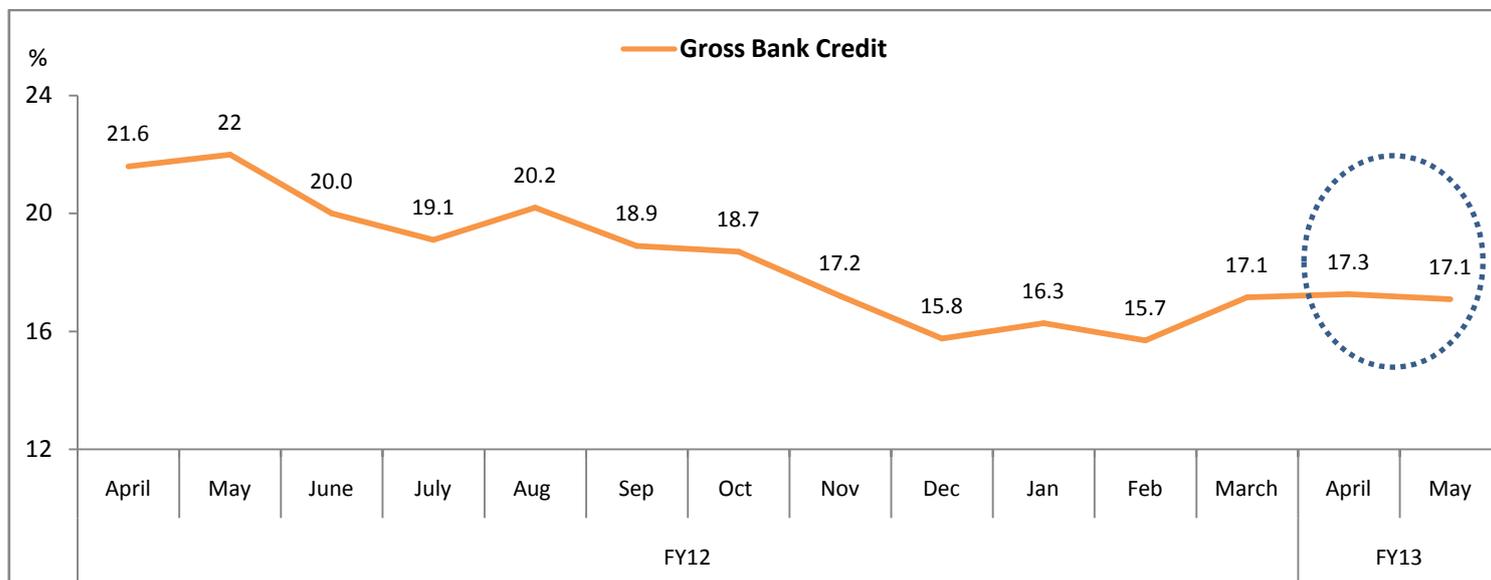
- The growth in food credit continues to remain robust unlike non-food credit growth.
- The industrial credit growth that forms major component of non-food credit reported 19% growth YoY but witnessed marginal dip on MoM basis due to slowdown in industrial activity and weak demand.
- While the credit growth in agri and services segment remained flat, the loan growth in personal loans inched upwards on MoM basis as majority of the banks in the system are shifting focus to the high yielding retail loan portfolio.

Table 1: Deployment of Gross Bank Credit (Summarized) as on May 20, 2012

| Sector | Rs. crore | YoY % | YTD % | % of Total |
|---|-----------|-------|-------|------------|
| Gross Bank Credit (II + III) | 4,390,767 | 17.1 | 0.4 | 100.0 |
| I. Food Credit | 100,557 | 51.6 | 23.2 | 2.3 |
| II. Non-food Credit (1 to 4) | 4,290,210 | 16.5 | 0.0 | 97.7 |
| 1.Agriculture & Allied Activities | 516,731 | 14.6 | -1.1 | 12.0 |
| 2.Industry (Micro & Small, Medium and Large) | 1,968,710 | 18.8 | 0.1 | 45.9 |
| Micro & Small | 259,709 | 11.3 | 0.2 | 13.2 |
| Medium | 203,313 | 8.1 | -1.1 | 10.3 |
| Large | 1,505,688 | 21.8 | 0.3 | 76.5 |
| 3.Services | 1,020,661 | 15.7 | -1.2 | 23.8 |
| 4.Personal Loans | 784,107 | 13.1 | 2.1 | 18.3 |

