

Deposit Growth Continues to Outpace Credit Growth Sequentially

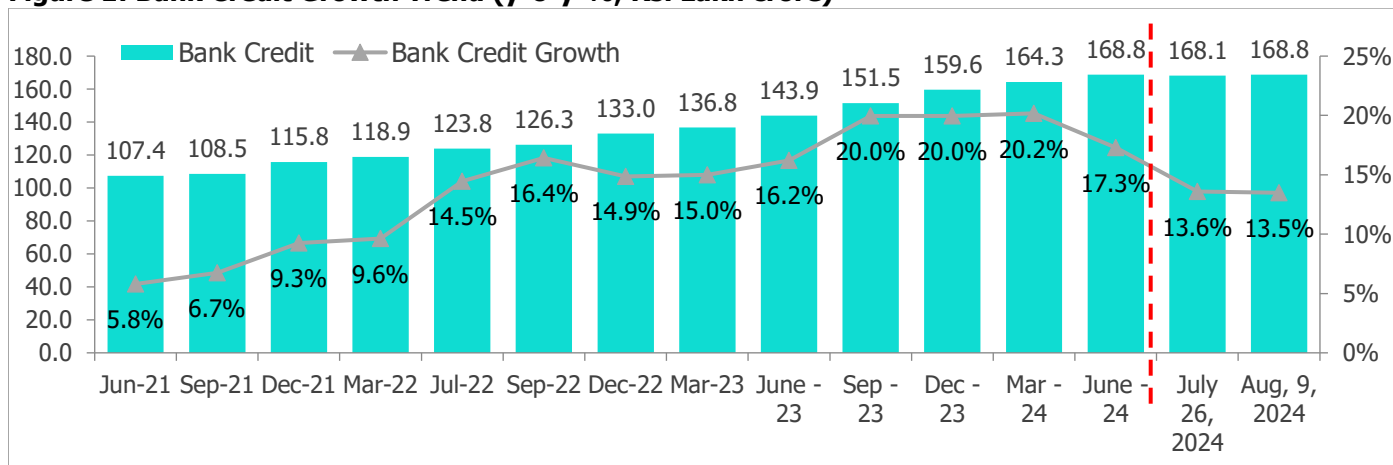
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Synopsis

- Credit growth is trending down and continues to converge with deposit growth on an annual basis. Meanwhile, if we study the growth rate compared with December 2023, deposits have outpaced credit offtake.
 - Credit offtake increased by 5.8% compared to December 2023, to reach Rs. 168.8 lakh crore as of Aug 09, 2024. Personal loans and MSMEs account for the bulk of this increase, with corporate credit also contributing to the same. Meanwhile, sequentially credit saw a growth of 0.4%. This slowdown can be attributed to RBI measures around higher risk weights on unsecured loans and a higher base effect also by proposed LCR norms bank credit growth could face challenges in coming months.
 - Deposits rose at 6.2% compared to December 2023 and reached 213.3 lakhs crore as of reported Aug 9, 2024, driven by growth in time deposits. Sequentially deposits increased by 0.6%.
- The Short-term Weighted Average Call Rate (WACR) has remained the same at 6.48% as of August 14, 2024, compared to 6.68 as of August 18, 2023.

