

## Credit Update: October 2023

**Deposit growth held back by limited government spending despite strong receipts, more limited drain from currency demand to support conditions.**

**Fortnightly credit impulse pushes non-food credit growth higher to 19.8% (15.3% excluding the HDFC merger), with potential effects of the festive season:**

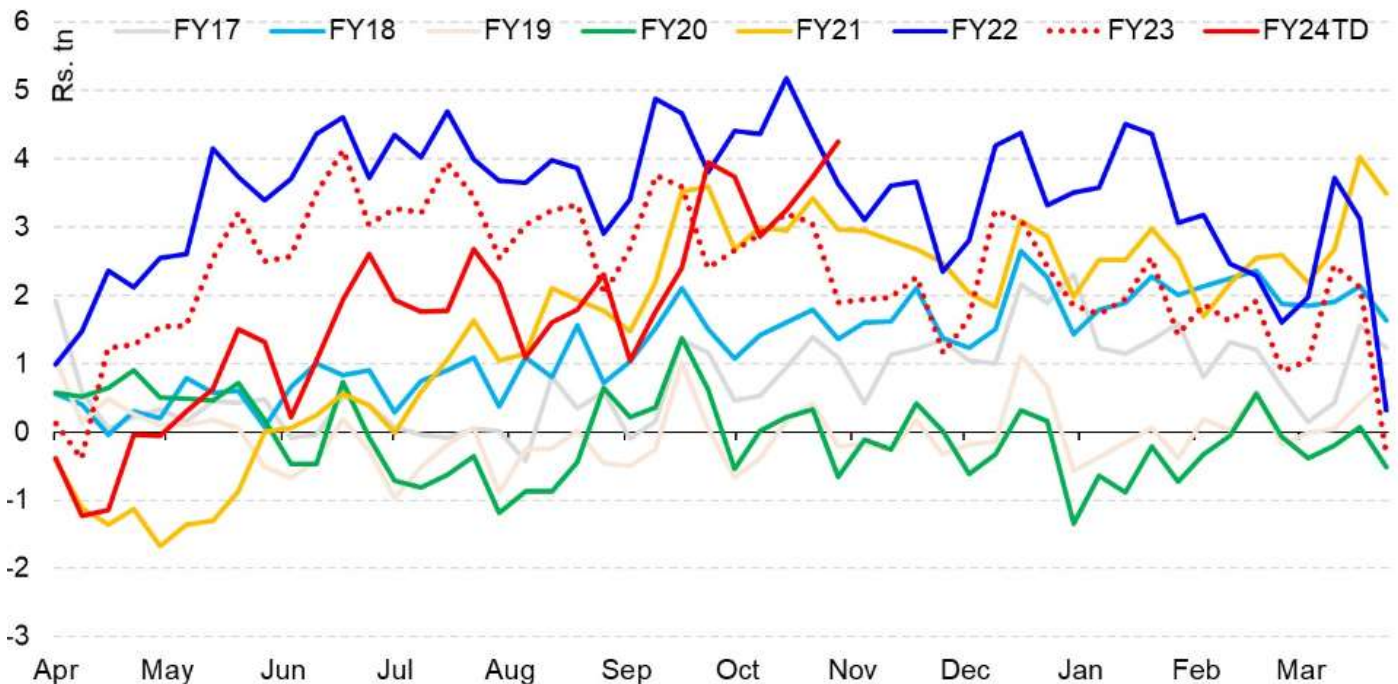
- Incremental outstanding credit up a steady Rs. 853 bn over the fortnight as opposed to much smaller increment of Rs. 195.8 in the same fortnight last year.
- Gains might potentially be on festive season-related consumption spending, as well as credit to the energy sector given higher crude oil prices.
- On an FYTD basis, non-food credit rose by Rs. 17,506.4 bn (Rs. 11,642.1 bn excluding effects of the HDFC merger), as opposed to the Rs. 10,214.5 bn up until the same fortnight last year.
- Numbers reflect recovery in the pace of credit creation, after FYTD credit (ex-HDFC) were neck-and-neck in July and August.

**Deposit growth slows down to 13.4% YoY (12.6% after excluding effects of the HDFC merger) with liquidity absorbed from rising GOI balances and RBI's INR defence:**

- Aggregate deposits were down Rs.906 bn, as against drop of Rs. 595.5 bn in the corresponding fortnight last year, in line with steady increases in GOI balances (soft spending/good tax collections) as well as RBI's defence of the INR.
- In contrast to previous years, drains from currency demand are relatively muted.
- Within deposits, demand deposits fell Rs. 441.2 bn and time deposits fell Rs. 464.8 bn.
- On an FYTD basis, aggregate deposits rose by Rs. 14,694.1bn (Rs. 13,352.2 bn after excluding effects of the HDFC merger) - much higher than Rs. 7,387.9 bn in the same fortnight last year - driven by deposits of currency notes and accretion to FX reserves in the year.

SLR/NDTL up to 28.8% during the fortnight, largely in line with the drop in deposits.

**Chart: GOI balances held with the RBI - limited spending is holding deposits back with the government rather than increasing them in the system**



Source: Axis Bank Business and Economic Research

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