

Non-food credit (ex-merger) growth in February eased to the slowest pace in almost three years

March 29, 2025

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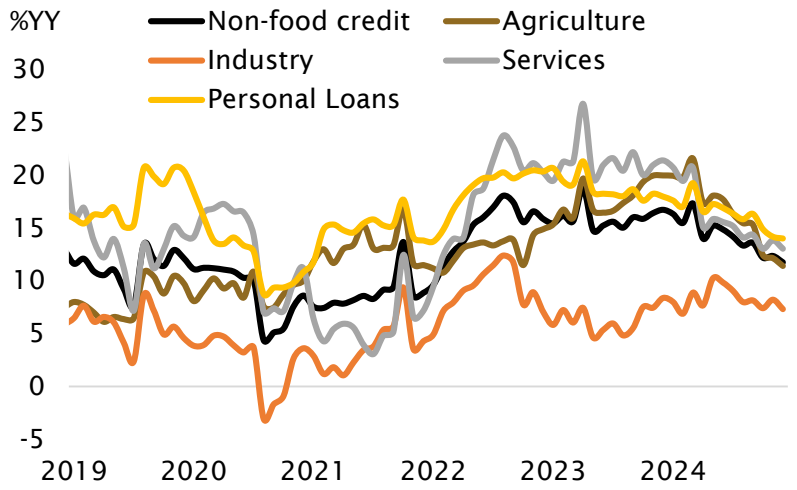
Key takeaways

- Non-food credit growth (excl. impact of merger of a non-bank with a bank) moderated to the lowest in 34 months or almost three years to 11.8%YY in February from 12.4% in January amid slower growth across major sectors of agriculture, industry, services, and personal loans. The easing in headline print was due to favorable base effects that offset positive month-on-month increase across key groups. Including the merger impact, overall credit growth eased to 35-month low of 10.7%YY from 11.2% in January.
- Few key trends stood out in the latest data:
  - Personal loans added the most to year-on-year credit growth, surpassing the contribution of services for the tenth straight month. This is despite the ongoing slowdown in personal loan growth below the long term average, both including and excluding impact of merger of a bank with a non-bank.
  - Personal loan growth moderated across groups, except housing where there was a mild uptick and loans against gold jewellery that continued to surge. There were also signs of rebound in loans for consumer durables.
  - Following the surge in growth to over 30% in Jun-2023, the RBI, in Nov-2023 raised risk weights on bank lending to unsecured consumer credit. As a result, consumer credit growth has moderated and dwindled to single digits in the latest print.
  - Credit growth to large and medium industries moderated but rose mildly towards micro and small industries.
  - Among industries, infrastructure continued to attract the most share in total credit at 34%, but the share of incremental credit (nominal year-on-year change) to infrastructure dwindled to the lowest in four years to 4%.
  - Within services, credit growth to commercial real estate and NBFCs eased from the previous month but improved in case of other categories.
- In a recent update, the RBI revised guidelines on priority sector lending (PSL), including enhancement of several loan limits, including housing loans. These measures are expected to facilitate better targeting of bank credit to the priority sectors of the economy.
- In Feb-2025, the RBI restored the risk weights on bank lending to NBFCs to levels before the tightening in Nov-2023. Also, the RBI also lowered risk weights on microfinance loans in the nature of consumer credit. These steps, including the recent ones on PSL norms, are expected to boost credit growth and support economic activity.

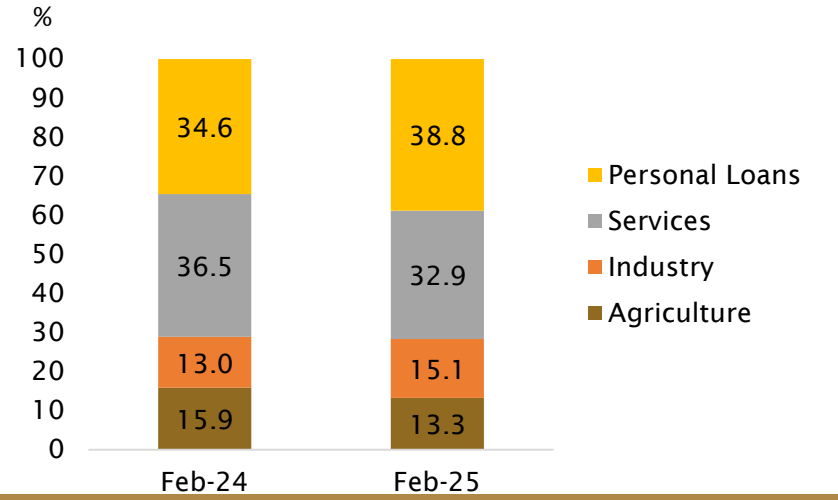
Non-food credit (ex-merger) growth eased to almost three year low

