

FEBRUARY 14, 2018
ISSUE NO: 68, FY18**JUMP IN CREDIT GROWTH MOST VISIBLE
ACROSS MSME**

In the current year so far (Apr-Jan), ASCBs incremental credit has increased by Rs 3.29 lakh crores (Rs 1.4 lakh crores in like period previous year), which is highest in the last 4-years. Deposits increased by Rs 2.2 lakh crores (Rs 11.2 lakh crores in like period previous year). Last year higher deposits growth was driven by demonetization.

Most of this increase in credit growth came in November and December 2017. In the period, Nov-Dec'17 the total credit off-take by ASCBs was around Rs 2.1 lakh crores, which 64% of the total Apr-Jan credit off-take of Rs 3.2 lakh crores.

Interestingly, if we look the MoM incremental growth in Nov and Dec this indicate a significant jump in credit to the Micro & Small industries. For example, incremental credit growth to MSME in December was 12 times higher than the incremental growth in November. There is also an increased credit growth for the Vehicle Loan segment, coinciding with a robust growth of the CV segment.

Though, the banking system has remained resilient, asset quality of the banks remains under pressure. The banks have been tackling this problem aggressively and the resolution rate will pick up more pace as expectations of sellers of assets become more realistic and valuations given by buyers also are better, sensing an imminent recovery. Efforts must be made to nurture and support such a process by all stakeholders.

While it may too early to place optimism based on 1189 listed corporates declaring their Q3FY18 results, early trends in listed corporate GVA suggest fantastic improvement upon Q2FY18 number of 3.8%. Also, reported Q3FY2018 results show double digit growth in both top line and EBIDTA, based on the 1189 listed corporates published results excluding bank and finance. We believe that manufacturing GVA would be in the range of 8-10% for Q3FY18 if the current trend persists for remaining companies also.

With the leading indicators also showing positivity, we expect overall GDP growth in Q3 of current fiscal could be in the higher end of 6.5%-7% bucket. Q4 FY18 GDP could even top 7%.



CREDIT OFF-TAKE HAS MATERIALLY STARTED TO PICKED UP

- ◆ In FY18 so far (till 19 Jan'18), ASCBs aggregate deposits grew (YoY) by 5.1% (last year 13.3%), while credit off-take has improved further to 10.6% (4.7%).
- ◆ In the current year so far (Apr-Jan), ASCBs incremental credit has increased by Rs 3.29 lakh crores (Rs 1.4 lakh crores in like period previous year), which is highest in the last 4-years. Deposits increased by Rs 2.2 lakh crores (Rs 11.2 lakh crores in like period previous year). Last year higher deposits growth was driven by demonetization.
- ◆ Till 15 Sep'17, the incremental credit growth of the ASCBs was negative at Rs 60,000 crores (-0.8%), compared to last year growth of Rs 33,000 crores (0.5%). A decline in credit off-take in Oct'17 pushed the credit growth downward but aftermath that the growth momentum has picked up. In the period, Nov-Dec'17 the total credit off-take by ASCBs was around Rs 2.1 lakh crores, which 64% of the total Apr-Jan credit off-take of Rs 3.2 lakh crores.
- ◆ As discussed, the overall credit offtake of the ASCBs in FY18 is maximum during Nov and Dec'17. Interestingly, if we look the MoM incremental growth in Nov and Dec this indicate a significant jump in credit to the Micro & Small industries. There is also an increased credit growth for the Vehicle Loan segment, coinciding with a robust growth of the CV segment.
- ◆ Though, the banking system has remained resilient, asset quality of the banks remains under pressure. The banks have been tackling this problem aggressively and the resolution rate will pick up more pace as expectations of sellers of assets become more realistic and valuations given by buyers also are better, sensing an imminent recovery. Efforts must be made to nurture and support such a process by all stakeholders.
- ◆ It is too early to estimate the numbers for FY19, as Government has taken a number of initiatives to create strong banks in the country. However, we believe credit growth will be definitely higher than the last 3/4 year's growth.

ASCB Deposits & Advances Incremental Growth (YTD)				
Apr-Jan	Aggregate Deposits		Bank Credit	
	Amt (Rs crore)	%	Amt (Rs crore)	%
FY18	220324	2.0	329933	4.2
FY17	1117822	12.0	139913	1.9
FY16	358793	8.0	252957	3.9
FY15	439474	5.6	299263	4.9
FY14	627286	9.1	426695	8.0
FY13	429996	7.1	357508	7.6
FY12	439714	8.2	399437	10.1
FY11	465297	12.1	255678	9.2
FY10	471435	14.7	275867	11.7
FY09	412330	15.8	234373	12.1
FY08	282386	13.4	261887	17.4
FY07	160417	9.0	209964	18.2

Source: RBI, SBI Research

Incremental Sectoral Deployment of Credit				
	FY17 (Apr-Dec)		FY18 (Apr-Dec)	
	Amt (Rs crore)	%	Amt (Rs crore)	%
Agr. & Allied	28328	3.2	5728	0.6
Industry	-151553	-5.6	-45880	-1.7
Services	38322	2.5	9642	0.5
Personal Loans	116976	8.4	175122	10.8
Housing	72945	9.8	76081	8.8
Vehicle Loans	3120	9.5	296	7.3

