

Non-food credit growth moderated in March

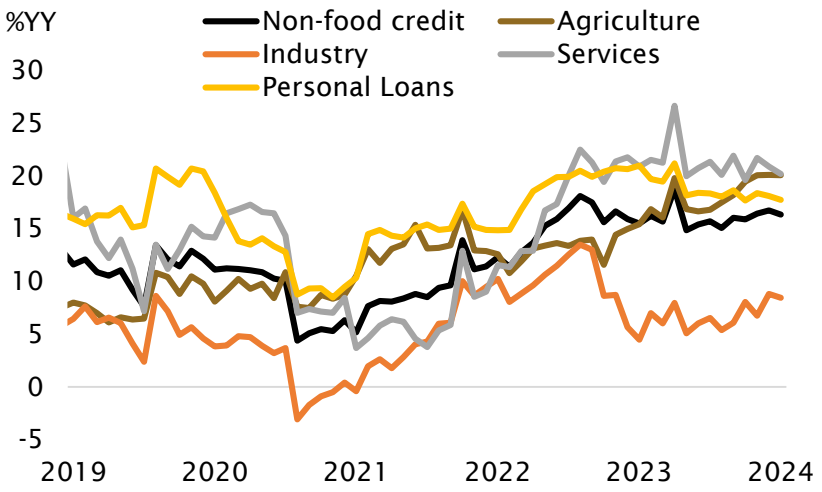
May 2, 2024

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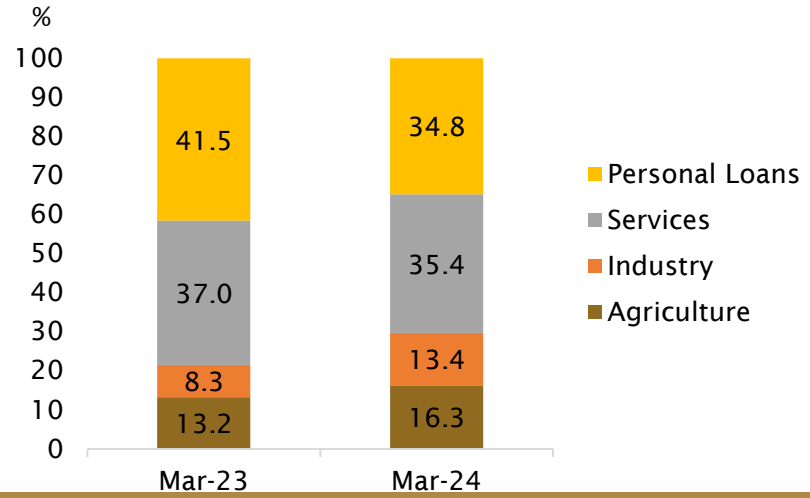
Non-food credit growth moderated in March

- **Non-food credit growth** (excluding impact of the merger of a non-bank with a bank) **eased to 16.3%YY in March from 16.7% in February amid moderation across major industries (industry, services), including personal loans.** Growth was higher than 15.5% in March 2023. Including the merger impact, credit grew 20.4% in March 2024, lower than 20.9% in February.
- Personal loan growth (excl. merger impact) eased to 17.7%YY in March from the recent peak of 21.2% in June 2023. The share in incremental credit (Mar-23 vs Mar-24) also eased, though the share in total credit grew slightly from June (32.5% from 31.9%). After personal loans, share of services was the highest in total credit (~30%) and marginally more than personal loans in incremental credit. Almost one fourth of total credit continued to flow to industry, though share in incremental credit remained lower than that of agriculture.