- Non-food credit growth (excl. impact of merger of a non-bank with a bank) moderated to the lowest in 34 months or almost three years to 11.8%YY in February from 12.4% in January amid slower growth across major sectors of farm, industry, services, and personal loans. The easing in headline print was due to base effects that offset positive month-on-month increase across key groups.
- Personal loans added the most to year-on-year credit growth, surpassing the contribution of services for the tenth straight month. Accordingly, the largest share of incremental credit (nominal year-on-year change) accrued to personal loans, displacing services as the sector attracting the most incremental credit. There was an increase in portion of credit going to industry, while there was a moderation in share towards agriculture.
- Including the merger impact, overall credit growth eased to 35-month low of 10.7%YY from 11.2% in January.

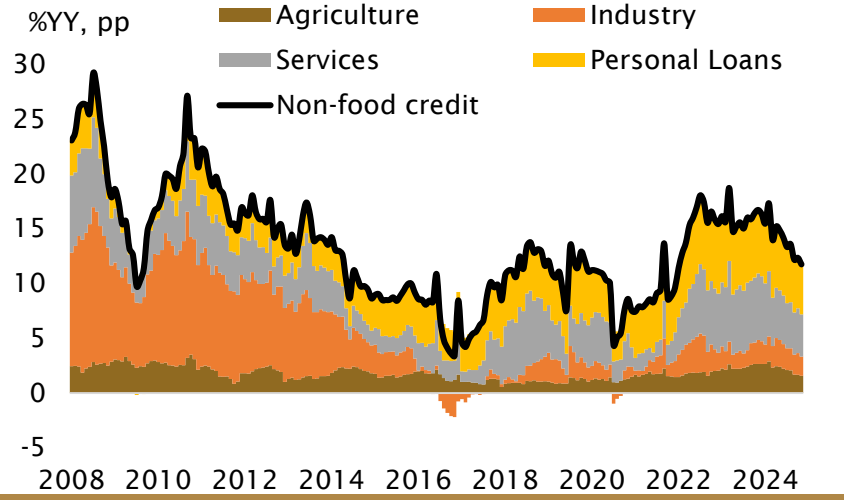
Non-food credit growth excluding impact of merger



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



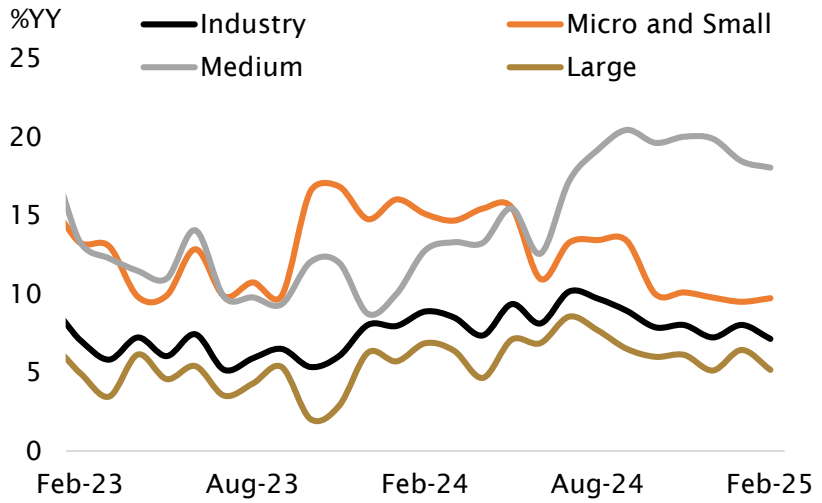
Contribution to non-food credit growth



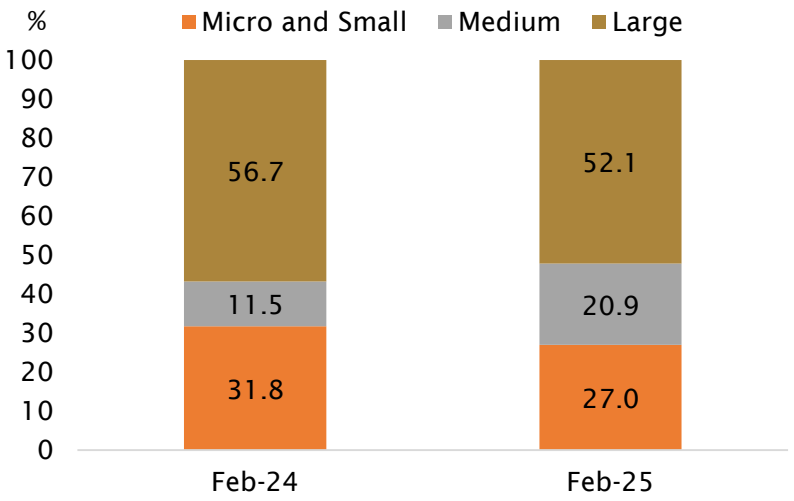
Incremental credit to medium firms improved vis-à-vis a year ago

