# 2024 Ends on a Subdued Note with Slowing Credit Offtake and Deposit Growth

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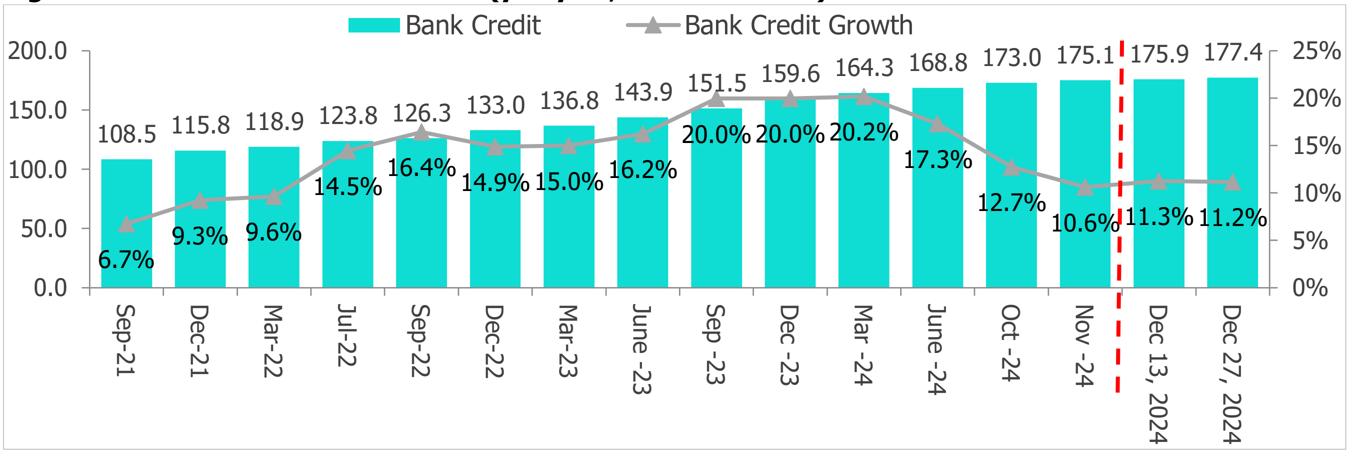
**Synopsis**

- Credit growth has continued to cool on a year-on-year basis. In contrast, deposit growth has been lower than credit growth for the fortnight.
    - As of December 27, 2024, credit offtake reached Rs 177.4 lakh crore, representing an 11.2% increase y-o-y slower than last year's rate of 12.6% (excluding merger impact). This slowdown can be attributed to a higher base effect due to the merger, impact of measures by the Reserve Bank of India (RBI), such as higher risk weights on NBFCs and consumer credit, along with concern of the markets on high Credit to deposit ratio.
    - Deposits increased by 9.9% y-o-y, reaching Rs 220.6 lakh crore as of December 27, 2024, slower than 10.2% last year. This growth is mainly due to elevated term deposit rates of Scheduled Commercial Banks (SCBs).
    - Meanwhile, as of December 27, 2024, incremental credit and deposit growth stood at 8.0% and 7.8%, respectively.
- The Short-term Weighted Average Call Rate (WACR) has decreased slightly to 6.71% as of December 27, 2024, down from 6.78% on December 22, 2023. This decline is attributed to a liquidity deficit , which has led call money rates to trade above the repo rate of 6.50%.