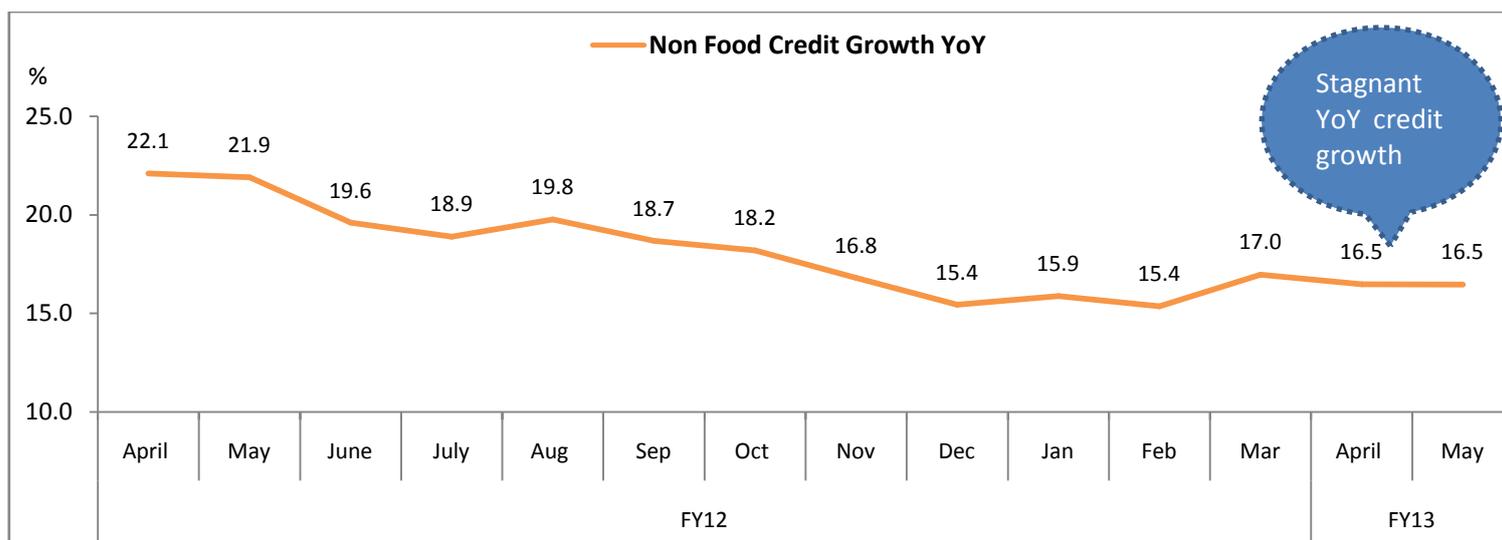
Source: - RBI, Arihant Research

Chart 1: Systemic Gross bank credit growth (YoY)



