

Non-food credit (ex-merger) growth moderated for the second consecutive month in September

November 21, 2024

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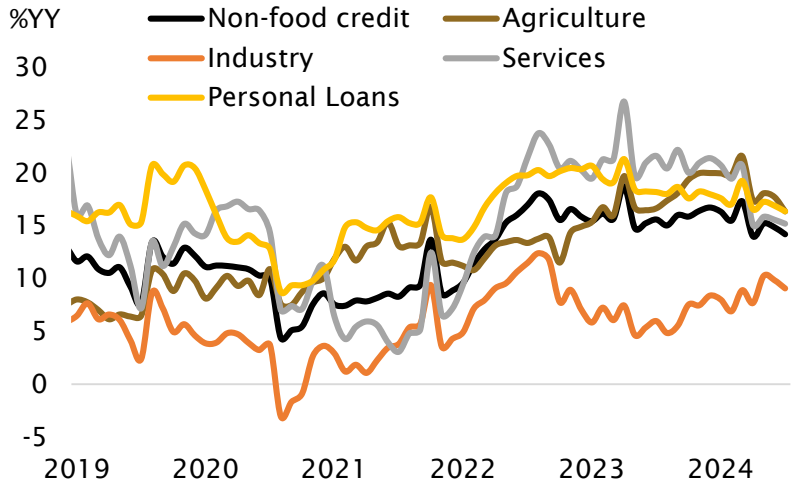
Key takeaways

- Non-food credit (excluding the impact of merger of a non-bank with a bank) moderated for the second straight month in September to 14.2%YY from 14.9% in August. The year-on-year growth was lower than a year ago in September 2023 at 15.6%.
- The moderation in year-on-year credit growth in September compared to the previous month was due to base effects, as the month-on-month momentum remained positive and was, in fact, higher than in August. The underlying data across key groups – agriculture, industry, services, and personal loans – reflected a similar trend, except for personal loans, where the month-on-month momentum moderated slightly.
- Bank credit reflected the impact of merger of a non-bank with a bank, effective July 2023 and this has started to fade from year-on-year growth data. Including the merger impact, non-food credit growth eased to 12.8%YY from 13.4% in August, moving closer to the pre-pandemic (FY11-20) average of around 13% and remaining below the long-term (FY09-24) average of around 14% for the second consecutive month.
- Few key trends stood out in the latest data:
  - Consumer credit growth stayed below the pre-pandemic and long-term average growth for the fourth straight month in September, indicating success of RBI's regulatory steps in November 2023 to rein in credit growth in this segment by raising risk weights on unsecured loans.
  - Despite having a low share in personal loans, there has been a surge in loans against gold jewellery in recent months that needs to be watched out for. In September, the RBI had issued a circular noting irregularities in grant of these loans and for entities to review their own policies and processes.
  - In line with the moderation in overall credit growth in the last couple of months, credit growth to industry has been easing after hitting double-digits in July. Industry attracts around 23-24% share in total credit.
- Excluding the merger impact, credit growth to housing and commercial real estate has been above pre-pandemic and long-term growth trends – since January 2024 in case of housing, and for more than a year now in case of commercial real estate. This bodes well from the perspective of demand for real estate and the continued potential fillip to the investment cycle that was also seen in FY24.

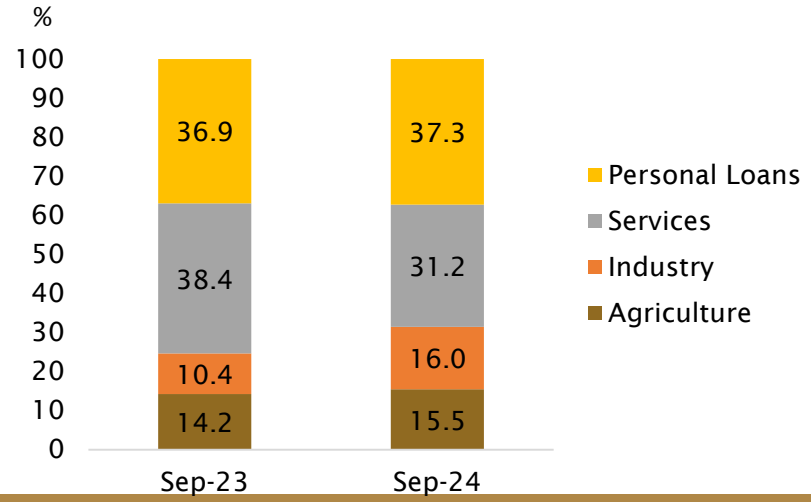
Non-food credit (ex-merger) growth eased for the second month

