

Credit Growth Robust, Deposits Breach Rs 200 Lakh Cr Threshold

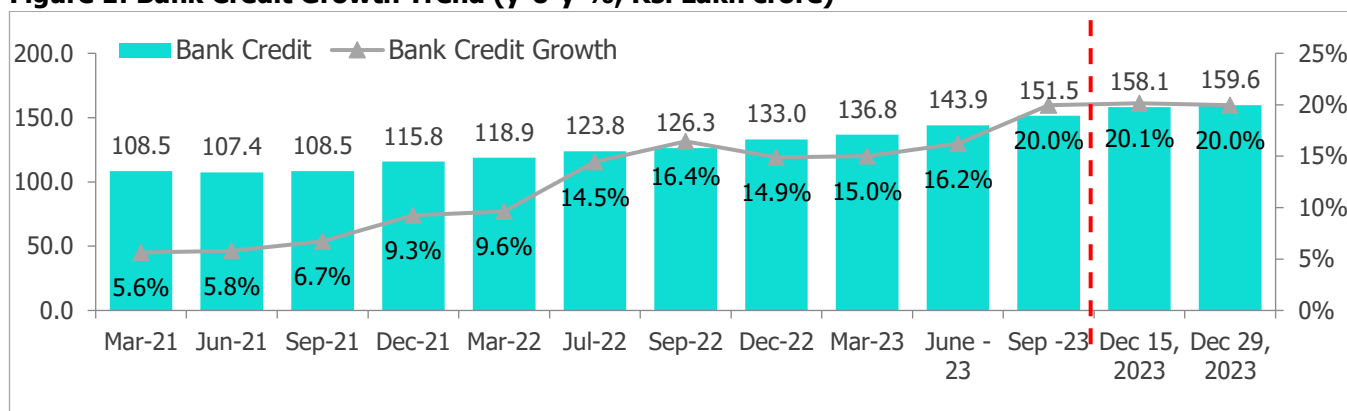
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Synopsis

- Credit offtake continues to be robust, increasing by 20.0% year-on-year (y-o-y) to reach Rs. 159.6 lakh crore, for the fortnight ended December 29, 2023. This rise can be attributed to the impact of HDFC Ltd's merger with HDFC Bank along with the festival season and growth in personal loans. If we exclude the impact of the merger, credit grew at a rate of 15.7% y-o-y fortnight compared to last year's growth of 14.9%. The outlook for bank credit offtake continues to remain positive for FY24 with expectations of growth in unsecured personal loans slowing down due to RBI's action on risk weights.
- Deposits too grew by 13.2% y-o-y for the fortnight (including the merger impact), breaching the Rs 200 lakh crore threshold to reach Rs. 200.8 lakh crore as on December 29, 2023. Excluding merger impact growth stood at 12.6%. Sequentially we saw an increase of 1.5%. Deposit growth is expected to improve in FY24 compared to earlier periods as banks look to shore up their liability franchise.
- The Short-term Weighted Average Call Rate (WACR) stood at 6.73% as of January 5, 2024, compared to 6.08% on January 5, 2023, due to pressure on short-term rates.

