

Incremental Credit Offtake Hits 13-Year High in August 2022

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Note: Gross bank credit and non-food credit data are based on Section-42 return, which covers all scheduled commercial banks (SCBs), while sectoral non-food credit data is based on sector-wise and industry-wise bank credit (SIBC) return that covers banks accounting for approximately 93.2% of non-food credit extended by SCBs for August 2022.

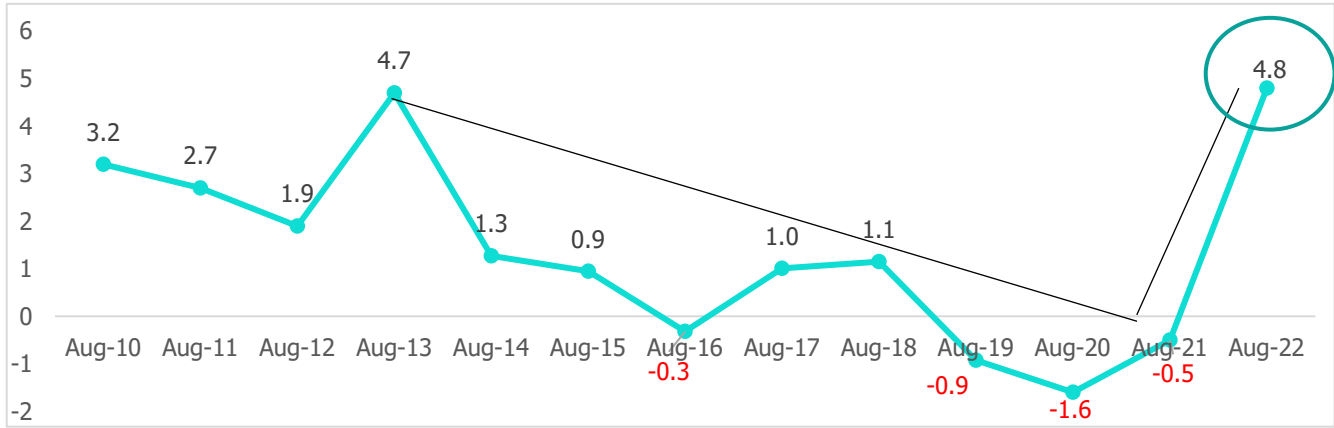
Synopsis

- Incremental credit offtake rose by 4.8% in August 2022, aided by housing, vehicle, NBFCs and petroleum-based sectors.
- Retail credit offtake at 19.5% y-o-y, driven by housing, vehicle, and miniaturisation of loans.
- NBFCs credit offtake rose by 27.8% y-o-y in August 2022 due to lower funds raised in the capital markets.

Incremental Credit¹ Growth Hits 13-Year High

Incremental bank credit rose by 4.8% in August 2022 vs. a drop of 0.5% over a year ago. It is the highest growth reported in the last thirteen years (compared with only August period data) and also after a negative growth for three years (August 2019, Covid period:2020, Covid period:2021). Credit for retail loans rose by 7.9% vs. 1.6% reported during the year-ago period. Industry credit rose by 1.2% from a drop of 2.6% over the year-ago period due to inflation-induced working capital requirements and improvement in capacity utilisation. Services’ credit also increased by 4.8% as against a drop of 2.8% in August 2021.

Figure 1: Trend in Incremental Gross Credit Growth (%)