- Non-food credit (excl. impact of merger of a non-bank with a bank) moderated for the second straight month in September to 14.2%YY from 14.9% in August. Though the recent print remained a tad above the two-year low of 14.0% reached in June, the year-on-year increase was below 15.6% growth in September 2023. Credit growth eased due to favorable base effects, as month-on-month momentum was positive across major categories.
- Personal loans added the most to year-on-year credit growth, surpassing contribution of services for the fifth straight month. Compared to September 2023, there was an increase in share of incremental credit (nominal year-on-year change) across key groups, except services.
- Including the merger impact, overall credit growth eased for the fourth month to 12.8%YY from 13.4% in August. Growth continued to normalize as the merger impact since July 2023 has faded from year-on-year changes.

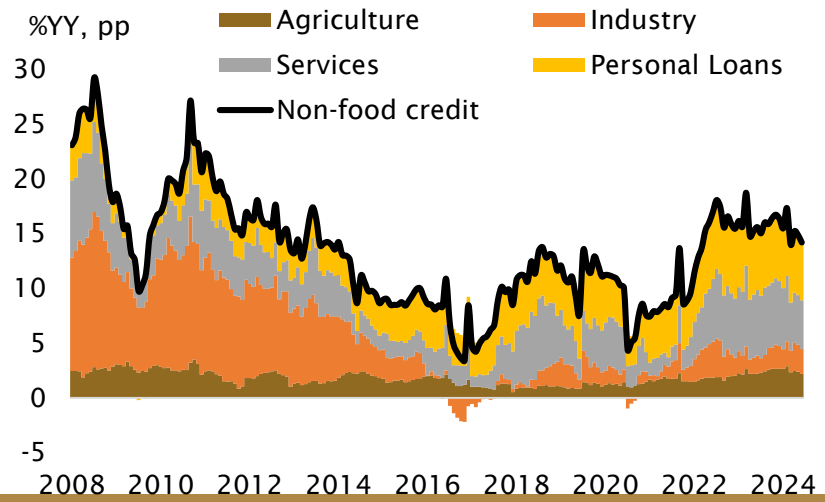
Non-food credit growth excluding impact of merger



Share in incremental credit (nominal y-o-y change)



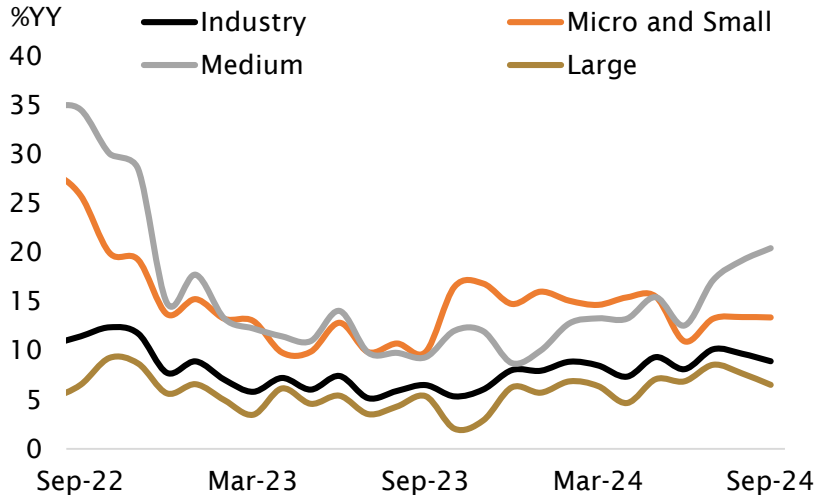
Contribution to non-food credit growth



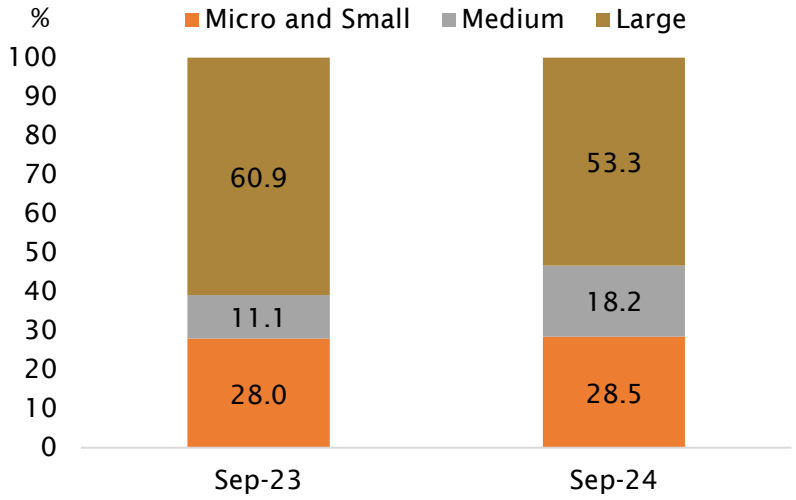
Large industries' share in incremental credit continued to ease