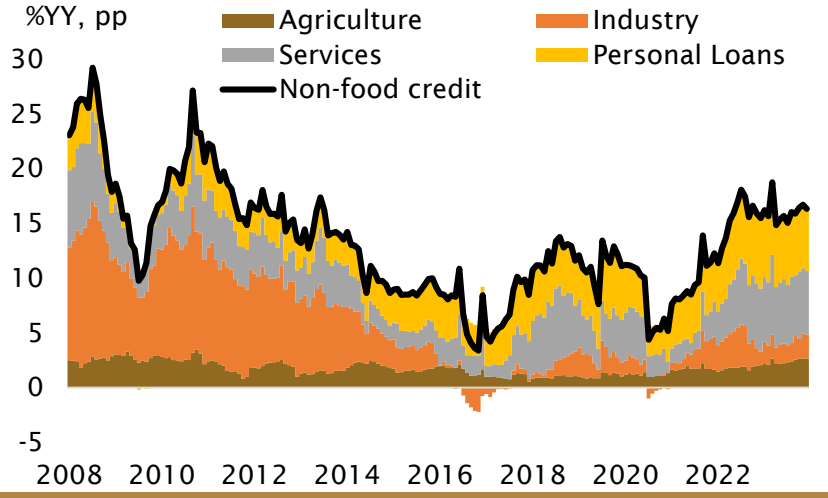
Non-food credit growth excluding impact of merger



Share in incremental non-food credit growth



Contribution to non-food credit growth

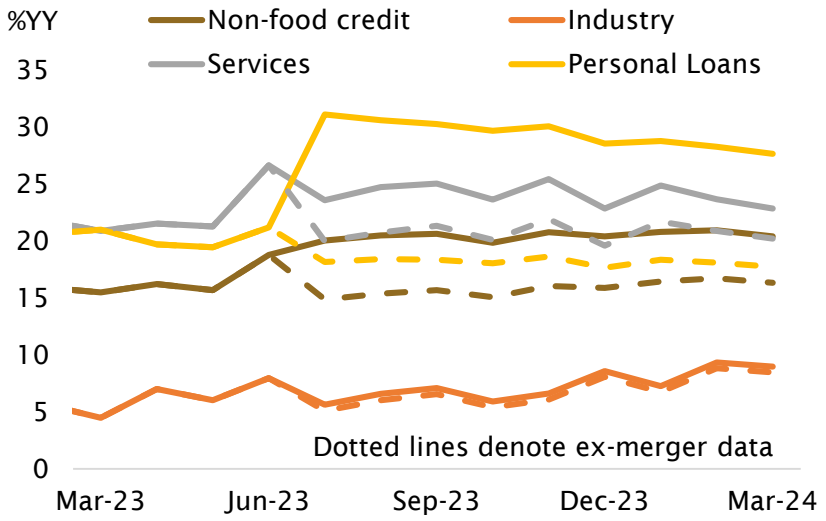


Detailed sector-wise data available only including merger impact

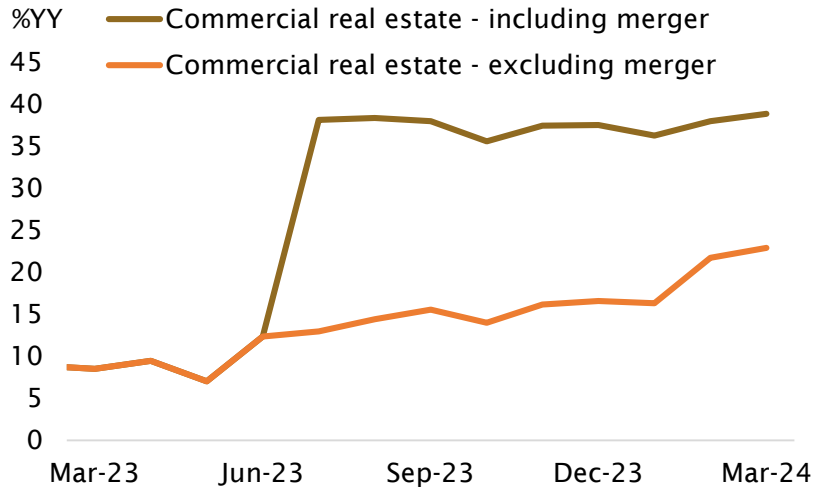
- **While the headline numbers across sectors (industry, services, personal loans) are available for both – including and excluding the impact of merger of a non-bank with a bank – since July 2023, detailed sector-wise data is available across categories only including the impact of the merger, though there are a few exceptions.**

- Sector-wise credit data excluding the impact of merger is available for these categories and needs to be interpreted accordingly.
  - Services: Commercial real estate
  - Personal loans: Housing
  - The data for these two categories shows a spike when put together with other categories post July 2023.

