AXIS BANK

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Banking Credit Deposit Update

India credit and deposits continue to grow strongly.

India's non-food credit growth continued strong at 20.8% in the 17 Nov fortnight (16.8% excluding the HDFC merger), though with deposit growth at 13.6% eaten into by RBI's defence of INR and festival currency demand. On a sectoral basis until 20 Oct, growth remained strong and was driven by trade, NBFC, and consumption loans ahead of the festive season, along with industrial credit linked to production and capex activity.

Strong, all-round India credit growth continues

India's non-food credit growth picked up to 20.8% YoY% in the 17th November fortnight (16.3% before the HDFC merger) with decent offtake continuing (Rs. 186 bn vs 77 bn in the same fortnight last year) thus leading FYTD credit to Rs. 19.25 tn (13.44 tn before the HDFC merger) compared to disbursals of 10.6 tn in the same fortnight last year. Deposit growth was supported at 13.6% YoY% despite festival note demand and RBI intervention, given larger fortnightly contraction in the previous year. Deposits were boosted by Rs. 16.1 tn FYTD (14.8 tn excluding the HDFC merger) when compared to increase of 8.3 tn in the same period last year, creating notably slow deposit growth.

Exhibit: Credit and deposit developments for the 17 Nov'23 fortnight

Rs. Bn	Outstanding			Fortnightly Change		Growth (YoY%)		
	18-Nov-22	03-Nov-23	17-Nov-23	03-Nov-23	17-Nov-23	18-Nov-22	03-Nov-23	17-Nov-23
Total Deposits	172,974	197,121	196,518	1,990	-603	9.6%	13.5%	13.6%
Demand	20,509	22,887	23,072	369	184	12.6%	11.3%	12.5%
Time	152,465	174,233	173,446	1,621	-787	9.2%	13.8%	13.8%
Bank Credit	129,478	155,845	156,206	1,454	360	17.2%	20.6%	20.6%
Non-Food Credit	128,956	155,617	155,803	1,425	186	17.6%	20.7%	20.8%

Source: RBI and Axis Bank Business and Economic Research

Good growth across sectors, though with large industry still lagging:

Up until 20th October, for which numbers are available, credit growth was strong across sectors. Industry at 5.9%, services at 23.6%, retail loans at 29.7%, and agriculture related loans at 17.5%. Growth in industry continues to be held back by large industry, which at 2.8% YoY growth is the weakest since May'22 despite decent monthly increments of late.

Credit growth to services was also strong, and was driven by trade and NBFC lending, a potential pre-festive pickup in activity. With NBFC lending larger than seasonal norms. Lending to the retail sector was strong ahead of the festive season, with credit cards and auto loans doing well, while housing loans were also strong tracking good real-estate activity of late.

On an FYTD basis, lending growth is the strongest since FY06 (including HDFC merger effects) and since FY09 (stripping out these effect). In line with the monthly data, growth is driven by services and personal loans, while industry growth remains somewhat slower. Good industrial growth momentum will be watched for with demand likely to remain strong, but the boost to EBITDA from lower input costs is fading, however at the same time as increasing capex activity.

Exhibit: Headline India sectoral credit trends

Rs. Bn	Outstanding (as of Oct 20, 2023)	Monthly Increment	Monthly increment ex HDFC merger	FYTD (till October 20, 2023) 2023-24				FYTD (till October 20, 2023) 2022-23			Full Year 2022-23		
				Δ	Share of NFC	YoY (%)	YoY ex merger (%)	Δ	Share of NFC	YoY (%)	Δ	Share of NFC	YoY (%)
Non-Food Credit	**146,958**	**5,433**	**5,496**	**19,781**	**100%**	**19.8%**	**15.1%**	**12,464**	**100%**	**20.9%**	**17,009**	**100%**	**15.4%**
Industry	35,723	1,014	1,018	2,356	12%	5.9%	5.4%	2,166	17%	16.4%	1,807	11%	5.7%
Micro & Small	6,833	536	-	849	4%	16.9%		526	4%	27.6%	662	4%	12.4%
Medium	2,808	191	-	274	1%	12.1%		246	2%	48.4%	275	2%	12.2%
Large	26,083	287	-	1,233	6%	2.8%		1,394	11%	11.8%	869	5%	3.6%
Services	42,109	1,794	1,814	6,024	30%	23.6%	20.1%	3,941	32%	25.6%	5,966	35%	19.8%
Retail Credit	49,993	1,725	1,764	9,142	46%	29.7%	18.0%	4,689	38%	22.9%	6,982	41%	20.6%
Agri & Allied Activities	19,132	899	899	2,260	11%	17.5%		1,668	13%	16.3%	2,255	13%	15.4%

Source: Axis Bank Business and Economic Research

India sectoral credit details

Up until 20th October, for which numbers are available, credit growth was strong across sectors – industry at 5.9% , services at 23.6%, retail loans at 29.7%, and agri related loans at 17.5%.

Growth in industry continues to be held back by large industry, which at 2.8% YoY growth is the weakest since May'22 despite recent monthly increments at a decent pace; increments early in the year were minimal. Within industry, September's increase to petro was reversed, with lower oil prices allowing for positive cash margins. Chemicals, rubber, metals and engineering also saw good increments, with activity also seen in IIP and trade data, while jewellery and auto related credit rose ahead of the festive season. Infrastructure lending continued strong with telecom and roads seeing good disbursals.

Credit growth to services was also strong, driven by trade and NBFC lending – a potential prefestive pickup in activity. With NBFC lending larger than seasonal norms. Lending to the retail sector was strong ahead of the festive season, with credit cards and auto loans doing well, while housing loans were also strong tracking good real-estate activity of late. The numbers also show strong growth in unsecured credit continuing, with effects of recent increases in risk weights looked for in November data.

On an FYTD basis, lending growth is the strongest since FY06 (including HDFC merger effects) and since FY09 (stripping out these effect). In line with the monthly data, growth is driven by services and personal loans, while industry growth remains somewhat slower. Good industrial growth momentum will be watched for with demand likely to remain strong, but the boost to EBITDA from lower input costs fading – at the same time as increasing capex activity.

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