

Finally Deposit Growth is in line with Credit Growth

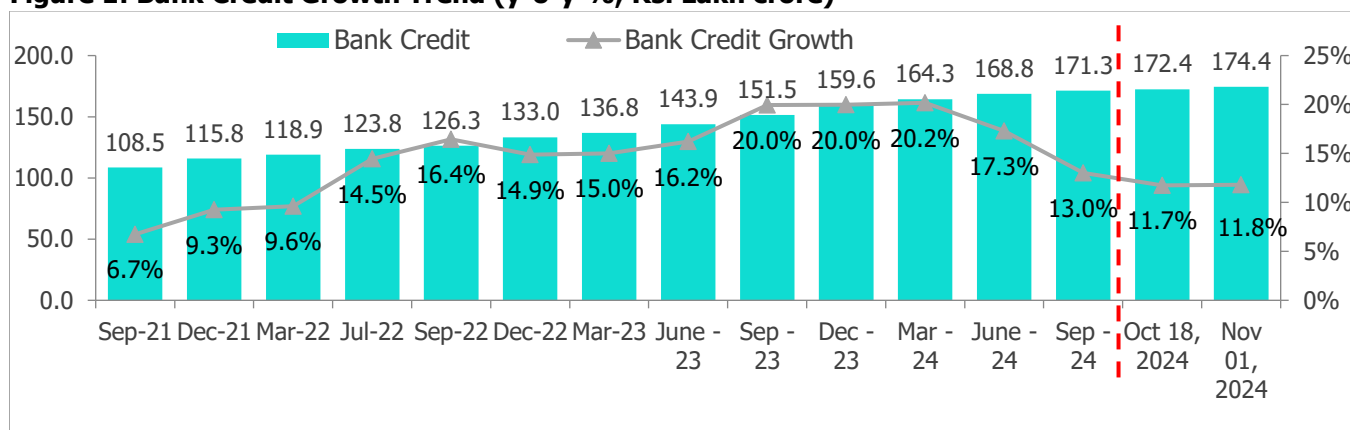
November 18, 2024 | BFSI Research

Synopsis

- Credit and deposits are now growing in line with each other after deposit growth surpassed credit offtake for the first time in 30 months last fortnight. Additionally, when comparing growth rates with December 2023, deposit growth has continued to outpace credit offtake.
 - Credit offtake increased by 9.3% compared to December 2023, reaching Rs 174.4 lakh crores as of November 01, 2024. The growth slowdown compared to last year can be attributed to a higher base effect due to the merger and RBI measures such as higher risk weights and the proposed LCR norms.
 - Deposits rose at 9.8% compared to December 2023, reaching Rs 220.4 lakh crore as of November 01, 2024. This growth can be attributed to rising term deposit rates of Scheduled Commercial Banks (SCBs).
- The Short-term Weighted Average Call Rate (WACR) has decreased to 6.50% as of November 01, 2024, compared to 6.77% as of November 10, 2023, indicative of surplus liquidity.

The Bank Credit Growth Rate shows a marginal uptick for the Fortnight

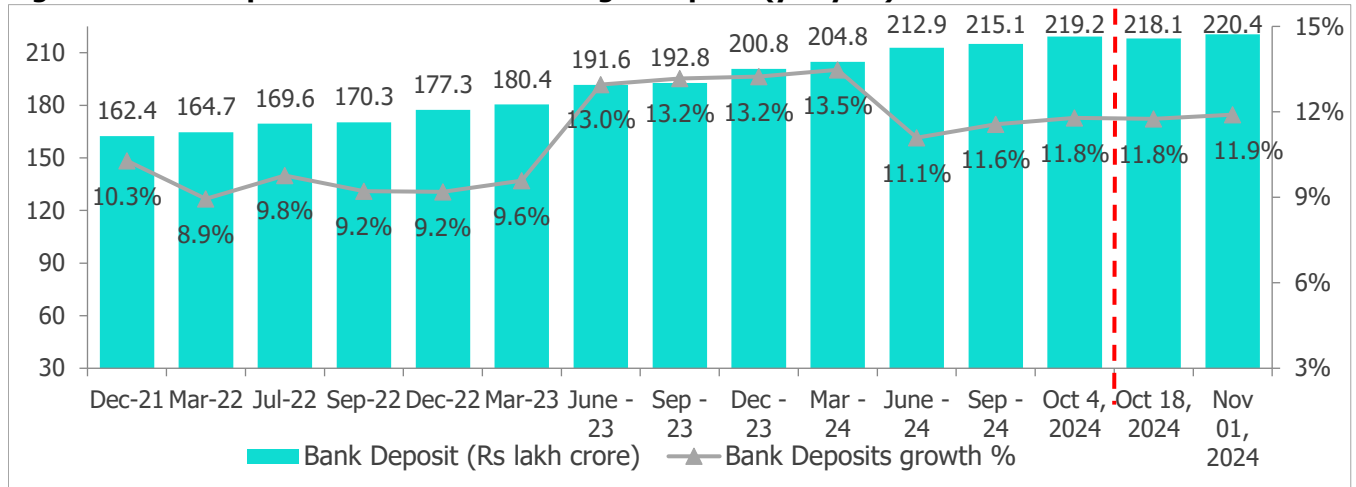
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



