

## Sectoral Deployment of Gross Bank Credit June -2012

### Non-food credit growth witnessed uptick, however, credit growth concerns continue to linger for FY13

The non-food credit growth both on YoY and YTD basis at 18.6% and 2.5% came as a positive surprise with gross bank credit growth also recording 18.9% YoY growth backed by robust growth in industry and services segment. However, FY13 apparently would not turn out to be a strong fiscal and credit growth concerns would continue to linger given the global and domestic turbulence. The elevated inflationary levels, deficient monsoons, lowering GDP growth and lack of Govt policy action would restrict the growth for FY13. Moreover, the lagged deposit growth and the asset quality pressures plaguing most of the lenders, public sector banks in particular would keep the sentiments low for the year. As highlighted in our previous report, gloomy investment climate and the lingering high inflation levels could prove as a dampener to the systemic credit growth and therefore, we expect the credit growth for FY13 to limit to 16-17% levels with deposit growth getting arrested at 14-15% levels.

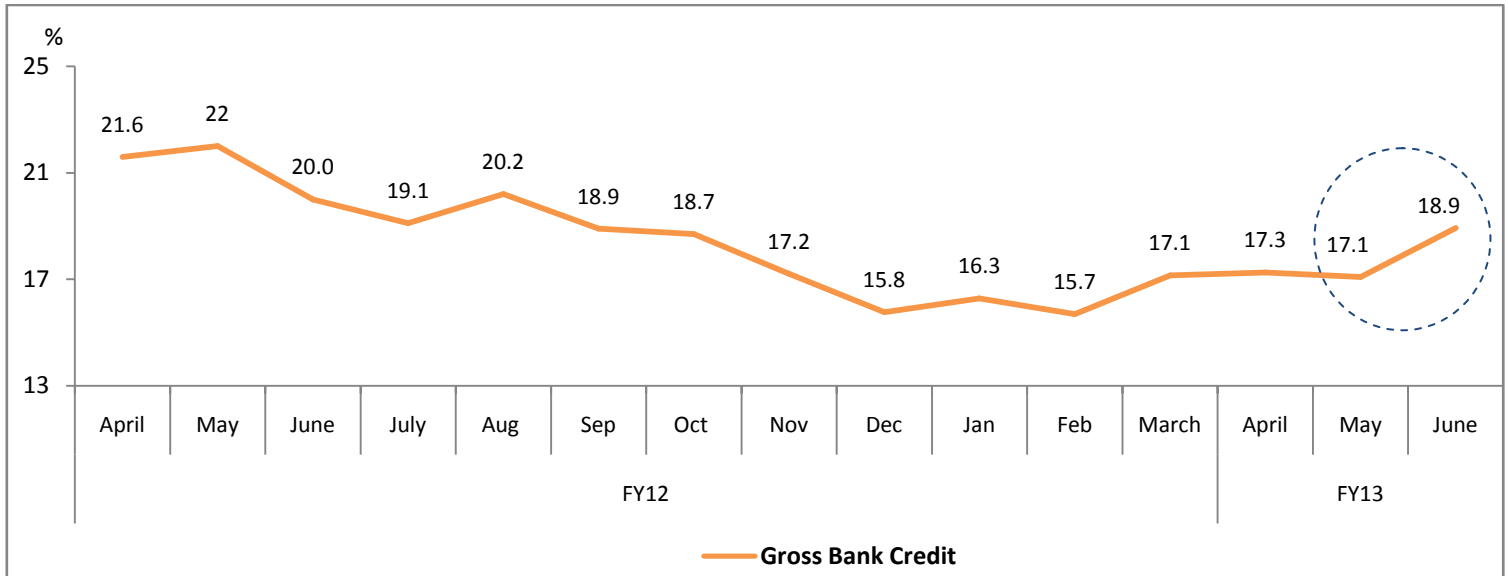
- The non-food credit growth that stood on the higher side with almost 19% YoY came on the back of robust industry growth at 20% YoY followed by growth in services sector recording 19% growth YoY.
- The large industries segment continues to grow at a robust pace contributing to the higher growth in industries. Cement, infra, mining and textiles segment led the industry pack with their contribution to the growth standing on the higher side.
- YoY personal growth segment observed deceleration to 15% levels from 17% a year ago
- The growth pace for agri credit continued with the segment recording 17% growth YoY and entering the positive growth territory on YTD basis vis-à-vis a month ago.
- The overall food credit growth that continue to stand higher and might be a worry owing to deficient monsoons that would call for NPL risks and poor recoveries.
- The overall YTD non-food credit growth also turned out to be encouraging; however, as aforesaid we believe the momentum to slowdown gradually as we approach the fiscal year end.