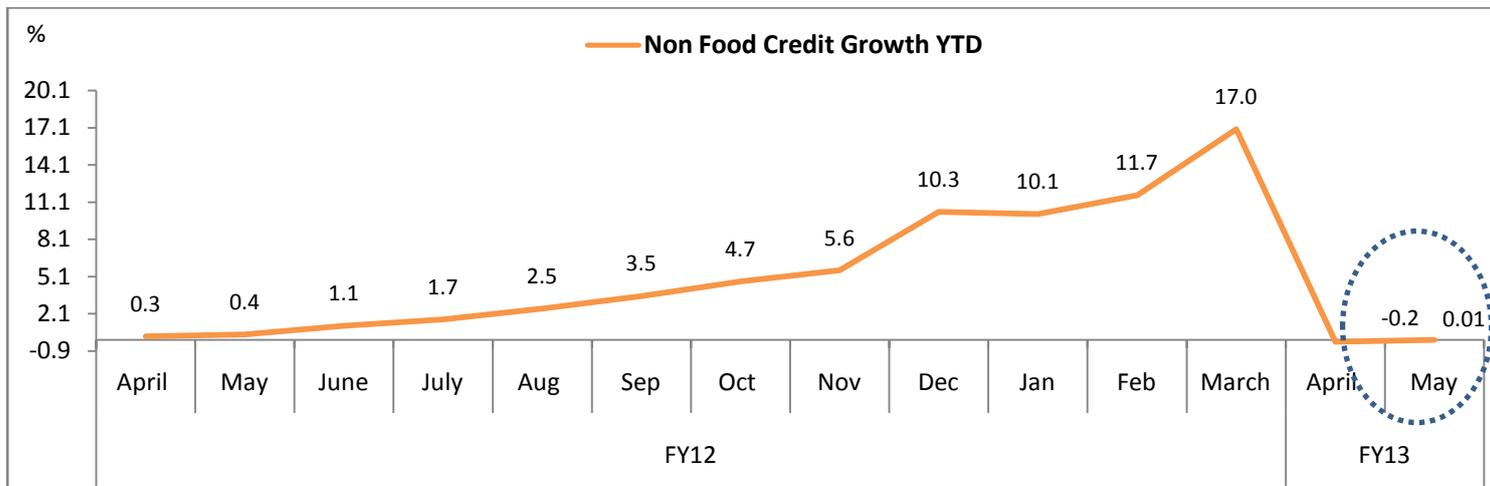
Source: - RBI, Arihant Research

Chart 2: Non food credit growth (YoY)



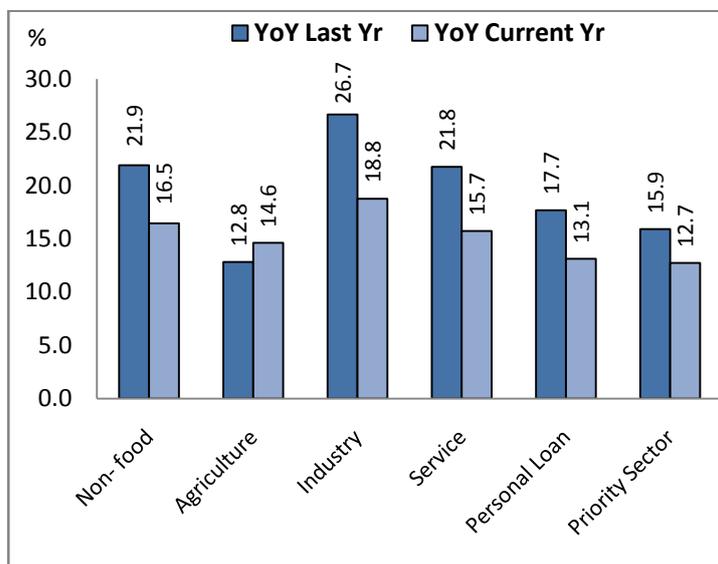
Source: - RBI, Arihant Research

Chart 3: Non food credit growth (YTD)



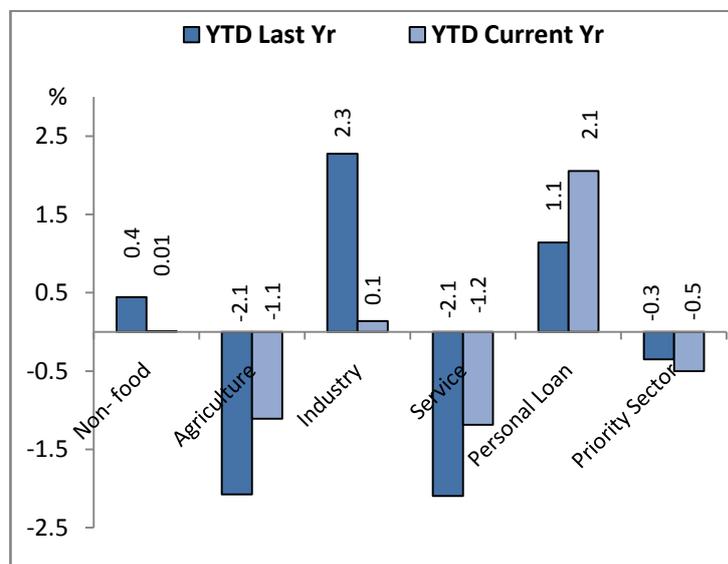
Source: - RBI, Arianth Research

Chart 4: Growth of Overall Non- Food credit and its components (YoY)



Source: - RBI, Arianth Research

Chart 5: Growth of Overall Non- Food credit and its components (YTD)

