

Loan growth plummets to 8%

Credit growth for the fortnight ended 8 November slipped to a two-year low of 8.1% YoY, as per RBI data. Deposit growth also declined to 9.9% vs. 10.3% the previous fortnight. Loan growth continues to moderate due to anaemic corporate demand and a slowdown in unsecured retail credit as well as lending to the services sector. A lack of good credit opportunities is compelling lenders to park funds in investments, which grew 9.2% YoY. Loan growth is likely to remain elusive in FY20 despite the shift in pricing power to banks from NBFCs.

Deposit growth down to 9.9%: Deposit growth for the fortnight ended 8 November declined to 9.9% from 10.3% the previous fortnight but remains broadly in line with the 9-10% growth trend seen over the past couple of quarters. The pressure on deposit mobilisation should ease with slowing credit growth, offering banks an opportunity to further lower term deposit rates. In absolute terms, deposits grew by Rs 0.2tn FoF to Rs 130tn.

Credit growth slips further: As per RBI data, credit growth stood at 8% YoY for the fortnight ended 8 November. In absolute terms, credit offtake increased by Rs 70bn FoF to Rs 98tn. RBI data on sectoral deployment of credit for Sep'19 suggests that corporate loan growth has dipped to 3% YoY. Retail credit growth had been hovering at ~17% over the past few months amid a strong uptick in home and other personal loans.

Bleak outlook for FY20: We do not expect any material improvement in credit growth for FY20. At the same time, as public sector banks grapple with the mega consolidation exercise, private banks will be able to step in and augment market share.

Vikesh Mehta

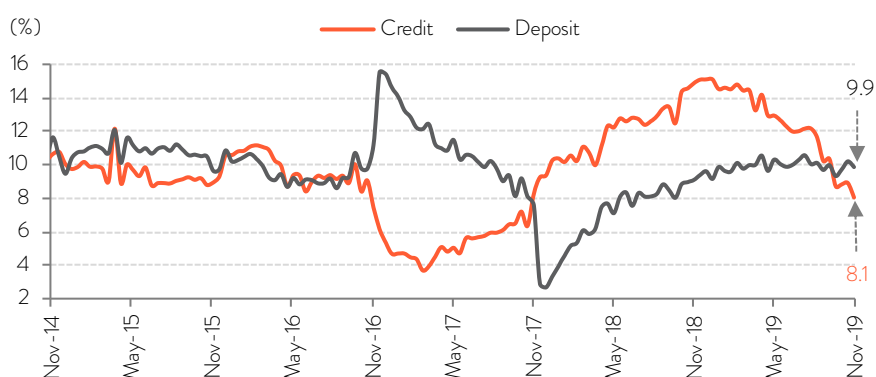
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KEY DATA

Particulars	09-Nov-18	08-Nov-19
Deposits (Rs tn)	118.3	130.0
YoY growth (%)	9.1	9.9
YTD growth (%)	3.5	3.4
Loans (Rs tn)	91.1	98.5
YoY growth (%)	14.9	8.1
YTD growth (%)	5.6	0.8
CD ratio (%)	77.0	75.8
SLR ratio (%)	27.2	27.2

Source: RBI, BOBCAPS Research

FIG 1 – CREDIT AND DEPOSIT GROWTH IN THE BANKING SYSTEM



Source: RBI, BOBCAPS Research

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