

Bank credit growth in Apr'23

After increasing by 15% in Mar'23, bank credit growth picked up further to 15.9% in Apr'23. It must be noted that while RBI increased repo rate by 250bps in FY23, it kept policy rate steady in its first bi-monthly policy of FY24. Even so, interest rates remain well above historical average. However this has not translated into lower credit offtake which continues to grow at a robust pace driven by steady demand.

Table 1 below compares the credit growth across sectors in Apr'23 versus Mar'23. Outstanding credit for both the periods is also given. Interestingly, while growth in bank credit to agriculture, industry and services sector picked up, growth in personal loan segment showed some moderation, on a YoY basis.

Table 1: Segment-wise growth in bank credit

Sector	Rs Crore		% YoY	
	Mar'23	Apr'23	Mar'23	Apr'23
I. Bank Credit (II + III)	1,36,75,228	1,38,57,671	15.0	15.9
II. Food Credit	19,906	21,292	(63.8)	(50.0)
III. Non-food Credit	1,36,55,322	1,38,36,379	15.4	16.1
1. Agriculture and Allied Activities	16,87,191	17,25,511	15.4	16.7
2. Industry	33,36,722	33,69,940	5.7	7.0
2.1. Micro and Small	5,98,390	5,97,629	12.4	9.7
2.2. Medium	2,56,023	2,60,141	19.6	19.1
2.3. Large	24,82,310	25,12,171	3.0	5.3
3. Services	36,08,574	36,64,109	19.8	21.6
3.1. Transport Operators	1,76,239	1,80,377	13.4	18.6
3.2. Computer Software	21,559	21,568	3.2	6.5
3.3. Tourism, Hotels and Restaurants	66,466	66,959	3.2	3.1
3.4. Shipping	6,677	6,342	(20.8)	(19.9)
3.5. Aviation	28,330	29,983	18.1	30.0
3.6. Professional Services	1,34,661	1,35,928	15.3	15.4
3.7. Trade	8,19,921	8,34,959	17.8	18.2
3.7.1. Wholesale	3,96,631	4,13,551	12.9	12.6
3.7.2. Retail	4,23,291	4,21,409	22.7	24.3
3.8. Commercial Real Estate	3,14,604	3,21,861	8.0	9.1
3.9. Non-Banking Financial Companies (NBFCs) of which,	13,31,097	13,45,436	30.2	29.2
3.9.1. Housing Finance Companies (HFCs)	3,14,678	3,13,353	11.6	7.7
3.9.2. Public Financial Institutions (PFIs)	1,75,614	1,77,673	28.1	34.4
3.10. Other Services	7,09,020	7,20,697	15.8	23.5
4. Personal Loans	40,85,168	41,19,592	20.6	19.4
4.1. Consumer Durables	37,323	37,816	35.1	30.8
4.2. Housing (Including Priority Sector Housing)	19,36,428	19,49,920	15.0	14.3
4.3. Advances against Fixed Deposits (Including FCNR (B), NRNR Deposits etc.)	1,21,897	1,12,597	46.2	33.9
4.4. Advances to Individuals against share, bonds, etc.	6,778	6,803	8.3	12.9
4.5. Credit Card Outstanding	1,94,282	2,00,258	30.9	29.7

4.6. Education	96,847	97,395	17.1	18.0
4.7. Vehicle Loans	5,02,780	5,08,937	24.9	23.1
4.8. Loans against gold jewellery	88,428	89,665	19.6	20.4
4.9. Other Personal Loans	11,00,404	11,16,201	25.4	24.0

Source: RBI, Bank of Baroda Research

Based on the above, the following observations can be made:

- Credit to agriculture has picked up to 16.7% in Apr'23 compared with 15.4% in Mar'23 ahead of key cropping season.
- Growth in credit to industry though muted, has shown some improvement and increased by 7% versus 5.7% in Mar'23.
 - o This was driven by large companies (5.3% versus 3%).
 - o Credit to medium industry continued to register strong growth at 19.1%.
 - o However, credit growth to micro and small industry dipped to 9.7% in Apr'23, compared with 12.4% in Mar'23.
- Services segment saw an improvement in credit growth to 21.6% compared with 19.8% in Mar'23.
 - o Credit growth in the aviation sector increased sharply by 30% in Apr'23 compared with 18.1% in Mar'23 as air travel continues to surge.
 - o Amongst other sectors, credit growth picked up in transport, computer software and PFIs.
 - o Credit growth to trade related sectors also improved led by retail.
 - o On the other hand, growth in credit to HFCs has decelerated to 7.7% compared with 11.6% in Mar'23.
- Growth in retail loans moderated in Apr'23 to 19.4% compared with 20.6% in Mar'23. However, credit demand from this sector still continues to outpace the overall demand for credit. Also, this sector accounts for over 30% of total credit, thus driving the growth in total credit.
 - o Relative to Mar'23, growth 6 out of the total 9 sub sectors slowed down. Even so, major heads under this group continued to grow at a healthy pace.
 - o Despite some moderation, both housing and vehicle loans continued to grow in double digits at 14.3% and 23.1% respectively. These together account for over 60% of the total disbursements under this segment.
 - o Advances against FDs, gold, credit cards also witnessed some deceleration amidst a normalization in demand.

