

Credit Offtake Remains Robust, Deposit Growth See a 6 Year High

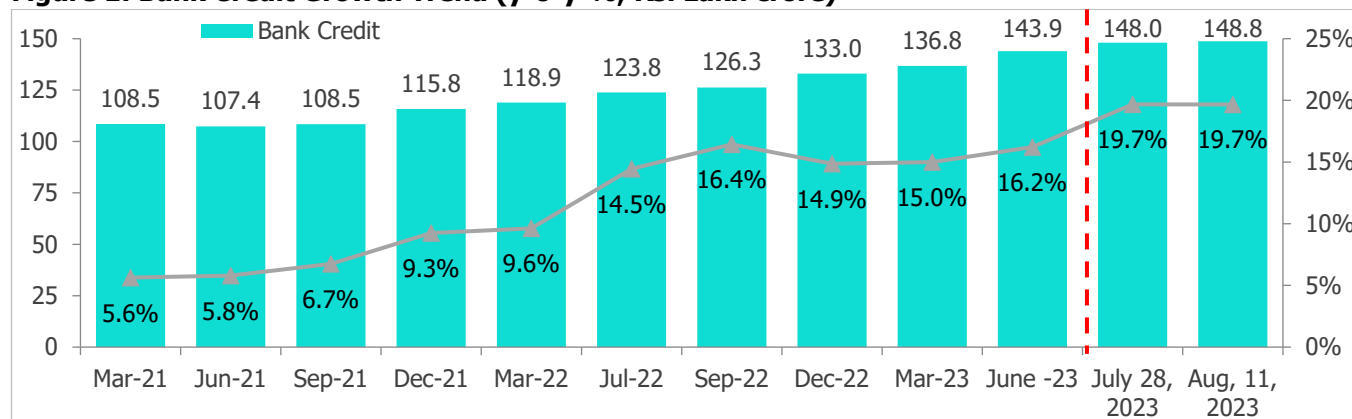
August 28, 2023 | BFSI Research

Synopsis

- Credit offtake continued to grow at a similar pace sequentially, increasing by 19.7% year on year (y-o-y) to reach Rs. 148.8 lakh crore for the fortnight ended Aug 11, 2023. This surge continues to be primarily driven by the impact of HDFC's merger with HDFC Bank, as well as growth in personal loans and NBFCs. Meanwhile, if merger impact is excluded, credit grew at a lower rate of 14.8% y-o-y fortnight compared to last year.
- Deposits too witnessed healthy growth, increasing by 13.5% y-o-y for the fortnight (including the merger impact). The growth in deposits has not been at the same pace as credit since the larger proportion of liabilities of HDFC was by way of borrowings rather than just deposits.
- The outlook for bank credit offtake remains positive, with a projected growth of 13-13.5% for FY24, excluding the merger's impact.
- Deposit growth is expected to improve in FY24 as banks look to shore up their liability franchise and ensure that deposit growth does not constrain the credit offtake.
- The Short-term Weighted Average Call Rate (WACR) stood at 6.68% as of August 18, 2023, compared to 5.09% on August 19, 2022, due to pressure on short term rates basis recent incremental cash reserve ratio (I-CRR) norms by RBI.

Bank Credit Growth Remains Elevated

Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)