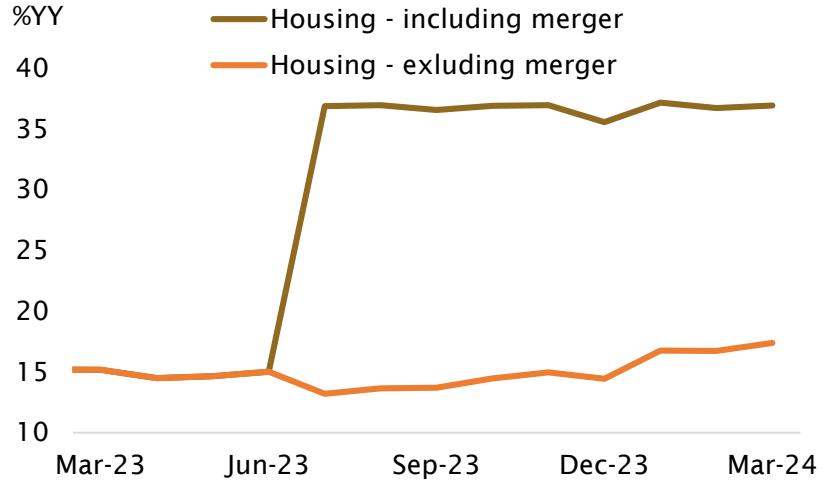
Non-food credit: including and excluding merger impact



Non-food credit: services: commercial real estate



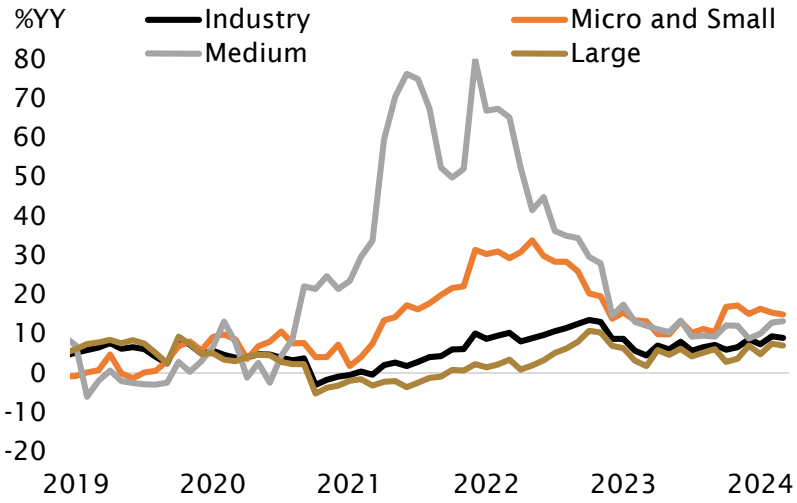
Non-food credit: personal loans: housing



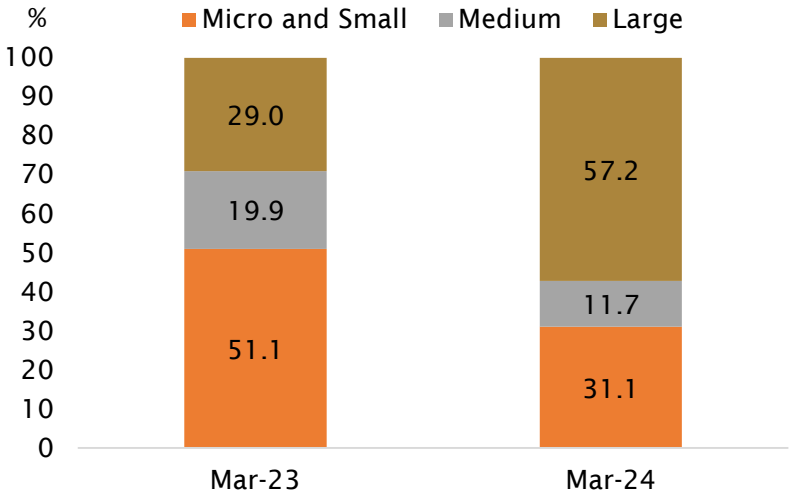
Larger share of incremental industrial credit to large industries