- In September, the year-on-year growth in non-food credit to industry (including impact of the merger) eased for the second straight month to 8.9%YY from 9.7% in August, after hitting 20-month high of over 10% in July. The moderation was driven by lower credit growth to large industries, even as credit growth to the micro and small group remained firm at around 13%, and improved in case of medium enterprises. Excluding impact of the merger, credit growth to industry softened to 9.1%YY in September from 9.8% in August.
- Data including the merger impact shows that over the past couple of months, share of incremental credit (nominal year-on-year change) to large firms has been moderating, and improving in case of medium, micro and small enterprises.

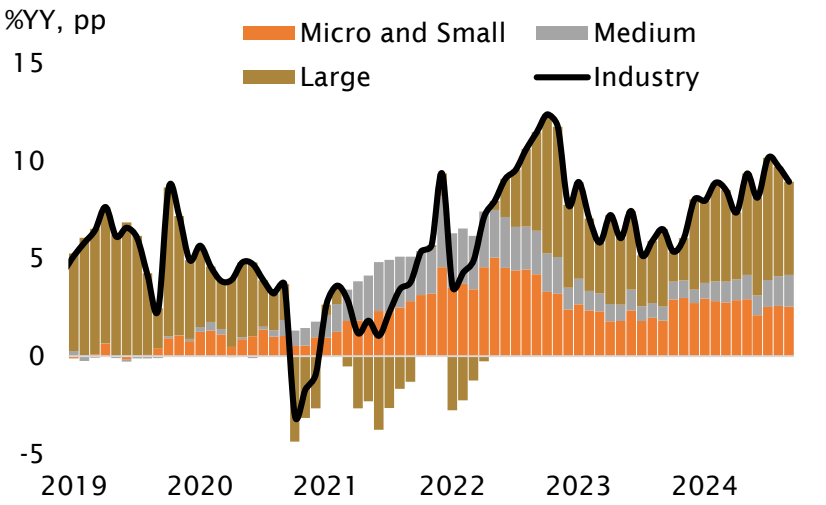
Non-food credit including merger impact: industry



Share in incremental non-food credit growth: industry



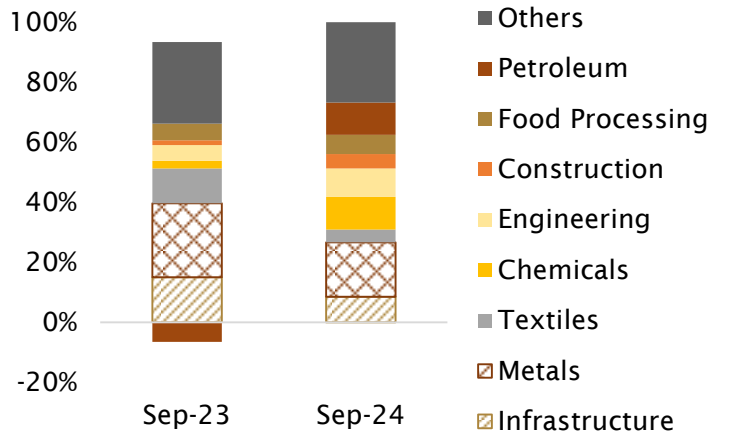
Contribution to non-food credit growth: industry



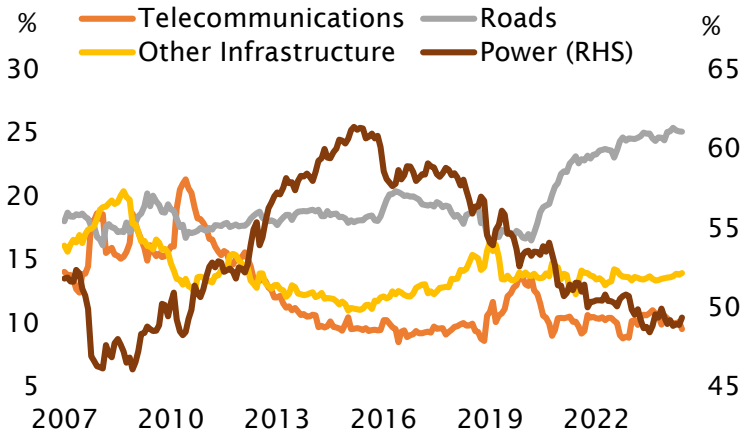
Infrastructure continued to top the list in credit flow to industry

