

Bank Credit Deployment Update: Retail Consistently Leads the Show. Large Industry shows some signs of life

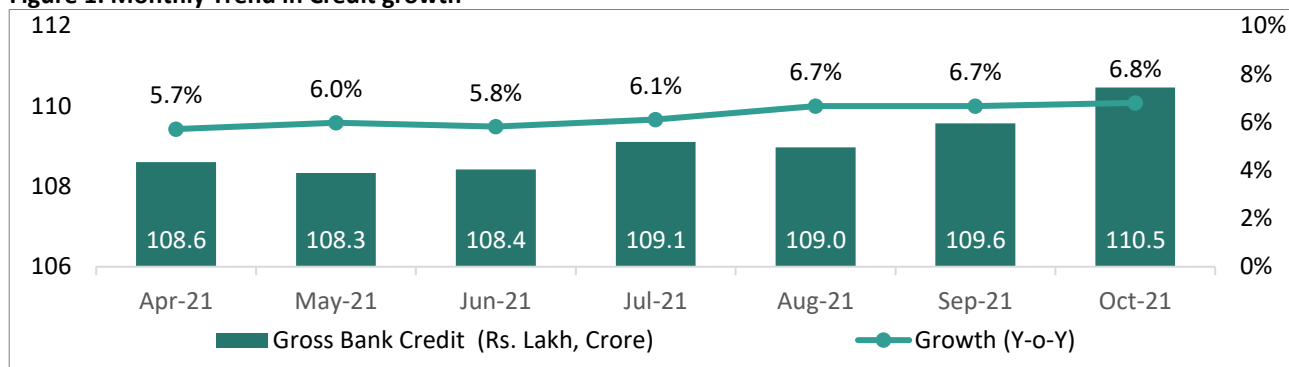
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Note: Gross bank credit and non-food credit data based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data based on sector-wise and industry-wise bank credit (SIBC) return, which covers banks accounting for approximately 90% of non-food credit extended by SCBs for October 2021

Overview

The non-food credit growth accelerated to 6.9% Year-on-Year (y-o-y) in October 2021 as against a rise of 5.2% growth in October 2020, expanding by 176 basis points (bps) y-o-y and 16 bps Month-on-Month (m-o-m) from 6.8% in September 2021 due to a pick up in the economic activities (Q2FY22 GDP growth stood at 8.4% from -7.4% in Q2FY21) post the gradual lifting of the lockdown and ongoing festive season. The growth was driven by the retail, agriculture & allied and industry segments, with services reporting sluggish growth. Credit outstanding of the retail segment rose by 11.7% due to growth in housing loan and vehicle loan driven by the festive season and low interest rates, while loan against gold jewellery also drove the retail growth. Agriculture & allied segment rose by 10.2% in October 2021 due to a better monsoon.

Figure 1: Monthly Trend in Credit growth



Source: RBI

Incremental growth remained positive at 0.8% in October 2021, up from -0.5% in October 2020 and 0.1% in September 2021. Within the non-food credit, growth of the Agri & allied and retail segments stood at 5.7% and 3.9%, respectively in October 2021, while service and Industry contracted by 1.6% and 1.4%, respectively.

Figure 2: Sectoral Distribution of Credit: October 2021

Particulars	Outstanding credit As on October 22, 2021 (Rs Lakh Crore)	% Growth in credit		% Growth in incremental credit	
		October 2020 over October 2019	October 2021 over October 2020	October 2020 over March 2020	October 2021 over March 2021
Gross Bank Credit	110.5	5.1%	6.8%	-0.3%	0.9%
Food Credit	0.6	-4.5%	-4.4%	28.8%	4.0%
Non-food Credit	109.8	5.2%	6.9%	-0.5%	0.8%
Agriculture & Allied Activities	13.4	7.2%	10.2%	5.0%	5.7%
Industry (Micro & Small, Medium and Large)	28.8	-0.7%	4.1%	-4.9%	-1.4%
<i>Of which</i>					
Micro, Small & Medium	5.8	5.1%	21.1%	1.6%	12.4%
Large	22.7	-1.8%	0.5%	-6.1%	-4.4%
Services	26.0	8.6%	2.9%	-1.8%	-1.6%
<i>Of which</i>					
Trade	6.0	17.4%	7.1%	6.1%	0.9%
Commercial Real Estate	2.5	3.2%	-0.5%	-2.3%	-4.0%
Non-Banking Financial Companies (NBFCs)	8.8	7.0%	1.4%	-7.0%	-5.8%
Personal Loans	29.6	8.7%	11.7%	2.2%	3.9%
<i>Of which</i>					
Housing	14.9	8.1%	8.4%	2.5%	1.8%
Vehicle Loans	2.7	5.7%	8.4%	-0.1%	2.0%

