

Sectoral Credit-Aug'24

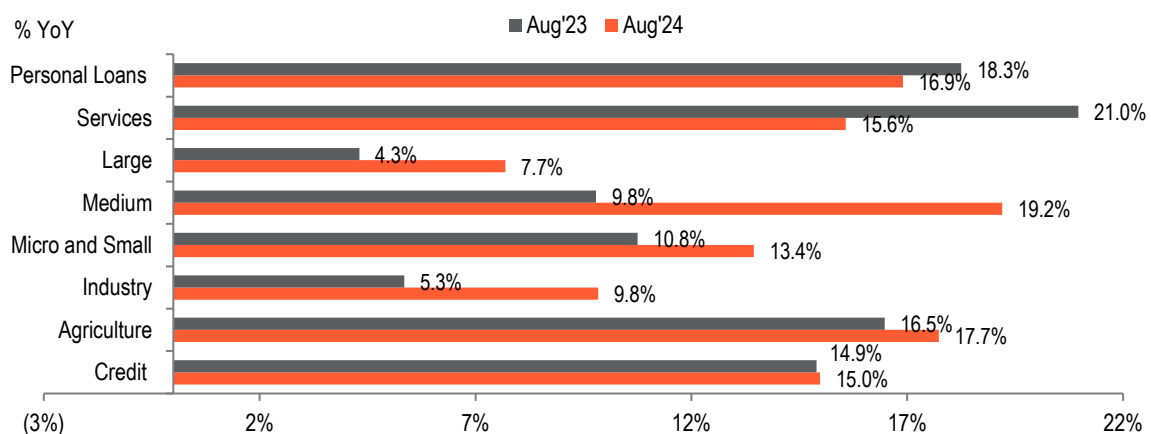
RBI has recently released its data on sector-wise credit growth till Aug'24. In YoY terms, it is higher supported by higher food and non-food credit demand. Within non-food, credit to agriculture and industry has picked up the most. Going forward, we expect credit demand to remain steady. While personal loan and services sector will be supported by upcoming festive demand which will boost the consumption sector, credit to industry will be buoyed by improvement in investment climate and uptick in capex.

Overall trends in credit growth:

Total bank credit remain (excl merger) steady registering a growth of 15% on YoY basis as of Aug'24, similar growth level in Jul'24 and 14.9% as of Aug'23. The non-food credit demand has also grown by 15% in Aug'24 with broadly similar growth last year. On the other hand, the food credit demand has seen some moderation as it registered a growth of 25.9% in Aug'24 from 35.3% in Jul'24 after declining by (-) 30.3% in Aug'23. For the financial year, the overall bank credit demand has slowed down by 3.5% (Aug'24 over Mar-end) from 4.7% in the previous year.

For Aug'24, the credit to agriculture sector rose at a steady pace of 17.7% from 18.1% in Jul'24 and higher than 16.5% growth in Aug'23. Credit to industry sector has slowed down marginally to 9.8% (10.8% in Jul'24) from 5.3% growth back in Aug'23. While the credit demand for the services sector remains robust at 15.6% in Aug'24 from 15.4% in Jul'24 and 21% in Aug'23.

Figure 1: Total credit demand



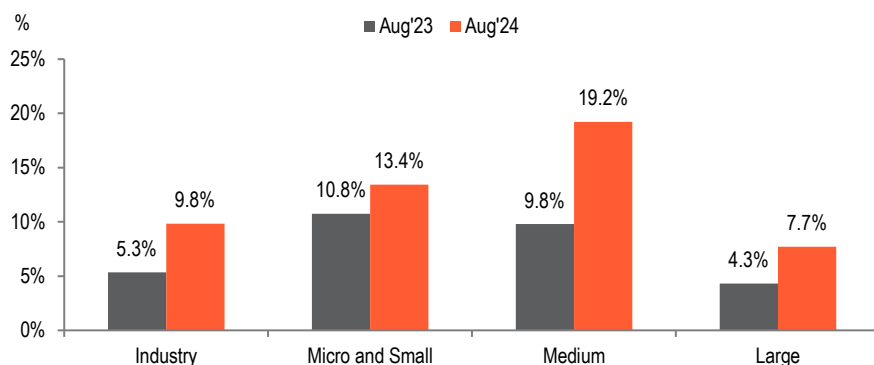
Source: RBI, Bank of Baroda Research

Credit to non-food sector:

Industry: Credit growth to industry has virtually remained the same, with a growth of 9.8% as of Aug'24, compared with 10.2% growth in Jul'24 and 5.3% growth last year. There has been broad-based growth across all the industries. The MSME sector, wherein demand by micro and small firms was up

by 13.4% versus 13.3% in Jul'24 and 10.8% last year. Similar trend was observed for medium sized firms which recorded double digit growth of 19.2% in credit demand as of Aug'24 from 9.8% as of Aug'23 and up from 17.2% growth in Jul'24. Larger industries have also contributed to increased demand, as credit to this segment has risen by 7.7% from 4.3% as of Aug'23.