- Among industries, infrastructure continued to attract the most share in total credit at 34%, though this was slightly below 36% in September 2023. The share of incremental credit to infrastructure was the lowest in 11 months at 8.6%. The largest portion of incremental credit had been accruing to infrastructure since January but in July, the balance titled in favor of miscellaneous/other group. Apart from the miscellaneous category, basic metals, chemicals and petroleum together attracted 40% of incremental credit in September.
- Out of 19, 12 industries posted double-digit year-on-year credit growth, up from 8 in September 2023. In September 2024, credit to cement, and gems and jewellery declined.
- Within infrastructure, almost half of credit continued to go to the power sector, followed by roads at one fourth share.

Share in incremental credit to industry



Share in deployment of bank credit: infrastructure



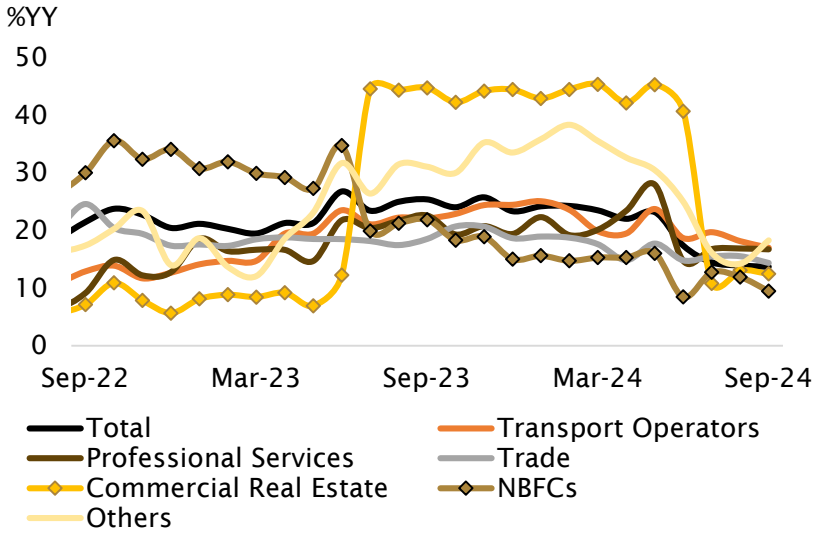
Industry-wise deployment of bank credit

	Share (%)		%YY		Share in incremental credit (%)	
	Sep-23	Sep-24	Sep-23	Sep-24	Sep-23	Sep-24
Infrastructure	36.5	34.2	3.0	2.1	17.4	8.6
Basic metals	10.5	11.1	19.7	15.4	28.3	18.1
Others	6.7	7.7	4.0	24.3	4.2	18.4
Textiles	7.0	6.8	13.3	5.4	13.4	4.2
Chemicals	6.6	6.9	2.8	14.9	2.9	10.9
Engineering	5.4	5.7	7.3	15.7	6.1	9.5
Food processing	4.9	5.1	8.6	11.6	6.4	6.4
Petroleum, coal, etc.	3.9	4.5	-10.6	24.8	-7.5	10.8
Construction	3.6	3.7	3.1	11.8	1.8	4.8
Vehicles and parts	3.2	3.0	13.3	3.2	6.1	1.1
Rubber, plastic	2.4	2.5	6.0	10.7	2.3	2.9
Gems and jewellery	2.7	2.4	16.2	-1.8	6.1	-0.5
Cement and products	1.7	1.6	15.9	-0.7	3.9	-0.1
Mining and quarrying	1.5	1.4	2.1	0.0	0.5	0.0
Paper and products	1.3	1.3	5.5	10.9	1.1	1.6
Beverage, tobacco	0.7	0.8	44.7	21.3	3.8	1.8
Wood and products	0.7	0.7	22.3	11.0	1.9	0.8
Leather and products	0.3	0.3	2.4	5.6	0.1	0.2
Glass and glassware	0.3	0.3	37.0	14.8	1.4	0.5