Note: Gross bank credit and non-food credit data are based on Section - 42 return, which covers all SCBs, while sectoral non-food credit data are based on sector-wise and industry-wise bank credit (SIBC) return, which covers select banks accounting for about 90% of total non-food credit extended by all SCBs; October 2021 over October 2020 and October 2021 over Mar 2021, Source: RBI

Retail/Personal loans

The credit of the retail/personal loans segment (currently the largest segment with 30.3% share) grew at 11.7% y-o-y in October 2021 (continued strong performance after registering growth of 12.1% in September 2021) mainly on account of growth in other personal loans, housing, vehicles, and loans against gold jewellery (sub-segments) due to the festive seasons and upturn in the economic activity. Within the retail/personal loans segment, most of the sub-segments reported growth, while couple of reported de-growth during the reporting period.

- The housing loans (share of 50.3% within retail) grew at 8.4% in October 2021 as compared with a growth of 8.1% a year ago. As per media commentary, property registrations in Mumbai recorded a rise of 8.0% y-o-y in October 2021, also it recorded 10-year best property sale registrations of 8,576 units in the month on account of lower interest rate, higher discount rates and reduction in stamp duty rate. The housing loan (sub-segment of retail loan segment) was also driven by growth in the low-level interest rates and discount offered by real estate developers. Many banks before the festive seasons reduced the interest rate, banks like SBI reduced interest rate in September 2021, PNB has cut down its benchmark lending rate by 5 basis points to 6.50%.
- The other personal loans (share of 29.3% within retail) grew at 17.8% in October 2021 as compared with a growth of 12.0% a year ago. Apart from the private sectors banks, large public sector banks such as SBI and BoB have been also focusing on unsecured loan growth through their digital platforms.
- Vehicle Loans (share of 9.2% within retail) registered a growth of 8.4% in October 2021 as compared with a growth of 5.7% a year ago.
- Consumer durables (share of 0.4% within retail) continued performed with making a robust growth of 44.4% in October 2021 (40% in September 2021) as compared with a growth of 10.9% a year ago due to a strong buying in the festive seasons, credit card outstanding (share of around 4.2% within retail) grew at 11.9% in the reported period on the back of festive spends. As per media commentary, credit card spends have grown 34% quarter-on-quarter in the Q2FY22 and trends of October remain strong.
- The loan against gold jewellery (sub-segment, share of around 2.2% within retail) registered the highest growth of 48.9% as compared with a growth of 54.2% in October 2020. SBI gold loan portfolio registered a strong growth in the last one year wherein its gold loan portfolio grew by 91% y-o-y to Rs. 21,945 crores in September 2021.
- The advances to individuals against shares, bond, etc, and the education registered a drop of 22.8% and 3.1%, respectively, in the reporting period.

Incremental credit growth of the retail segment stood at 3.9% in October 2021. In absolute terms, credit outstanding has reached Rs.29.6 lakh crore in October 2021 from Rs.28.5 lakh crore in March 2021. Within the retail segment, consumer durables recorded a strong growth of 32.0% in October 2021 from a negative growth of 22.4% a year ago. The housing loan decelerated to 1.8% in October 2021 from 2.5% a year ago, while advances to Individuals against share, bonds, etc. decelerated to 4.3% in October 2021 from 16.9% a year ago, loan against gold and jewellery growth also decelerated to 7.6% in October 2021 from 31.3% from a year ago.

