SBI INDEX TREND IN POSITIVE TERRITORY

SBI YEARLY COMPOSITE INDEX IMPROVED IN FEBRUARY

- The yearly SBI Composite Index for Feb’20 improved to 51.1 (Low Growth) compared to 49.7 (Low Decline) in Jan’20. Also, the monthly SBI Composite index increased to 50.2 (Low Growth) in Feb’20 compared to 5249.21 (Low Decline) in Jan’20.
- 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 IIP may come to positive territory in January and may surpass 1% in February 2020.

CREDIT TO MSE HAS INCREASED TO 10-MONTH HIGH

- ASCB’s sectoral credit growth data for the month of January 2020, which accounts for about 90% of the total bank credit deployed by 39 SCBs, indicate that the incremental credit has jumped significantly in almost all the major sectors except industry.
- Agri. & Allied sector credit increased by Rs 421 bn (3.8% YTD), services by Rs 640 billion (0.7% YTD) and personal loans by Rs 2765 bn (12.5%). Credit to MSE has increased to 10-month of Rs 387 billion, while industries credit on YTD basis still in negative of Rs 683 bn, despite a robust growth seen in Dec’19 (Rs 221 bn) and Jan’20 (Rs 232 bn).
- We expect credit to industry would continue to grow and may end with a positive growth by end of this year. Within industry, credit growth to ‘paper & paper products’, ‘wood & wood products’, ‘beverage & tobacco’ ‘rubber plastic & their products’, ‘cement & cement products’, ‘telecom & roads, and construction’ accelerated. However, credit growth to ‘textile’, ‘food processing’, ‘chemical & chemical products’, ‘basic metal & metal products’, and ‘all engineering’ decelerated.
- Going forward, ASCB’s credit in the current year may end with single digit growth, led by MSE, and personal loans.

Graph 1: SBI Yearly and Monthly Composite Index Trend
Source: SBI Research

Table: ASCB’s Incremental Credit Growth Industries

<table>
<thead>
<tr>
<th>Industry Segments</th>
<th>FY19 (Jan)</th>
<th>FY20 (Jan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining &amp; Quarrying (incl. Coal)</td>
<td>1.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Food Processing</td>
<td>-3.0</td>
<td>-4.3</td>
</tr>
<tr>
<td>Beverage &amp; Tobacco</td>
<td>-6.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Textiles</td>
<td>-5.5</td>
<td>-6.6</td>
</tr>
<tr>
<td>Leather &amp; Leather Products</td>
<td>-3.2</td>
<td>-1.7</td>
</tr>
<tr>
<td>Wood &amp; Wood Products</td>
<td>7.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Paper &amp; Paper Products</td>
<td>-2.0</td>
<td>2.5</td>
</tr>
<tr>
<td>Petroleum, Coal Products &amp; Nuclear Fuels</td>
<td>-12.3</td>
<td>-11.9</td>
</tr>
<tr>
<td>Chemicals &amp; Chemical Products</td>
<td>10.1</td>
<td>-4.4</td>
</tr>
<tr>
<td>Fertiliser</td>
<td>-10.2</td>
<td>-13.8</td>
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<tr>
<td>Drugs &amp; Pharmaceuticals</td>
<td>5.7</td>
<td>3.1</td>
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<tr>
<td>Rubber, Plastic &amp; their Products</td>
<td>6.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Glass &amp; Glassware</td>
<td>17.3</td>
<td>-12.2</td>
</tr>
<tr>
<td>Cement &amp; Cement Products</td>
<td>5.3</td>
<td>3.6</td>
</tr>
<tr>
<td>Basic Metal &amp; Metal Product</td>
<td>-11.2</td>
<td>-9.8</td>
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<tr>
<td>Iron &amp; Steel</td>
<td>-13.1</td>
<td>-10.9</td>
</tr>
<tr>
<td>All Engineering</td>
<td>3.7</td>
<td>-6.5</td>
</tr>
<tr>
<td>Electronics</td>
<td>9.3</td>
<td>-11.3</td>
</tr>
<tr>
<td>Vehicles, Vehicle Parts &amp; Transport Equipment</td>
<td>1.8</td>
<td>-0.1</td>
</tr>
<tr>
<td>Gems &amp; Jewellery</td>
<td>-6.3</td>
<td>-16.9</td>
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<tr>
<td>Construction</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>10.8</td>
<td>-1.8</td>
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<tr>
<td>Power</td>
<td>6.6</td>
<td>-1.7</td>
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<tr>
<td>Telecommunications</td>
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<td>17.7</td>
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<tr>
<td>Roads</td>
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<tr>
<td>Other Infrastructure</td>
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<tr>
<td>Other Industries</td>
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<td>17.6</td>
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<tr>
<td>Industries</td>
<td>1.9</td>
<td>-2.4</td>
</tr>
</tbody>
</table>

Source: SBI Research

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