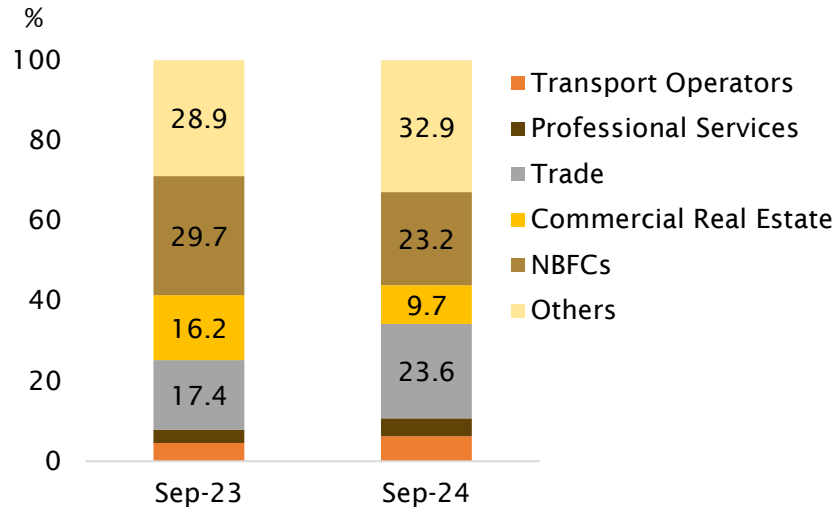
Credit growth to services remained stable

- Bank credit data showed the impact of merger of a non-bank with a bank from July 2023 that led to a jump in year-on-year growth. This has normalized, and is evident in segments such as commercial real estate (CRE) within services. Both with and without merger impact, year-on-year credit growth to CRE eased in September from the previous month. Including merger impact, growth stayed lower compared to September 2023 due to base effects noted earlier. However, ex-merger impact, credit growth was higher at 24.5%YY versus 16.1% in September 2023.
- Including the merger impact, non-food credit to services was stable around 14%YY, and stayed below 25% growth in September 2023. Credit growth eased across groups, with credit to NBFCs easing to 9.5%YY after double-digit growth in July and August. Ex-merger, credit to services was around 15%YY and below 22% in September 2023.

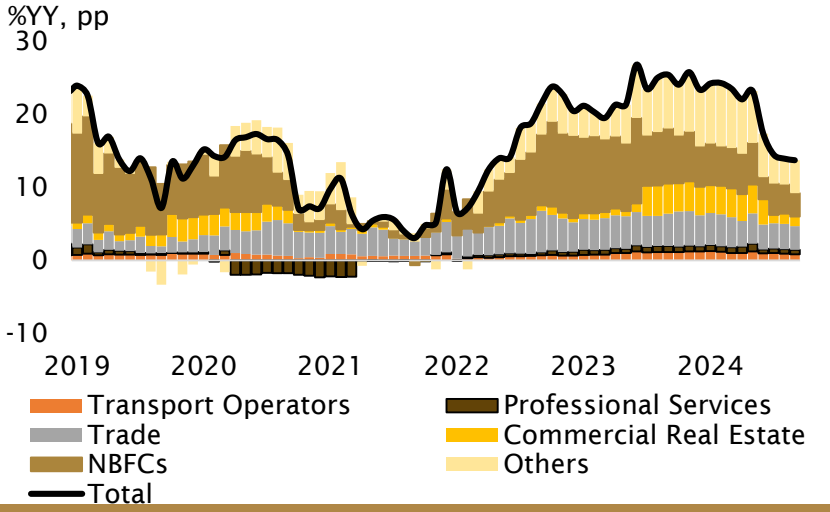
Non-food credit including merger impact: services



Share in incremental non-food credit growth: services



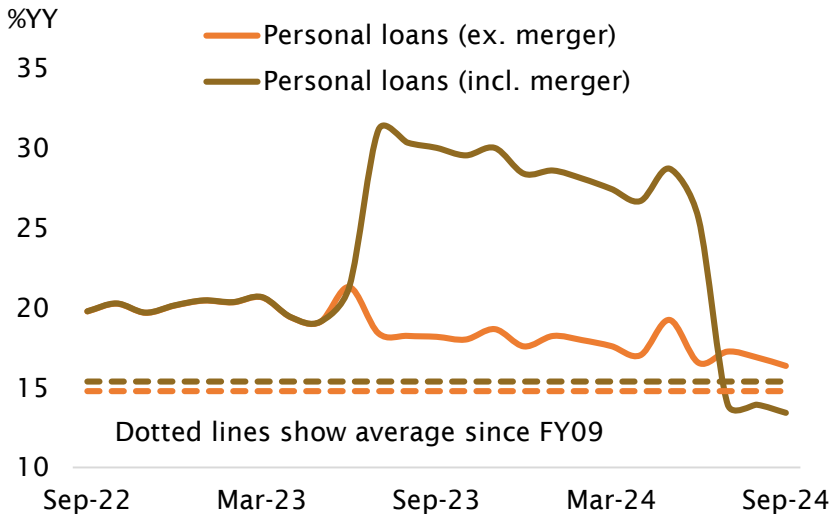
Contribution to non-food credit growth: services