Services

Credit growth of the services sector decelerated to 2.9% y-o-y in October 2021 from 8.6% in the same period of the last year (however it was better than the 0.8% reported in September 2021) due to a decline in the NBFCs, the commercial real estate and the professional services (sub-segments). Within the services, credit growth of the shipping, aviation, and trade stood at 35.0%, 7.4%, 7.1%, respectively; the aviation industry has included in the ECLGS 4.0 in May 2021 which is driving the growth for the aviation industry. However, NBFCs (share of 33.0% within services) and commercial real estate (share of 9.9% within services) registered a drop of 7.0% and 2.3%, respectively in the reporting period, resulting in dragging to overall growth of the services segment. In general, credit growth of NBFCs has reduced due to the larger NBFCs' using the capital market route for borrowing due to the comparatively lower cost of funds, whereas banks are hesitant in offering credit to comparatively smaller/ lower rated NBFCs. The computer software (sub-segment) registered a growth of 10.0% in October 2021 from a year ago. The wholesale trade registered a growth of 13.9%, while the professional services (sub-segment) de-grew by 7.5% in the reported period.

On an incremental basis, transport operator, profession services, commercial real estate and NBFCs declined, however the rest six sub-segments recorded the growth in October 2021.

Industry

The credit outstanding of the industry segment registered a growth of 4.1% y-o-y in October 2021 from a drop of 0.7% a year ago mainly on account of 48.6% growth in the medium industry. The large industry also turned (share of 79.8% within Industry) positive growing at 0.5% in October 2021 from a negative growth of 1.8% a year ago. On the other hand, credit of micro & small industries received traction with growth accelerating to 11.9% in October 2021 from 0.7% a year ago, driven by inflation and ECLGS. As per Ministry of Finance's report, disbursement under ECLGS stood at Rs. 214,000 crores as of July 02, 2021, recording an incremental growth of Rs. 38,881 crores from Feb 28, 2021, and Rs. 88,575 crores from September 21, 2020.

Of the total nineteen sub-industries, thirteen sub-industries witnessed growth in credit outstanding, while seven sub-industries declined. Within industry, the rubber, plastic, and their products registered the highest growth of 23.8% in October 2021 vs. 5.4% growth a year ago, while the mining & quarrying grew by 16.5% in October 2021 from 4.2% a year

ago. The petroleum, coal products & and nuclear fuels also registered a strong credit growth of 13.1% in the reporting period. The infrastructure sector (share of 38.8% within industry) registered a growth of 5.8% in October 2021 as compared with a growth of 2.5% a year ago. Within the Infrastructure sector, the airport registered a robust growth of 43.3% followed by the road at 23.5%. Telecom registered a growth of 4.3 in October 2021 from a negative growth of 14.3% a year ago while credit of ports registered a drop of 14.4% y-o-y in October 2021.

Incremental credit growth of the large industry dropped by 4.4% in October 2021, which can be largely attributed to decline in credit of cement and cement-related products, basic metal and metal-related products and infrastructure.

Lending to the priority sector

Total lending of the priority sector rose by 5.5% to 40.2 Lakh crore in October 2021, driven by growth in the agriculture and allied activities, the medium industries, the weaker sections and other sub-segments due to ELCGS scheme, and better monsoon. The agriculture & allied accounts for the largest share within priority (share of 31.9%) followed by the micro & small enterprises (share of 27.9%) and the weaker sections (share of 21.5%). In absolute terms, outstanding credit for the agriculture and allied activities reached from Rs.11.8 lakh crore in October 2020 to Rs.12.8 lakh crore in October 2021. Credit of social infrastructure (share of 0.1% within priority) registered a strong growth of 121.7% in October 2021 vs. from a negative growth of 10.4 a year ago.

Concluding remarks and Outlook

Bank credit growth improved to 6.8% y-o-y in October 2021 from 5.1% a year ago, while it stood at 6.7% for September 2021 as well as August 2021. The outlook in terms of credit growth is expected to be in the range of 7.5% to 8.0% for FY22 (refers to the period April 1 to March 31) with economic expansion, ECLGS support (extended till March 31, 2022), low interest rates, festive season, and with a low base effect. Also, the sector's medium-term prospects, however, look promising with diminished corporate stress and increased provisioning levels across banks. The Retail loan segment is expected to do well as compared with industry and service segments. However, a new coronavirus variant has emerged as the top threat to global recovery, Covid-19 pandemic-led credit losses could increase if localised lockdown measures persist and changed consumption patterns could negatively affect certain sectors.