**Bank Credit Growth Rate Continues to Cool Down for the Fortnight**

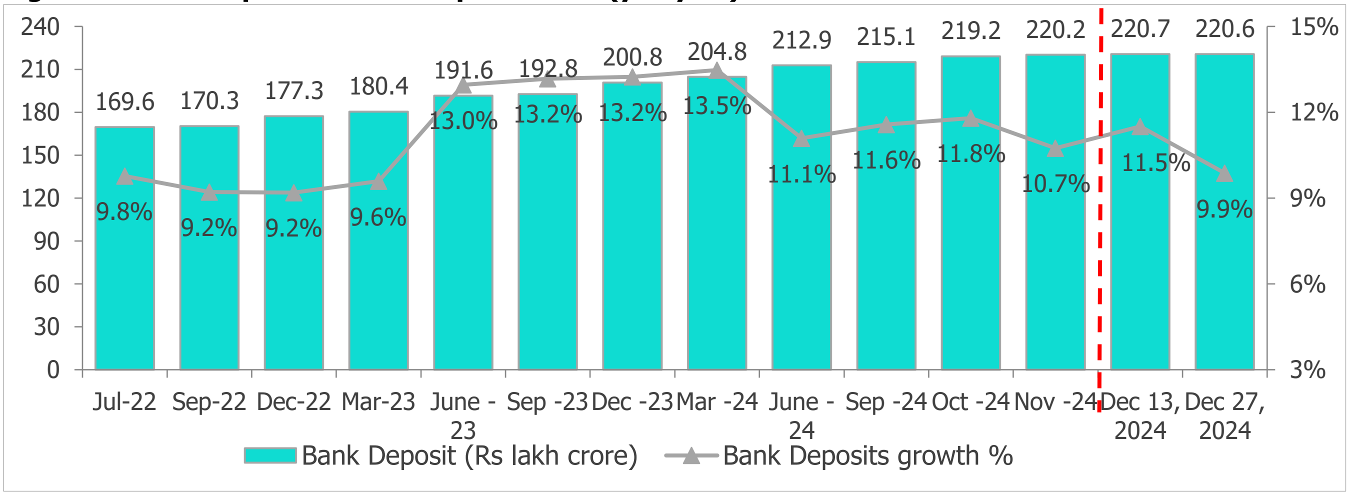
**Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)**




Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflects the previous fortnight's data for that quarter. Source: RBI, CareEdge

- Credit offtake increased by 11.2% y-o-y while increasing sequentially by 0.9% for the fortnight ending December 27, 2024. Compared to the previous year's growth of 12.6% (excluding the merger impact), this slowdown can be attributed to a higher base effect, commentary on a high credit-to-deposit ratio, RBI measures such as higher risk weights, and the proposed LCR norms.

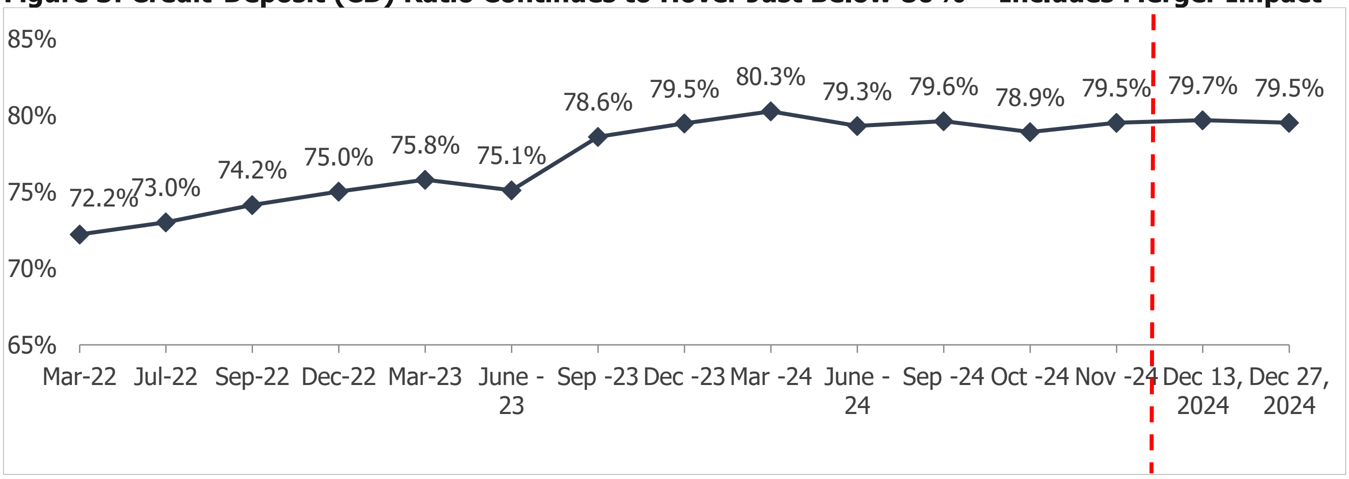
**Figure 2: Bank Deposit Growth Tapers Down (y-o-y %)**




Note: The quarter-end data reflect, the last fortnight's data of that quarter; Source: RBI, CareEdge