Bank Credit Growth Continues to Remain Muted for the Fortnight

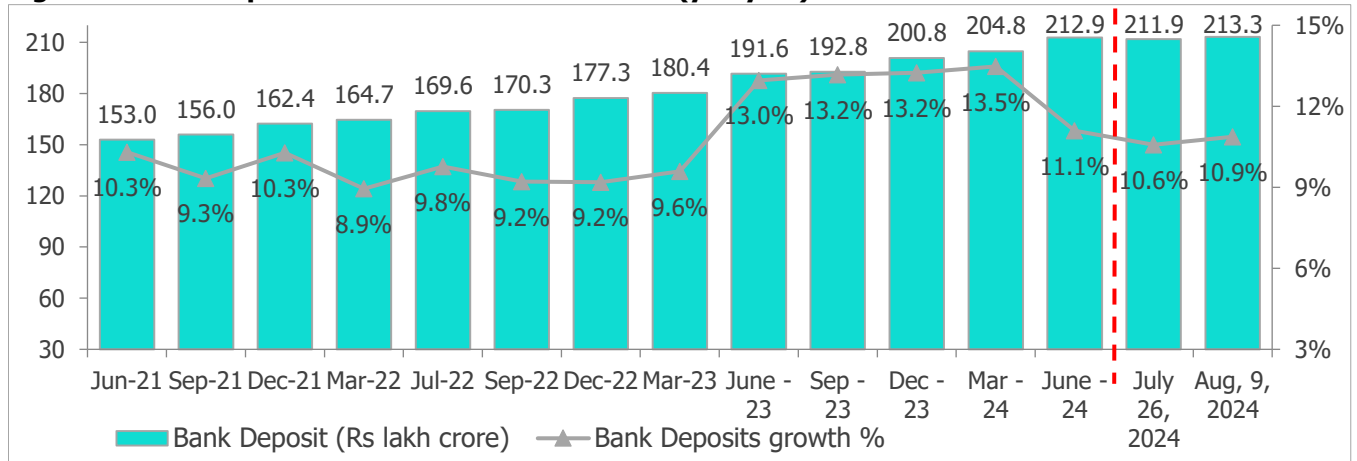
Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. Lakh crore)



Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Credit offtake increased by 5.8% compared to December 2023 and sequentially increased by 0.4% for the fortnight ended August 9, 2024. In absolute terms, over the last 8 months, credit offtake expanded by Rs. 9.2 lakh crore to reach Rs. 168.8 lakh crore as of Aug 9, 2024. Personal loan demand along with demand in MSME and Commercial Real estate has supported credit growth.

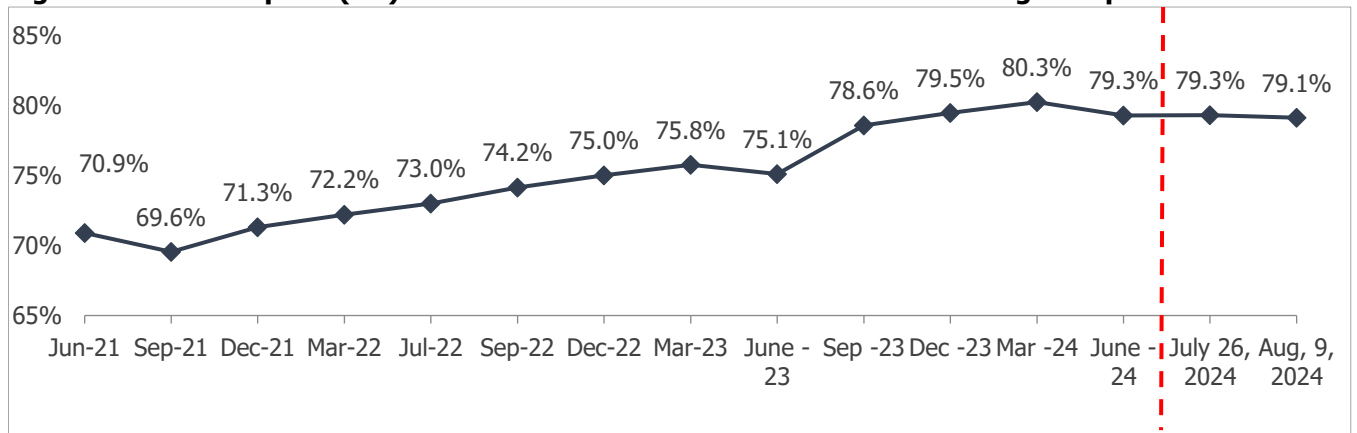
Figure 2: Bank Deposit Growth Remains Subdued (y-o-y %)



Note: The quarter-end data reflect, the last fortnight’s data of that particular quarter; Source: RBI, CareEdge

- Deposits rose at 6.2% compared to December 2023 and reached Rs 213.3 lakhs crore as of August 9, 2024, and sequentially witnessed a marginal uptick of 0.6%. Meanwhile, in absolute terms, deposits have expanded by Rs. 12.5 lakh crore over the last 8 months. Deposits would continue to be prominent in FY25 as banks intensify efforts to strengthen their liability franchise. The banks are also sourcing funds via the certificates of deposits (at a relatively higher cost) which have shown significant traction.

