

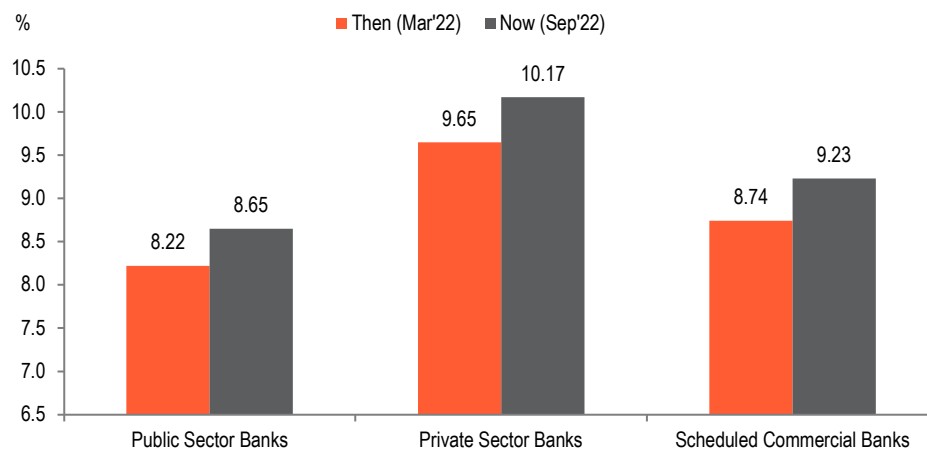
Pace of Deposit and Lending rates in H1FY23?

In the given landscape, the Central Bank has been on policy tightening spree with liquidity crunched up. The lending rates have risen making the borrowing costlier. Deposit rates though lagging are quickly catching up with higher rates as banks revamp the rates further. The note examines the changes in the deposit and lending rates over the last 6-months.

LENDING RATE

- The weighted average lending rate (WALR) on outstanding rupee loans have become expensive with the increase in rates registered across the board. For public sector banks, the rates have gone up by 43 bps, for Private Banks and SCBs also the rates have edged upwards by 52 bps and 49 bps respectively in Sep'22 compared with Mar'22.

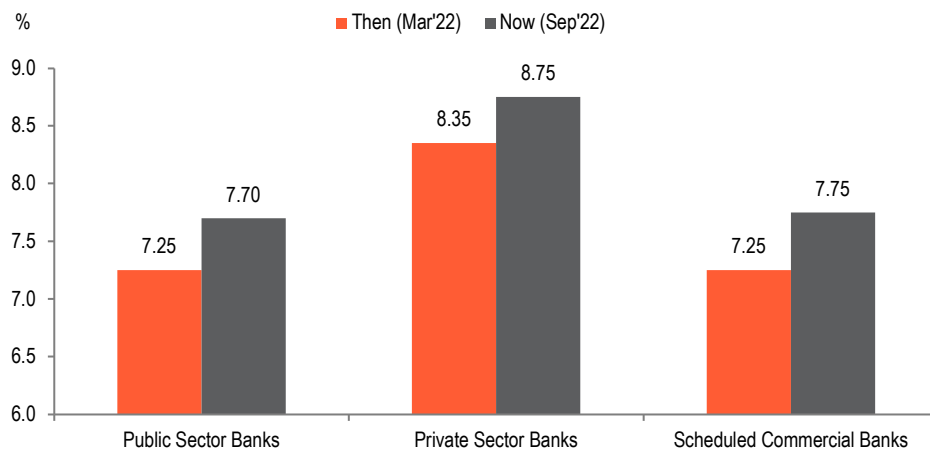
Fig1. WALR for outstanding loans



Source: RBI, Bank of Baroda Research

- WALR on fresh rupee loans have also increased for Public sector (91 bps), Private Banks (88 bps) and SCBS (96 bps) in Sep'22.
- 1-year median marginal cost of fund based lending rate (MCLR) moved higher in Sep'22 compared with the rates back in Mar'22. For SCBs, the MCLR rates have gone up by 50 bps. For Public sector and Private Banks the rates have edged upwards by 45 bps and 40 bps respectively in Sep'22.

Fig2. 1-YR MCLR (Median)



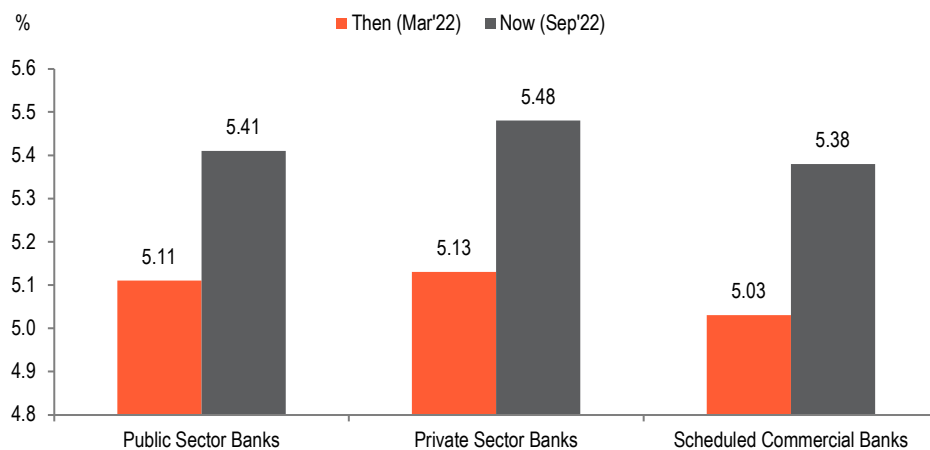
Source: RBI, Bank of Baroda Research

- Repo the benchmark policy rate have been increased by over 190 bps during this period as RBI is on a policy tightening spree with the aim to tame accelerating inflation print.

DEPOSIT RATES

- With the repo rate increasing by 190 bps, the weighted average domestic term deposit rate (WADTDR) has also increased. SCBs have also hiked deposit rates during this period by 35bps in Sep'22 from Mar'22. In case of public sector banks, the rates have been hiked to 5.41% in Sep'22 (5.11% in Mar'22) while for private banks it was up by 35 bps from 5.13% to 5.48%.

Fig3. Average Deposit Rate (Outstanding rupee term deposit)



Source: RBI, Bank of Baroda Research

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