- In February, the year-on-year growth in non-food credit to industry (including impact of the merger) eased to 15-month low of 7.1%YY from 8.0% in January and the recent peak of around 10% in Jul-2024. Credit growth to large and medium industries moderated but rose mildly towards micro and small industries. Excluding the merger impact, credit growth to industry slowed to ten-month low of 7.3% from 8.2% in January.
- Data including the merger impact shows that more than half of incremental credit (nominal year-on-year change) continues to accrue to large firms but the share eased in February vis-à-vis a year ago. There was also moderation in share of incremental credit going to micro and small industries but an improvement in case of medium industries.

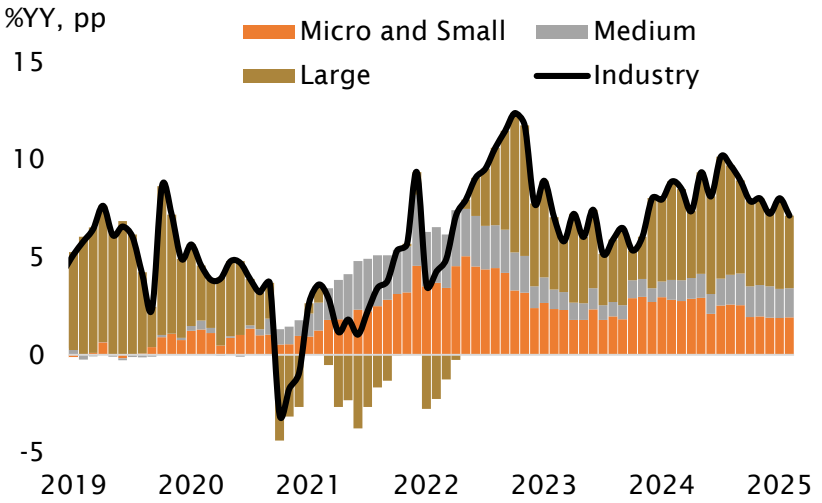
Non-food credit including merger impact: industry



Share in incremental non-food credit growth: industry



Contribution to non-food credit growth: industry



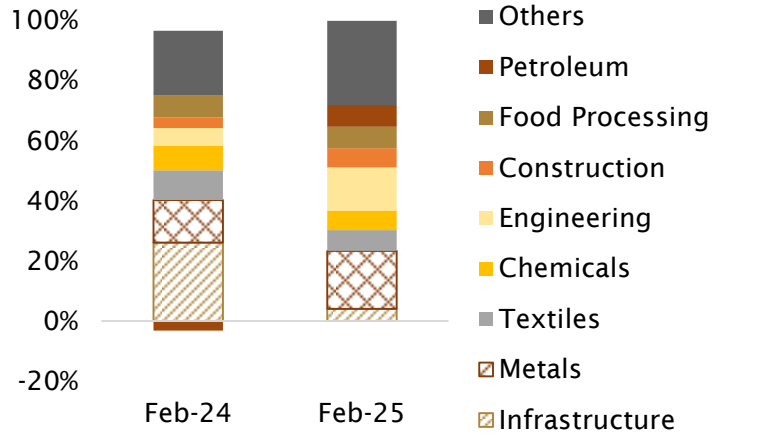
Incremental credit to infrastructure eased to the lowest in four years

- Among industries, infrastructure continued to attract the most share in total credit at 34%, though this was mildly below 36% in Feb-2024. However, the share of incremental credit to infrastructure dwindled to the lowest in four years to 4%. Since Aug-2024, basic metals has displaced infrastructure as the industry attracting the largest portion of incremental credit. In recent months, there has also been an improvement in credit flow to engineering industries, and a deceleration in case of chemicals.
- Out of 19, nine industries posted double-digit year-on-year credit growth. However, there were declines in case of credit to mining and cement industries. Credit growth to petroleum marked an improvement vis-à-vis a year ago when it was in contraction. Within infrastructure, broad trends were stable with half of credit going to power sector, followed by roads at one fourth share.