Source: RBI

Robust Annual² Growth Continues

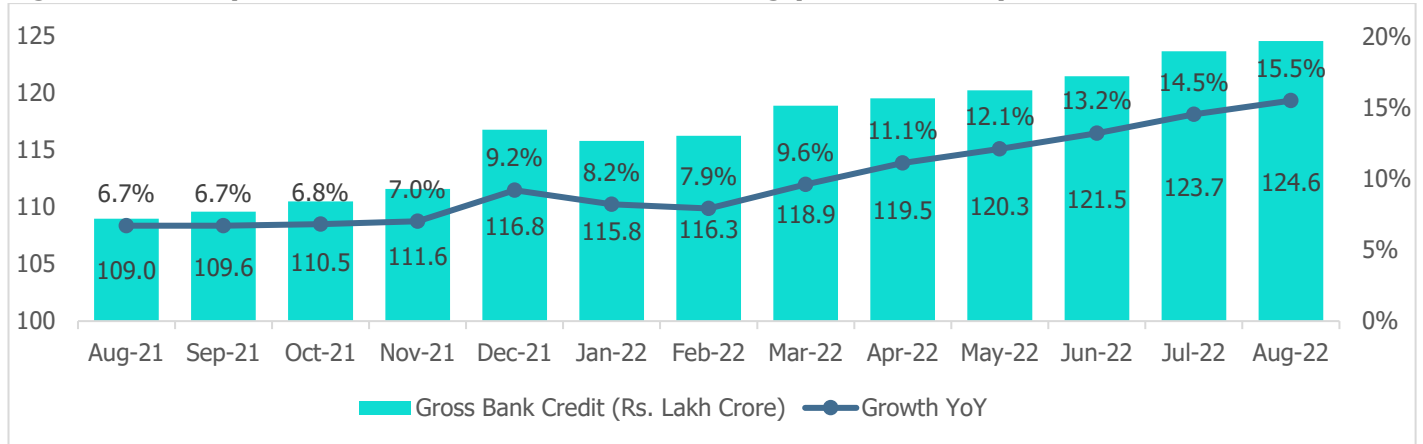
Rising continuously, gross credit registered a robust growth of 15.5% y-o-y in August 2022 from 6.7% over a year ago. The non-food credit grew by 16.0% from 6.7% in the same period last year. The expansion of 928 bps was primarily due to a low base (Covid second wave caused disruptions across the country), strong growth in retail credit, inflation-induced working capital requirements and lower funds raised from the capital market. The growth

¹ Incremental Credit Growth means the credit growth for the financial year compared to the end of the March of the last fiscal year. Here it compares growth till August 2022 from March 2022.

² Annual Year over Year (y-o-y) growth measures the change in an annualized metric across two comparable periods.

is likely to sustain in FY23, however, global issues and further rate hikes due to elevated inflation may impact credit growth. In terms of sub-segmental performance, other personal loans (growth of 23.1%), housing (growth of 16.4%), vehicle loans (growth of 19.5%), Micro, Small and Medium Enterprises (MSME) (growth of 30.2%), NBFCs (growth of 27.8%) and trade (growth of 16.9%) were the key growth drivers.

Figure 2: Monthly Trend in Gross Bank Credit Outstanding (Rs. Lakh Crore)



Source: RBI

Figure 3: Sectoral Distribution of Credit: August 2022 (Rs. Lakh Crore)

Particulars	O/s Credit	% Growth in Credit		% Growth in Incremental Credit	
	As of Aug 26, 2022	Aug 21 vs Aug 20	Aug 22 vs Aug 21	Aug 21 vs Mar 21	Aug 22 vs Mar 22
Gross Bank Credit	124.6	6.7	15.5	-0.5	4.8
Food Credit	0.3	4.3	-59.7	12.3	-49.5
Non-food Credit	124.3	6.7	16.0	-0.5	5.0
Agriculture & Allied Activities	15.4	13.0	13.4	2.1	5.4
Industry	31.9	1.5	11.4	-2.3	1.2
Of which					
Micro, Small	5.6	12.1	28.2	1.3	5.6
Medium	2.2	52.3	35.6	17.1	2.9
Large	24.1	-2.6	6.4	-4.1	0.1
Services	31.6	2.1	17.2	-2.8	4.8
Of which					
Trade	7.3	7.0	16.9	-0.3	5.1
Commercial Real Estate	3.0	-1.0	4.8	-2.7	1.4
Non-Banking Financial Companies	11.4	-1.0	27.8	-7.7	6.1
Personal Loans	36.5	12.8	19.5	1.6	7.9
Of which					
Housing	17.9	11.6	16.4	2.8	6.0
Vehicle Loans	4.4	11.1	19.5	1.0	10.5

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 93% of total non-food credit extended by all SCBs. Source: RBI

Retail/Personal Loans

The credit of the retail/personal loans segment (largest segment with a 31.6% share in bank credit) saw a robust growth of 19.5% y-o-y in August 2022 primarily due to growth in other personal loans (23.1%), credit card receivables (27.3%) and consumer durable loans (65.2%) driven by a low base, onset of the festival season and stable job market condition. All sub-segments have reported growth within the retail loans segment during the period.

