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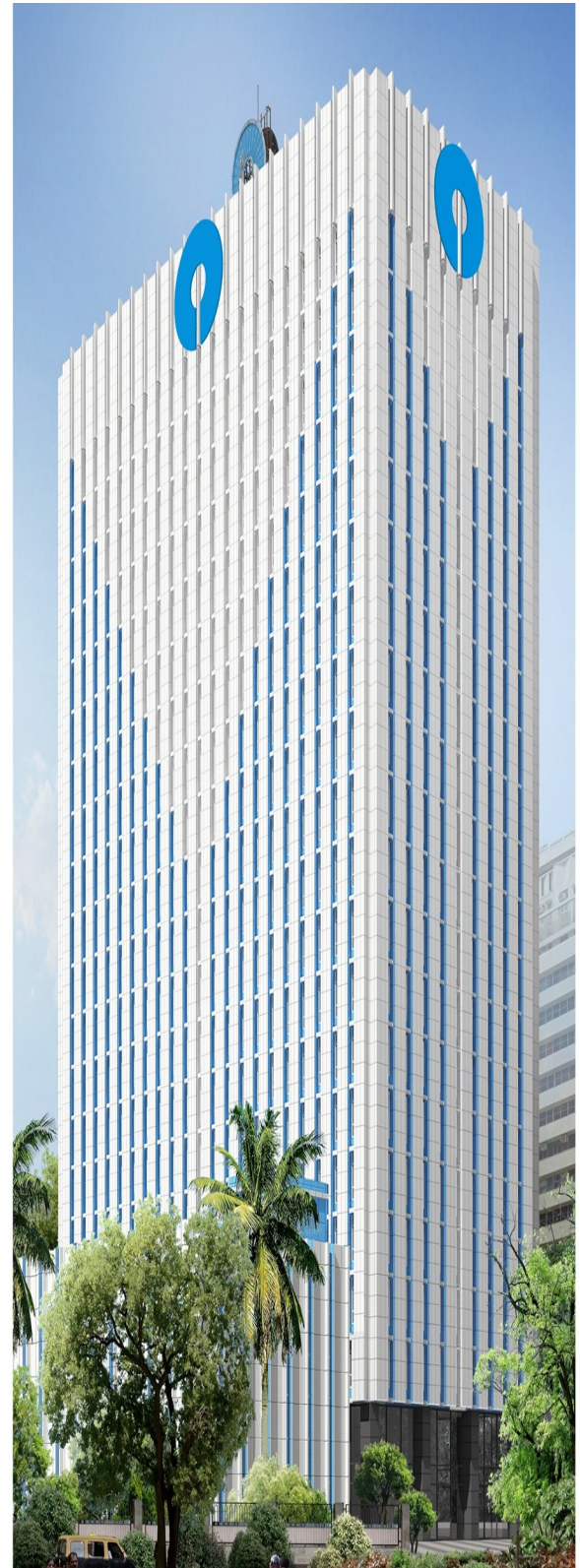
CREDIT GROWTH SURPRISE IN NOVEMBER

Disaggregated credit data released by RBI for November'18 showed some positive surprises and this is the best news going into 2019. Of total incremental credit expansion of Rs 4.34 lakh crores in current fiscal, Rs 3.46 lakh crores is accounted for in 3 months ended Nov'18. The good thing is that incremental credit growth that had slowed down in October (0.2 times of September indicating churn in demand), has again picked up robust pace in November (3.3 times of October). This is encouraging and clearly evident across Retail Loans, including Housing and Personal Loans (Loans to salaried class, etc) and Industry.

In fact, the pace of retail growth has significantly picked up in November with oil prices declining and possibly acting as a boost to discretionary spending that was declining pre October. The pick up in retail credit growth is all the more encouraging as November was witness to 10 holidays across the country and this may even have pushed out some retail loan demand into December with some delay in processing of fresh loan applications. In fact, even after accounting for that, a cursory look at the numbers reveals that incremental retail credit expansion in 3 months ended November at Rs 73,800 crores (21% of overall incremental credit growth) was even higher than FY16 and is the highest in the last decade (i.e since FY08 the period from which the data is available).

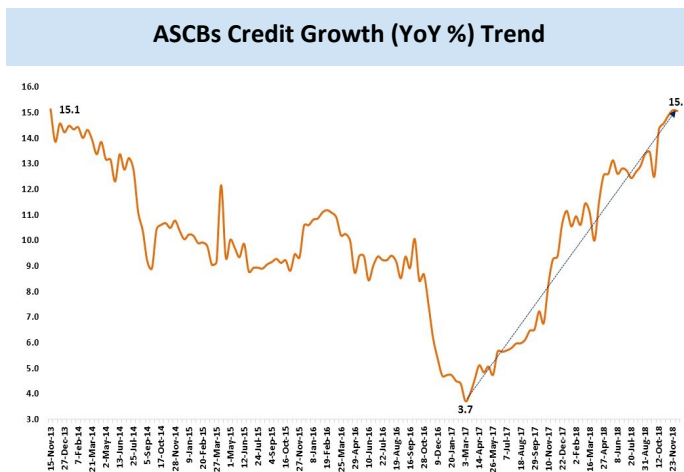
Credit to Industry has accelerated again in November after a lackluster October, with Food Processing, Fertiliser, Iron & Steel, Cement, Petroleum and Infrastructure (Roads and Power) leading the way. However incremental credit to NBFCs has declined further in November (Rs 3,700 crore against Rs 16,000 crore in October and Rs 56,500 crore in September), while that to MSE showed a negative growth. It is however possible that credit to MSE picked up in December following the launch of new on-line scheme in November. Even after all this, credit to NBFCs and retail account for 45% of incremental credit expansion for 3 months ended November.

