

ROBUST CREDIT GROWTH CONTINUES IN FY23

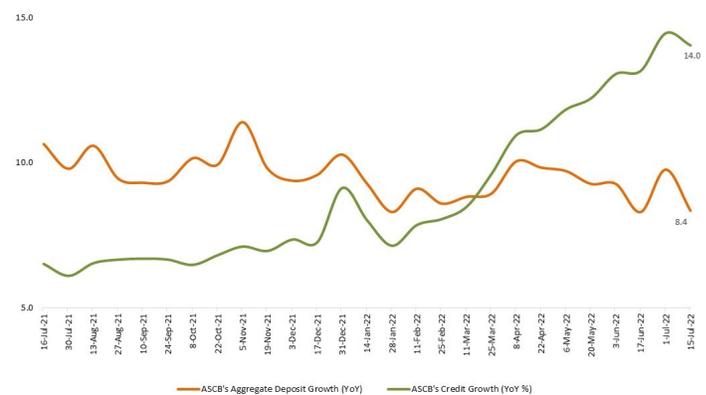
Credit growth continues to remain strong. In FY23, credit growth has gained further traction over FY22 and has recorded a 3-year high growth of 14% (YoY) as on July 15, 2022 (6.5% last year). The incremental growth (YTD) in credit is Rs 3.8 lakh crore (3.3%) till date (degrowth of Rs 0.7 lakh crore last year or -0.6%). It's clearly evident that the demand for credit is still continuing.

The sector-wise credit data for the month of June 2022 indicates that there is a substantial improvement in incremental credit to each and every sector. **Specifically, credit growth to MSME sector has expanded by Rs 52800 crores in current fiscal as against a de-growth of Rs 61,000 crore in similar period previous fiscal. Retail loans expanded by Rs 1.34 lakh crores against a de-growth of Rs 26,500 crore last year. Clearly, the evolving war seems to have not significantly impacted sentiments on the ground.**

ROBUST CREDIT GROWTH CONTINUED IN FY23: SHARP SLOWDOWN TO SHARP RECOVERY

- ◆ In FY23, credit growth has gained further traction over FY22 and has recorded a 3-year high growth of 14% (YoY) as on July 15, 2022 (6.5% last year). The incremental growth (YTD) in credit is Rs 3.8 lakh crore (3.3%) till date (degrowth of Rs 0.7 lakh crore last year or -0.6%). It's clearly evident that the demand for credit is still continuing.
- ◆ With capacity utilisation nearing 75%, investment activity is expected to strengthen further, driven by rising capacity utilisation, Government's capex push and deleveraged corporate balance sheets.
- ◆ While, the aggregate deposits grew by 8.4% YoY for the fortnight ended July 16, 2022, compared to last year growth of 10.7%. On YTD basis, aggregate deposits increased by Rs 3.4 lakh crore (2.1%), compared to last year YTD growth of Rs 4.0 lakh crore (2.7%).
- ◆ During the fortnight (01-16 July, 2022), there is a decline in deposits by Rs 1.51 lakh crore and Rs 1.0 lakh crore in credit. The decline in deposits is due to the trend in every alternative fortnights, which may be due to salary withdrawals in the first fortnight of every month for recurring consumption purposes.

ASCBs Deposits & Advances YoY Growth (%)



Fortnightly Incremental Growth in ASCB Credit (Rs crore)



