

Research Picks

➔ India Financials: Credit Tracker: Deposit growth slips to 10.6% YoY

17 March 2016



16 March 2016

India Financials: Credit Tracker

Deposit growth slips to 10.6% YoY

As per RBI data, credit growth for the fortnight ended 16 March was stable at 11.5% YoY. Deposit growth declined to 10.6% YoY after hovering around 11% for six consecutive fortnights. Investment growth declined for the second fortnight in a row to 6.8% YoY but the SLR remained steady at 26.7%. Credit growth has been weak over the last few months due to low corporate demand and a lack of fresh investments. We do not see material improvement ahead and forecast 12% YoY growth for FY16.

- ➔ **Credit growth stable at 11.5%:** As per RBI data, credit growth for the fortnight ended 16 March was stable at 11.5% vs. 11.6% the previous fortnight. In absolute terms, credit offtake increased by Rs 0.8trn vs. Rs 0.2trn in the fortnight ended 19 February. Weakness over the last few months has stemmed from low corporate demand and a lack of fresh projects. As per sectoral deployment of bank credit, growth in non-food credit as of Jan'16 improved to 9.8% YoY. Growth in the agri/retail segments picked up to 13.4%/18.1% YoY while that in the services sector moderated to 8.9% YoY. A slowdown was observed across sub-sectors such as food processing (-2.4%), beverages & tobacco (-4.6%) and cement & cement products (-3.8%).
- ➔ **Deposit growth dips to 10.6%:** Deposit growth dipped to sub-11% YoY (up Rs 0.6tn to Rs 94.1trn) for the first time in six fortnights. Investment growth too tumbled to 6.8% vs. 7.7% in the previous fortnight. However, the SLR remained largely steady at 26.7%. Banks have been consciously keeping SLR balances above the regulated levels of 21.5% as this helps them meet LCR requirements. In our view, slow credit offtake is another contributing factor which should keep SLR elevated in coming months as well.
- ➔ **FY16 loan growth to remain at ~12%:** We do not expect any material improvement in credit growth for FY16 and build in modest ~12% YoY growth for the year. Mid-tier PSU banks are likely to grow below the system due to asset quality stress. This should lead to market share gains for private banks, especially mid-tier names such as YES and IIB, which we expect will grow much higher than the industry.



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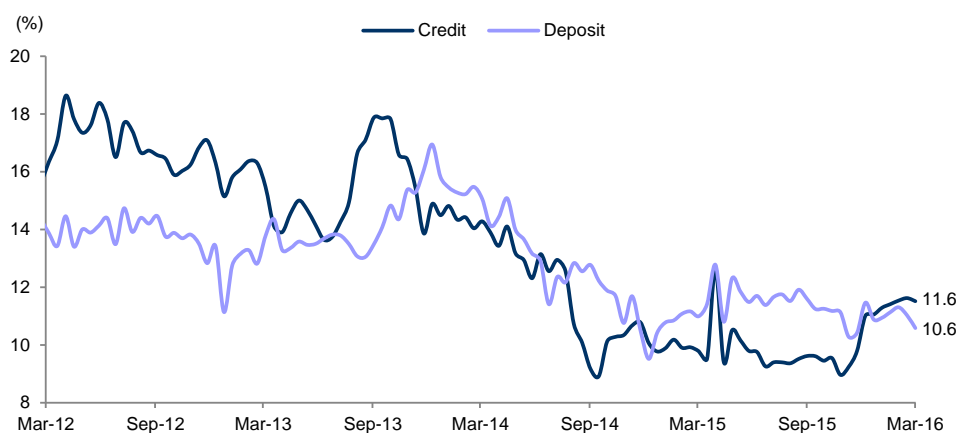
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Key data

Particulars	20-Feb-15	04-Mar-16
Deposits (Rs trn)	84.2	94.1
YoY growth (%)	11.2	10.6
YTD growth (%)	6.6	5.6
Loans (Rs trn)	64.3	72.5
YoY growth (%)	9.9	11.5
YTD growth (%)	6.0	6.1
CD ratio (%)	76.3	77.1
SLR ratio (%)	27.8	26.7

Source: RBI

Fig 1 - Credit and deposit growth in the banking system



Source: RBI, RCML Research

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