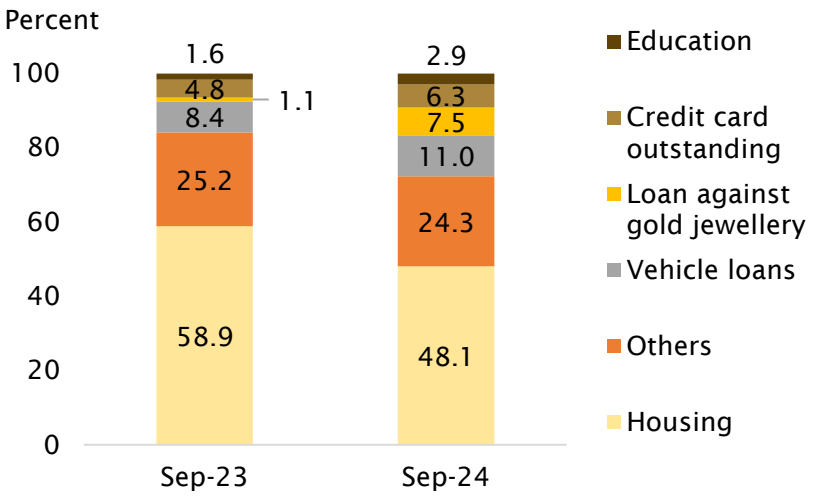
Personal loan growth eased; ex-merger home loan growth up y-o-y

- Both including and excluding merger impact, year-on-year personal loan growth eased compared to August. Including merger impact, personal loans grew 13.4%YY, mildly down from 13.9% in August, and below 30% growth in September 2023, reflecting normalization of base effects. Growth eased across most segments in latest data, except for advances against FDs and loans against gold jewellery that grew at faster rates. Though these segments comprised average share of 2-2.5% in personal loans in FY24, share of loans against gold jewellery in incremental credit has increased, reflecting the recent surge in year-on-year growth since May 2024.
- Excluding merger impact, personal loan growth eased to 16.4%YY in September from 16.9% in August. Though year-on-year housing loan growth also eased, it was higher (18.3%YY) than in September 2023 (13.5%).