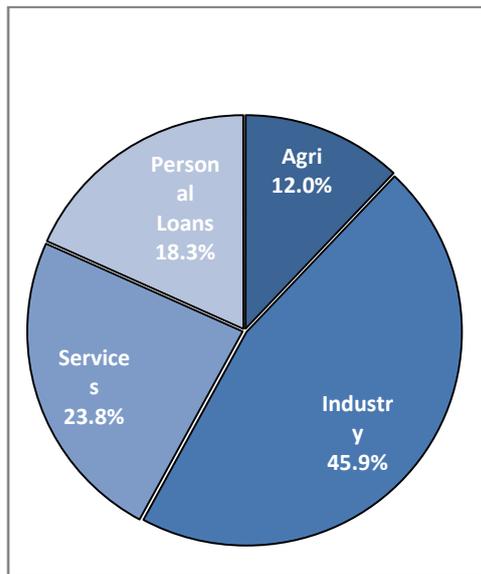


Source: - RBI, Arianth Research

Non-food Credit growth

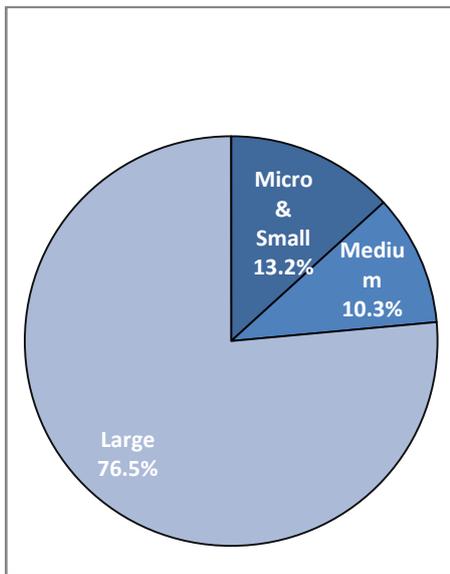
- The YTD non-food credit growth for FY13 witnessed downward movement vis-à-vis the YTD growth in the same period previous year.
- On YoY basis, agri segment reported increased credit off-take; whereas other segments registered lower growth in comparison to year before.
- On YTD basis, most of the segments reported moderation in credit off-take. While Industry recorded slower growth, the personal loans or the retail segment picked up quite well.