**Table 1: Deployment of Gross Bank Credit (Summarized) as on June 29, 2012**

Sector	Rs. crore	YoY %	YTD %	% of Total
Gross Bank Credit (II + III)	4,502,080	18.9	3.0	100.0
I. Food Credit	103,154	34.7	26.4	2.3
II. Non-food Credit (1 to 4)	4,398,926	18.6	2.5	97.7
1.Agriculture & Allied Activities	529,873	16.8	1.4	12.0
2.Industry (Micro & Small, Medium and Large )	2,006,890	20.3	2.1	45.6
Micro & Small	262,166	12.3	1.1	13.1
Medium	200,576	7.2	-2.5	10.0
Large	1,544,148	23.8	2.9	76.9
3.Services	1,062,675	19.1	2.9	24.2
4.Personal Loans	799,488	15.0	4.1	18.2

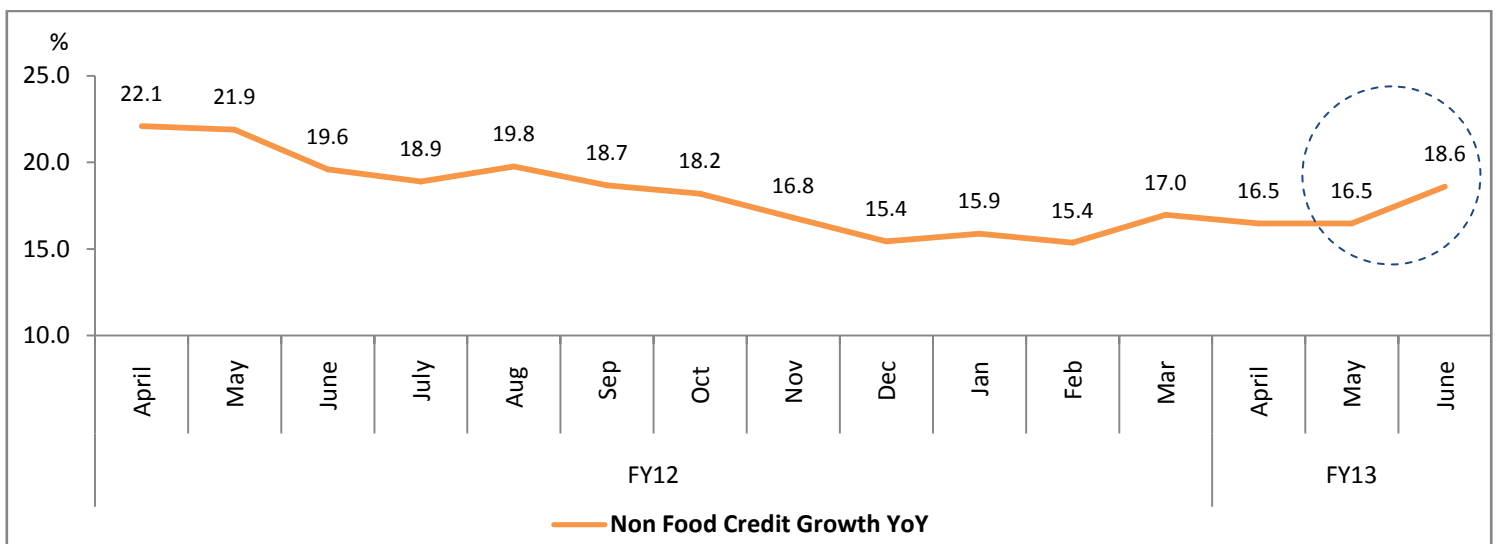
Source: - RBI, Arihant Research

Chart 1: Systemic Gross bank credit growth (YoY)