- Deposits grew by 9.9% y-o-y, reaching Rs 220.6 lakh crore as of December 27, 2024. However, this growth was flat on a sequential basis and slower compared to the 10.2% growth (excluding merger impact) recorded last year. In FY25, banks have intensified their efforts to enhance their liability franchises by offering higher rates on term deposits. Additionally, banks are sourcing funds through certificates of deposit, although this comes at a comparatively higher cost. Furthermore, a liquidity deficit in the banking system has hampered deposit growth. According to the RBI, the issuance of certificates of deposit grew by 68% y-o-y totalling Rs 6.88 lakh crore during April-November 2024, a significant increase from Rs 4.09 lakh crore in the same period of the previous year. This surge reflects banks' funding requirements.

**Figure 3: Credit-Deposit (CD) Ratio Continues to Hover Just Below 80% – Includes Merger Impact**

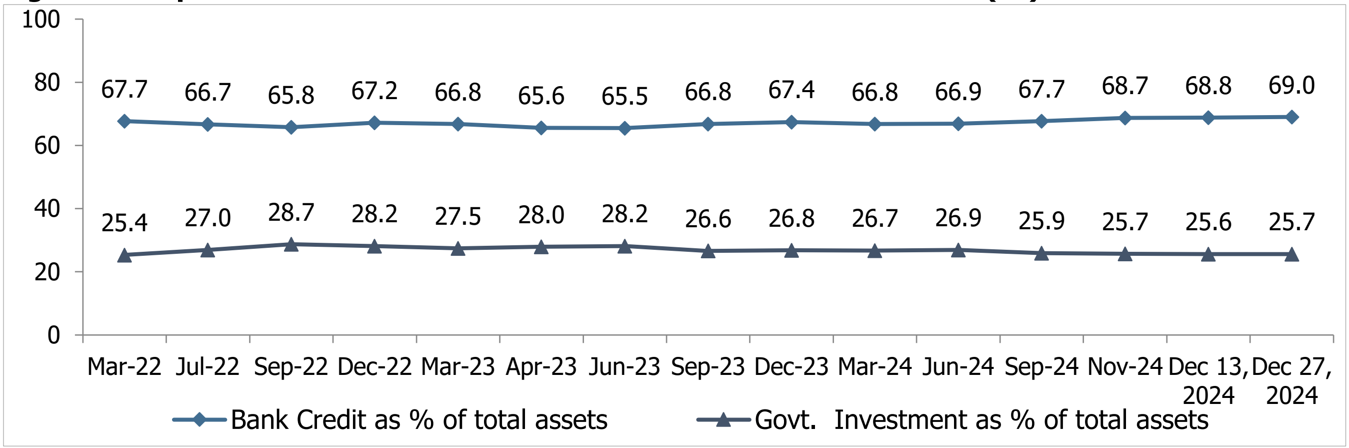



Note: The quarter-end data reflect last fortnight's data the quarter, and compares post-merger figures; Source: RBI, CareEdge

- The CD ratio has been hovering around 80% since September 2023. The CD ratio witnessed a marginal sequential downtick of 18 bps reaching 79.5% for the fortnight ending December 27, 2024.

**The Proportion of Bank Credit to Total Assets and Govt. Invest. to Total Assets witness an uptick**

**Figure 4: Proportion of Govt. Investment and Bank Credit to Total Assets (%)**




Note: The quarter-end data reflect the last fortnight's data of that quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

- The credit-to-total-assets ratio and Government Investment-to-total-assets ratio witnessed a marginal uptick and reached 69.0% and 25.7%, respectively, for the fortnight (December 27, 2024). Meanwhile, overall government investments stood at Rs 65.9 lakh crore as of December 27, 2024, reporting a growth of 10.1% y-o-y and a sequential increase of 0.6%.