Annexure

Figure A1: Distribution of credit within Industries: October 2021

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on October 22, 2021 (Rs Lakh Crore)	October 2020 over October 2019	October 2021 over October 2020	October 20 20 over March 2020	October 2021 over March 2021
Mining & Quarrying (incl. Coal)	0.5	4.2%	16.5%	-2.8%	8.0%
Food Processing	1.4	5.1%	6.5%	-4.6%	-5.8%
Beverage & Tobacco	0.2	2.5%	0.5%	-9.1%	-5.2%
Textiles	2.0	-0.2%	7.0%	-2.7%	-0.6%
Leather & Leather Products	0.1	6.3%	-3.3%	6.1%	0.7%
Wood & Wood Products	0.1	7.0%	6.1%	4.8%	2.4%
Paper & Paper Products	0.4	10.2%	9.9%	8.5%	3.9%
Petroleum, Coal Products & Nuclear Fuels	0.7	14.9%	13.1%	-17.5%	1.5%
Chemicals & Chemical Products	1.9	-2.3%	7.1%	-15.8%	-3.6%
Rubber, Plastic & their Products	0.6	5.4%	23.8%	-2.2%	13.9%
Glass & Glassware	0.1	1.4%	-15.8%	1.8%	-9.6%
Cement & Cement Products	0.5	-4.6%	-21.5%	-1.6%	-14.2%
Basic Metal & Metal Product	2.8	-4.7%	-16.3%	-4.4%	-14.8%
All Engineering	1.5	-16.8%	6.6%	-12.0%	0.1%
Vehicles, Vehicle Parts & Transport Equipment	0.8	7.1%	-6.1%	7.4%	-0.4%
Gems & Jewellery	0.7	-3.4%	9.2%	0.3%	11.4%
Construction	1.0	4.1%	-6.0%	-1.1%	1.3%
Infrastructure	11.1	0.1%	8.9%	-3.3%	1.5%
Other Industries	2.3	0.6%	10.9%	-8.0%	-2.3%

Note: October 2021 over October 2020; October 2021 over Mar 2021: Source: RBI

Figure A2: Credit outstanding to priority sectors

Particulars	Outstanding credit	% Growth in credit		% Growth in incremental credit	
	As on October 22, 2021 (Rs Lakh Crore)	October 2020 over October 2019	October 2021 over October 2020	October 2020 over March 2020	October 2021 over March 2021
Priority Sector					
of which					
Agriculture & Allied Activities	12.8	5.3%	9.0%	4.1%	3.8%
Micro & Small Enterprises	11.2	8.0%	-0.5%	4.4%	0.7%
Medium Enterprises	2.2	44.3%	24.8%	26.9%	7.7%
Housing	4.5	0.6%	-3.5%	-0.6%	-4.9%
Weaker Sections	8.7	-4.2%	-8.7%	2.6%	-2.0%
Others	0.9	1.2%	8.4%	-1.4%	9%

