

RESEARCH**BOB ECONOMICS RESEARCH | BANKS AND NBFC SECTORAL CREDIT**

Sectoral deployment of credit – Banks versus NBFCs

BOB ECONOMICS RESEARCH | MONTHLY ECONOMIC BUFFET

Economic Round-up: August 2026

BOB ECONOMICS RESEARCH | PRICE PICTURE

Food inflation will continue to drive CPI higher

SUMMARY**INDIA ECONOMICS: BANKS AND NBFC SECTORAL CREDIT**

NBFC and Bank's overall credit picture shows that outstanding Bank credit as of Jul'26 is 3.7 times that of NBFC credit. The growth rate of Bank credit is also happening at a much steeper pace compared to NBFC credit offtake. However, sectoral picture gives some interesting insights. In terms of share, Banks are maintaining a well-diversified portfolio with share of retail loans, services and industry capturing the space. For NBFCs, the share is skewed towards retail loans especially vehicle loan space and infrastructure space. It is to be mentioned that Banks are also regaining their momentum in the infrastructure segment as can be seen from their rising share in incremental credit in the current fiscal.

[Click here](#) for the full report.

INDIA ECONOMICS: MONTHLY ECONOMIC BUFFET

Ongoing crisis in West Asia is showing no signs of cooling down. Military strikes between US and Iran continue and have once again engulfed neighbouring Middle Eastern countries in the war. Shipping traffic passing through the Strait of Hormuz is currently at its lowest since May'26. This has also led to international oil prices regaining momentum. They are currently trading near US\$ 98/bbl (2nd highest level since end May'26) and have revived concerns regarding global inflation and monetary policy decisions of major central banks. Latest PMI data is also signalling continued pressure on input prices.

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INDIA ECONOMICS: PRICE PICTURE

BoB Essential Commodities Index (BoB ECI) rose by 4.8%, on YoY basis, and sequentially it picked up by 1.7% in Aug'26. The pace of increase in BoB ECI is still modest compared to last month. The build-up of prices, however, requires monitoring. For the first 8 days of Sep'26, BoB ECI rose at a higher pace. Further, Onion price trajectory is again on an uptrend. Its Sep trajectory is even steeper than Aug. Among major developments in prices of the month, has been the steep increase in retail prices of sugar (weight in CPI is 1.42%). Globally as well, sugar prices are elevated on account of adverse weather conditions and robust demand.

[Click here](#) for the full report.

BANKS AND NBFC SECTORAL CREDIT

09 September 2026

Sectoral deployment of credit – Banks versus NBFCs

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Dipanwita Mazumdar
Economist

For some sectors such as commercial real estate and loan against gold jewellery, credit accretion in the current fiscal is happening at a faster pace for Banks.

Banks are exhibiting faster credit growth than NBFCs:

Figures 1 & 2 below give the outstanding credit of banks and NBFCs as of Jul'26. Bank credit was around 3.7 times that of NBFCs. The share of NBFCs accounting for overall credit offtake (Banks + NBFCs) stood at 21.3%, a tad higher compared to 21.2% seen in the previous month. However, the growth rate of Banks is much sharper in Jul'26, speaking of persistent reliance on bank borrowing as a major source of financing.

Figure 1: Credit offtake of Banks and NBFCs in Jul'26

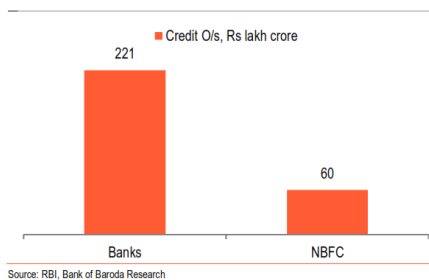
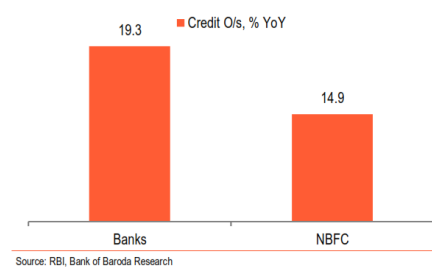


Figure 2: Banks are growing at a faster pace than NBFCs



How have the share and growth rate of credit between Banks and NBFCs evolved?

To get a sense of how credit has grown as of Jul'26, Table 1 gives the growth rates for various sectors and its corresponding share. There is a miscellaneous category for NBFCs which are loans that are outside of the classification of (1-4). This cannot be exactly interpreted for banks as there is no one-to-one correspondence in classification.