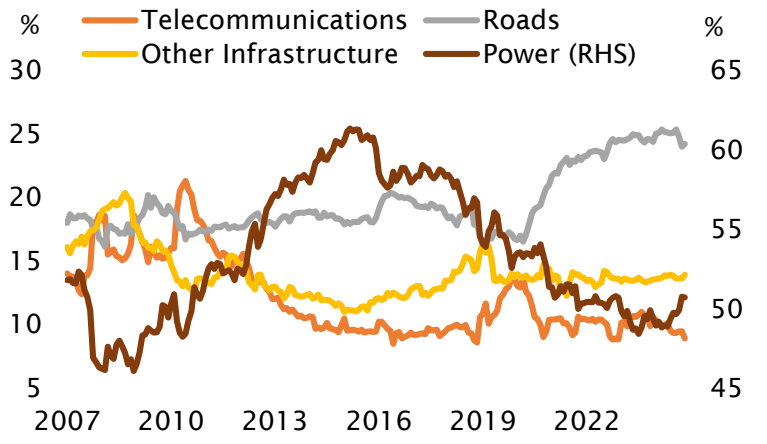
Industry-wise deployment of bank credit

	Share (%)		%YY		Share in incremental credit (%)	
	Feb-24	Feb-25	Feb-24	Feb-25	Feb-24	Feb-25
Infrastructure	35.7	33.6	6.8	0.8	27.9	4.0
Basic metals	10.5	11.1	13.4	13.1	15.2	19.3
Others	7.1	7.7	14.5	16.4	10.9	16.2
Textiles	7.1	7.1	13.9	7.1	10.6	7.0
Chemicals	6.8	6.8	11.6	6.8	8.7	6.5
Engineering	5.4	6.0	10.9	19.0	6.5	14.4
Food processing	5.5	5.7	13.4	9.3	8.0	7.2
Petroleum, coal, etc.	3.8	4.0	-7.0	13.7	-3.5	7.2
Construction	3.7	3.9	8.9	12.4	3.7	6.4
Vehicles and parts	3.1	3.0	7.1	6.0	2.5	2.6
Rubber, plastic	2.5	2.6	8.9	13.0	2.5	4.5
Gems and jewellery	2.3	2.1	6.6	1.7	1.7	0.5
Cement and products	1.7	1.6	7.5	-0.4	1.4	-0.1
Mining and quarrying	1.5	1.4	-7.9	-2.7	-1.6	-0.6
Paper and products	1.3	1.3	5.9	11.9	0.9	2.1
Beverage, tobacco	0.8	0.8	32.4	4.6	2.5	0.5
Wood and products	0.7	0.7	15.9	15.3	1.1	1.4
Leather and products	0.3	0.3	5.4	5.3	0.2	0.3
Glass and glassware	0.3	0.3	24.9	13.1	0.8	0.6

Share in incremental credit to industry



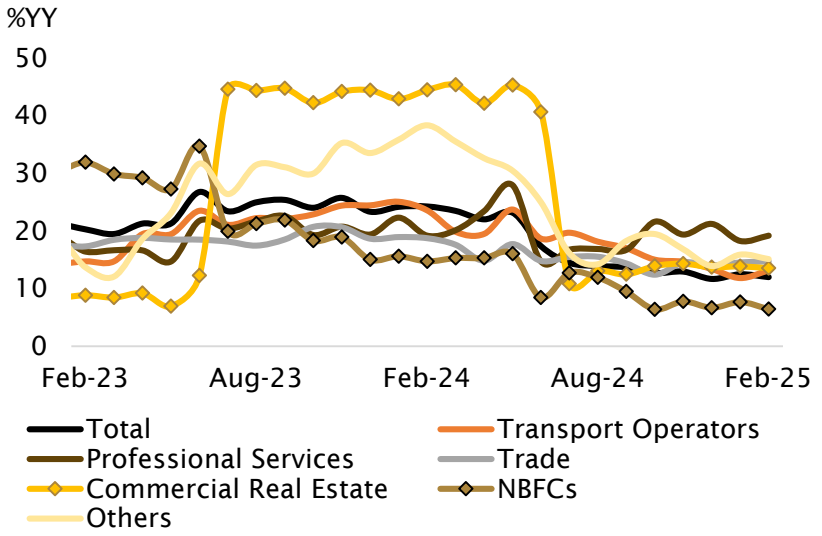
Share in deployment of bank credit: infrastructure