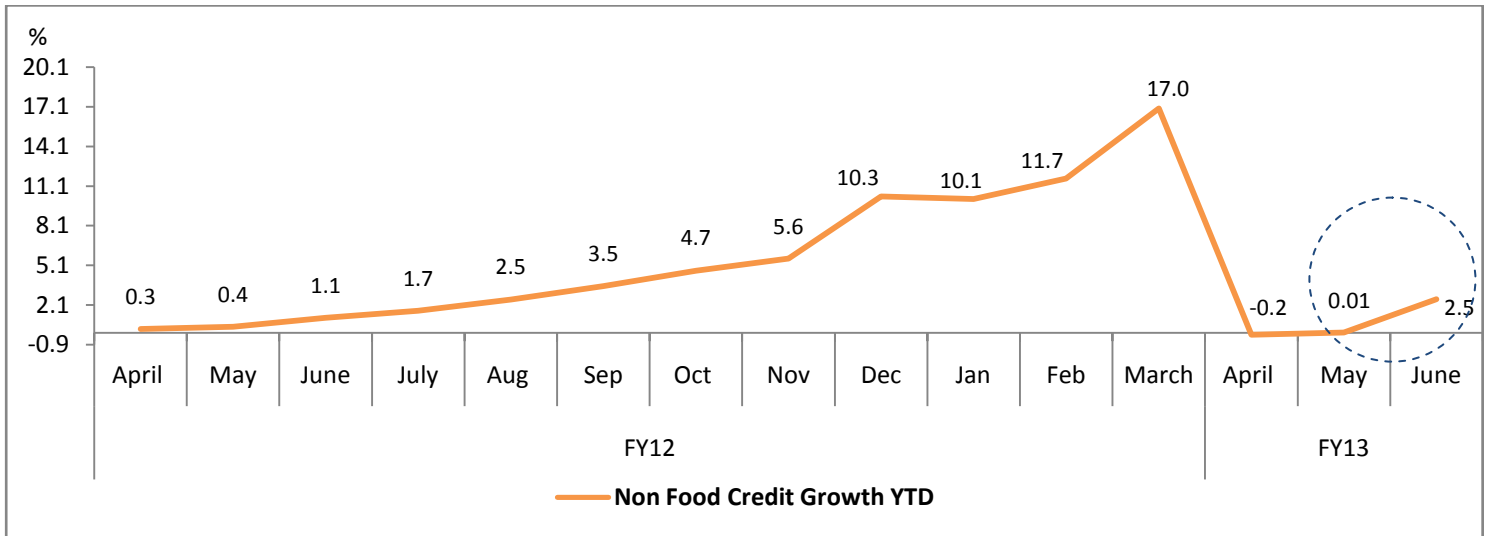


Source: - RBI, Arihant Research

Chart 2: Non food credit growth (YoY)- moved up 200 bps MoM basis

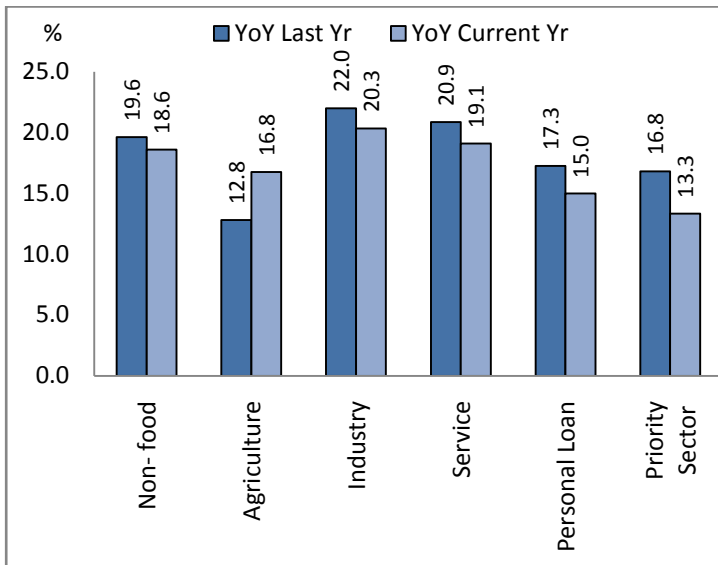


Source: - RBI, Arihant Research



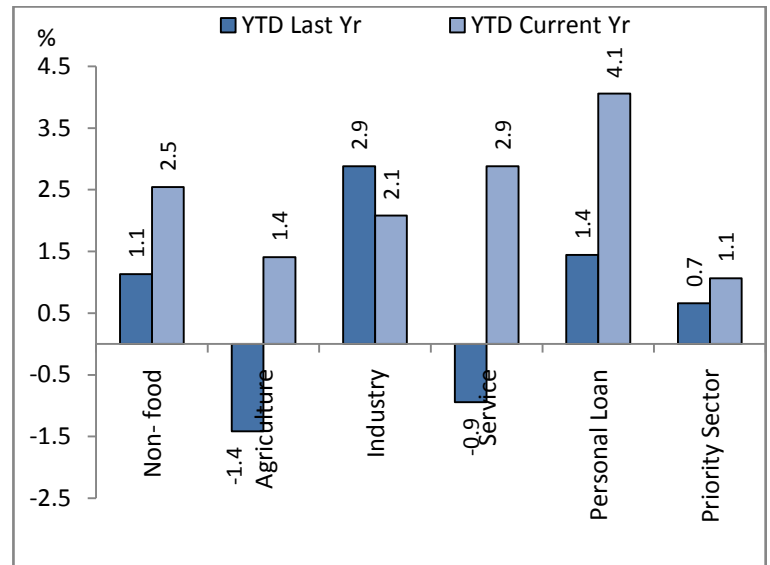
Source: - RBI, Arihant Research

Chart 4: Growth of Overall Non- Food credit and its components (YoY)



Source: - RBI, Arihant Research

Chart 5: Growth of Overall Non- Food credit and its components (YTD)