Figure 2: Credit to industry



Source: RBI, Bank of Baroda Research

While credit to industry In Aug'24 was higher than last year, it was not uniform across sectors. The segments which witnessed higher growth as compared with last year included, food processing (14.4% from 8.65 in Aug'23), paper products (12.55 from 3.3% last year), petroleum products (34.1% from -13% growth in Aug'23), chemical and chemical products (15.9% from 1.8% in Aug'23), rubber (10.25 from 6.35 last year), construction (11% from 5.5% in Aug'23) and engineering goods (16.6% versus 8.7%) . Segments such as wood products, cement, vehicles and gems and jewellery witnessed lower growth than last year.

Services: Credit to services sector inched up by 15.6% (3-month high) as of Aug'24, from 15.4% in Jul'24 but it was lower than last year growth of 21%. Within services, barring higher growth in commercial real estate sector and computer software, all the other sectors have registered much lower growth this year. Segments such as tourism/hotels/restaurant, have registered lower growth at 9% in Aug'24 against a growth of 10.8% in Aug'23. Even for transport operators, the credit growth has been lower at 18.1% (22.2% in Aug'23). Notably, the credit offtake in the real estate sector has accelerated sharply to 26.1% in Aug'24 from 14.5% last year.

Table 1: Trends in credit to services

Sectoral (% YoY)	Aug'23	Aug'24
Services	21.0	15.6
Transport Operators	22.2	18.1
Computer Software	2.3	21.9
Tourism, Hotels and Restaurants	10.8	9.0
Shipping	(11.3)	10.4
Aviation	73.3	14.8
Professional Services	21.7	16.9
Trade	17.4	15.5
Commercial Real Estate	14.5	26.1
Non-Banking Financial Companies (NBFCs) of which,	21.3	11.9
Other Services	(29.8)	(15.7)

Source: RBI, Bank of Baroda Research

Personal loan: Credit growth in the personal loan segment has witnessed deceleration down to 16.9% in Aug'24 from 18.3% in Aug'23. Amongst the sub-sectors, credit growth for vehicle (13.9% from 20.5%

last year) and education loans (18.4% from 19.6% last year) has slowed down in Aug'24. On the other hand, credit growth for loans against gold jewellery has gathered momentum, registering a growth of 40.9% (20.4% last year). The recent surge in global gold prices will keep the demand buoyant in the coming months. Moreover, the credit growth in the housing sector picked up pace registering a growth of 18.8% in Aug'24 compared with a growth of 13.4% last year.

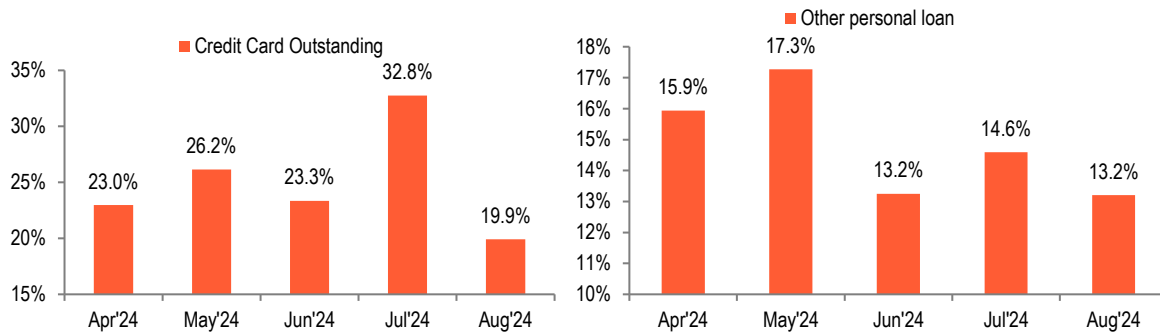
Table 2: Trends in personal loan segment

Sectoral (% YoY)	Aug'23	Aug'24
Personal loans	18.3	16.9
Consumer Durables	10.3	10.1
Housing (Including Priority Sector Housing)	13.4	18.8
Advances against FDs (Including FCNR (B), NRNR Deposits etc.)	20.8	8.4
Advances to Individuals against share, bonds, etc.	5.1	26.8
Credit Card Outstanding	31.4	19.9
Education	19.6	18.4
Vehicle Loans	20.5	13.9
Loans against gold jewellery	20.4	40.9
Other Personal Loans	23.7	13.2

Source: RBI, Bank of Baroda Research

Credit card growth has softened in the last few months down to 19.9% in Aug'24 from 31.4% in Aug'23. A sharp slowdown has also been noted in the growth of other personal loans at 13.2% from 23.7% last year.

Figure 3: Credit growth in last 5-months



Source: RBI, Bank of Baroda Research

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