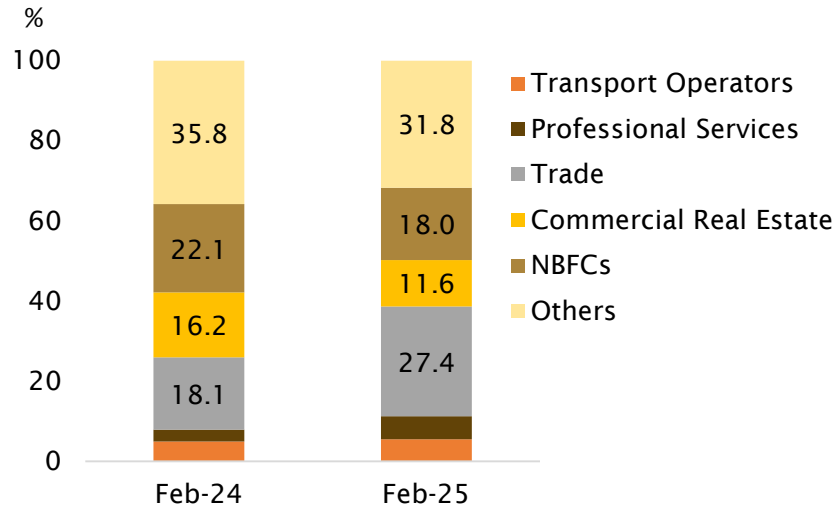
Easing in credit growth to services due to real estate, NBFC segments

- Including the merger impact, non-food credit to services eased to 12.0%YY from 12.5% in January. This is half of credit growth in Feb-2024 at over 24% and shows 1) the fading impact of merger of a bank with a non-bank in case of credit to commercial real estate (CRE) and 2) the increase in risk weights in bank loans to NBFCs.in Nov-2023 that slowed down credit growth to this segment.
- In Feb-2025, credit growth to CRE and NBFCs eased from the previous month but improved in case of other categories – transport operators, professional services, and trade. This is reflected in share of these segments in incremental credit (nominal year-on-year change).
- Excluding the merger impact, credit growth to services eased to 13.0% from 13.8% in January. Also, larger portion of incremental credit accrued to CRE, trade, and professional services vis-à-vis Feb-2024.

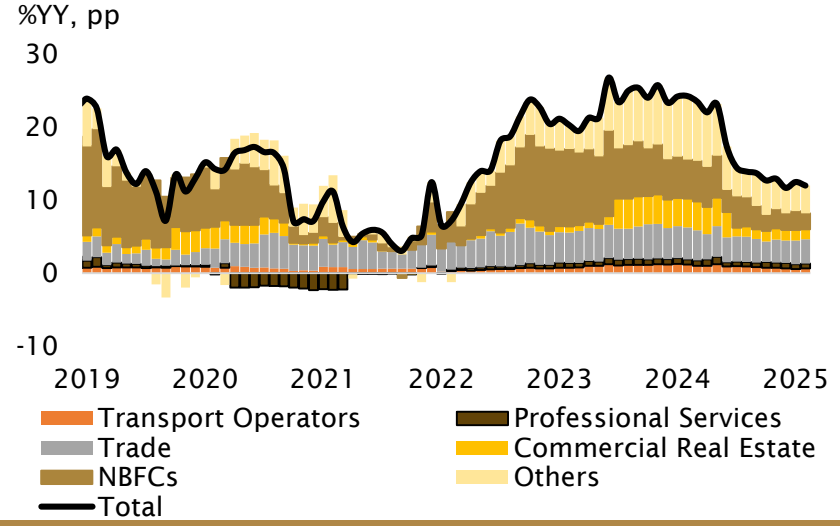
Non-food credit including merger impact: services



Share in incremental non-food credit growth: services



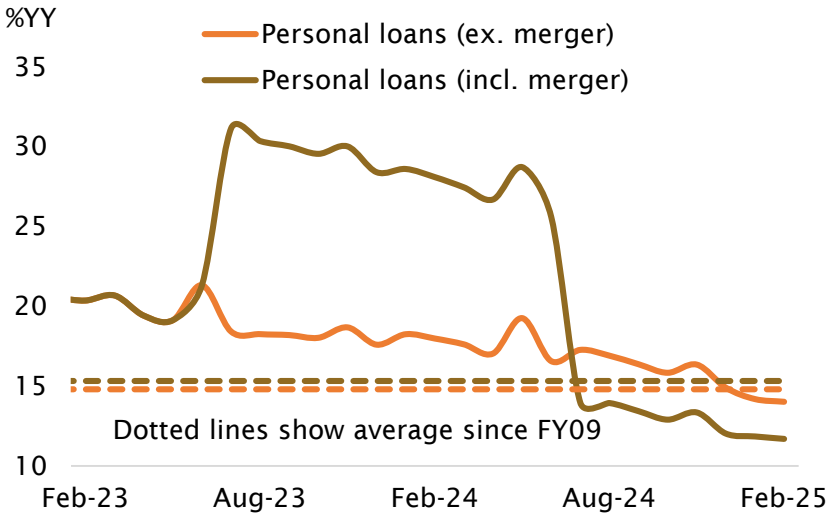
Contribution to non-food credit growth: services