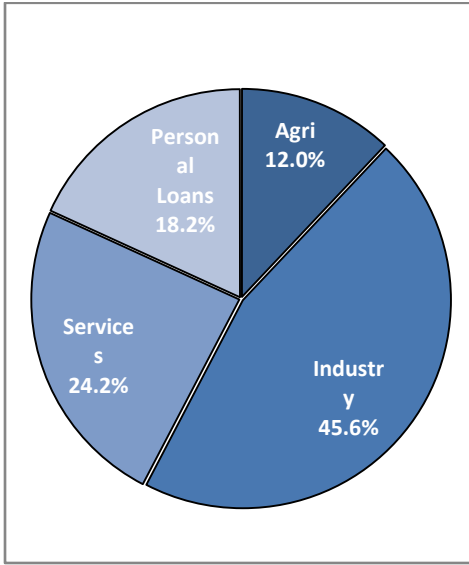


Source: - RBI, Arihant Research

**Non-food Credit growth**

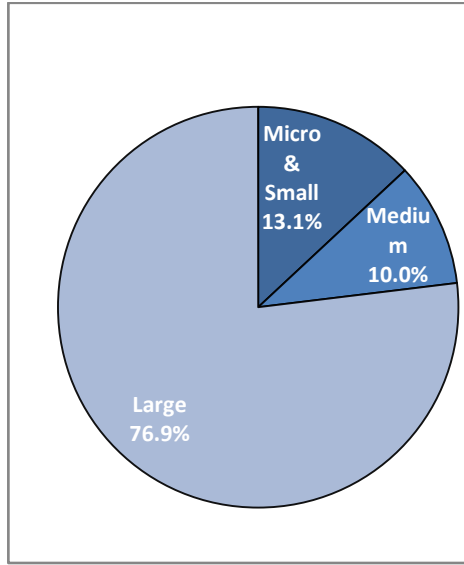
- The non-food credit growth on YTD basis was quite encouraging backed by (YTD) growth across all sectors as at the end of June 2012.
- While YoY growth slowed down, YTD growth remained strong
- The personal loan segment YoY marked deceleration, however, MoM basis the growth was > 3x levels. The reason being that the credit to personal loan segment stood on the higher side, particularly coming from private lenders.