Bank Credit Growth Remains Elevated

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

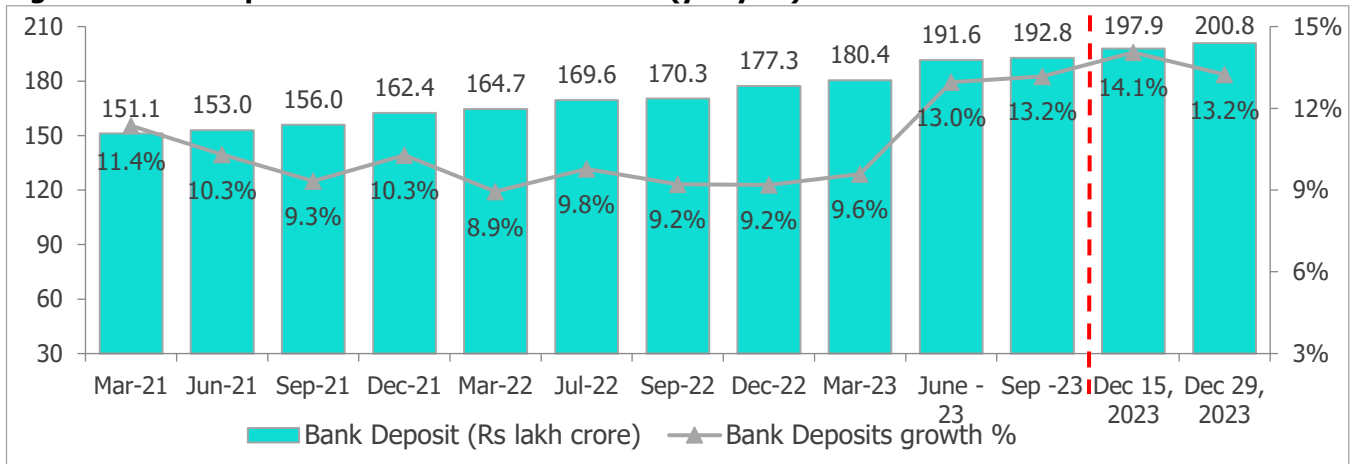


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Credit offtake increased by 20.0% year on year (y-o-y) and sequentially by 1.0% for the fortnight ended December 29, 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 December 29, 2023, includes the impact of the merger of HDFC with HDFC Bank. In absolute terms, over the last twelve months, credit offtake expanded by Rs. 26.6 lakh crore to reach Rs. 159.6 lakh crore as of December 29, 2023. Excluding the impact of the merger, the growth stood at 15.7% y-o-y for the fortnight, which was higher than last year's growth number of 14.9% (which moderated from previous fortnight of December 16, 2022, as the benefit of a lower base waned). This growth continues to be primarily driven by continued demand for personal loans and NBFCs.

- The outlook for bank credit offtake continues to remain positive for FY24, supported by factors such as economic expansion and a continued push for retail credit which has been supported by improving digitalisation. Due to the recent RBI notification on risk weights, the fast growing unsecured personal loans and NBFC segments could witness a certain level of cooling. Currently, capital levels are quite comfortable for banks and NBFCs. Elevated interest rates, inflation, and global uncertainties regarding geo-political issues are other key factors which could weigh on credit growth.

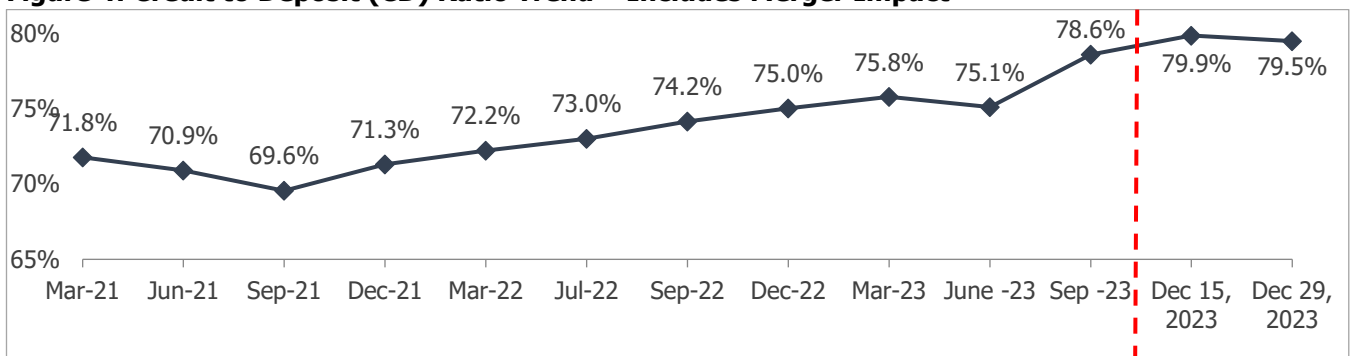
Figure 2: Bank Deposit Growth Continues to Rise (y-o-y %)



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

- Deposits rose at 13.2% y-o-y for the fortnight, breaching the Rs. 200 lakh crore threshold to reach Rs. 200.8 lakh crore (reported December 29, 2023), however in sequential terms we saw a growth of 1.5%. Without considering the merger, growth was 12.6%. Meanwhile, in absolute terms, deposits expanded by Rs. 23.5 lakh crore y-o-y, as of December 29, 2023, compared to December 30, 2022.
- Since September 2023, system liquidity has been in deficit due to forex interventions, currency demand during the festive season and outright OMO sales. As a result, the weighted average call rate (WACR) spread over the repo rate has risen. In the near term, advance tax-related outflows and GST payments are expected to keep liquidity in deficit. While government spending and FPI inflows may ease liquidity conditions, the RBI is likely to maintain tight liquidity in accordance with its “withdrawal of accommodation” stance.

Figure 4: Credit to Deposit (CD) Ratio Trend – Includes Merger Impact



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

- The CD ratio has generally been hovering marginally below 80% since September 2023 mainly driven by HDFC merger. The CD ratio saw a downtick of 38 bps, compared to the previous fortnight, and stood at 79.5% in the fortnight (December 29, 2023), If we exclude the merger impact CD ratio for current fortnight stood at 77.1% compared to 75.0 during December 30, 2022.