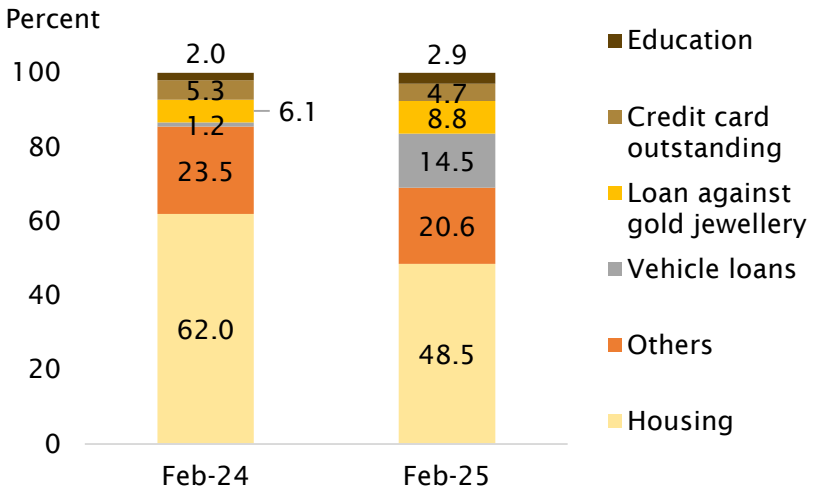
Mild uptick in housing loan growth amid easing in personal loans

- Due to the hike in risk weights on unsecured consumer credit in Nov-2023, personal loan growth has dwindled below the long term average, both including and excluding impact of merger of a bank with a non-bank.
- Including merger impact, personal loan growth eased mildly from 11.8% in January to 11.7%YY, the softest in four years. Growth moderated across groups, except housing where there was a mild uptick and loans against gold jewellery that continued to surge. There were also signs of rebound in loans for consumer durables. Compared to Feb-2024, year-on-year growth has eased across groups, except advances against FDs, shares and bonds; and loans against gold jewellery.
- Ex-merger, loan growth eased to 14.0%YY, the lowest in three years, from 14.2% in January. More than half of incremental credit went to housing vs. 44% in Feb-2024.