Chart 6: Non-food credit



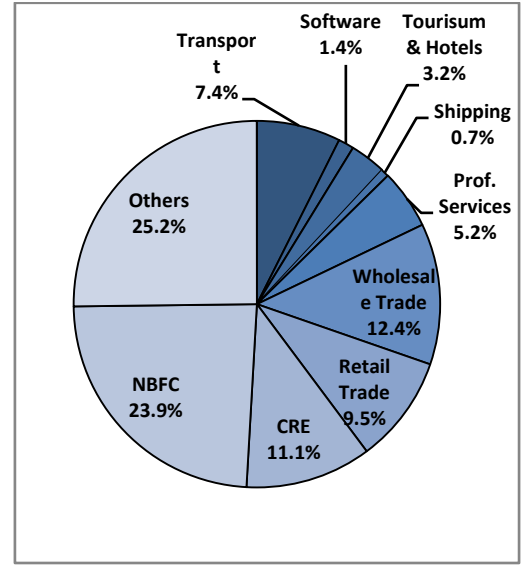
Source: - RBI, Arianth Research

Chart 7: Industry Break -up



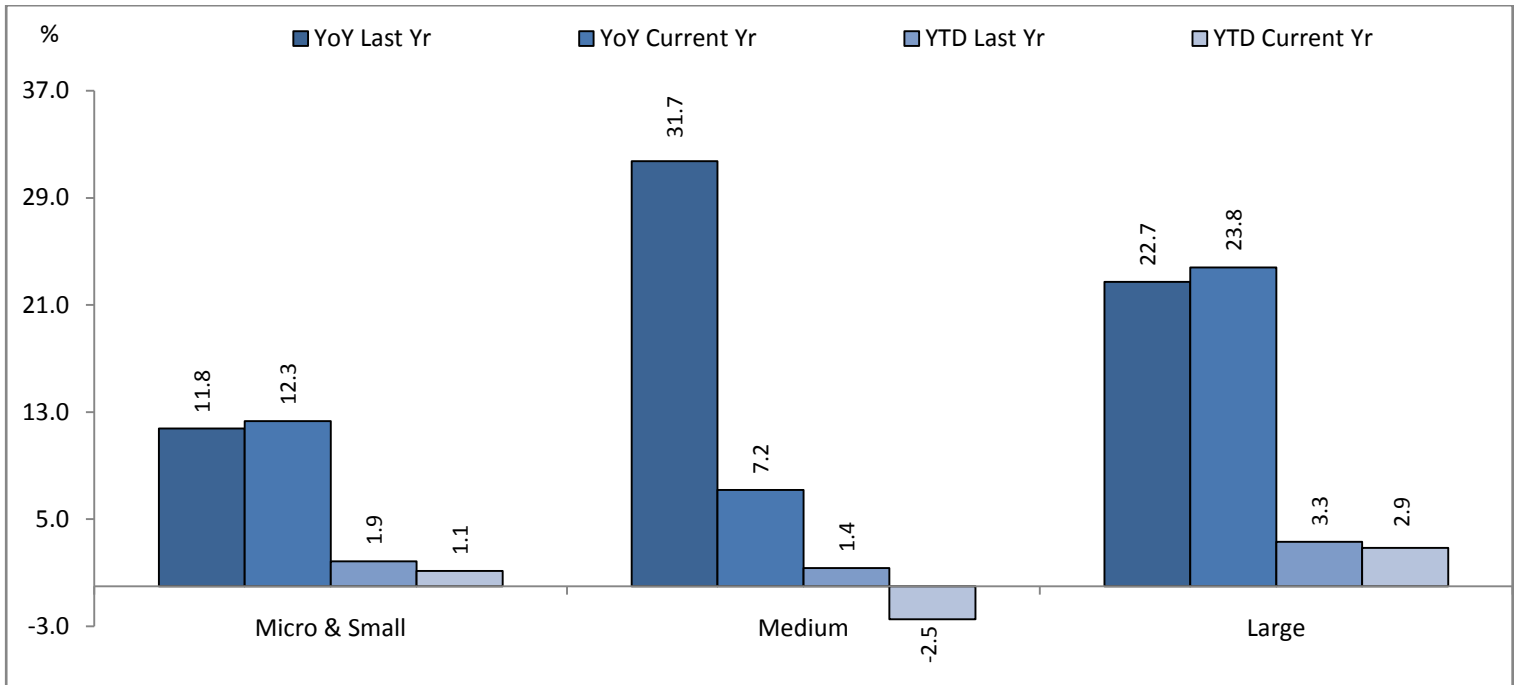