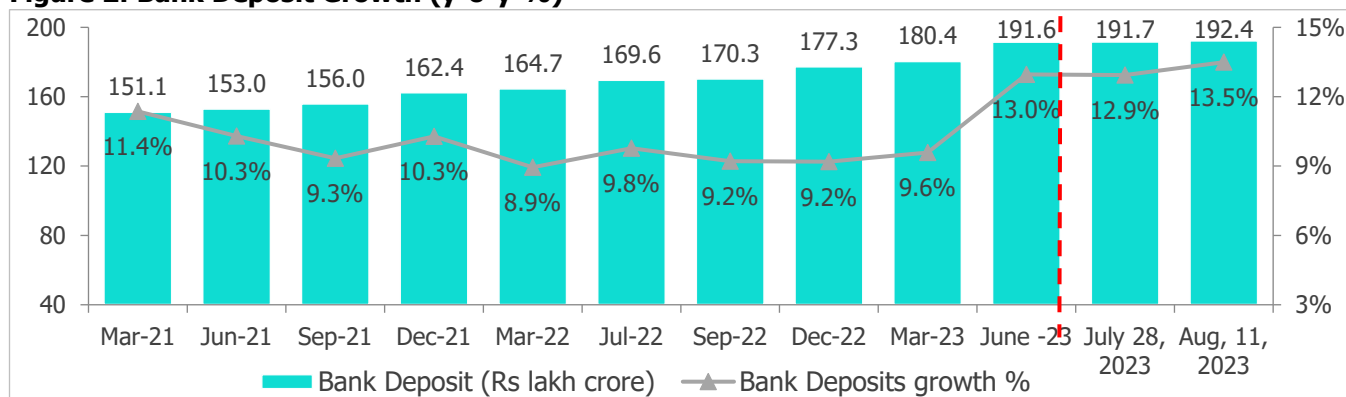


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Credit offtake increased by 19.7% year on year (y-o-y) and a sequential improvement of 0.3% for the fortnight ended Aug 11, 2023. It is important to note that the y-o-y figures are not directly comparable, as the data reported by the RBI as of Aug 11, 2023, includes the impact of the merger of HDFC with HDFC Bank. In absolute terms, credit offtake expanded by Rs. 24.5 lakh crore to reach Rs. 148.8 lakh crore as of Aug 11, 2023, compared to Aug 12, 2022. Excluding the impact of the merger, the growth stood at 14.8% y-o-y for the fortnight. This growth was primarily driven by continued demand for personal loans and NBFCs.
- The outlook for bank credit offtake remains positive, supported by factors such as economic expansion, increased capital expenditure, the implementation of the PLI scheme, and a push for retail credit. CareEdge estimates that credit growth is likely to be in the range of 13.0%-13.5% for FY24, excluding the impact of the

merger of HDFC with HDFC Bank. The personal loan segment is expected to perform well compared to the industry and service segments in FY24. However, elevated interest rates and global uncertainties could potentially impact credit growth in India.

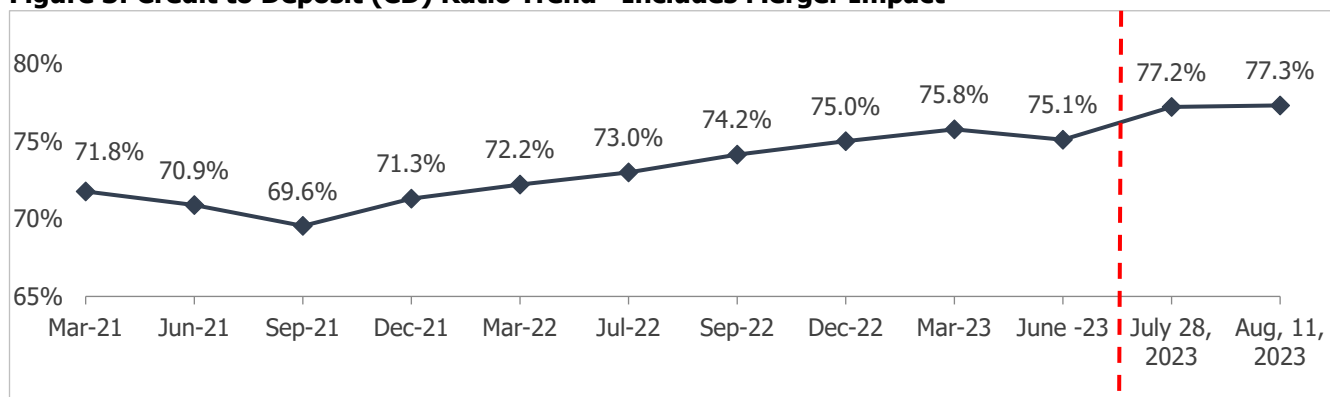
Figure 2: Bank Deposit Growth (y-o-y %)



Note: The quarter-end data reflect, the last fortnight’s data of that particular quarter; Source: RBI, CareEdge