Note: October 2021 over October 2020; October 2021 over Mar 2021: Source: RBI

Figure A3: Overall share of segments within the Industries segment

Industry	April 23, 2021	May 21, 2021	June 21, 2021	July 21, 2021	Aug 30, 2021	Sep 30, 2021	Oct 22, 2021
Mining & Quarrying (incl. Coal)	1.5%	1.5%	1.6%	1.7%	1.8%	1.7%	1.7%
Food Processing	5.7%	5.7%	5.7%	5.4%	5.2%	5.1%	5.1%
Beverage & Tobacco	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Textiles	7.1%	7.1%	7.1%	7.1%	7.1%	7.0%	7.0%
Leather & Leather Products	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Wood & Wood Products	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Paper & Paper Products	1.2%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%
Petroleum, Coal Products & Nuclear Fuels	2.3%	2.4%	2.6%	2.5%	2.2%	2.4%	2.4%
Chemicals & Chemical Products	6.5%	6.3%	6.2%	6.5%	6.3%	6.4%	6.5%
Rubber, Plastic & their Products	1.9%	1.9%	1.9%	2.0%	2.1%	2.1%	2.2%
Glass & Glassware	0.3%	0.3%	0.3%	0.2%	0.2%	0.2%	0.2%
Cement & Cement Products	1.7%	1.8%	1.8%	1.7%	1.7%	1.7%	1.6%
Basic Metal & Metal Product	10.8%	10.7%	10.4%	10.4%	10.4%	10.1%	9.8%
All Engineering	5.1%	5.1%	5.1%	5.6%	5.2%	5.2%	5.2%
Vehicles, Vehicle Parts & Transport Equipment	2.9%	2.9%	2.9%	3.1%	3.0%	3.0%	2.9%
Gems & Jewellery	2.0%	2.0%	2.1%	2.2%	2.2%	2.5%	2.5%
Construction	3.4%	3.4%	3.4%	3.5%	3.5%	3.4%	3.4%
Infrastructure	37.7%	37.6%	38.1%	38.3%	38.5%	38.4%	38.8%
Other Industries	8.5%	8.6%	8.1%	7.9%	8.0%	8.1%	8.1%
Industries	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

Figure A4: Overall share of segments within the Retail segment

Personal Loans	April 23, 2021	May 21, 2021	June 18, 2021	July 31, 2021	Aug 31, 2021	Sep 30, 2021	Oct22 2021
Consumer Durables	0.3%	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%
Housing (Incl. Priority Sector Housing)	52.0%	52.5%	52.6%	51.3%	50.8%	50.7%	50.3%
Advances against Fixed Deposits (Incl. FCNR (B), NRRR Deposits, etc.)	2.5%	2.4%	2.4%	2.1%	2.1%	2.2%	2.2%
Advances to Individuals against share, bonds, etc.	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Credit Card Outstanding	4.0%	3.7%	3.7%	3.9%	4.0%	4.0%	4.2%
Education	2.2%	2.3%	2.3%	2.2%	2.2%	2.2%	2.2%
Vehicle Loans	8.6%	8.6%	8.5%	9.3%	9.3%	9.3%	9.2%
Loans against gold jewellery	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Other Personal Loans	27.9%	27.9%	27.9%	28.6%	29.0%	29.0%	29.3%
Personal Loans	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	0.4%

Source: RBI

Figure A5: Overall share of segments within the Services segment

Services	Apr 23, 2021	May 21, 2021	June 18, 2021	July 30, 2021	Aug 31, 2021	Sep 30, 2021	Oct 22, 2021
Transport Operators	5.6%	5.5%	5.4%	5.1%	5.1%	5.1%	5.0%
Computer Software	0.8%	0.8%	0.8%	0.7%	0.7%	0.7%	0.7%
Tourism, Hotels & Restaurants	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%	1.9%
Shipping	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%
Aviation	1.0%	1.0%	1.0%	1.2%	1.2%	1.1%	1.0%
Professional Services	4.4%	4.4%	4.3%	3.7%	3.7%	3.9%	3.9%
Trade	23.5%	23.9%	23.6%	22.9%	22.9%	22.4%	22.9%
Of which							
Wholesale Trade (other than food procurement)	52.0%	51.4%	51.3%	52.7%	52.7%	50.6%	51.6%
Retail Trade	48.0%	48.6%	48.7%	47.3%	47.3%	49.4%	48.4%
Commercial Real Estate	9.1%	9.1%	8.9%	10.1%	10.1%	9.9%	9.7%
Non-Banking Financial Companies (NBFCs)	35.6%	35.0%	34.0%	34.3%	34.3%	34.1%	33.9%
Of which							
Housing Finance Companies (HFCs)	19.9%	18.7%	18.8%	19.0%	19.0%	24.2%	23.9%
Public Finance Institutions (PFIs)	8.1%	8.3%	8.8%	8.8%	8.8%	9.1%	9.5%
Other Services	17.9%	18.2%	19.7%	19.8%	19.8%	20.6%	20.6%
Services	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: RBI

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