Source: - RBI, Arianth Research

Chart 8: Services Break -up



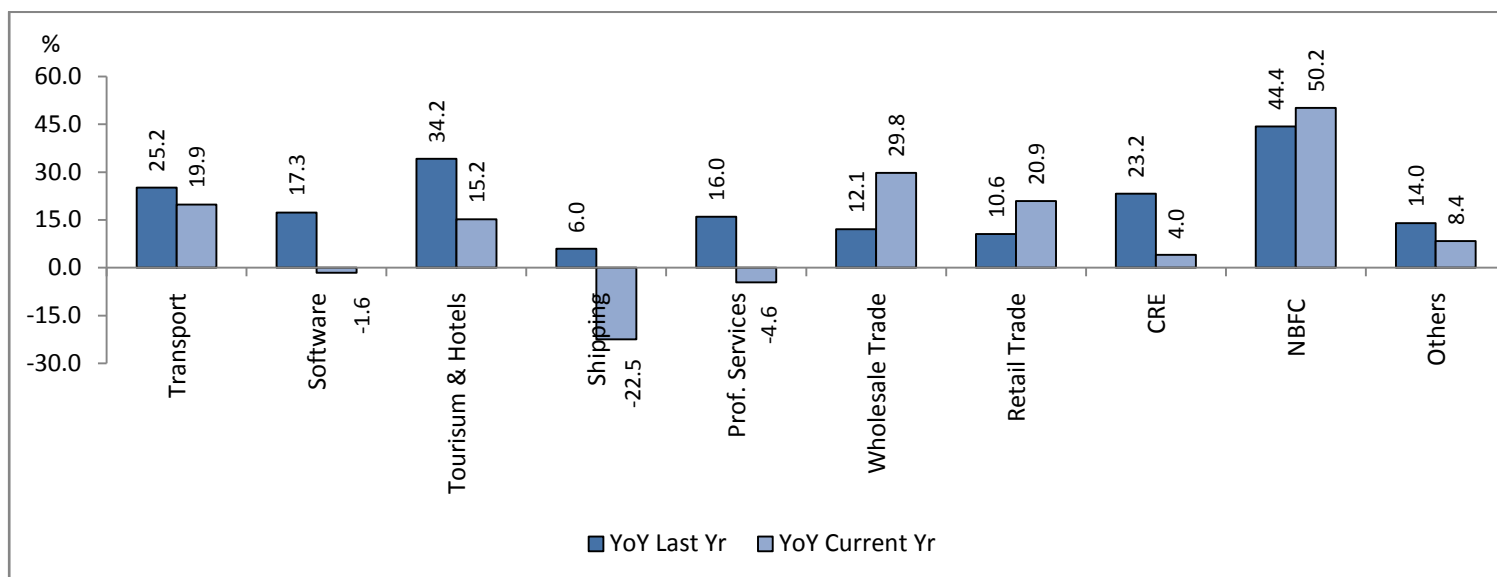
Source: - RBI, Arinant Research