- Non-food credit growth towards industry (including the impact of merger) eased to 9.0%YY in March from 9.3% in February but was higher than 4.5% in March 2023. Excluding the impact of the merger, credit growth towards industry moderated to 8.5%YY in March 2024 from 8.8% in February.
- Data including the impact of the merger indicates that **larger share of the incremental credit went towards large industries, a reversal from the trend in the corresponding month a year ago, when more than half the portion of incremental credit went towards micro and small industries.**

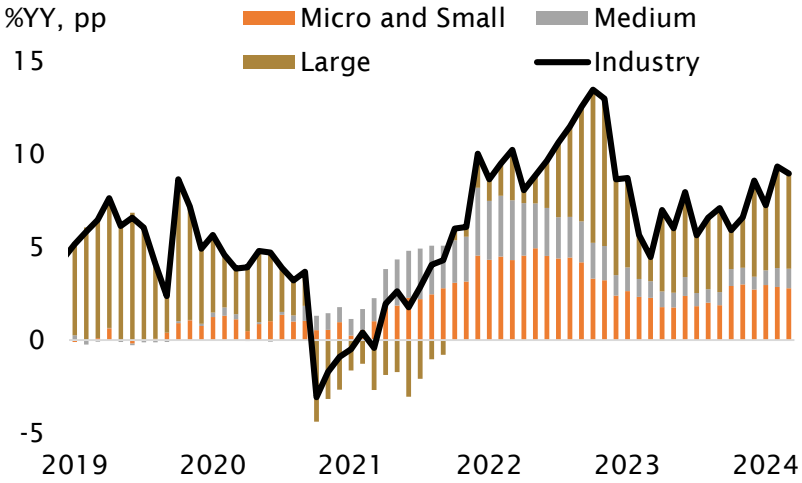
Non-food credit including merger impact: industry



Share in incremental non-food credit growth: industry



Contribution to non-food credit growth: industry



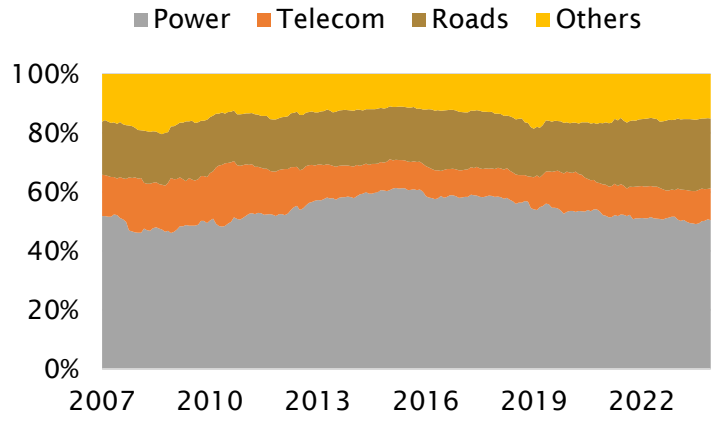
Infrastructure continued to attract most of the industrial credit

- Infrastructure continued to attract the largest share in overall and also incremental credit among major industries. Within infrastructure, major portion of credit continued to flow to the power sector.

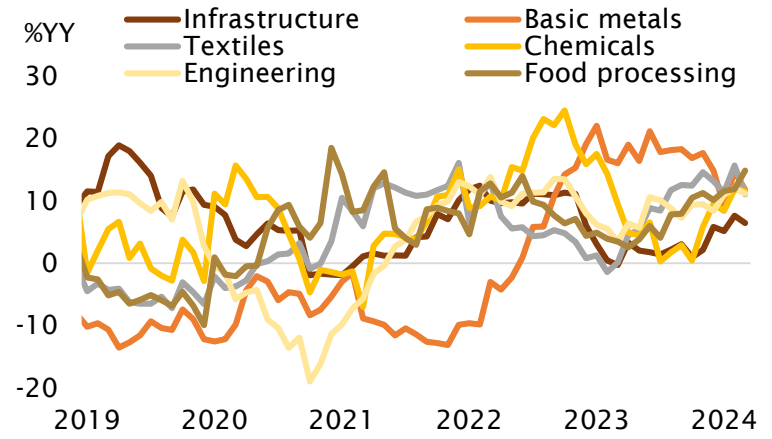
- Among other key industries, credit growth (% year-on-year) was higher than the respective month a year ago (March-2024) in case of textiles, chemicals, engineering, food processing. Credit growth was lower or negative in case of basic metals, petroleum, rubber and plastic, cement and products, etc.