- Deposits rose at 13.5% y-o-y for the fortnight (reported Aug 11, 2023) and by 0.4% sequentially. Without considering the merger, deposits rose by 12.8% y-o-y. Meanwhile, in absolute terms, deposits expanded by Rs. 22.8 lakh crore and reached Rs. 192.4 lakh crore as of Aug 11, 2023, compared to Aug 12, 2022. Demand deposits have dropped sequentially as the withdrawal cycle of Rs 2000 notes is moving towards its end. The growth in deposits has not been at the same pace as credit since the larger proportion of liabilities of HDFC was by way of borrowings rather than just deposits.
- After 2017, this is the first-time deposits have grown by more than 12.5% on an annual basis.

Figure 3: Credit to Deposit (CD) Ratio Trend –Includes Merger Impact



Note: The quarter-end data reflect the last fortnight’s data of that quarter; Source: RBI, CareEdge

- The CD ratio has been generally hovering above 75% since December 2022. The CD ratio saw a marginal uptick of 10 bps compared to the previous fortnight and stood at 77.3% in the fortnight (Aug 11, 2023), meanwhile the y-o-y growth was approx. 400bps. (Impacted due to HDFC merger).

Figure 4: Trend in Credit and Deposit Movement (Rs. Lakh crore)

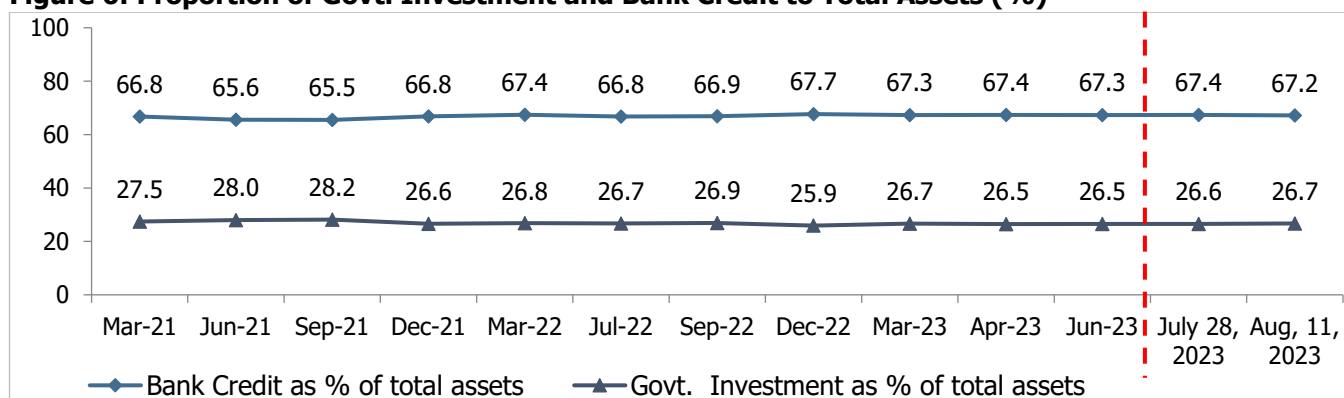
	Last 12 Mths	Last Six Mths	Last Month	Last Fortnight
Credit	24.5	14.6	1.1	0.7
Deposits	22.9	14.6	2.1	1.7

Source: RBI, CareEdge, compared post-merger figures

Figure 5: Trend in Credit and Deposit Movement (y-o-y, %)

	Aug 14, 2020	Aug 13, 2021	Aug 12, 2022	Aug 11, 2023
Credit	5.5	5.5	15.3	19.7
Deposit	11.0	10.6	8.9	13.5

Source: RBI, CareEdge, compared post-merger figures

Proportion of Credit to Total Assets Drops, while Govt. Investment to Total Assets Rises (y-o-y)**Figure 6: Proportion of Govt. Investment and Bank Credit to Total Assets (%)**

Note: The quarter-end data reflect the last fortnight's data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

- Credit to total asset ratio saw a decline of 20 bps compared to the previous fortnight and stood at 67.2% in the fortnight (Aug 11, 2023). However, y-o-y growth was approx. 70bps. Govt. Investments stood at 59.1 lakh crore as on Aug 11, 2023, reporting a growth of 16.6% y-o-y and 1.3% sequentially.