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 quarter; Source: RBI, CareEdge

- Credit offtake increased by 9.3% compared to December 2023, while increasing sequentially by 1.2% for the fortnight ended November 01, 2024. In absolute terms, over the last 10 months, credit offtake expanded by Rs 14.6 lakh crore, reaching Rs 174.4 lakh crore as of November 01, 2024. The slowdown compared to last year can be attributed to a higher base effect, commentary on the reduction of a high credit-to-deposit ratio, and RBI measures such as higher risk weights, and the proposed LCR norms.

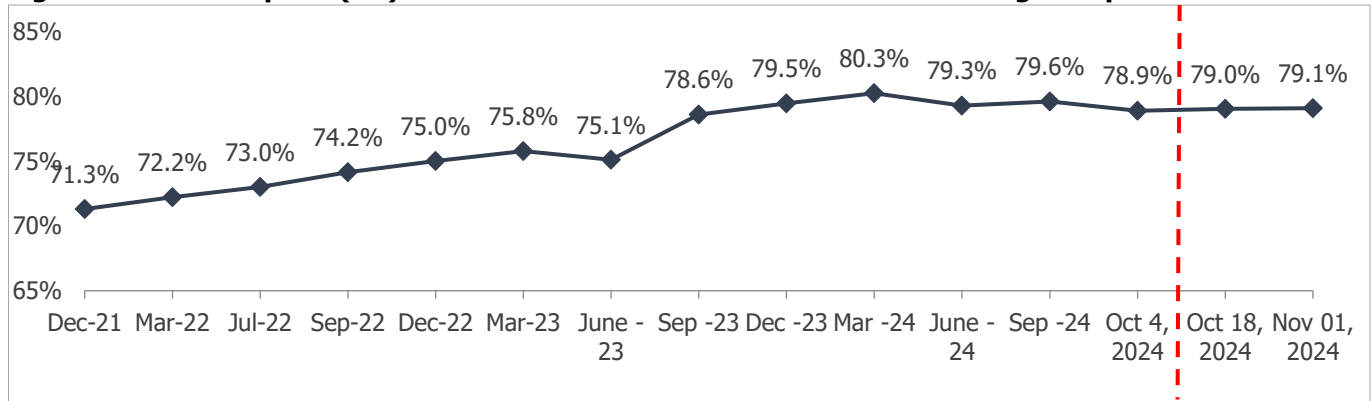
Figure 2: Bank Deposit Growth shows a marginal uptick (y-o-y %)



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

- Deposits rose to 9.7% compared to December 2023, reaching Rs 220.4 lakh crore as of November 01, 2024, and sequentially witnessed an uptick of 1.1%. Meanwhile, in absolute terms, deposits have expanded by Rs 20.6 lakh crore over the last 10 months. Deposits have remained prominent in FY25 as banks have intensified efforts to strengthen their liability franchise and have offered higher term deposit rates. Additionally, banks are sourcing funds via the certificates of deposits at a relatively higher cost.

Figure 3: Credit-Deposit (CD) Ratio Hovers Just Below 80% – Includes Merger Impact



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

- The CD ratio has been hovering around 80% since September 2023. The CD ratio witnessed a marginal sequential uptick reaching 79.1% for the fortnight ending November 01, 2024.