Industry-wise deployment of bank credit						
	Share (%)		%YY		Share in incremental credit (%)	
	Mar-23	Mar-24	Mar-23	Mar-24	Mar-23	Mar-24
Infrastructure	35.6	34.8	-0.3	6.5	-2.2	25.6
Basic metals	10.2	10.4	16.0	11.8	32.8	13.4
Others	7.2	8.1	-4.7	22.3	-8.3	18.0
Textiles	6.9	7.0	0.1	11.1	0.2	8.5
Chemicals	6.6	6.8	9.5	11.5	13.4	8.5
Engineering	5.3	5.5	3.5	11.2	4.2	6.7
Food processing	5.4	5.7	3.5	14.9	4.2	9.0
Petroleum, coal, etc.	4.4	3.6	37.3	-10.9	28.1	-5.3
Construction	3.7	3.7	1.9	9.3	1.6	3.8
Vehicles and parts	3.0	3.1	4.1	11.7	2.8	3.9
Rubber, plastic	2.5	2.5	9.0	7.6	4.8	2.1
Gems and jewellery	2.4	2.3	-4.9	7.6	-2.9	2.0
Cement and products	1.7	1.6	17.7	3.9	6.0	0.7
Mining and quarrying	1.8	1.5	17.9	-9.6	6.3	-1.9
Paper and products	1.3	1.3	3.7	4.7	1.1	0.7
Beverage, tobacco	0.7	0.8	27.8	30.6	3.6	2.4
Wood and products	0.6	0.6	21.6	12.2	2.6	0.9
Leather and products	0.4	0.3	-0.3	5.5	0.0	0.2
Glass and glassware	0.3	0.3	32.4	25.8	1.6	0.8

Share in bank credit towards infrastructure



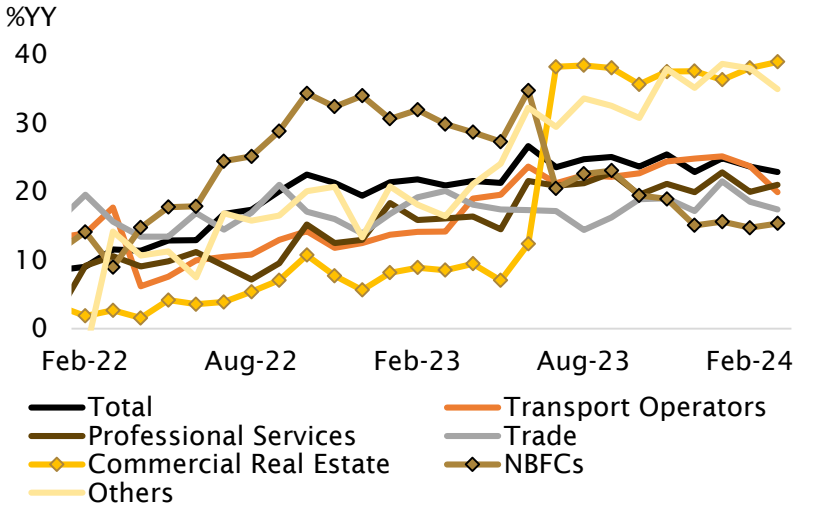
Growth in deployment of bank credit - key industries