Source: SBI Research, RBI

Incremental Credit Growth (MoM) of ASCBs (Rs Crore)			
Sector	Nov-17	Dec-17	No of Times
Agriculture & Allied Activities	7183	9901	1.4
Industry	4973	30042	6.0
Micro & Small	740	9117	12.3
Medium	662	1025	1.5
Large	3571	19899	5.6
Services	25663	52618	2.1
Transport Operators	2180	647	0.3
Tourism, Hotels & Restaurants	375	-34	-
Professional Services	-1271	6850	6.0
Personal Loans	18286	32201	1.8
Housing (Including PS Housing)	18608	14066	0.8
Advances against FD	533	1991	3.7
Education	-57	-1309	-
Vehicle Loans	393	2254	5.7

Source: SBI Research

MANUFACTURING GVA VS. CORPORATE GVA

- While it may be too early to place optimism based on 1189 listed corporates declaring their Q3FY18 results, early trends in listed corporate GVA suggest fantastic improvement upon Q2FY18 number of 3.8%. Also, reported Q3FY2018 results show double digit growth in both top line and EBIDTA, based on the 1189 listed corporates published results excluding bank and finance. We believe that manufacturing GVA would be in the range of 8-10% if the current trend persists for remaining companies also.

Corporate GVA			
Qtr ended	Corporate GVA (% YoY)	Manufacturing GVA (% YoY)	No. of Listed Companies
Q4: FY16	1.9	12.7	3694
Q1: FY17	9.1	10.7	3653
Q2: FY17	13.1	7.7	3604
Q3: FY17	16.9	8.2	3598
Q4: FY17	7.1	5.3	3510
Q1: FY18	-8.4	1.2	2211
Q2: FY18	3.8	7.0	2795
Q3: FY18	13.5	-	1189*

Source: SBI Research, * 1189 listed companies whose results are declared till date

- Most of the leading indicators are in positive zone for the last few months and particularly in Q3 quarter. Two-wheeler sales and Cement output which was in negative territory in the first month of Q3 (i.e. Oct'17) reversed their trend and currently growing at a robust pace.
- With the leading indicators showing positivity, we expect overall GDP growth in Q3 of current fiscal could be in the higher end of 6.5%-7% bucket. Q4 GDP could even top 7%.

Recovery in Economic Leading Indicators													
	Jan'17	Feb'17	Mar'17	Apr'17	May'17	Jun'17	Jul'17	Aug'17	Sep'17	Oct'17	Nov'17	Dec'17	Jan'18
Railway Freight	0.3	3.5	7.7	4.6	3.9	2.8	5.6	7.7	5.9	2.6	3.1	7.0	...
Commercial Vehicle Sales	-2.4	5.7	6.7	-25.0	-9.3	-4.2	5.7	14.9	21.1	2.1	43.9	50.0	36.6
Two Wheelers Sales	-7.7	2.1	2.2	10.5	11.0	4.0	12.7	15.2	10.3	-0.6	24.2	37.6	33.6
Cellular Mobile Subscribers	19.0	19.7	18.1	21.2	22.2	22.7	22.6	21.4	20.9	22.2	22.4	21.2	...
Foreign Exchange Earnings	18.0	15.6	15.4	27.8	20.9	22.6	4.9	10.9	19.1	18.6	16.7	17.9	...
Foreign Tourist Arrivals	16.4	12.7	11.8	25.0	19.5	22.5	7.4	11.0	18.9	18.1	14.4	15.1	...
Steel Output	11.2	8.6	11.0	9.0	3.9	6.0	9.2	2.1	3.7	8.4	17.1	2.6	...
Cement Output	-13.3	-15.8	-6.8	-5.2	-1.4	-3.3	-2.0	0.7	0.1	-1.3	18.4	19.7	...
SBI Index (Monthly)	50.9	49.2	53.3	44.3	51.9	47.4	51.2	49.9	54.2	48.4	51.2	50.6	49.5
SBI Index (Yearly)	47.0	49.5	50.3	49.3	50.0	49.6	50.3	50.9	53.6	53.0	53.0	53.1	52.1

Source: SBI Research

ABOUT US

The Economic Research Department (ERD) in SBI Corporate Centre is the successor to the Economic and Statistical Research Department (E&SRD). The latter came into being in 1956, immediately after the State Bank of India was formed, with the objective of “tendering technical advice to the management on economic and financial problems in which the Bank has interest and which required expert analysis”.

After the first reorganization of the Bank, when specialized departments like Management Science, Management Information Systems, Planning and Market Segment Departments took over the statistical work of E&SRD, the Department was renamed as ERD.

However, with the ERD team now taking on multidimensional functionalities in the area of risk management , corporate analytics, strategy and so on, who knows, the time may have come to rename it again!

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CONTACT DETAILS

Dr. Soumya Kanti Ghosh
Group Chief Economic Adviser
State Bank of India
Corporate Centre
Madam Cama Road
Nariman Point

Email: soumya.ghosh@sbi.co.in
gcea.erd@sbi.co.in

Phone: 022-22742440

 : [@kantisoumya](https://twitter.com/kantisoumya)