Chart 6: Non-food credit



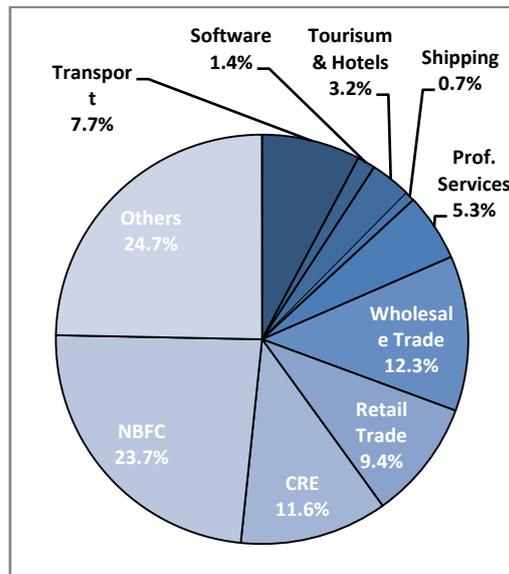
Source: - RBI, Arianant Research

Chart 7: Industry Break -up



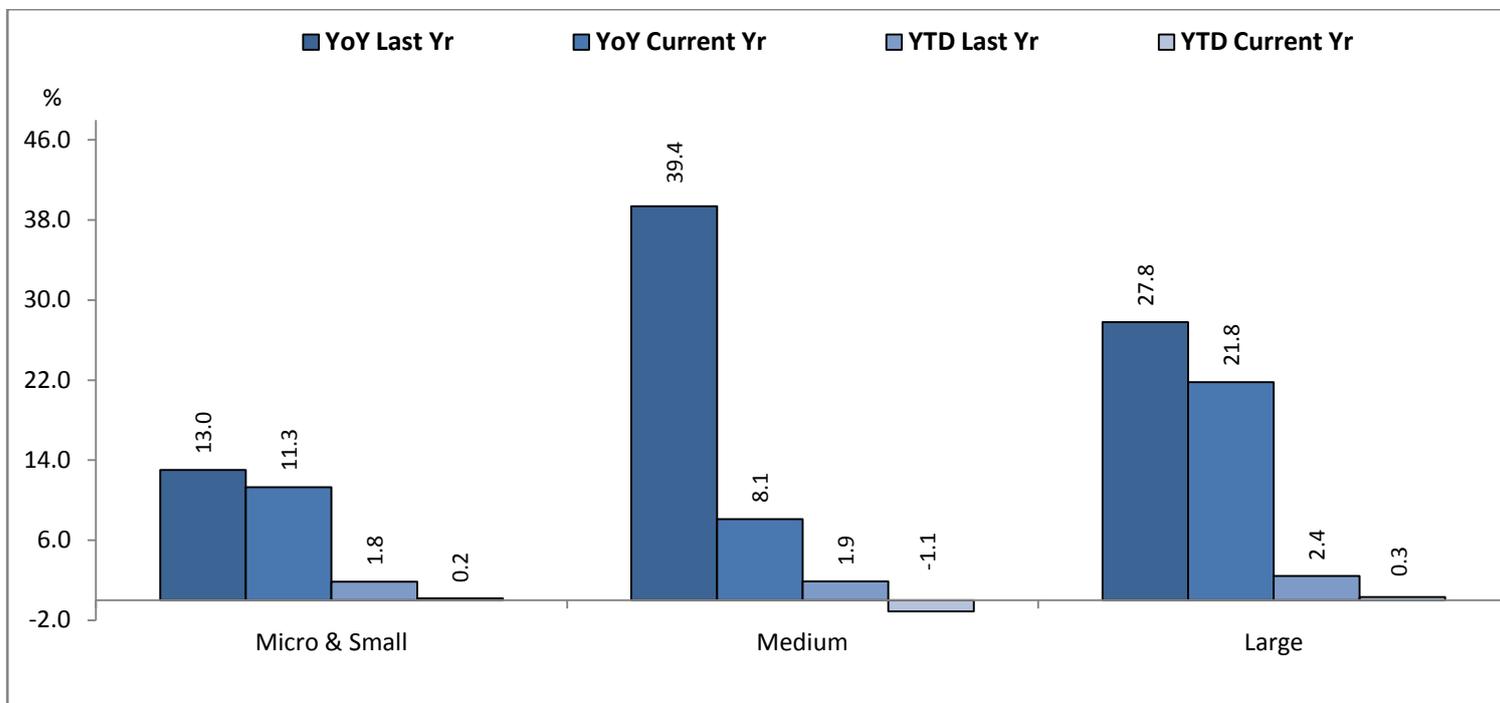
Source: - RBI, Arianant Research

Chart 8: Services Break -up