The housing loans (share of 49.0% within retail) grew at 16.4% y-o-y in August 2022 as compared with 11.6% in the year-ago period. According to data from the Maharashtra government's Department of Registrations and Stamps (IGR), the registration of properties in the Mumbai municipal area rose by 20.0% y-o-y to 8,350 units during August 2022 against the corresponding period last year. The other personal loans (share of 26.1% within retail) grew at 23.1% vs. 14.1% in the year-ago period.

- Vehicle loans (share of 12.2% within retail) registered a growth of 19.5% y-o-y in August 2022 as compared to 11.1% in the year-ago period. According to a CareEdge publication titled Festive Season to Bring Cheer for Auto Sector in Near Term, retail sales in the passenger vehicle segment jumped 9.4% in August 2022 boosted by the onset of the festive season and the gradual economic recovery. Supported by improved availability of semiconductors, two-wheelers registered a growth of 16.3% y-o-y in August 2022, with the motorcycles and scooters subsegments growing by 23.1% and 9.5%, respectively.
- Consumer durables (share of 0.9% within retail) continued its robust growth of 65.2% y-o-y in August 2022 (June growth 77.3%, July Growth 69.8%) as compared with a growth of 46.6% in the year-ago period due to onset of festival season.
- The credit card outstanding registered a robust growth of 27.3% y-o-y in August 2022 from a growth of 12.5% in the year-ago period.
- The loan against gold jewellery (share of around 2.1% within retail) rose 8.2% y-o-y in August 2022 as compared with a growth of 72.6% from a year ago. In absolute terms, loans against gold jewellery stood at Rs.78,104 crore as of August 26, 2022, from Rs.72,162 crore as of August 27, 2021.

Incremental credit growth of the retail segment stood at 7.9% in August 2022, from 1.6% over a year ago. In absolute terms, the credit outstanding has reached Rs.36.5 lakh crore as of August 26, 2022, from Rs.33.8 lakh crore as of March 25, 2022. Within the retail segment, the housing loans grew by 6.0% from 2.8% over a year ago period. Vehicle loans too rose by 10.5% from 1.0% over a year ago period. Consumer durables recorded the highest (within retail) growth of 19.2% from 15.4% over a year ago. Outstanding credit card receivables too rose by 13.3% from 0.3% a year ago. All sub-segments within retail/personal loans witnessed strong growth during the reporting period. With normalisation visible in the economy, retail credit growth is likely to be strong due to underlying demand and a rise in economic and social activities. The Retail credit growth is expected to sustain in FY23, and it is expected to be a leading growth driver for the total credit offtake.

Services

The services sector credit rose by 17.2% y-o-y in August 2022 as compared to marginal growth of 2.1% over a year ago period due to growth in the NBFCs, and wholesale trade. The remaining segments of the services sector too reported growth except for the aviation segment (which dropped by 21.2%).

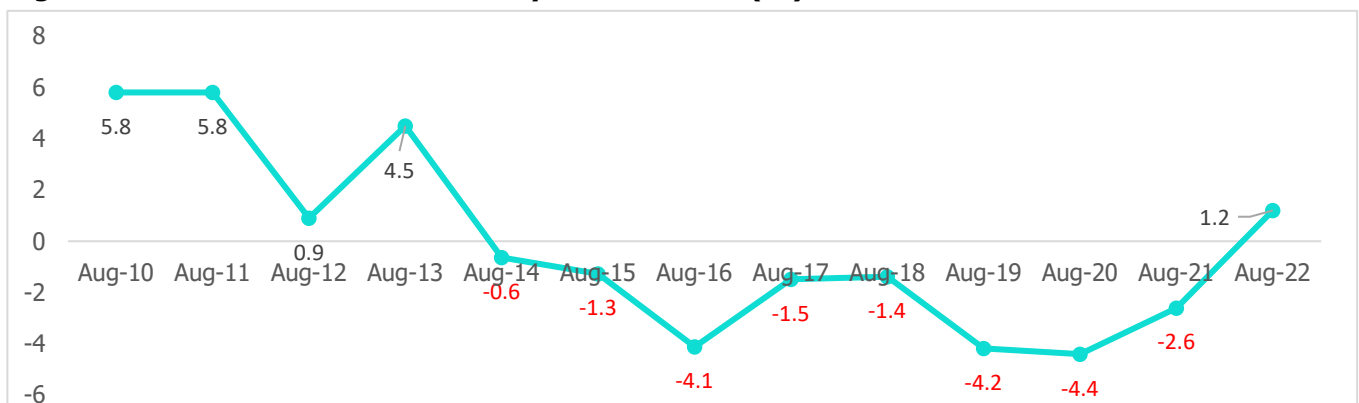
- NBFCs (share of 36.2%) grew by 27.8% y-o-y in August 2022 from a drop of 1.0% in the year-ago period as they stepped up on business growth and also shifted to bank borrowings due to elevated capital market yields.
- The trade segment (23.1% share) grew 16.9% in August 2022 compared to 1.9% in the year-ago period.
- Commercial real estate (share of 9.3%) grew at 4.8% as compared to a drop of 1.0% over a year ago period, a much slower pace as compared to overall service sector growth.