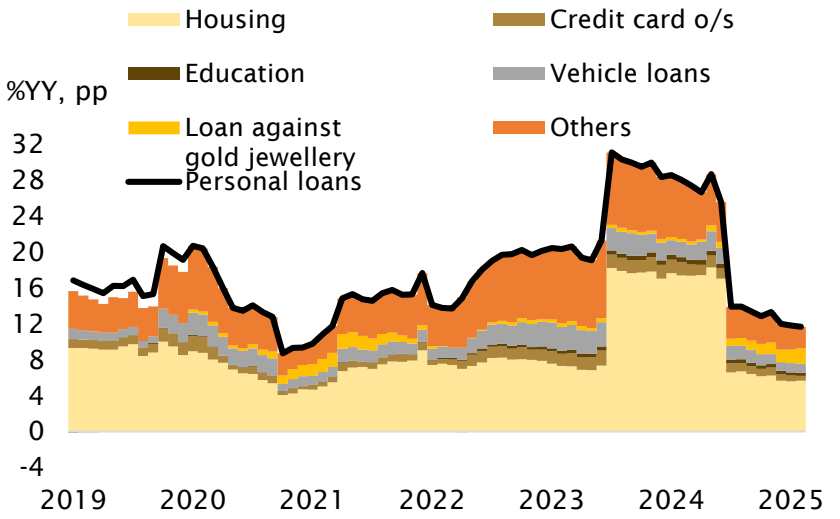
Non-food credit: personal loans



Share in incremental credit growth: personal loans



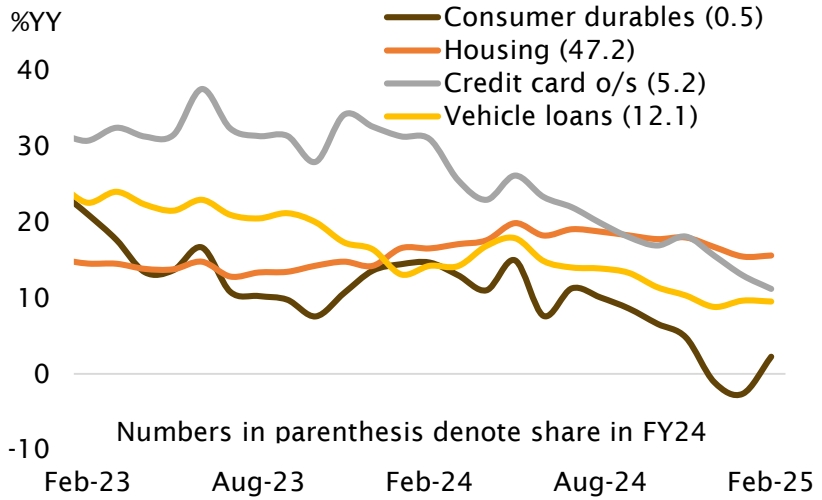
Contribution to non-food credit growth: personal loans



Loans against gold jewellery continued to surge

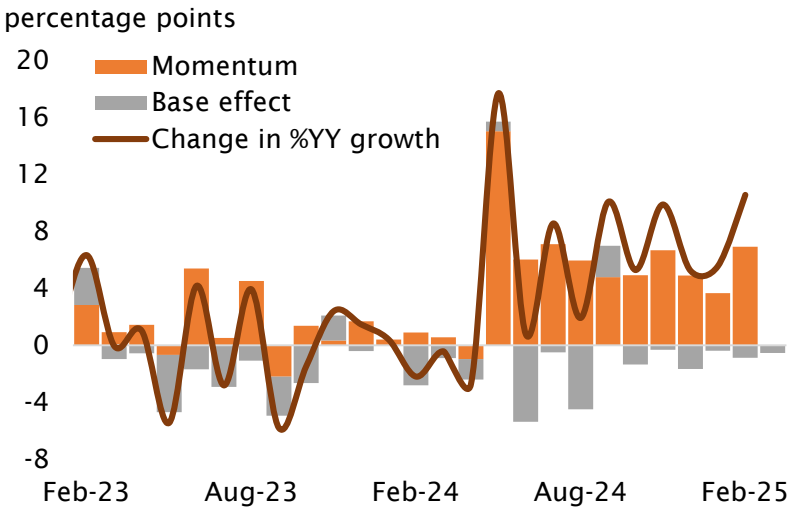
- Consumer credit includes credit to: 1) consumer durables 2) advances against FDs 3) credit card 4) other personal loans. Following the surge in growth to over 30% in Jun-2023, the RBI, in Nov-2023 raised risk weights on bank lending to unsecured consumer credit. As a result, consumer credit growth has moderated and dwindled to single digits in the latest print.
- However, within personal loans, the unprecedented surge in loans against gold jewellery continues. Vehicle loan growth has slowed in the past couple of months after remaining in double digits for 32 straight months, partly mirroring the ongoing weakness in auto sales. In an encouraging sign though, the slump in loans for consumer durables seems to have bottomed out. After declining in Dec-Jan, loans for consumer durables rose 2.2% in Feb-2025.

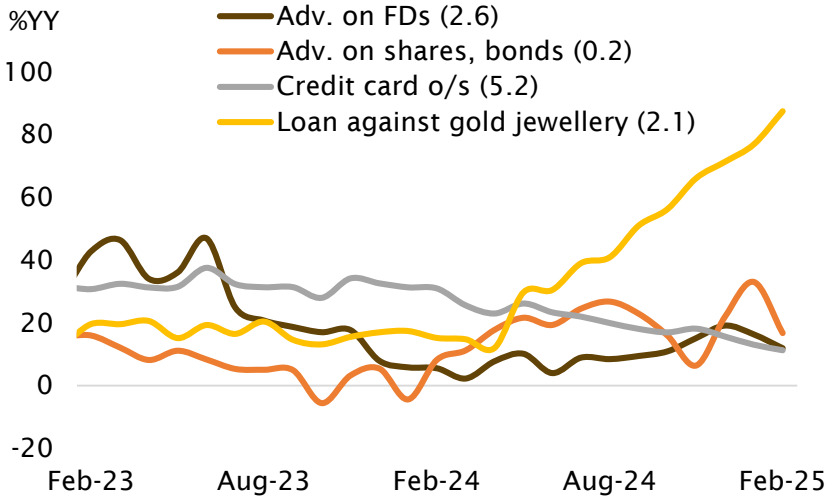
Signs of rebound in loans for consumer durables



Numbers in parenthesis show share in personal loans in FY24

Month-on-month momentum in loans against gold jewellery remains strong, driving exuberance in y-o-y growth rates