Figure 3: Credit-Deposit (CD) Ratio Hovers Just Below 80% – Includes Merger Impact



Note: The quarter-end data reflect last fortnight’s data the quarter, and compares post-merger figures; Source: RBI, CareEdge

- The CD ratio has been generally hovering around 80% since September 2023. The CD ratio saw a decline of 19 bps, compared to the previous fortnight, and stood at 79.1% for the fortnight (July 26, 2024), compared to 77.3% on August 11, 2023.

Figure 4: Trend in Bank Credit and Deposit Movement

	Outstanding as on			Abs. Growth (Rs lakh cr)		Abs. Growth (In %)	
	Dec 29, 23	Apr 5, 24	Aug 9, 24	Since Dec	Since Apr	Since Dec	Since Apr
Credit	159.6	164.3	168.8	9.2	2.8	5.8%	1.7%
Deposit	200.8	210.0	213.3	12.5	3.3	6.2%	1.6%

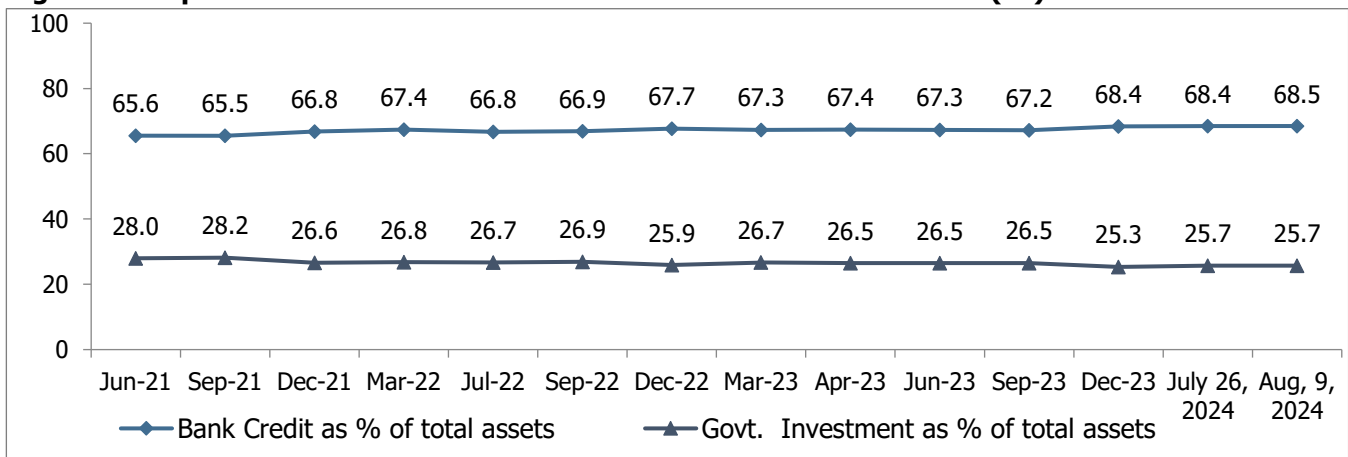
Source: RBI, CareEdge

As per the above table, we can observe that in absolute terms, deposit growth has outpaced credit growth, especially after RBI’s circular on risk weights and comments on reducing the CD Ratio. Additionally, we can also see that the CD Ratio on these flows from January would be 74% and from April would be 85%. This also indicates that the credit offtake could face challenges and be tepid for the year.

On y-o-y performance, credit saw a growth of 13.5%, which was relatively slow compared to last year which saw a growth of 19.7%, on the other hand, deposits saw a growth of 10.9%. Deposit growth, though showing improvement, has continued to lag credit growth in the past year

Proportion of Credit to Total Assets Increases, while Govt. Invest. to Total Assets Remains Flat

Figure 5: Proportion of Govt. Investment and Bank Credit to Total Assets (%)



Note: The quarter-end data reflect the last fortnight’s data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

- The credit to total assets ratio marginally increased by 5 bps compared to the previous fortnight and stood at 68.5% for the fortnight (August 9, 2024). The Government Investment to Total Assets Ratio witnessed a downtick of 3 bps and stood at 25.7%. Meanwhile, overall government investments stood at Rs 63.2 lakh crore as of July 26, 2024, reporting a growth of 7.0% y-o-y, and a growth of 0.2% sequentially.