O/s CDs and O/s CPs Continue to Remain at Elevated Levels**Figure 7: Certificate of Deposit Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Mar 11, 2022	154.4	168.9
May 20, 2022	193.0	113.7
July 1, 2022	223.8	222.9
Sep 23, 2022	252.2	318.7
Dec 30, 2022	294.0	247.1
Jan 27, 2023	279.8	180.6
Feb 10, 2023	269.7	139.6
Feb 24, 2023	280.4	120.4
Mar 24, 2023	304.5	50.4
Apr 07, 2023	301.4	49.6
Jul 14, 2023	297.7	26.5
Aug 11, 2023	304.2	25.6

Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

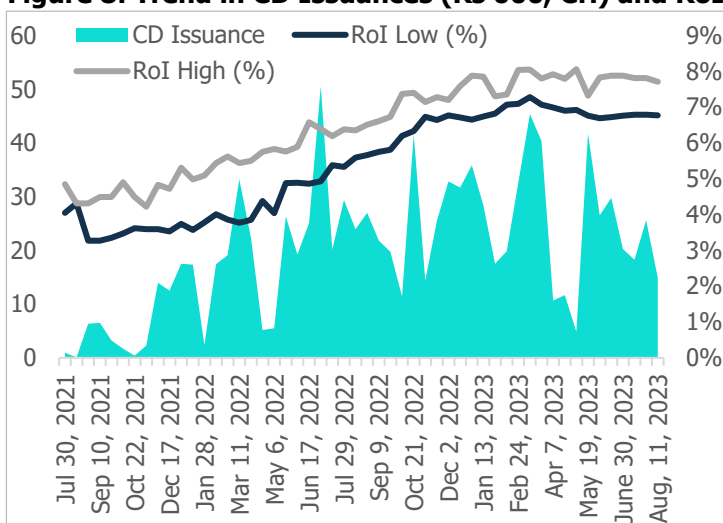
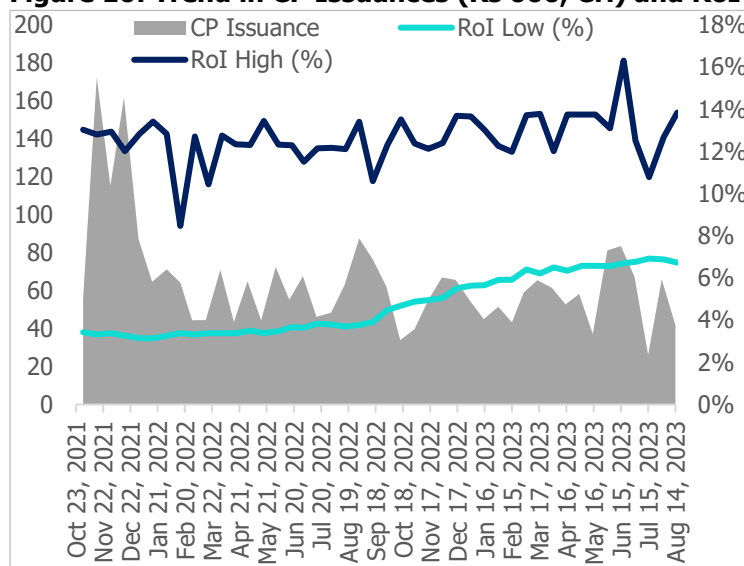
Figure 8: Trend in CD Issuances (Rs'000, Cr.) and RoI

Figure 9: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Mar 31, 2022	352.2	-3.3
May 15, 2022	384.4	-5.0
Jun 30, 2022	372.5	-1.0
Aug 31, 2022	410.0	4.7
Oct 31, 2022	373.3	-1.6
Dec 15, 2022	363.7	-18.6
Jan 31, 2023	363.9	-8.1
Mar 15, 2023	371.3	0.9
Apr 30, 2023	421.7	15.5
May 31, 2023	433.5	12.7
Jun 30, 2023	433.2	16.3
Aug 14, 2023	447.5	8.9

Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

Figure 10: Trend in CP Issuances (Rs'000, Cr.) and RoI



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