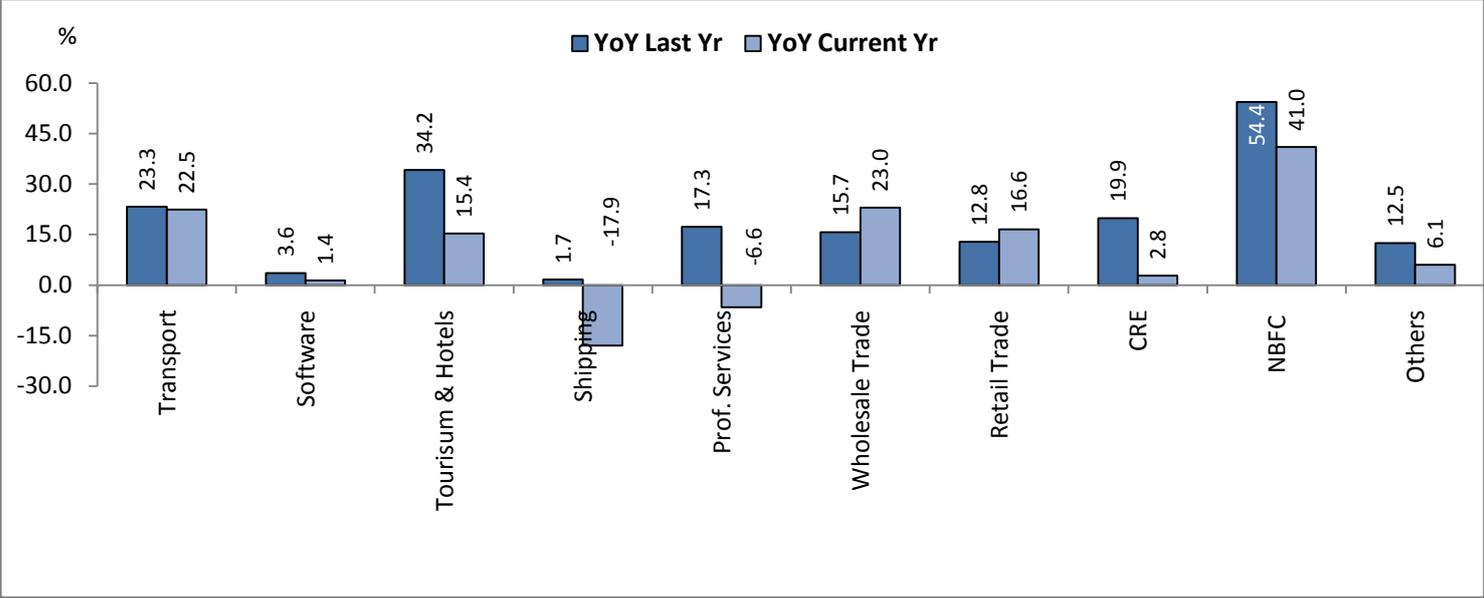
Source: - RBI, Arianant Research

Chart 9: Breakup of Industrial credit growth



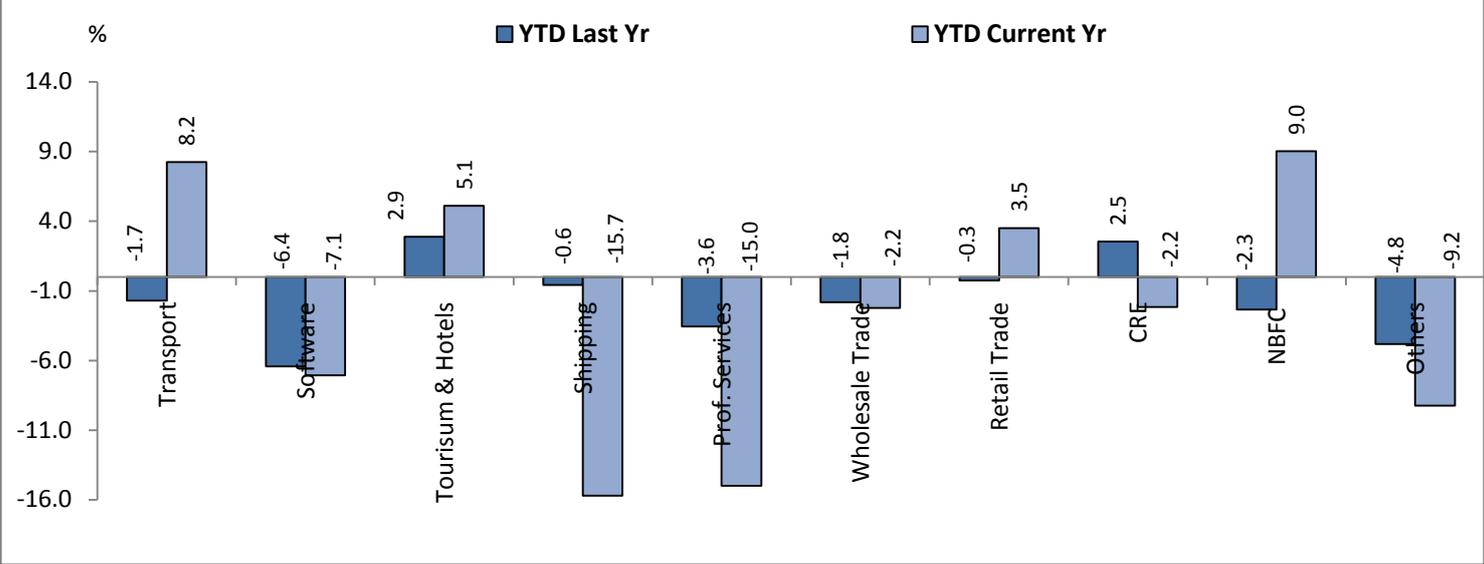
Source: - RBI, Arianant Research

Chart 10: Services Sector credit growth components (YoY)



