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 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 Aug’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 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!
SBI ECOWRAP

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

<table>
<thead>
<tr>
<th>Index Value</th>
<th>Read as</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 42</td>
<td>Large Decline</td>
</tr>
<tr>
<td>42 to 46</td>
<td>Moderate Decline</td>
</tr>
<tr>
<td>46 to 50</td>
<td>Low Decline</td>
</tr>
<tr>
<td>50 to 52</td>
<td>Low Growth</td>
</tr>
<tr>
<td>52 to 55</td>
<td>Moderate Growth</td>
</tr>
<tr>
<td>55 &amp; Above</td>
<td>High Growth</td>
</tr>
</tbody>
</table>

Source: SBI Research

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