Chart 9: Breakup of Industrial credit growth



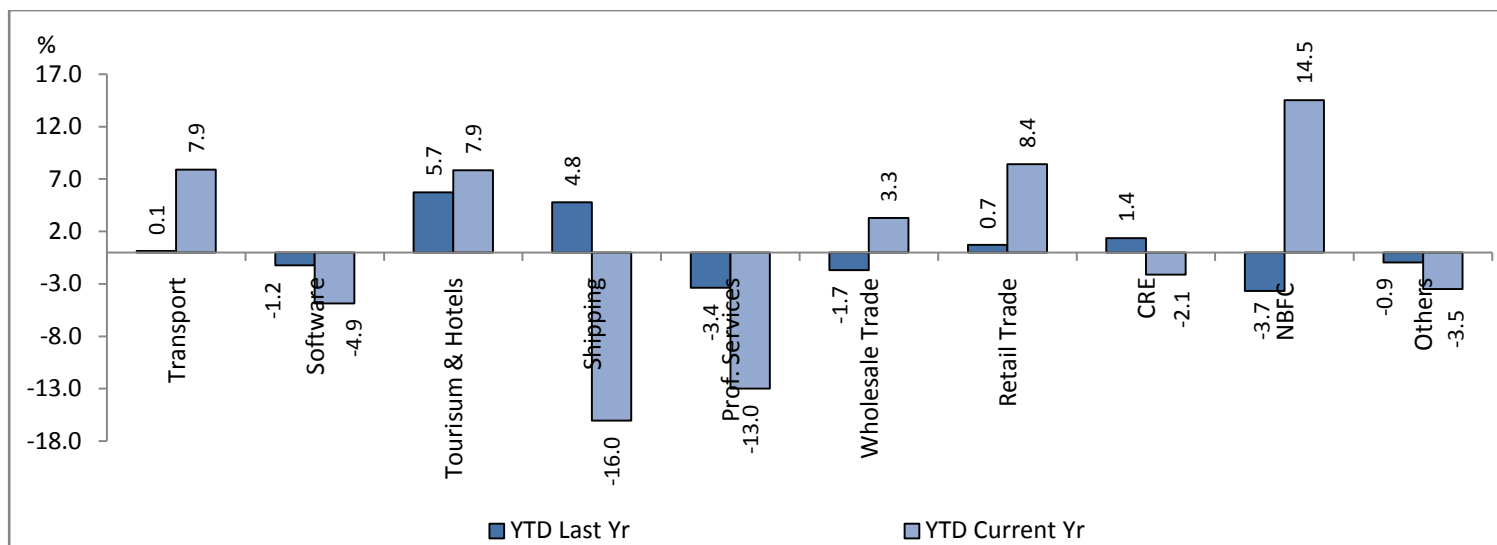
Source: - RBI, Arianth Research

Chart 10: Services Sector credit growth components (YoY)