Source: - RBI, Arihant Research

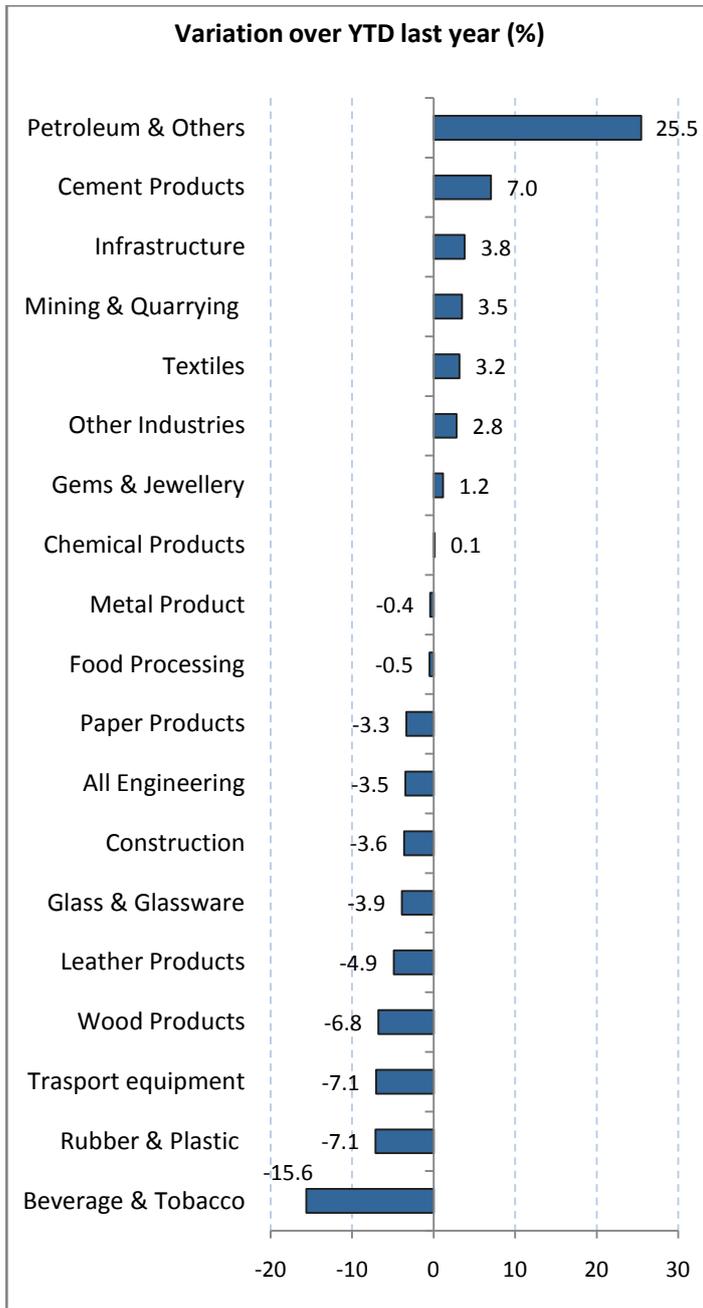
Chart 11: Breakup of Services sector credit growth (YTD)



Source: - RBI, Arihant Research

- Barring the trade segments i.e. both wholesale and retail, all other components of the Services sector observed miserable credit growth on YoY basis.
- On YTD basis, the NBFCs, the transport segment and retail trade segment recorded healthy credit off-take; while rest of the segments witnessed sharp fall in credit growth.
- The overall weak sentiments, poor investment climate and weak demand kept the credit off-take low for most of the sectors.

Chart 12: Industry-wise variation of Gross bank credit (YoY)



Top five industries -

Infra captures 31.7% of total industry credit of which power accounts for 16.6%. Next in line is Basic metal product at 13.3% of which iron and steel accounts for 9.8%. Textiles contribute 7.9% to total industry credit, Engineering 6.0%, and Chemicals & chemical products 5.6%.

Industries with substantial weight and higher variation in YTD growth current year vs. previous year



Source: - RBI, Arihant Research

Note: Sectoral deployment of credit is collected by RBI on a monthly basis from select 47 SCB's accounting for about 95% of the total non-food credit deployed by all SCB's for the month.

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