

## Lockdown mars retail credit growth

RBI data on sectoral credit deployment indicates that growth in non-food credit remained sluggish at 7.3% in Apr'20. Retail credit growth decelerated sharply to 12% amid a slower uptick in home loans and credit cards. Industrial credit stayed subdued at <2%. Services segment grew 11% YoY as loans to NBFCs rose 30%, which we believe was largely due to loans advanced under RBI's recent TLTRO schemes. Credit offtake will likely remain weak through FY21 as banks tone down growth expectations and focus on balance sheet conservation.

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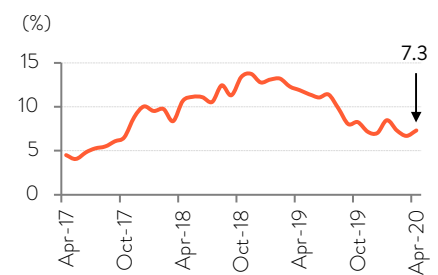
**Retail credit slows:** Retail credit growth that had held at an average of 16% over the past 12 months plummeted to 12% YoY in Apr'20 amid the lockdown, while registering its sharpest MoM decline since Jul'13 at -2.5%. Home loans, a vital segment, slowed to 14% vs. 16% in Mar'20 and an average of 18% YoY for the last 12 months. Growth in credit card outstanding plunged to 5% YoY vs. ~27% on average over the last 12 months amid repayments and a lack of spends. Consumer durable/vehicle loan growth slipped to 43.7%/8.6% YoY vs. 47.9%/9.6% in Mar'20. Ex-retail segment, non-food credit grew 5.6%.

**Industrial credit remains sluggish:** Industrial credit grew a meagre 1.7% YoY in April given declines or flattish growth across heavyweight sectors such as textiles (-4.6% YoY), infrastructure (-0.9%) and basic metals (-0.3%). Chemicals/cement, however, grew by 8.8%/6.4% YoY vs. 6.5%/6.2% YoY in Mar'20. Loans to MSMEs declined 3.2% YoY while those to large industries were up 2.7% in Apr'20.

**Services segment rises 11% YoY:** Credit to the services segment (28% of gross bank credit) grew 11% YoY vs. 7% in Mar'20, amid 30% YoY growth in loans to NBFCs – this was largely due to refinance/loans advanced under the recent targeted longer-term repo operations (TLTRO) to select NBFCs, in our view. On the other hand, growth in the agriculture segment slowed to 4% vs. 5% YoY in Mar'20.

**Bleak outlook for FY21:** We expect credit growth to remain lacklustre throughout FY21 as the impact of Covid-19 unravels. Further, banks are likely to tone down their growth expectations, especially in the unsecured lending space which has been a key driver in the recent past, and focus more on balance sheet conservation.