On an incremental basis, the services grew by 4.8% in August 2022 as compared to a drop of 2.8% a year ago. This was led mainly by the NBFCs, which witnessed a growth of 6.1% from a drop of 7.7% over a year ago. Trade improved by 5.1% from a drop of 0.3% over a year ago period. However, shipping dropped by 15.8% due to uncertain growth prospectus in the key global markets, besides transport operators, computer software, hotel & restaurants, and aviation reduced in the same period.

Industry

Outstanding industry credit stood at Rs.31.9 lakh crore as of August 26, 2022, from Rs.31.6 lakh crore as of March 25, 2022. The credit outstanding of the industry segment registered a growth of 11.4% y-o-y in August 2022 from 1.5% in the year-ago period. The growth was due to robust growth in the MSMEs which were driven by ECLGS, inflation-induced working capital requirements, and ease of doing business supported by increasing digitisation in the banking system for faster loan turnarounds. The large enterprise segment (share of 75.7% within the industry) reported a growth of 6.4% from a drop of 2.6% over a year-ago being largely inflation-led working capital driven. Of the total 19 sub-industries, 18 witnessed growth in credit outstanding in August 2022, while one (construction) dropped. Petroleum, coal products and nuclear fuels saw the highest growth of 67.1% y-o-y vs 27.5% in the year-ago period due to higher working capital requirements driven by high crude oil prices and currency depreciation, followed by the chemical and chemical products which rose 23.5% y-o-y vs. a drop of 0.6% in the year-ago period. The infrastructure sub-industry (share of 38.0% within the industry) registered a growth of 11.0% from 3.3% in the year-ago period. Within infrastructure, telecommunication grew at a robust rate of 17.2% y-o-y. Within the infrastructure, roads and power reported growth of 15.3% and 9.4% respectively.

Figure 4: Trend in Incremental Industry Credit Growth (%)



Source: RBI

Incremental industry credit rose 1.2% in August 2022 from a drop of 2.6% over a year-ago period. Petroleum, coal products and nuclear fuels (within the industry) reported the highest growth of 26.1% whereas gems and Jewellery dropped by 7.5%. The large industry reported a marginal 0.1% growth vs. a drop of 4.1%.

If we critically observe the credit offtake numbers for the large industry segment, the growth has been primarily driven by the infrastructure (especially the power and road subsegments) and Petroleum, coal products and nuclear fuels (inflation-driven working capital demand) segments, while deleveraging continues most of the other segments.

Lending to the Priority Sector

Total lending of the priority sector rose by 17.2% to Rs.53.7 lakh crore in August 2022, driven by credit growth in the MSMEs & weaker sections. Credit for agriculture and allied activities rose by 12.5% in August 2022. MSMEs accounts for the largest share within priority (33.7%), followed by agriculture (28.7%) and the weaker sections (23.6%).

CareEdge Outlook

The credit growth is likely to remain elevated in the short term due to the onset of the festival season. After a modest credit growth in recent years. The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. However, inflation remains a key risk. Even as RBI has managed domestic inflation to some extent, global inflation has remained high despite hawkish policies. This may lead to demand issues globally causing second-order effects in India. Credit growth is expected to be in the range of 12-13% for FY23 as previously estimated by CareEdge, however, rate hikes could impact credit growth.