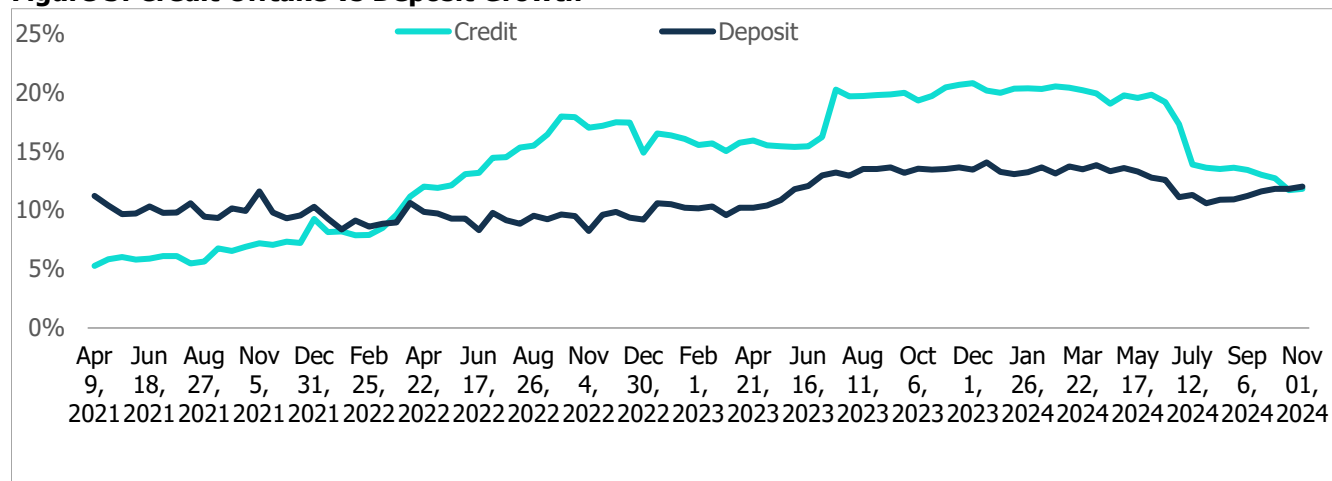
Figure 4: Trend in Bank Credit and Deposit Movement

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	Jun 14, 24	Nov 01, 24	Since Dec	Since June	Since Dec	Since June
Credit	159.6	167.1	174.4	14.8	7.3	9.3%	4.4%
Deposit	200.8	209.0	220.4	19.6	11.4	9.8%	5.5%

Source: RBI, CareEdge

As per the above table, we can observe that in absolute terms, deposit growth has outpaced credit growth, especially after RBI’s circular on risk weights and comments on reducing the CD Ratio. This reduces challenges to credit offtake, which is likely to remain shadowed by growth in deposits.

Figure 5: Credit Offtake vs Deposit Growth

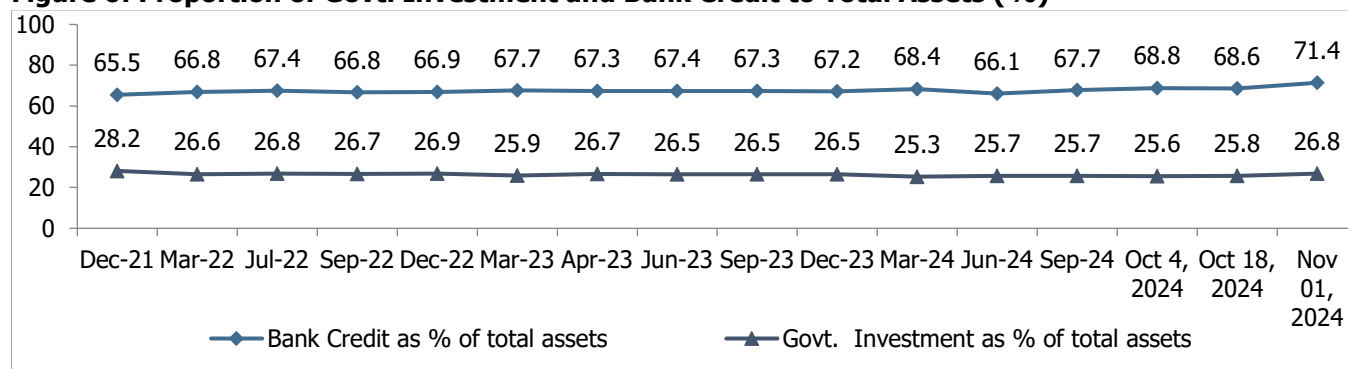


Source: RBI, CareEdge

On y-o-y performance, credit saw a growth of 11.8%, slower than the last year’s rate of 20.4%. Meanwhile, deposits saw a growth of 11.9%, compared to 13.5% last year.