## NON-FOOD CREDIT GROWTH



Source: RBI, BOBCAPS Research

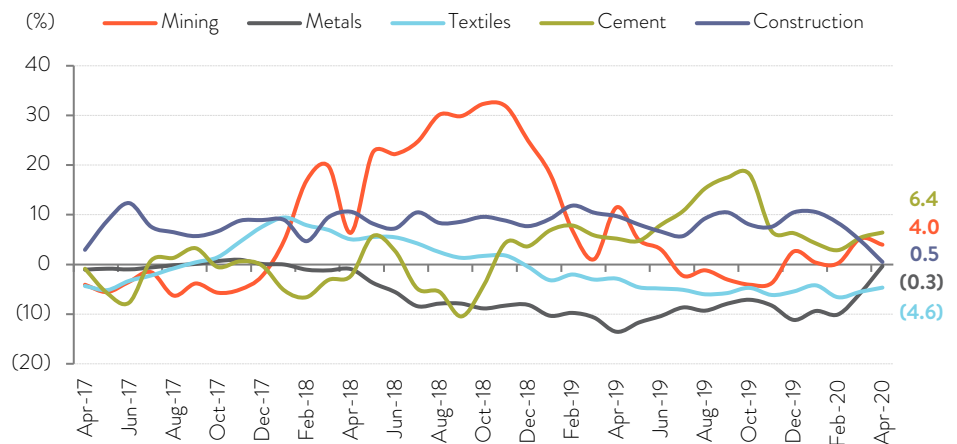


**FIG 1 – NON-FOOD CREDIT SLUGGISH AT 7.3% IN APR'20**

Sector/Industry (Rs bn)	Apr-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	Share of credit (%)	Growth (YoY, %)
<b>Non-food Credit</b>	<b>84,810</b>	<b>87,373</b>	<b>89,001</b>	<b>89,147</b>	<b>92,115</b>	<b>91,006</b>	<b>100.0</b>	<b>7.3</b>
<b>Agriculture</b>	<b>11,080</b>	<b>11,391</b>	<b>11,534</b>	<b>11,560</b>	<b>11,578</b>	<b>11,513</b>	<b>12.7</b>	<b>3.9</b>
<b>Industry</b>	<b>28,352</b>	<b>27,944</b>	<b>28,175</b>	<b>27,928</b>	<b>29,052</b>	<b>28,844</b>	<b>31.7</b>	<b>1.7</b>
Micro & Small	3,666	3,654	3,731	3,713	3,818	3,583	3.9	(2.2)
Medium	1,063	1,072	1,068	1,075	1,056	995	1.1	(6.4)
Large	23,623	23,218	23,377	23,140	24,177	24,266	26.7	2.7
<b>Services</b>	<b>23,150</b>	<b>23,706</b>	<b>24,320</b>	<b>24,339</b>	<b>25,949</b>	<b>25,742</b>	<b>28.3</b>	<b>11.2</b>
Trade	5,074	5,140	5,195	5,386	5,524	5,452	6.0	7.5
Commercial Real Estate	2,003	2,196	2,273	2,288	2,298	2,299	2.5	14.8
NBFCs	6,234	7,286	7,372	7,037	8,074	8,124	8.9	30.3
<b>Retail credit</b>	<b>22,228</b>	<b>24,333</b>	<b>24,973</b>	<b>25,321</b>	<b>25,537</b>	<b>24,908</b>	<b>27.4</b>	<b>12.1</b>
Housing	11,686	12,896	13,165	13,290	13,390	13,307	14.6	13.9
Vehicle loans	1,998	2,136	2,202	2,211	2,206	2,170	2.4	8.6

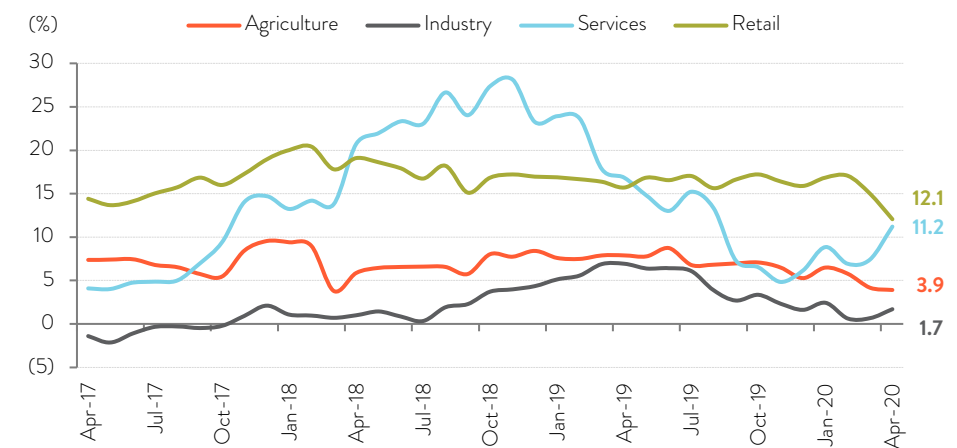
Source: RBI, BOBCAPS Research

**FIG 2 – CREDIT GROWTH IN CYCLICAL SECTORS REMAINS SUBDUED**



Source: RBI, BOBCAPS Research

**FIG 3 – LOAN GROWTH IN RETAIL SEGMENT DIPS TO 12%**



Source: RBI, BOBCAPS Research

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