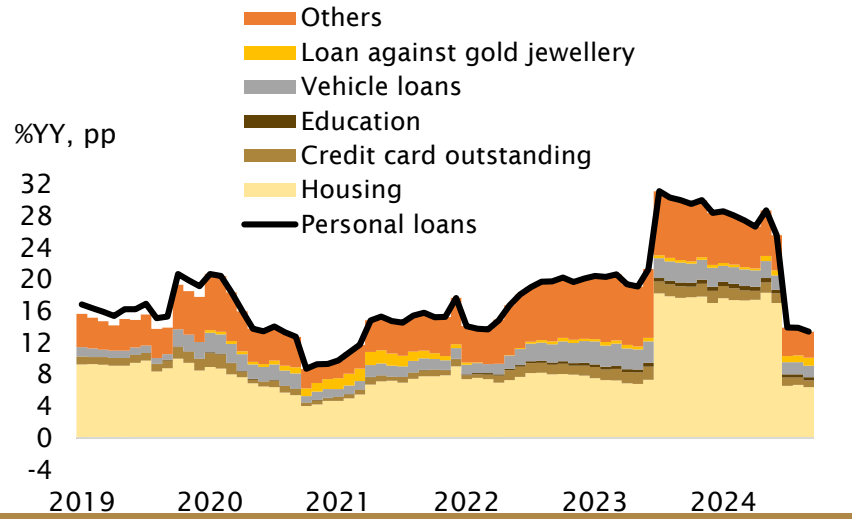
Non-food credit: personal loans



Share in incremental credit growth: personal loans



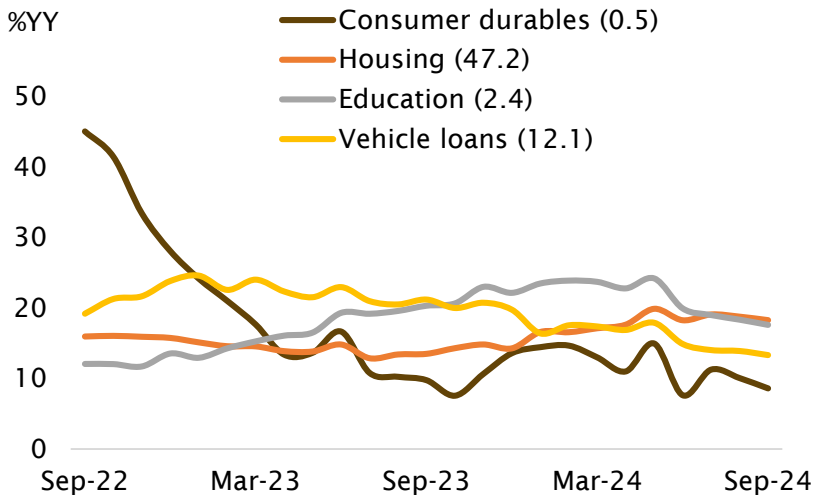
Contribution to non-food credit growth: personal loans



Loans against gold jewellery continued to surge

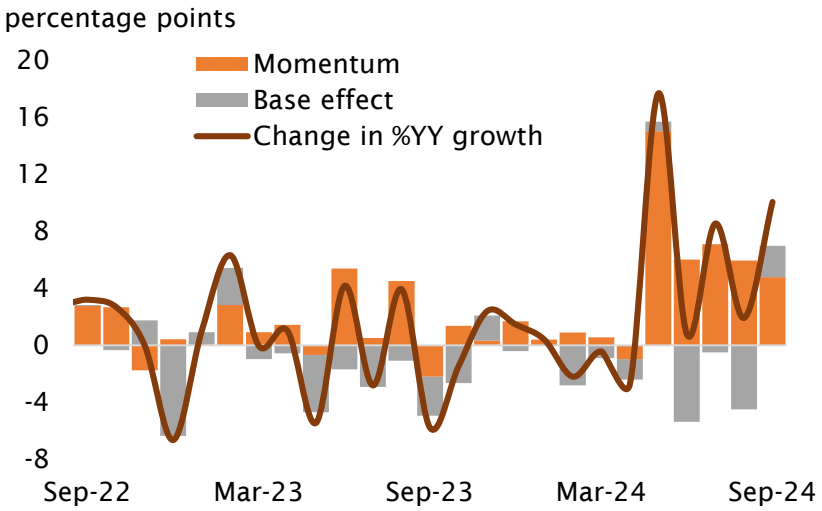
- The year-on-year growth in housing and auto loans has eased in recent months, and also in case of consumer credit, which includes credit to: 1) consumer durables 2) advances against FDs 3) credit card 4) other personal loans. Consumer credit growth eased in September and stayed below the long-term average for fourth month, indicating success of RBI's regulatory steps in November 2023 to raise risk weights on unsecured loans.
- However, growth in certain segments of personal loans needs to be watch out for. Including merger impact, loans against gold jewellery have grown at an average rate of 38%YY since May 2024, buoyed by month-on-on-month momentum. In September, the RBI had issued a circular noting irregularities in grant of these loans and for entities to review their own policies and processes, including monitoring their gold loan portfolio.