Source: SBI Research

ASCBs Sector-Wise Credit Flow (Rs bn): June 2022									
Sectors	FY22 (YTD)		Monthly Growth (Rs bn)			FY23 (YTD)		YoY %	
	Rs bn	%	Apr-22	May-22	Jun-22	Rs bn	%	June-21 (FY22)	June-22 (FY23)
Agri. & Allied	-7	-0.1	172	50	173	395	2.7	10.6	13.0
Industry	-374	-1.3	-0.4	125	32	157	0.5	-0.6	9.5
MSE (Priority)	-610	-5.0	318	150	60	528	3.8	-0.6	23.7
Infrastructure	114	1.0	89	-40	125	174	1.5	0.4	9.5
Services	-541	-1.9	17	244	273	534	1.8	4.0	12.8
NBFCs	-605	-6.2	128	46	53	226	2.1	-1.1	21.1
Personal Loans	-265	-0.9	572	248	523	1342	4.0	12.2	18.1
Housing (Including Priority)	198	1.3	219	26	320	565	3.4	11.1	15.1
Other Personal Loans	-235	-3.1	174	184	74	433	4.9	13.1	24.2

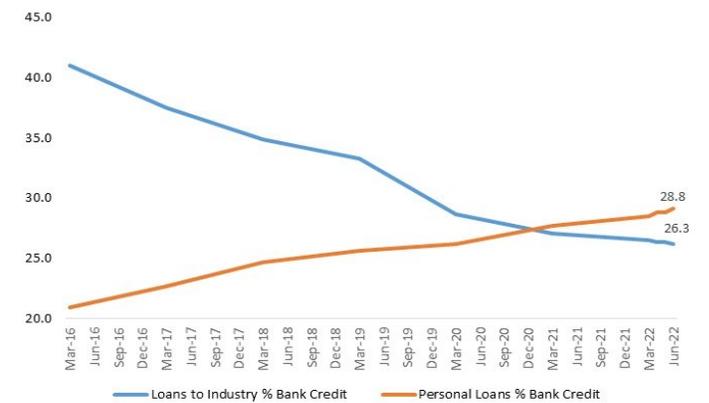
Source: SBI Research

- ◆ The sector-wise credit data for the month of June 2022 indicate that there is a substantial improvement in incremental credit to each and every sectors. Personal loans continued to grow at a robust pace and grew by Rs 523 billion in June and services grew by Rs 273 billion.
- ◆ Interestingly, retail loans now have the largest share (29.1%) in the outstanding credit of ASCBs, displacing industrial loans (26.2%) in May 2022.
- ◆ Going forward, the outlook on banking sector depends upon the evolving geopolitical situation and its impact on global commodity prices and logistics. In FY23, we expect both deposits and credit will continue to grow in double digits, despite the interest rate reversal.

SBI COMPOSITE INDEX: JULY 2022

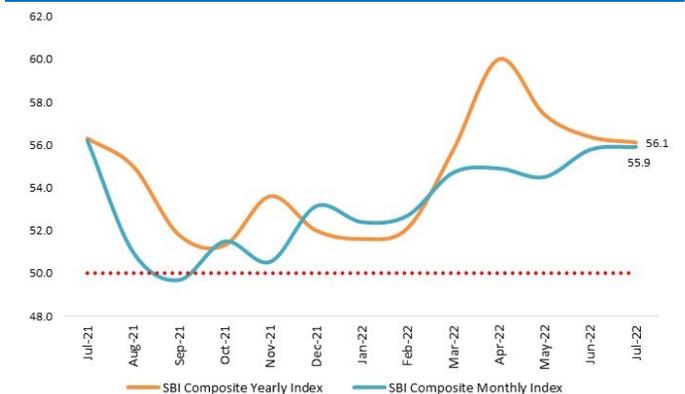
- ◆ The yearly SBI Composite Index declined and is at 56.1 (High Growth) in July 2022, compared to 56.4 (High Growth) in June 2022. While, the monthly index increased marginally to 55.9 (High Growth) in June from 55.8 (High Growth) in June 2022. The rise in monthly index due to the continued upturn in business activities.
- ◆ Based on the SBI index, we believe IIP and IIP manufacturing may grow in double digit both in June & July 2022.

Personal Loans Share crossed Industry Loans in Overall Bank Credit



Source: SBI Research

SBI Yearly and Monthly Composite Index Trend



Source: SBI Research

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