Source: - RBI, Arianth Research

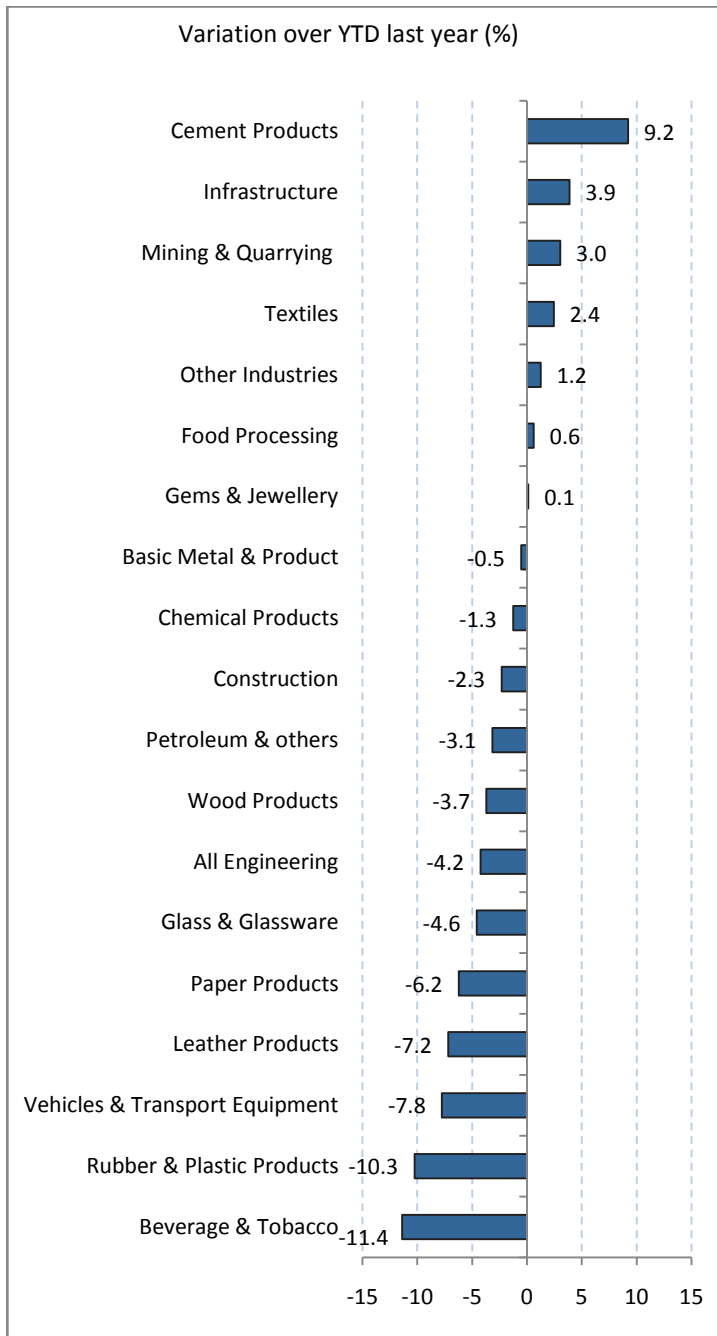
Chart 11: Breakup of Services sector credit growth (YTD)



Source: - RBI, Arianth Research

- Services sector observed robust growth at 19% YoY largely on the back of robust YoY growth coming from trade and NBFC segments.
- On YTD basis, transport and NBFC segments outpaced the growth vis-à-vis other segments followed by good traction in trade and tourism segments.

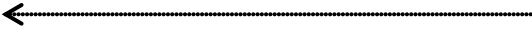
Chart 12: Industry-wise variation of Gross bank credit (YTD)



**Top five industries -**

Infra captures 31.2% of total industry credit of which power accounts for 16.2%. Next in line is Basic metal product at 13.1% of which iron and steel accounts for 9.8%. Textiles contribute 7.8% to total industry credit, Engineering 6.0%, and Chemicals & chemical products 5.5%.

**Industries with substantial weight and higher variation in YTD growth current year vs. previous year**



Source: - RBI, Arihant Research

Note: Sectoral deployment of credit is collected by RBI on a monthly basis from select 47 SCB's accounting for about 95% of the total non-food credit deployed by all SCB's for the month.

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