Looking further at the industry wise data on credit, it can be seen that the picture is mixed.

- Credit growth to mining sector has picked up to 27.5% compared with 23.6% in Mar'23.
- Improvement is also seen in credit growth to beverages& tobacco, textiles, leather, and wood sectors.

- Pickup in capex expenditure has ensured that infrastructure linked sectors such as roads, railways, telecom etc have seen a pickup. On the other hand, credit growth to airports has fallen sharply in Apr'23.
- Credit demand from construction sector and related sectors such as glass, metals etc has also increased or grown at a robust pace, led by higher demand in the real estate sector.
- Despite headwinds to exports, credit growth to engineering products has increased to 7% in Apr'23, compared with 6% in Mar'23.

Table 2: Industry-wise growth in bank credit

Industry	Rs Crore		% YoY	
	Mar'23, Rs crore	Apr'23, Rs crore	% YoY Mar'23	% YoY Apr'23
2.1. Mining and Quarrying (incl. Coal)	58,812	60,642	23.6	27.5
2.2. Food Processing	1,82,878	1,79,568	4.6	2.7
2.2.1. Sugar	22,867	23,713	(13.3)	(10.1)
2.2.2. Edible Oils and Vanaspati	19,737	19,012	12.7	8.6
2.2.3. Tea	5,162	5,195	(13.2)	(12.7)
2.2.4. Others	1,35,112	1,31,647	8.1	5.3
2.3. Beverage and Tobacco	23,362	24,169	29.4	33.8
2.4. Textiles	2,27,843	2,32,402	2.3	4.3
2.4.1. Cotton Textiles	91,095	92,873	2.6	4.6
2.4.2. Jute Textiles	3,867	3,982	9.9	13.2
2.4.3. Man-Made Textiles	40,354	40,301	5.4	5.3
2.4.4. Other Textiles	92,527	95,246	0.4	3.4
2.5. Leather and Leather Products	11,675	11,782	1.9	2.8
2.6. Wood and Wood Products	19,963	19,984	21.5	21.6
2.7. Paper and Paper Products	43,010	42,682	5.6	4.8
2.8. Petroleum, Coal Products and Nuclear Fuels	1,49,363	1,44,708	44.0	39.5
2.9. Chemicals and Chemical Products	2,16,481	2,14,476	5.8	4.8
2.9.1. Fertiliser	33,805	35,297	(2.7)	1.6
2.9.2. Drugs and Pharmaceuticals	67,130	66,706	6.0	5.3
2.9.3. Petro Chemicals	20,661	21,058	(2.6)	(0.7)
2.9.4. Others	94,885	91,416	11.3	7.2
2.10. Rubber, Plastic and their Products	79,037	78,784	9.9	9.6
2.11. Glass and Glassware	8,100	7,774	39.5	33.9
2.12. Cement and Cement Products	56,592	56,752	20.5	20.9
2.13. Basic Metal and Metal Product	3,43,507	3,42,726	19.5	19.2
2.13.1. Iron and Steel	2,28,860	2,26,500	23.6	22.3
2.13.2. Other Metal and Metal Product	1,14,646	1,16,225	12.0	13.5
2.14. All Engineering	1,75,260	1,77,025	4.9	6.0
2.14.1. Electronics	41,781	43,499	7.8	12.2
2.14.2. Others	1,33,479	1,33,526	4.1	4.1
2.15. Vehicles, Vehicle Parts and Transport Equipment	96,603	99,103	7.0	9.8
2.16. Gems and Jewellery	77,718	77,943	(0.3)	0.0
2.17. Construction	1,22,880	1,21,069	9.0	7.4
2.18. Infrastructure	11,86,248	12,18,509	(1.0)	1.7

2.18.1. Power	6,04,691	6,12,675	(1.6)	(0.3)
2.18.2. Telecommunications	1,11,334	1,28,757	(14.4)	(1.1)
2.18.3. Roads	2,84,793	2,92,378	5.0	7.8
2.18.4. Airports	9,492	7,831	12.7	(7.0)
2.18.5. Ports	8,175	7,619	(10.3)	(16.4)
2.18.6. Railways (other than Indian Railways)	11,169	11,359	(2.7)	(1.1)
2.18.7. Other Infrastructure	1,56,593	1,57,890	2.4	3.3
2.19. Other Industries	2,57,391	2,59,843	2.6	3.5
Industries (2.1 to 2.19)	33,36,722	33,69,940	6.0	7.0

Source: RBI, Bank of Baroda Research

Outlook:

- We expect overall credit demand in the economy to remain robust at 12-14% in FY24, after increasing by 15% in FY23.
- The moderation can be attributed to a high base as well as a slowdown in GDP growth from 7.2% in FY23 to 6-6.5% in FY24.
- Demand for retail loans will continue to increase at a healthy pace led by housing and vehicle loans.
- Credit growth to services sector too is expected to be steady, as the sector continues to grow at a healthy pace. NBFCs, tourism, aviation and retail trade are likely to be the main drivers of growth in this segment.
- Within industry, growth to large corporates may see further traction as the process of deleveraging seen during the last 2 year reverses.
- In terms of specific industries, infrastructure and construction linked sectors are poised to outperform others.
- Agriculture credit demand will depend on how the threat of El-Nino plays out.

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