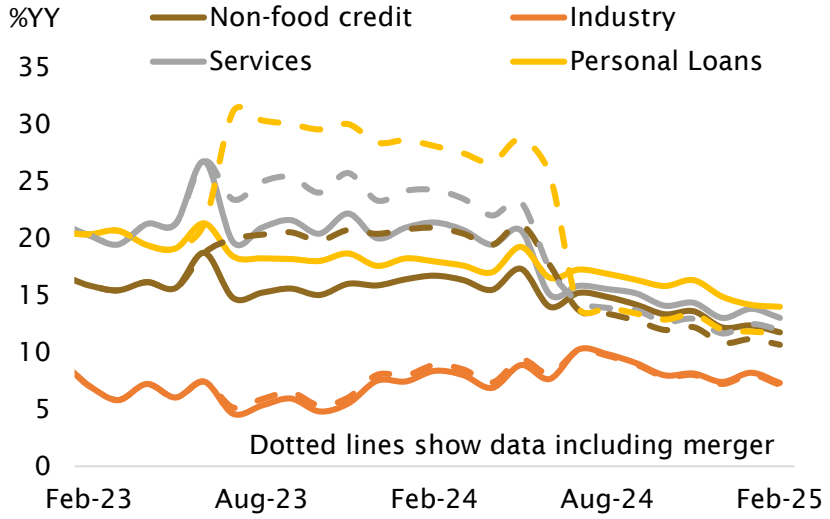


Annexure: Detailed data available only including merger impact

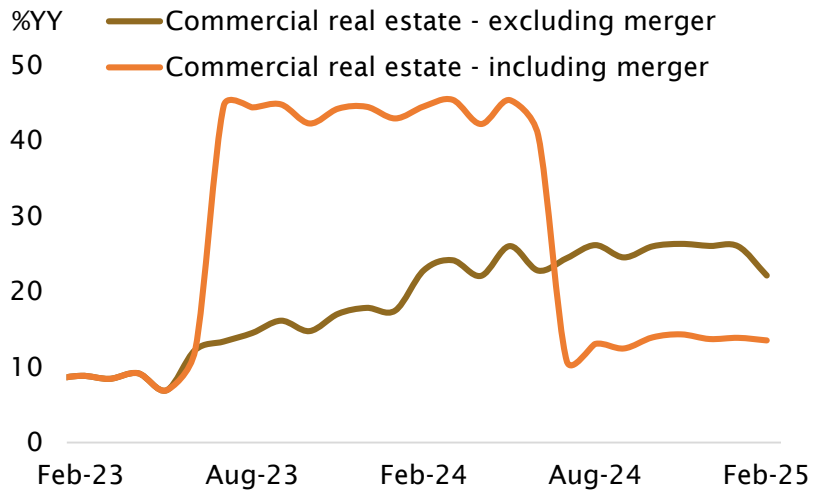
- The headline numbers across sectors (industry, services, personal loans) are available for both – including and excluding the impact of merger of a non-bank with a bank – since July 2023. However, detailed sector-wise data is available across categories only including the impact of the merger, though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

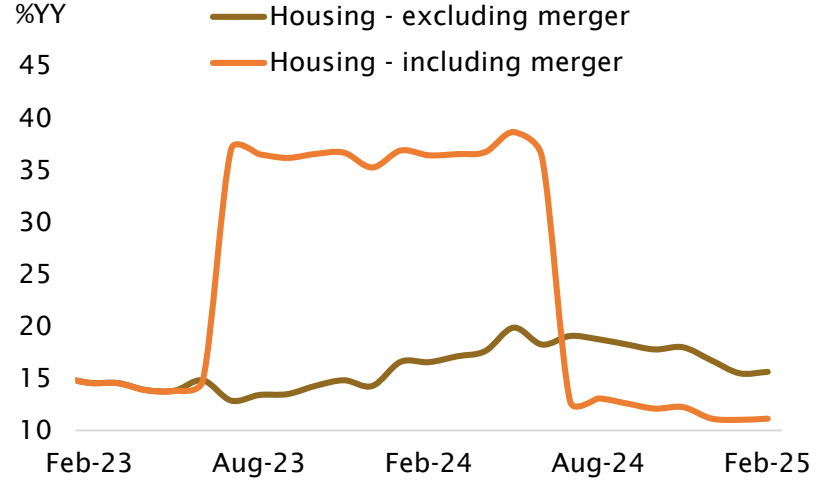
Non-food credit: including and excl. merger impact



Non-food credit: services: commercial real estate



Non-food credit: personal loans: housing



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