**O/s CDs and CPs Continue to Remain at Elevated Levels with Tight Liquidity Conditions and High Short-term CD and CP Rates.**

**Figure 5: Certificate of Deposit O/s**

| Fortnight ended | Amount Outstanding (Rs'000 cr.) | Y-o-Y growth % |
|---|---|---|
| Jan 12, 2024 | 351.1 | 20.1 |
| Apr 5, 2024 | 361.6 | 20.0 |
| Apr 19, 2024 | 372.8 | 24.1 |
| May 3, 2024 | 380.0 | 31.6 |
| May 17, 2024 | 367.5 | 21.6 |
| May 31, 2024 | 369.2 | 18.2 |
| Sep 20, 2024 | 474.6 | 62.7 |
| Dec 13, 2024 | 488.2 | 42.8 |
| Dec 27, 2024 | 494.4 | 43.4 |

Note: The quarter-end data reflect the last fortnight's data of that quarter; Source: RBI

**Figure 6: Trend in CD Iss. (Rs'000, Cr.) and RoI**

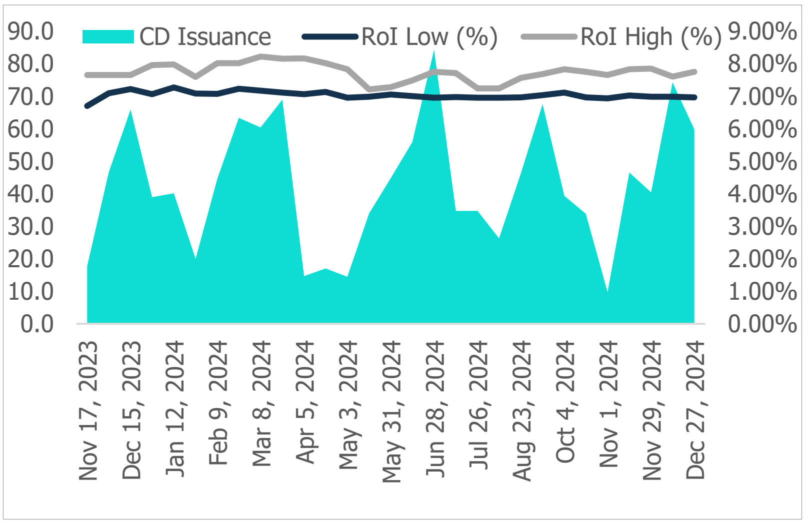
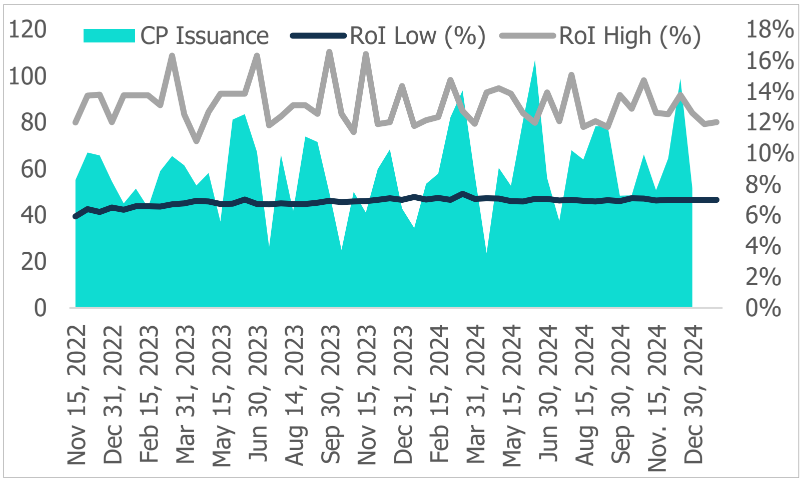


**Figure 7: Commercial Paper Outstanding**

| Fortnight ended | Amount Outstanding (Rs'000 cr.) | Y-o-Y growth % |
|---|---|---|
| Sep 30, 2023 | 412.2 | 2.8 |
| Dec 31, 2023 | 364.2 | 1.3 |
| Mar 31, 2024 | 388.6 | 9.9 |
| Apr 30, 2024 | 411.5 | -2.4 |
| May 15, 2024 | 421.2 | -0.1 |
| May 31, 2024 | 404.0 | -6.8 |
| Jun 30, 2024 | 422.4 | -2.5 |
| Sep 30, 2024 | 397.6 | -3.6 |
| Dec 15, 2024 | 463.8 | 19.8 |
| Dec 30, 2024 | 435.8 | 19.7 |

Note: The quarter-end data reflect the last fortnight's data of that quarter; Source: RBI

**Figure 8: Trend in CP Iss. (Rs'000, Cr.) and RoI**



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