In a separate data by RBI, state government borrowing in Q4FY19 is around Rs 2.23 lakh crores and adding Rs 2.87 lakh crore state borrowing till date, state gross borrowings is coming at Rs 5.1 lakh crores, lower than budgeted Rs 5.25 lakh crores. Hence, while there is no fear of excessive borrowing quelling the maths in Q4 and thus ensuring g-sec yields to stay range bound and even rallying down from Dec 31 closing of 7.36% to closer to 7% levels (inflation set to surprise at 2.1-2.2% in December), the RBI should maintain adequate liquidity through OMOs that could be scaled up further to Rs 60,000 crores (from 50,000 crore monthly) given that liquidity deficit is running at close to Rs 90,000 crores since the last 63 days!

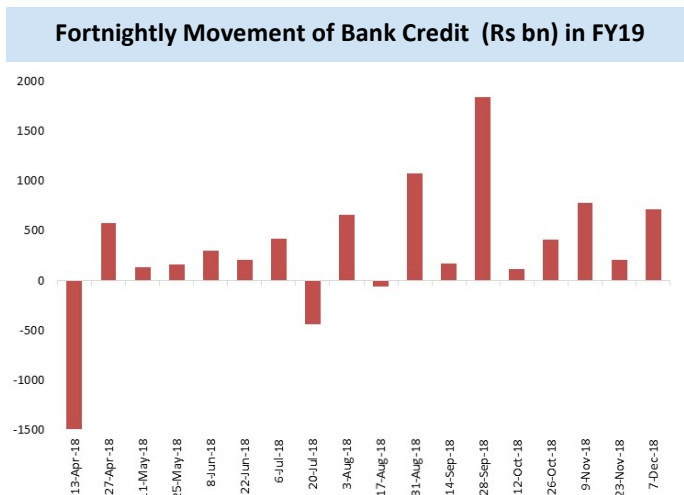


BANK CREDIT GROWTH AT 5 YEAR HIGH

- ◆ The fortnight ended 07 Dec'2018 data of ASCB indicate that on YTD basis, Aggregate deposits grew by 4.0% or Rs 4586 billion (0.7% or Rs 800 bn last year) and advances by 6.7% or Rs 5783 billion (2.0% or Rs 1567 billion). On YoY basis, Aggregate deposits grew by 9.7% or Rs 10,470 bn (2.7% or Rs 2873 bn) and Advances grew by 15.1% or Rs 12,055 bn (9.4% or Rs 6861 bn). **This is the highest growth in five years, as 15.1% growth was last seen in Nov'2013.**
- ◆ A deeper analysis of the data reveals that there was not much credit off-take happening till mid-Aug 2018, but since then there has been a substantial amount of credit off-take beginning September and continuing till November. Of total incremental credit expansion of Rs 4.34 lakh crores in current fiscal, Rs 3.46 lakh crores is accounted for in 3-months ended November. The good thing is that incremental credit growth that had slowed down in October 0.2 times of September indicating churn in demand) has again picked up robust pace in November (3.3 times of October). This is encouraging and clearly evident across Retail Loans, including Housing and Personal Loans (Loans to salaried class etc). In fact, the pace of growth has significantly picked up in November with oil prices declining and possibly acting as a boost to discretionary spending that was declining pre October. The pick up in retail credit growth is all the more encouraging as November was witness to 10 holidays across the country and this may have pushed out some retail loan demand into December with some delay in processing of fresh loan applications.



Source: RBI, SBI Research



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Sector-Wise Credit Flow (Rs bn)											
Sectors	Loan Outstanding					Growth					Growth in Sep, Oct & Nov (Rs bn)
	Mar-18	Aug-18	Sep-18	Oct-18	Nov-18	April1-Aug (Rs bn)	Apr1-Sep(Rs bn)	Apr1-Oct(Rs bn)	Apr1-Nov(Rs bn)	% YTD	
Agri. & Allied	10302	10419	10544	10597	10648	117	242	295	345	3.4	229
Industry	26993	26621	27016	26962	27084	-372	24	-31	91	0.3	463
MSE (Priority)	9964	9881	9945	9961	9957	-83	-19	64	-7	-0.1	75
Services	20505	20740	22014	22081	22538	235	1509	1576	2033	9.9	1798
NBFCs	4964	4902	5467	5626	5663	-62	503	662	699	14.1	762
Personal Loans	19085	19924	20200	20386	20662	840	1115	1301	1577	8.3	738
Housing (Including Priority)	9746	10419	10502	10623	10774	673	757	878	1029	10.6	356
Other Personal Loans	5080	5309	5431	5480	5582	229	351	400	502	9.9	272
Gross Bank Credit	77303	78191	80250	80574	81652	888	2947	3272	4349	5.6	3461

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!

DISCLAIMER

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