Housing (ex-merger), auto loan growth continued to ease

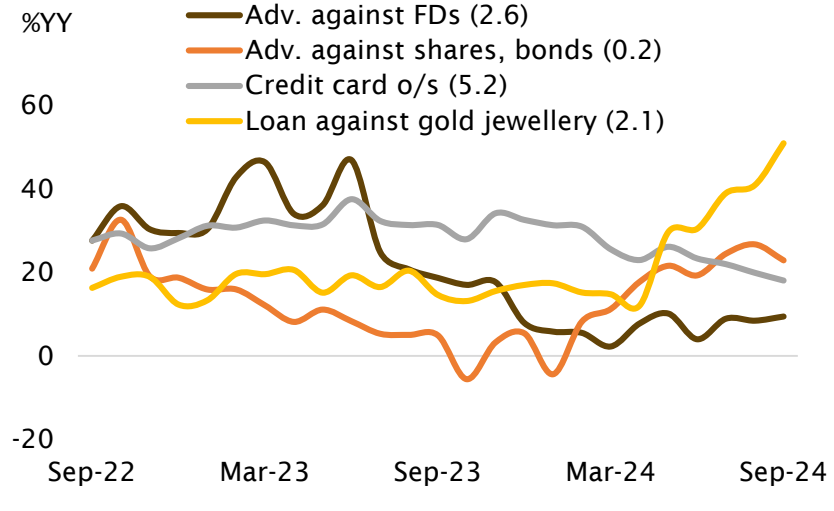


Numbers in parenthesis show share in personal loans in FY24

Strong momentum in loans against gold jewellery



Exuberance in loan growth against gold jewellery

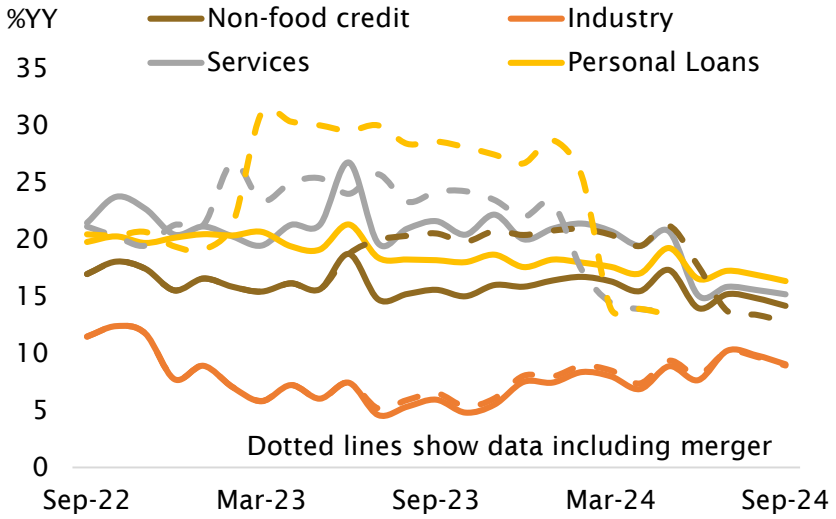


Annexure: Detailed data available only including merger impact

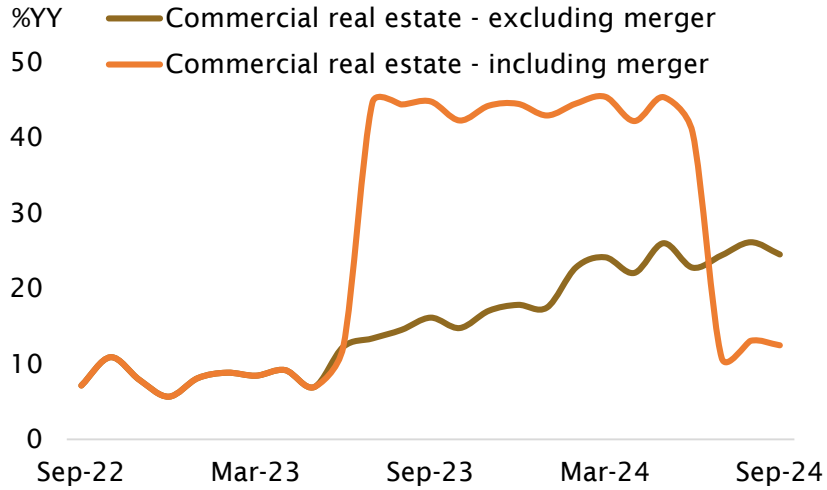
- The headline numbers across sectors (industry, services, personal loans) are available for both – including and excluding the impact of merger of a non-bank with a bank – since July 2023. However, detailed sector-wise data is available across categories only including the impact of the merger, though 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
  - Data for these two groups shows a spike post July 2023 and normalization from July 2024.

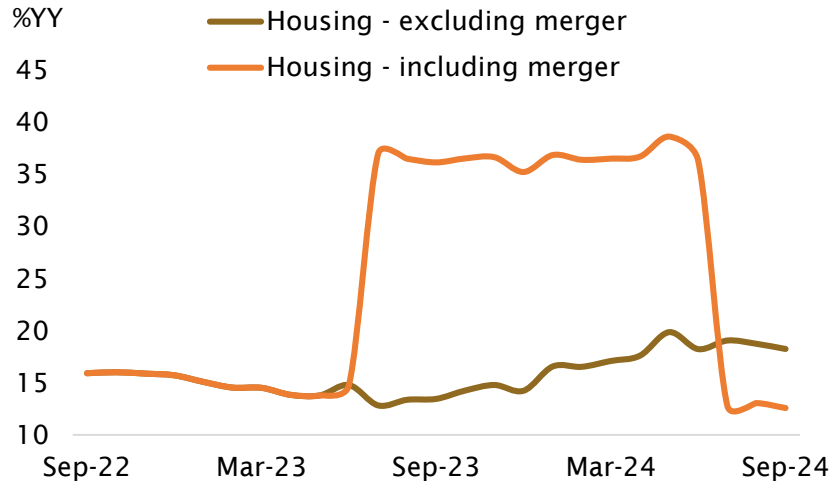
Non-food credit: including and excl. merger impact



Non-food credit: services: commercial real estate



Non-food credit: personal loans: housing



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