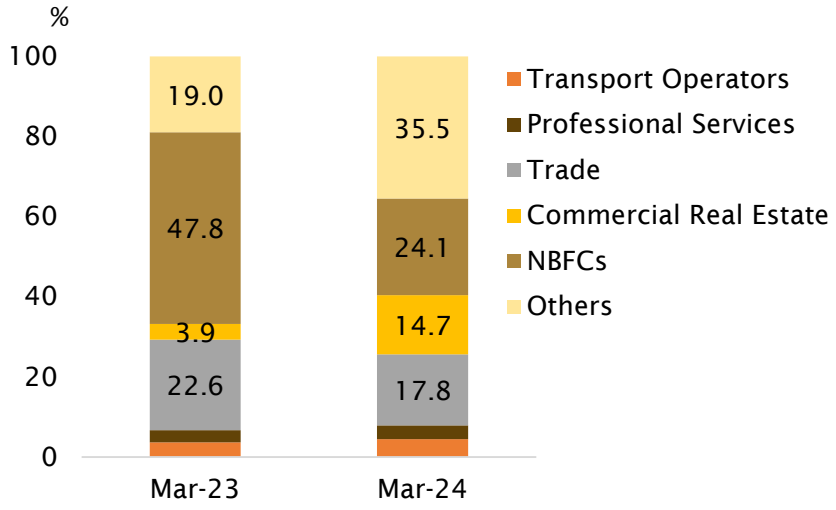
Lower credit growth towards services in trade, transport segments

- **Non-food credit growth towards services** (including impact of the merger of a non-bank with a bank) **eased to 22.9% in March from 23.6% in February but was higher than 20.9% in March 2023. Excluding merger impact, growth was lower at 20.2%YY in March vs. 20.9% in February.**
- Compared to February, the moderation in credit growth (%, year-on-year) during March (including merger impact) was due to transport operators, trade, and other services. There was an improvement in credit growth towards professional services, commercial real estate, and NBFCs.
- Though the share of NBFCs in overall non-food credit remained high at around 34%, share in incremental credit (Mar-23 vs Mar-24) almost halved, probably reflecting the merger impact.

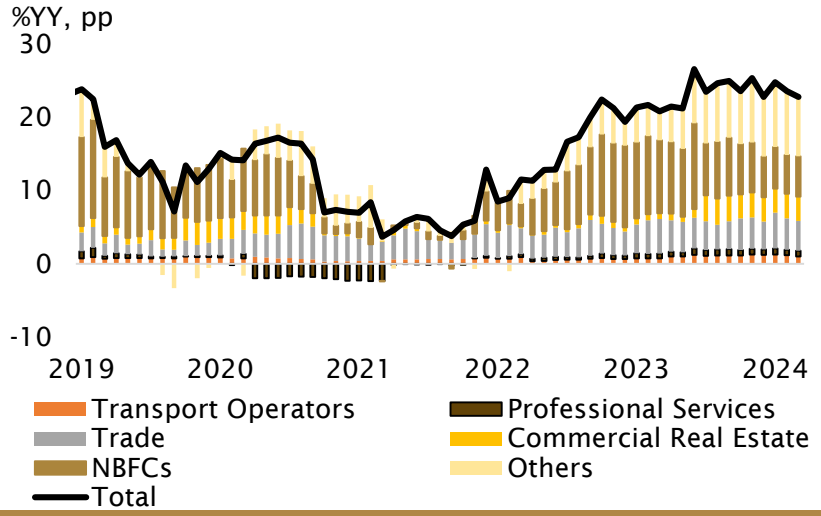
Non-food credit including merger impact: services



Share in incremental non-food credit growth: services



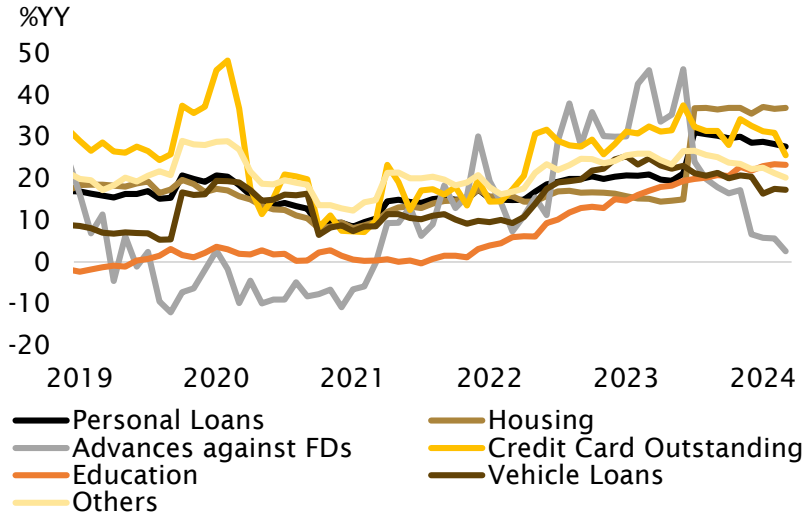
Contribution to non-food credit growth: services