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

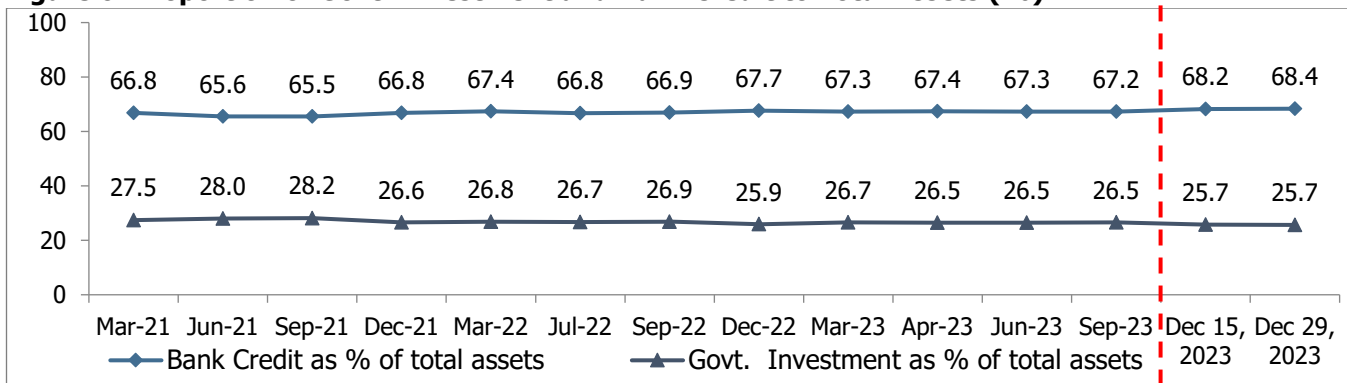
	Jan 1, 2021	Dec 31, 2021	Dec 30, 2022	Dec 29, 2023
Credit	5.6%	9.3%	14.9%	20.0%
Deposit	11.5%	10.3%	9.2%	13.2%

Source: RBI, CareEdge, compares post-merger figures

Deposits growth has seen relatively steady since Covid times. However, in recent years, credit growth has been significantly outperforming deposit growth, this can be mainly attributed to banks having incremental liquidity during the COVID period and comparatively lower outflows, however scenario has changed with rising demand for credit and a decrease in liquidity.

Proportion of Credit to Total Assets Rises, whereas Govt. Investment to Assets Stays Stable

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

- The credit to total assets ratio witnessed a growth of approx. 10 bps compared to the previous fortnight and stood at 68.4% in the fortnight (Dec 29, 2023). Meanwhile, Govt. Investments stood at 59.9 lakh crore as of December 29, 2023, reporting a growth of 17.6% y-o-y and an uptick of 0.5% 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
Nov 17, 2023	314.5	22.1
Dec 29, 2023	344.8	17.3

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

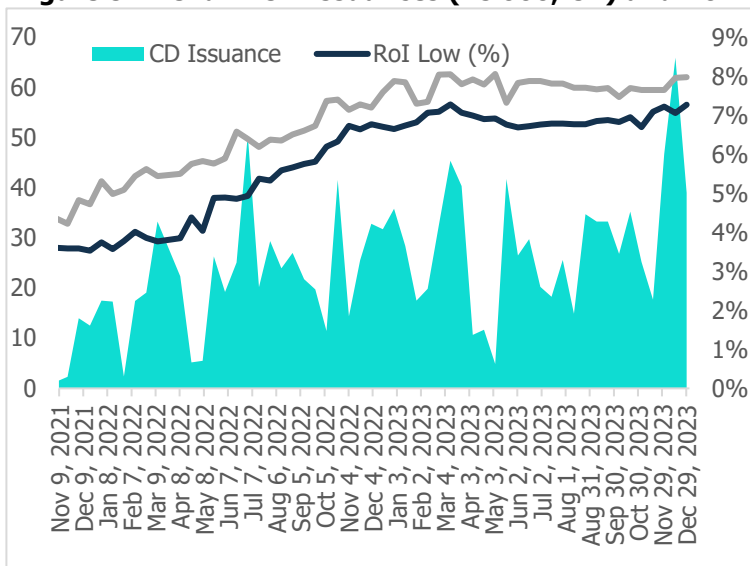
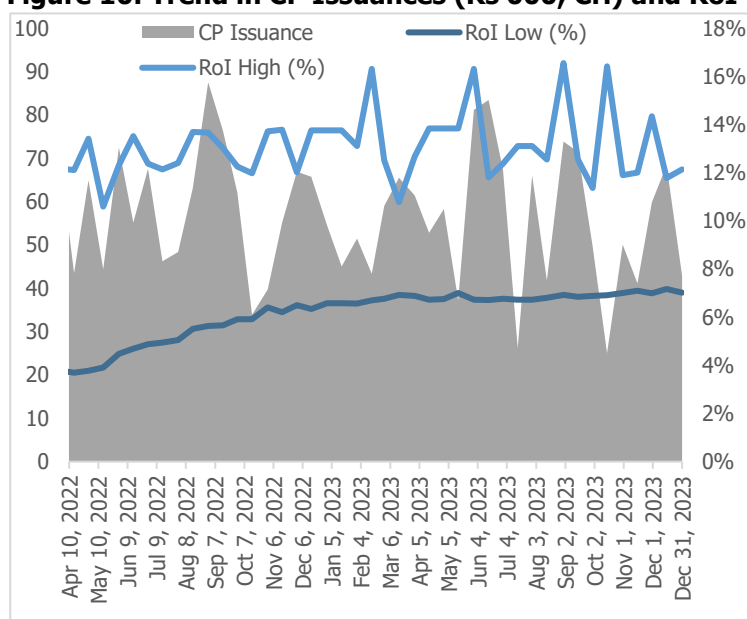


Figure 9: Commercial Paper Outstanding

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
Sep 30, 2023	412.2	2.8
Dec 31, 2023	364.2	1.3

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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