O/s CDs and CPs Continue to Remain at Elevated Levels

Figure 6: Certificate of Deposit O/s

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Jan 12, 2024	351.1	20.1
Apr 5, 2024	361.6	20.0
Apr 19, 2024	372.8	24.1
May 3, 2024	380.0	31.6
May 17, 2024	367.5	21.6
May 31, 2024	369.2	18.2
Jun 14, 2024	352.3	22.6
Jun 28, 2024	409.6	42.6
Aug 9, 2024	435.8	43.3

Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

Figure 7: Trend in CD Iss. (Rs'000, Cr.) and RoI

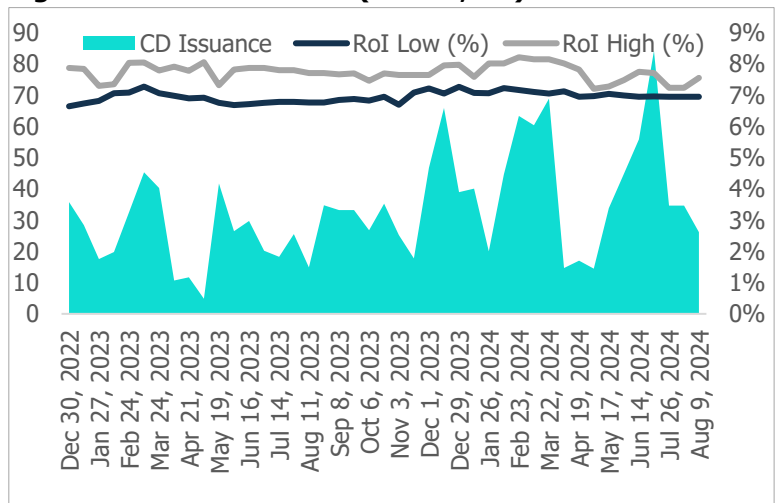
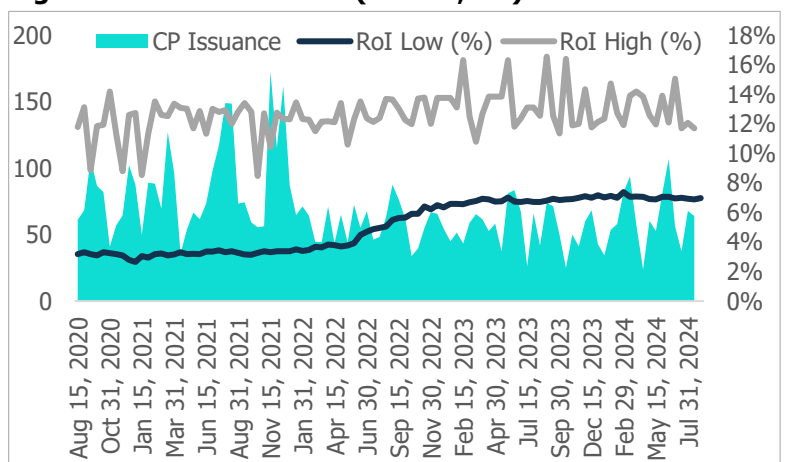


Figure 8: Commercial Paper Outstanding

Fortnight ended	Amount Outstanding (Rs'000 cr.)	Y-o-Y growth %
Sep 30, 2023	412.2	2.8
Dec 31, 2023	364.2	1.3
Mar 31, 2024	388.6	9.9
Apr 30, 2024	411.5	-2.4
May 15, 2024	421.2	-0.1
May 31, 2024	404.0	-6.8
Jun 15, 2024	431.1	-3.5
Jun 30, 2024	422.4	-2.5
Aug 15, 2024	473.2	5.7

Note: The quarter-end data reflect the last fortnight's data of that particular quarter; Source: RBI

Figure 9: Trend in CP Iss. (Rs'000, Cr.) and RoI



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