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CREDIT TO NBFC HAS RISEN AT THE FASTEST PACE, LOANS SHIFTED TO OTHER PERSONAL LOANS

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The fortnightly data of ASCBs indicate that the trend in bank credit has reversed for the fortnight ended Sep 13, from the earlier fortnight, with credit expanding by Rs 20,998 crore. A sectoral analysis indicates that credit to Industry continues to decelerate (degrowth of Rs 1.2 lakh crores), credit to Services and Retail is still holding up. In particular, credit to NBFC sector from banks has expanded by Rs 39,200 crores in current fiscal as against a degrowth last year. Clearly, this indicates that the news of credit freeze to NBFC sector is clearly untrue.

Interestingly, among the personal loans segments that have seen slower disbursements are consumer durables for which credit contracted by 72.5% y-o-y till Jul'19. Some analysts had earlier interpreted interpret this as an indicator of continued distress in this sector. **We believe there is no decline in credit to consumer durables but the nomenclature has been changed and most of the loans may have shifted to 'other personal loans'**. In terms of numbers, other personal loans has expanded by Rs 1.24 lakh crores during this period, while loans to consumer durables has declined by Rs 14,900 crores. So there is a net increase of around Rs 1.1 lakh crores!

Meanwhile, the fiscal deficit numbers showed a moderation in August, buoyed by a sharp jump in non-tax revenue, bolstered by RBI dividends. The monthly figures indicate that though revenue expenditure increased to Rs 1.99 lakh crore in Aug'19 compared to Rs 1.80 lakh crore in Jul'19, capital expenditure declined in Aug'19 to Rs 28,571 crore compared to Rs 44,605 crore in Jul'19. **This indicates frontloading of expenditure is yet to pick up pace! The good thing is that we now believe the Government will stick to fiscal deficit for FY20 AT 3.3%, given the aggressive disinvestment plans and RBI interim dividends.**

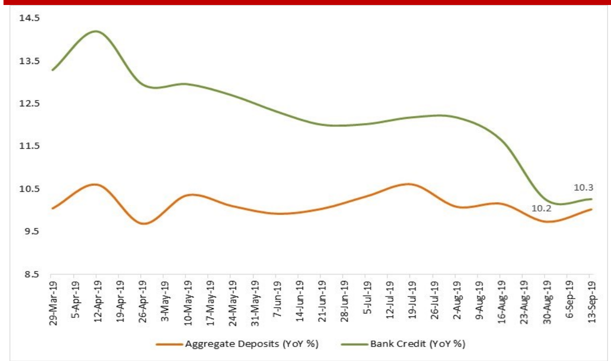
CREDIT GROWTH IN FIRST FORTNIGHT OF SEPTEMBER RISES

- The fortnightly data of ASCBs indicate that bank credit growth has slowed down to 10.3% in 13 Sep'19 from 14.2% in 12 Apr'19. Further, on YTD basis, ASCBs advances contracts by -0.7% (last year 2.0%). However, the trend is changing from the last fortnight (30 Aug-13 Sep), in which credit has expanded by Rs 20,998 crore.
- On the other hand, aggregate deposits of ASCBs has increased by 10.0% (YoY), compared to last year growth of 8.5%. While in the last fortnight, deposits has declined by Rs 57,364 crore, which is a general trend in the first fortnight of every month, due to salary and pension withdrawal for consumption purposes.
- A deeper analysis of sectoral data for the month of August 2019 indicate that credit flows has declined almost all major sectors on YTD basis. While, on YoY basis credit has increased to all business segments. There has been a continuous decline in credit to industry. Within industry, credit growth to 'infrastructure', 'construction', 'cement & cement products', 'vehicles, vehicle parts & transport equipment' accelerated. However, credit growth to 'basic metal & metal products', 'textiles', 'gems & jewellery' and 'chemicals & chemical products' decelerated/contracted.
- On YoY basis, Retail loan (personal loans) grew by 15.6%, compared to 18.2% growth in Augl'18. Among the sub-segments, housing loans is rising at a robust pace.
- Among the personal loans segments that have seen slower disbursements are consumer durables for which credit contracted by 72.5% y-o-y till Jul'19. Some analysts had earlier interpreted interpret this as an indicator of continued distress in this sector. We believe there is no decline in credit to consumer durables but the nomenclature has been changed and most of the loans may have shifted to 'other personal loans'. The 'other personal loans' includes loans against salary, pension etc and most of the loans are unsecured personal loans, which processed easily. So, the other personal loans has been increasing at an average growth of 23% during Aug'18 to July'19.
- In terms of numbers, other personal loans has expanded by Rs 1.24 lakh crores during this period, while loans to consumer durables has declined by Rs 14,900 crores. So there is a net increase of around Rs 1.1 lakh crores!

FISCAL DEFICIT IN APR-AUG'19

- April-August fiscal deficit came at Rs 5.54 lakh crore or 78.7% of BE compared to 94.7% of BE achieved during the same period last year. While tax revenue was Rs 4.04 lakh crore non-tax revenue was Rs 1.98 lakh crore during the first 5 months of this fiscal. The jump in non-tax revenue was due to higher dividends of RBI to Government. The monthly figures show jump in income tax and CGST figures.
- On the expenditure side, capital expenditure was Rs 1.36 lakh crore and revenue expenditure came at Rs 10.4 lakh crore during Apr-Aug'19. The monthly figures indicate that though revenue expenditure increased to Rs 1.99 lakh crore in Aug'19 compared to Rs 1.80 lakh crore in Jul'19, capital expenditure declined in Aug'19 to Rs 28,571 crore compared to Rs 44,605 crore in Jul'19. This indicates frontloading of expenditure is yet to pick up pace!