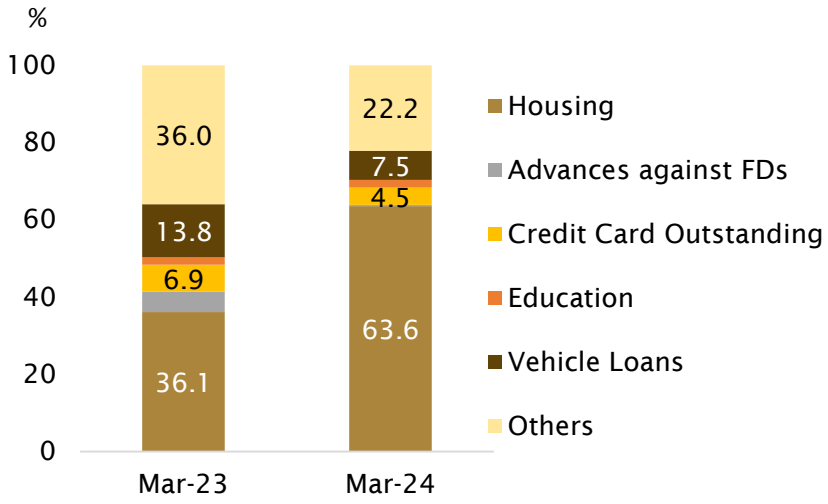
Moderation in consumer credit growth post hike in risk weights

- Growth in personal loans (including the impact of merger of bank with non-bank) eased to 27.6%YY in March from 28.3% in February. Excluding the merger impact, personal loan growth moderated to 17.7% in March from 18.1% in February, and further lower than the recent peak of 21.2% in June 2023.
- In March, personal loan growth (%YY) eased across segments compared to February (both incl. and excl. merger impact), except for housing. **Even excluding the merger impact, share of housing in incremental credit was higher at 46.6% vs. 36.1% in March 2023.**
- **Since November, credit growth has moderated in certain segments of personal loans such as advances against FDs, credit card outstanding, and auto loans, probably reflecting the impact of RBI measure to raise risk weights on consumer credit.**

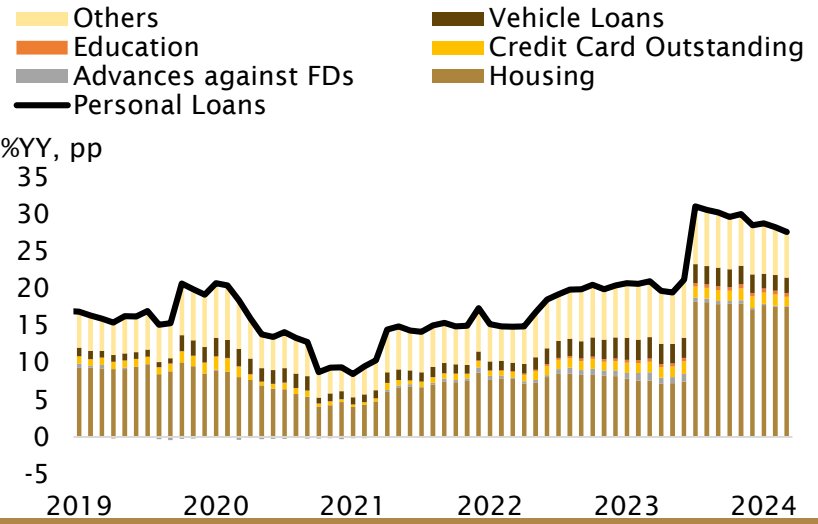
Non-food credit including merger impact: personal loans



Share in incremental non-food credit growth: personal loans



Contribution to non-food credit growth: personal loans



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