Annexures

Figure A1: Credit Outstanding to Priority Sectors (Rs. Lakh Crore)

Particulars	O/s credit	% Growth in credit		% Growth in inc. credit	
	As of Aug 26, 2022	Aug 21 vs Aug 20	Aug 22 vs Aug 21	Aug 21 vs Mar 21	Aug 22 vs Mar 22
Priority Sector	53.7	11.6	17.2	1.6	4.6
Agriculture & Allied Activities	15.4	16.2	12.5	2.5	4.0
Micro & Small Enterprises	14.5	1.2	19.6	-0.4	5.2
Medium Enterprises	3.7	41.9	45.1	4.4	4.0
Housing	6.2	5.2	3.5	3.3	0.2
Weaker Sections	12.7	16.6	23.1	-0.1	7.4
Others	1.3	19.20	5.7	16.6	3.0

Source: RBI

Figure A2: Overall Share of Segments within Personal/Retail (%)

Personal Loans	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022
Consumer Durables	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Housing	48.8	47.7	47.1	49.6	49.3	49.5	49.2	49.0
Advances against FD	2.2	2.3	2.4	2.3	2.2	2.2	2.4	2.5
Advances to Ind.	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Credit Card	4.4	4.4	4.4	4.5	4.4	4.3	4.5	4.6
Education	2.0	1.9	1.9	2.4	2.4	2.4	2.4	2.4
Vehicle Loans	8.9	10.0	9.8	12.0	12.1	12.1	12.2	12.2
Loans against gold jewellery	2.2	2.2	2.2	2.2	2.1	2.1	2.2	2.1
Other Personal Loans	30.5	30.6	31.4	26.1	26.4	26.2	26.0	26.1
Personal Loans	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

Figure A3: Overall Share of Segments within Services (%)

Services	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 22, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022
Transport Operators	5.4	5.0	5.1	5.1	5.0	5.0	4.9	4.9
Computer Software	0.7	0.7	0.7	0.7	0.6	0.6	0.7	0.6
Tourism, Hotels & Restaurants	1.9	2.2	2.1	2.2	2.1	2.1	2.1	2.0
Shipping	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Aviation	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7
Professional Services	3.8	3.8	3.8	3.9	3.9	3.9	3.7	3.8
Trade	23.1	23.2	23.0	23.4	23.5	23.9	22.7	23.1
Commercial Real Estate	9.5	9.7	9.6	9.8	9.9	9.7	9.3	9.3
NBFCs	34.9	34.6	34.7	36.1	36.0	35.9	36.7	36.2
Other Services	19.6	19.8	19.9	17.8	18.0	18.0	19.0	19.0
Services	100.0	100.0	100.0	100.0	100.0	100.0	100	100

Source: RBI

Figure A4: Overall Share of Segments within the Industry (%)

Industry	Jan 28, 2022	Feb 25, 2022	Mar 25, 2022	Apr 22, 2022	May 20, 2022	Jun 17, 2022	July 29, 2022	Aug 26, 2022
Mining & Quarry	1.6	1.6	1.5	1.5	1.5	1.5	1.6	1.6
Food Processing	5.4	5.4	5.5	5.6	5.5	5.5	5.3	5.1
Beverage & Tobacco	0.5	0.6	0.6	0.6	0.6	0.6	0.5	0.5
Textiles	7.2	7.2	7.1	7.1	6.9	6.9	6.7	6.6
Leather & Leather Products	0.4	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	0.5
Paper & Paper Products	1.3	1.3	1.2	1.3	1.3	1.3	1.3	1.3
Petroleum, Coal Prod & Nuclear Fuels	2.5	2.7	2.8	3.3	3.3	3.2	3.6	4.2
Chemicals & Chem Prods	6.4	6.4	6.8	6.5	6.6	6.5	6.6	6.6
Rubber, Plastic & Products	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3
Glass & Glassware	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Cement & Cement Prod.	1.5	1.6	1.5	1.5	1.5	1.5	1.6	1.6
Basic Metal & Metal Prod.	9.5	9.4	9.3	9.1	9.2	9.2	9.4	9.4
Engineering	5.3	5.1	5.1	5.3	5.3	5.3	5.2	5.2
Vehicles, Vehicles. Parts & Transport Equipment	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.8
Gems & Jewellery	2.4	2.5	2.5	2.5	2.3	2.3	2.3	2.3
Construction	3.2	3.3	3.3	3.6	3.6	3.7	3.7	3.7
Infrastructure	38.3	38.1	37.9	38.2	37.9	38.2	38.2	38.0
Other Industries	8.7	8.7	8.7	8.0	8.3	7.9	7.8	7.7
Industries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: RBI

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