ASCBs Deposits & Advances Growth (YoY %): Fortnight Trends



Source: SBI Research

ASCBs Credit Off-take in August: Sector-wise

Sectors	Incremental (Rs Bn) (Apr-Aug)		YoY (RS bn)	
	FY19	FY20	FY19	FY20
Agri. & Allied	**117**	**17**	**642**	**711**
Industry	**-372**	**-1206**	**509**	**1031**
MSE (Priority)	-83	-188	1140	603
Services	**840**	**832**	**3070**	**3115**
NBFCs	-62	392	1497	1902
Personal Loans	**840**	**832**	**3070**	**3115**
Housing (Including Priority)	673	547	1372	1729
Other Personal Loans	229	404	1198	1163
Gross Bank Credit	**888**	**-803**	**8533**	**7754**

Source: RBI, SBI Research

ASCBs Retail Credit Flows

Rs Bn	Nov'16	Mar'18	Jul'18	Aug'18	Mar'19	Aug'19	YoY % Growth (Aug'19 over Aug'18)
Personal Loans	**15031**	**19085**	**19445**	**19924**	**22207**	**23039**	**15.6**
Consumer Durables	196	197	205	32	63	55	71.8
Housing (Including Priority Sector Housing)	8153	9746	10063	10419	11601	12148	16.6
Advances against Fixed Deposits	595	725	644	668	829	626	-6.3
Advances to Individuals against share, bonds, etc.	46	56	60	58	63	51	-12.9
Credit Card Outstanding	463	686	743	785	883	977	24.4
Education	710	697	689	698	680	685	-1.9
Vehicle Loans	1673	1898	1918	1955	2022	2027	3.7
Other Personal Loans	3194	5080	5124	5309	6068	6472	21.9

Source: RBI

SBI YEARLY COMPOSITE INDEX IS SHOWING AN UPTURN IN SEP'19

- The yearly SBI Composite Index for Sep'19 improved to 50.5 (Low Growth) compared to 49.0 (Low Decline) in Aug'19. While, the monthly SBI Composite index remained volatile and is at 48.5 (Low Decline) in Sep'19 compared to 49.8 (Low Decline) in Aug'19 .
- The SBI Composite Index, a leading indicator for manufacturing activities in the Indian Economy aims to foresee the periods of contraction and expansion. The Composite Index has mainly two indices i.e. SBI Monthly Composite Index and SBI Yearly Composite Index. We believe both IIP & IIP Manufacturing growth will be more than 1% in August & September 2019.

CORPORATE OUTLOOK

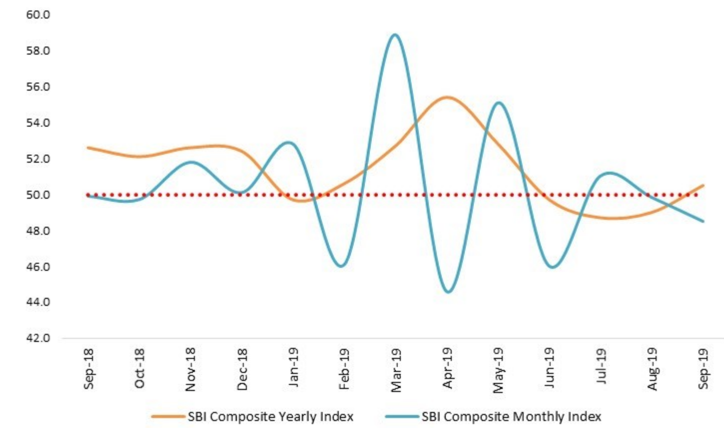
- After a muted growth in Q1FY20, in Q2FY20 also we expect subdued growth in corporate earnings.
- We believe, sectors such as IT, Pharma, FMCG, Packaging, Healthcare, Gas Distribution etc. will continue to do well in the coming period.
- For new Investment, with the Government push on infrastructure with Rs.100 lakh crore, we feel sectors such as Road, Railways, Irrigations, Shipping, Port, Gas Pipeline etc. will continue to see new projects/ investment announcements in the coming period.

How to Read SBI Composite Index

Index Value	Read as
Less than 42	Large Decline
42 to 46	Moderate Decline
46 to 50	Low Decline
50 to 52	Low Growth
52 to 55	Moderate Growth
55 & Above	High Growth

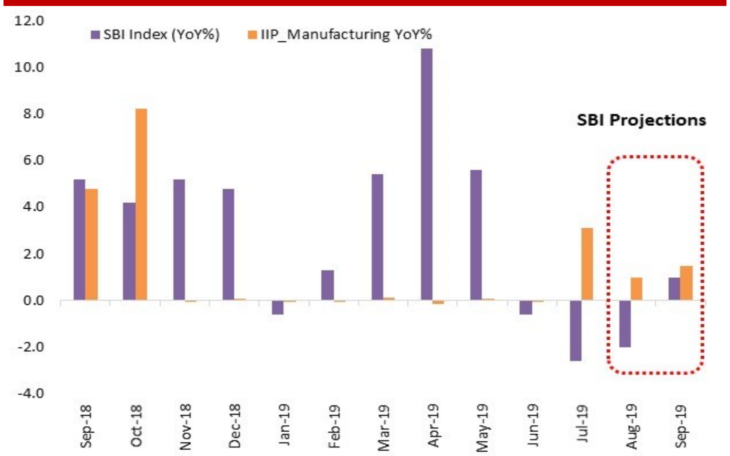
Source: SBI Research

SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

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