MONTHLY ECONOMIC BUFFET

09 September 2026

Economic Round-up: August 2026

Sonal Badhan
Economist

Ongoing crisis in West Asia is showing no signs of cooling down. Military strikes between US and Iran continue and have once again engulfed neighbouring Middle Eastern countries in the war. Shipping traffic passing through the Strait of Hormuz is currently at its lowest since May'26. This has also led to international oil prices regaining momentum. They are currently trading near US\$ 98/bbl (2nd highest level since end May'26) and have revived concerns regarding global inflation and monetary policy decisions of major central banks. Latest PMI data is also signalling continued pressure on input prices.

As a result, this month, both ECB and BoJ are almost certain to hike their policy rates by 25bps. BoE may remain on hold, awaiting more information on second round of inflation impact. Domestically, high frequency indicators are showing that domestic growth fundamentals remain strong. Better than expected GDP growth in Q1FY27 reinforces that belief. In Q2 so far (Jul-Aug), indicators such as GST collections, auto sales, diesel consumption, bank credit growth, all are pointing towards continued momentum. As the festive season approaches, domestic demand will get further boost. However, risks persist. Weak monsoon and pressure on international commodity prices can impact rural demand and inflation. Food inflation also needs to be monitored more closely. We expect rate hike from RBI most likely in Dec'26, unless there is any material change in global situation.

Global central banks: All major central banks in their previous decisions have highlighted that risks to inflation still remain. Even though oil prices had cooled down for a brief period in end Jun-mid-Jul, they have increased considerably since then. With no resolution in sight between US and Iran, central banks are now forced to raise rates to manage inflation expectations before they become entrenched in the system. Investors are therefore almost certain that ECB and BoJ will be hiking their policy rates this month. In case of the US, there is currently a 60% chance of rate hike this month. UK is most likely expected to move in Nov'26, when it has more clarity on inflation trajectory. This month, central banks will also release their revised economic projections. CPI and GDP growth numbers will be critical to watch, for assessing future rate trajectory.

Key macro data releases: GDP growth in Q1FY27 surged to 7.8% from 6.9% in Q1FY26 on a YoY basis. Sharp acceleration was noted in investment spending as it registered a growth of 11.9% against a growth of 5.8% in Q1FY26. GVA registered a growth 8.2% in Q1FY27 compared with a growth of 7.0% in Q1FY26. Manufacturing sector continues to shine brightly as it registered a healthy growth of 9.2% in Q1 compared with 8.3%, supported by strong corporate earnings.



PRICE PICTURE

09 September 2026

Food inflation will continue to drive CPI higher

Dipanwita Mazumdar
Economist

BoB Essential Commodities Index (BoB ECI) rose by 4.8%, on YoY basis, and sequentially it picked up by 1.7% in Aug'26. The pace of increase in BoB ECI is still modest compared to last month. The build-up of prices, however, requires monitoring. For the first 8 days of Sep'26, BoB ECI rose at a higher pace. Further, Onion price trajectory is again on an uptrend. Its Sep trajectory is even steeper than Aug. Among major developments in prices of the month, has been the steep increase in retail prices of sugar (weight in CPI is 1.42%). Globally as well, sugar prices are elevated on account of adverse weather conditions and robust demand.

This month also deserves mention in terms of significant pickup in global food as well as metal prices due to escalated tension between US and Iran. The impact of the same will be more on WPI compared to CPI in terms of the weighing of items. On account of higher international gold prices, core inflation is likely to see some pickup.

Against this backdrop, we expect CPI to settle at 5% in Aug'26, with risks tilted to the upside. Core is expected to be ~4% (excluding food and fuel).

To get an idea about the calculation of the index, refer to our [previous edition](#) of BoB ECI.

Price picture using BoB Essential Commodity Index-Adjusted for new base year:

- BoB ECI rose by 4.8% in Aug'26, on YoY basis. Among 20 items, 15 items witnessed increase in inflation rate. However, the buildup in inflation compared to last month has been modest. The sharpest increase was visible for Sugar prices which jumped up by 19.7% on YoY basis, amidst reports of weather-related impact on production, reduction in global supplies and rising festive demand. It is to be noted that the sowing of sugarcane is also a tad bit lower compared to same period of last year (-0.7%). Other than sugar, Onion prices also registered a sharp YoY pickup of 40.1% led by an unfavorable base. Some components of pulses such as Tur and Arad also rose at a modest pace. Vanaspati, Soya and Sunflower oil within edible oils also rose a tad bit. Among other miscellaneous items, retail price of Gur has also seen considerable increase, due to rising price of sugar. Retail price of salt also inched up.
- Sequential picture: BoB ECI rose at the same pace as seen last month by 1.7% in Aug'26. The sequential trend broadly mirrored the YoY trend, except for few items. Sequentially as well, retail price of sugar rose at the sharpest pace by 15.4%.



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Note: Recommendation structure changed with effect from 21 June 2021

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