Proportion of Bank Credit to Total Assets and Govt. Invest. to Total Assets increased

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 quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

- The credit-to-total-assets ratio marginally increased by 28 bps compared to the previous fortnight and stood at 71.4% for the fortnight (November 01, 2024). The Government Investment-to-Total Assets ratio increased and stood at 26.8%. Meanwhile, overall government investments stood at Rs 65.5 lakh crore as of November 01, 2024, reporting a growth of 7.3% y-o-y, and a growth of 1.1% sequentially.

O/s CDs and CPs Continue to Remain at Elevated Levels

Figure 7: Certificate of Deposit O/s

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Jan 12, 2024	351.1	20.1
Apr 5, 2024	361.6	20.0
Apr 19, 2024	372.8	24.1
May 3, 2024	380.0	31.6
May 17, 2024	367.5	21.6
May 31, 2024	369.2	18.2
Sep 20, 2024	474.6	62.7
Oct 18, 2024	484.1	54.6
Nov 01, 2024	465.4	47.4

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

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

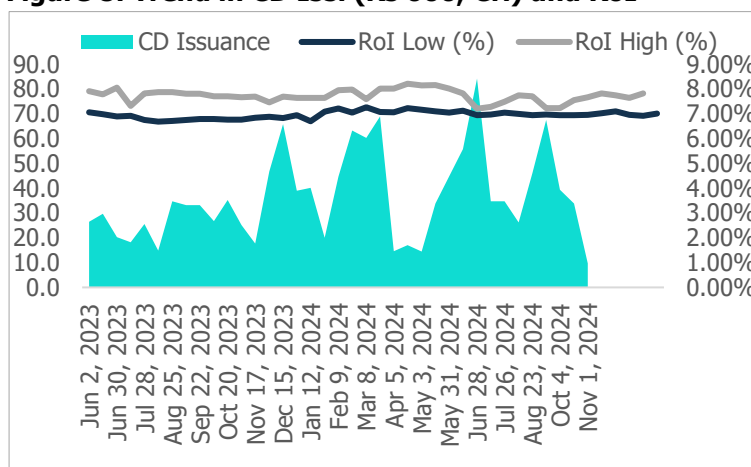
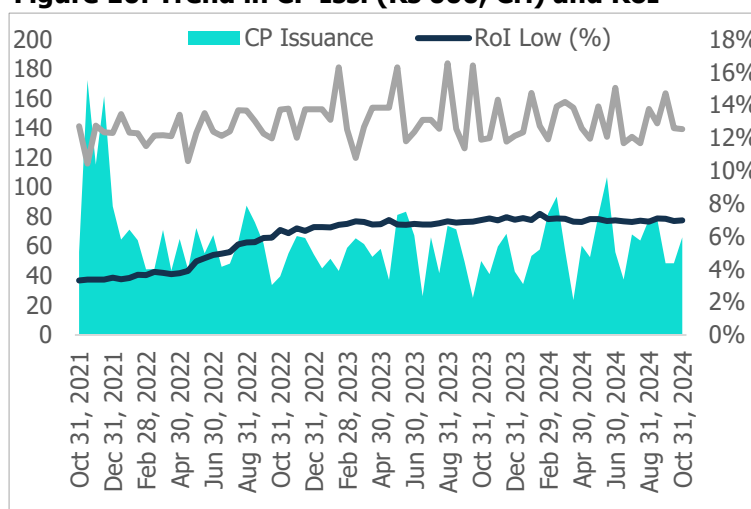


Figure 9: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Sep 30, 2023	412.2	2.8
Dec 31, 2023	364.2	1.3
Mar 31, 2024	388.6	9.9
Apr 30, 2024	411.5	-2.4
May 15, 2024	421.2	-0.1
May 31, 2024	404.0	-6.8
Jun 30, 2024	422.4	-2.5
Sep 30, 2024	397.6	-3.6
Oct 15, 2024	438.1	4.6
Oct 31, 2024	445.1	7.6

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

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



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